

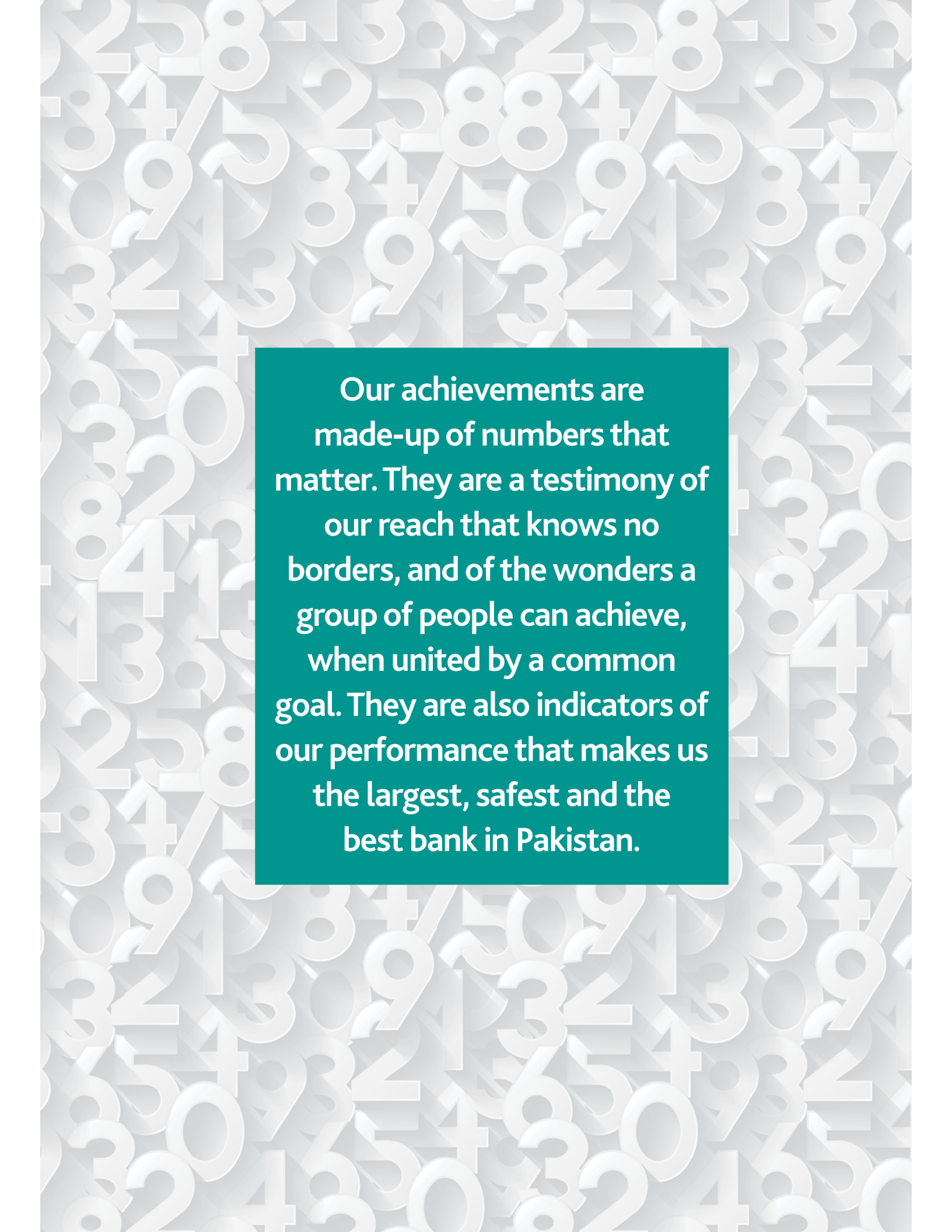
HBL

Bank of the Year



Annual Report 2014



The background of the entire image is a dense, repeating pattern of various numbers (0-9) and mathematical symbols (plus, minus, multiply, divide, percent, hash, at-sign, dollar sign, and hash) in a light gray, 3D-style font. The numbers and symbols are of different sizes and are scattered across the entire background, creating a textured, data-oriented aesthetic.

Our achievements are
made-up of numbers that
matter. They are a testimony of
our reach that knows no
borders, and of the wonders a
group of people can achieve,
when united by a common
goal. They are also indicators of
our performance that makes us
the largest, safest and the
best bank in Pakistan.

Table of Contents

Corporate Information	04
Management	05
Vision & Mission	06
Our Values	07
HBL's International footprint	08
Key Performance Indicators	14
Board of Directors	16
Chairman's Message	18
Directors' Report	20
Financial Highlights (Consolidated)	27
Progress at a Glance - 2004 to 2014 (Consolidated)	28
Statement of Internal Control	29
Review Report	30
Statement of Compliance	31

Consolidated Financial Statements

Auditors' Report to the Members - Consolidated	34
Consolidated Statement of Financial Position	35
Consolidated Profit & Loss Account	36
Consolidated Statement of Comprehensive Income	37
Consolidated Statement of Changes in Equity	38
Consolidated Cash Flow Statement	39
Notes to the Consolidated Financial Statements	40
Annexures - Consolidated	93
HBL Domestic Network	106

Unconsolidated Financial Statements

Directors' Report	108
Auditors' Report to the Members - Unconsolidated	115
Unconsolidated Statement of Financial Position	117
Unconsolidated Profit & Loss Account	118
Unconsolidated Statement of Comprehensive Income	119
Unconsolidated Statement of Changes in Equity	120
Unconsolidated Cash Flow Statement	121
Notes to the Unconsolidated Financial Statements	122
Annexures - Unconsolidated	170
Pattern of Shareholding	218
Categories of Shareholders	220
Notice of Annual General Meeting	221
Admission Slip	235
Form of Proxy	237



Corporate Information

Board of Directors

Mr. Sultan Ali Allana	Chairman
Mr. Agha Sher Shah	Director
Mr. Moez Ahamed Jamal	Director
Dr. Najeeb Samie	Director
Mr. R. Zakir Mahmood	Director
Mr. Sajid Zahid	Director
Mr. Nauman K. Dar	President & CEO

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. Rayomond Kotwal

Legal Advisor

Mandviwala and Zafar
Advocates and Legal Consultants

Company Secretary

Ms. Nausheen Ahmad

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Registrar

Central Depository Company of Pakistan Limited
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi – 74400, Pakistan.
Tel: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

HBL Shares Office

Phone: (92-21) 32474396
Fax: (92-21) 32415623

Head Office

Habib Bank Limited
Habib Bank Plaza
I.I. Chundrigar Road
Karachi - 75650, Pakistan.
Phone: (92-21) 32418000 [50 lines]

Registered Office

Habib Bank Limited
4th Floor, Habib Bank Tower
Jinnah Avenue, Blue Area
Islamabad, Pakistan.
Phone: (92-51) 2872203, (92-51) 2821183
Fax: (92-51) 2872205

Websites:

Corporate Website:
www.hbl.com

Internet Banking:

www.hbllibank.com.pk

Management

Mr. Aamir Irshad

Head - Corporate & Investment Banking

Mr. Aamir Kureshi

Head - Consumer Banking

Mr. Aman Aziz Siddiqui

Head - Strategy & Investments

Mr. Anwar Zaidi

Head - Financial Institutions & Global Trade Services

Mr. Ayaz Ahmed

Head - Acquisitions & Investments

Mr. Faiq Sadiq

Head - Payment Services

Mr. Faisal Anwar

Chief Compliance Officer

Mr. Fareed Hosain

Chief Information Officer

Mr. Hassan Raza

Head - Structured Credits

Mr. Jamal Nasir

Head - Human & Organisational Development

Mr. Khalid Mohsin Sheikh

Sr. Credit Officer & GM - Market Risk

Mr. Mirza Saleem Baig

Head - Islamic Banking

Mr. Mohammad Ali

Head - Distribution Pakistan & Chief Representative Islamabad

Mr. Mubashar Maqbool

Head - Commercial Banking

Mr. Nadeem Ahmed

GM - Delivery Channels Branches - Domestic & International

Mr. Nauman K. Dar

President & CEO

Ms. Nausheen Ahmad

Company Secretary & Head Legal

Mr. Naveed Asghar

Head - Marketing & Brand Management

Dr. Razi Azmat

Head - Human Resources

Mr. Rayomond Kotwal

Chief Financial Officer

Mr. Rizwan Haider

Chief Risk Officer

Mr. Salahuddin Manzoor

Global Treasurer

Mr. Salim Amlani

Chief Internal Auditor

Ms. Sima Kamil

Head - Branch Banking

Ms. Sobia Chughtai

Head - Corporate Central

Mr. Tariq Akbar

Head - Global Operations

Mr. Tauqeer Mazhar

Head - Distribution Central & Chief Representative Punjab

Mr. Wajahat Rasul Khan

GM - International Network Management

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, processes and a spirit of enterprise.

Customer Focus

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

Excellence

This should be at the core of everything we do. The markets in which we operate are becoming increasingly competitive and our customers now have an abundance of choice. Only through being the very best – in terms of the services we offer, our products and premises – can we hope to be successful and grow.

Integrity

We are the leading bank in Pakistan and 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. We believe in rewarding achievement and in providing first-class career opportunities for all.

HBL's international footprint spans across 28 countries and 4 continents.

BRANCHES		
Afghanistan	Kabul:	Main Branch Serena Hotel
Bahrain	Retail Bank	
	Manama	
	Muharraq	
	Riffa	
Bangladesh	Wholesale Bank	
	Manama	
	Dhaka:	Motijheel Gulshan Uttara Karwan Bazar Naya Bazar
	Chittagong	
Belgium	Sylhet	
	Brussels	
France	Paris	
Kenya	Nairobi	
	Mombasa	
	Malindi	
Lebanon	Beirut	
Maldives	Male	
Mauritius	Port Louis	
	Rose Hill	
	Curepipe	
	Chemin Grenier	
Oman	Flacq	
	Muscat:	Central (Ruwi) Muttrah Al-Khuwair Walja Area
	Seeb	
	Sohar	
Seychelles	Salalah	
	Mahe	
Singapore		
Sri Lanka	Colombo:	Pettah Dharampala
	Kalmunai	
	Kandy	

Turkey	Istanbul
UAE	Dubai: Deira Naif Road Bur Dubai
	Abu Dhabi: Main Branch Sheikh Zayed Road
	Al Ain
	Sharjah
USA	New York City
SUBSIDIARIES	
Hong Kong	Habib Finance International Limited 1 Branch
UK	Habibsons Bank Limited
	London: Edgware Road Whitechapel Road Green Street Southhall Portman Street
	Manchester
	Birmingham

	Leicester
	Glasgow
Netherlands	Rotterdam
Switzerland	Zurich
	11 Branches
REPRESENTATIVE OFFICES	
People's Republic of China	Beijing
Iran	Tehran
AFFILIATES	
Nepal	Himalayan Bank Ltd - Nepal (20%) 42 Branches
Kyrgyz Republic	Kyrgyz Investment and Credit Bank - Kyrgyz Republic (18%) 38 Branches 1 Representative Office in Almaty - Kazakhstan
Kenya	Diamond Trust Bank Kenya Limited - Kenya (11.97%) 110 Branches across Kenya, Tanzania, Uganda and Burundi

HBL branches and
ATMs exist in cities,
towns and villages that
many may not have
even heard of, making
our reach unparalleled.



Over

2100

branches and off-site ATMs



No two financial needs
are the same. Our
diversified solutions
equip us to serve you
no matter who you are
or where you're from.

Over



million customers worldwide



No. 1 Bank in Pakistan



*before tax

These global accolades stand as a testament to our efforts and achievements.

Bank of the Year, Pakistan

The Banker, 2014

Best Bank in Pakistan

Euromoney, 2014

Safest Bank in Pakistan

Global Finance, 2014

**Best Local Trade Finance
Bank in Pakistan**

Global Trade Review, 2014

**Best Trade Finance
Provider in Pakistan**

Global Finance, 2014



1 Sultan Ali Allana
Chairman

Mr. Sultan Ali Allana has been Chairman of the Board of Directors of HBL since February 2004. He has over 30 years of experience in the financial and banking industry.

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

2 Nauman K. Dar
President & CEO

Mr. Nauman K. Dar, President & CEO of Habib Bank Limited, is a banker with over 32 years of banking experience.

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

3 R. Zakir Mahmood
Director

Mr. R. Zakir Mahmood has over 35 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, Jubilee General Insurance Company Limited, Jubilee Life Insurance Company Limited, AceFirst Consulting (FZE) and Aga Khan University.

Board of Directors



4 Sajid Zahid Director

Mr. Sajid Zahid is a Barrister with over 39 years of experience in Corporate and Commercial Law.

Mr. Sajid Zahid is the Jt. Senior Partner Orr, Dignam & Co.

5 Moez Ahamed Jamal Director

Mr. Moez Ahamed Jamal has experience of over 36 years in the financial sector.

Mr. Moez Ahamed Jamal currently serves on the Board of Diamond Trust Bank in Kenya, Marcuard Family Office in Switzerland, Jubilee Holdings Limited (East Africa) and Global Finanz Agency AG. He is a Partner of JAAM AG, an investment advisory company in Switzerland.

6 Agha Sher Shah Director

Mr. Agha Sher Shah has over 28 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, Attock Cement Limited, Sui Southern Gas Company Limited, Thatta Cement Company Limited, Newport Containers Terminal (Private) Limited and Triton LPG (Private) Limited.

7 Dr. Najeel Samie Director

Dr. Najeel Samie has over 34 years of experience in the corporate and financial sector.

Dr. Najeel 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



Bank of the Year

We enhanced our outreach by establishing new branches and strengthening alternate delivery channels, like never before. We challenged ourselves at every level, we believed in our people, we thought the impossible and we "broke from the pack". Our quest for excellence won us several awards, including "Bank of the Year". We were recognised as the "Safest Bank in Pakistan" and our AAA ratings were reaffirmed.

We invested heavily in infrastructure, in technology, in communications and in training and developing our people. We firmly cemented HBL's position as the largest bank in the country and posted year-end results, which are unprecedented in the banking history of the country. Alhamdulillah, we closed the year with a pre-tax profit of Rs. 48.5 billion (\$ 483 million) and post-tax profit of Rs. 31.8 billion (\$ 317 million) thereby recording an impressive 38% year on year increase to our bottom line.

Management's focus on building a solid and a sustainable retail banking franchise has resulted in the bank achieving a deposit base of over Rs. 1.5 trillion (\$ 15.2 billion). A thoughtful and planned retention of earnings over the past 11 years, since the privatisation of the bank, has resulted in HBL achieving an equity base of over Rs. 170 billion (\$ 1.7 billion), which places the bank's Capital Adequacy Ratio well ahead of regulatory requirements.

We concluded landmark transactions with corporate entities and maintained our leadership in the area of Investment Banking. Over \$ 3 billion of remittances were channeled through HBL and its partnering financial institutions network, primarily in Gulf, Saudi Arabia, UK and USA. On the domestic front, over Rs. 1.5 trillion moved through our cash management platform. Distribution of Bancassurance and HBL's asset management activities were further strengthened through our wide branch network and sales force. Consequently, income from fees, commissions, treasury activities and other non-funded income set a new record of Rs. 23.5 billion (\$ 234 million).

A bank for everyone, anywhere

With a branch footprint of nearly 1,600 branches in Pakistan and 552 off-site ATMs, we offer a footprint like no other bank.

Point-of-sale acquiring added to our offering and just in one year, our management added over 2,600 machines in the marketplace. This initiative has and will continue to improve the acceptability of debit and credit cards throughout the country.

Milestone results were achieved in the area of Islamic Banking where HBL rose from the sixth position to become the second largest in the country with product and service offerings through 43 dedicated branches,

2 sub-branches and 488 windows in the conventional HBL branches.

SME lending continued to grow while product programmes aimed at supporting the rural banking domain resulted in an asset growth of 23% while adding over 13,000 new customers.

Our international franchise operations contributed 11% to our bottom line. Trade finance and correspondent banking relationships were strengthened and we repositioned our business models in countries, which offer multiple sources of income streams. We added one new branch in Sri Lanka; overall, we capitalised on our international presence and our outreach, which spans 28 countries across 4 continents.

Our obsession with technology

We believe that technology is and will continue to be "the game changer". During the year under review, the management formalised plans and proceeded to implement cutting edge solutions in the workplace.

Mobile payment services were launched under the banner of HBL Express. This has enabled provision of banking solutions to the unbanked at their fingertips. Partner alliances are enabling us to grow the agent network in a cost effective and rapidly scalable manner, to further improve banking access. Through our technology solutions, we have become one of the leading solution providers for G2P payments spanning the country from the desert in Thar to the mountains of the Karakoram.

Our trailblazers

Our people make the bank what it is. We are extremely proud of what we have achieved in 2014 and we are excited about the future. We salute our management and staff who make us what we are. We recognise our trailblazers who have worked with zeal, vigour and dedication. It is they who make HBL truly unique.

Meritocracy remains our key value proposition. We are committed to investing in our people. The management has established a high quality Management Trainee Programme, which will prepare leaders for the future. We have actively supported women empowerment and are striving to bring more women into the workplace by endeavouring to become an employer of choice. It is a matter of pride for us that we have women tellers, officers and branch managers in rural and urban areas across Pakistan.

Enriching lives, enabling dreams

It is incumbent upon us to serve the less privileged and strive for a more egalitarian society. HBL Foundation, our Corporate Social Responsibility arm is enabling us to deliver "hope" where it is most needed. The Foundation supports private and public education and health initiatives across Pakistan.

Through our sports division, which has given the nation, hockey and cricket heroes, we added new high impact programmes to engage our youth who possess talent and need our backing. One such initiative was our celebration for the Pakistan's Street Children Football Team, who made us all proud by making it to the Street Children's World Cup in Brazil and winning a bronze medal in 2014.

Best practices, in all that we do

We are acutely conscious of the evolving global regulatory environment and we will strive to maintain the highest standards of compliance, corporate governance and follow best practices. We remain committed to building a sound future for the bank.

Our journey has just begun

HBL will turn 75 this year. For us the journey has just begun. We intend to capitalise on the bank's heritage and values, and are determined to chart a course, which positions this national institution amongst the finest in the world, in all aspects. Technology will be a lead driver for us and we will do whatever it takes to be the best in the industry. We will spend more on developing our people and we will strive to ensure transparency and consistency in all areas of our work.

We express our gratitude to our shareholders for believing in our ability to do well and for supporting us in building this bank as a premier institution of Pakistan.

We will be pleased to present before our shareholders at the forthcoming AGM, a final cash dividend of Rs. 5.5 per share, bringing our total yearly dividend to Rs. 12 per share, which will, on a full year basis amount to the highest ever cash dividend paid by HBL.

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, 2014.

Macroeconomic Review

Pakistan's economy demonstrated underlying strength as GDP growth reached a 6 year high of 4.1% supported by a strong recovery in industrial output which exhibited growth of 5.8%. The recovery has benefited from the fiscal reforms of the Government including the partial resolution of the circular debt which has helped to boost Large Scale Manufacturing growth to 4%. Declining oil and commodity prices have resulted in a sharp reduction in inflation which averaged 6.1% for the first half of FY '15 and has fallen to an 11 year low in January 2015.

The trade balance has deteriorated in the first half of FY '15 as exports declined by 2% over the corresponding period of FY '14 while imports increased by 4%. This was offset by continued strong growth in remittances, which increased by 15% over H1 of FY '14. In addition, a further two payments from the Coalition Support Fund, along with investment flows have helped to stabilise the Balance of Payments.

FX reserves have increased by 75% to \$15 billion over the year, buoyed by several successful initiatives and a turnaround in investor confidence – the sale of \$ 2 billion Eurobonds and \$ 1 billion Sukuk, the auction of 3G/4G spectrum licences, and a one-off inflow of \$ 1.5 billion. The re-launch of the Privatisation programme has been largely successful with offerings of United Bank Limited, Pakistan Petroleum Limited and Allied Bank Limited, all being oversubscribed and generating over \$ 0.5 billion in foreign exchange proceeds. Consequently, the Rupee appreciated by nearly 5% over the year.

The KSE Index continued to set new records, rising by 27% over the year. This growth has been driven by strong corporate profitability and foreign portfolio investment of \$ 385 million. Moodys' upgrading of the country's external rating from "Negative" to "Stable" has reflected the improving macroeconomic environment and further improved perception.

Banking Sector deposits increased by 10% while loans grew by 9% in line with private sector credit offtake. The State Bank of Pakistan had maintained the discount rate at 10% for most of the year despite the deceleration in inflation, citing a need for demonstration of sustainability. However, in the wake of continued reduction in inflation and a stable macroeconomic environment, the SBP reduced the discount rate by 50 bps to 9.5% in November 2014, followed by a steeper reduction of 100 bps to 8.5% in January 2015.

Financial Performance

The financials of the Group are summarised below:

	2014	2013
	Rupees in Million	
Profit after tax	31,820	23,027
Un-appropriated profit brought forward	73,749	67,215
Profit attributable to equity holders of the Bank	31,725	22,863
Other Comprehensive Income - net of tax	(287)	(103)
Transferred from surplus on revaluation of fixed assets - net of tax	93	61
De-recognition of equity due to voluntary winding up of Modaraba	(30)	-
Exchange translation on transfer of overseas branch to subsidiary	493	-
	31,994	22,821
Profit available for appropriation	105,743	90,036

Appropriations:

Transferred to statutory reserves
Cash dividend - final
Issued as bonus shares
1st interim cash dividend
2nd interim cash dividend
3rd interim cash dividend

Total appropriations

Un-appropriated profit carried forward

Earnings per Share (Rupees)

2014 2013
Rupees in Million

(3,162)	(2,225)
(2,667)	(4,849)
(1,333)	(1,212)
(2,934)	(5,334)
(3,300)	(2,667)
(3,300)	-
(16,696)	(16,287)
89,047	73,749
21.63	15.59

Balance Sheet Growth

HBL's overall balance sheet size grew by 9% to Rs. 1.9 trillion in line with a 9% growth in the deposit base to Rs. 1.5 trillion. Despite targeted reduction in high cost deposits, the Bank was successful in increasing domestic deposits by 6.6% to Rs. 1.26 trillion. This was underpinned by a strong growth of 25% in Current Accounts which now form 31.5% of the domestic deposit mix, compared to 27% as at December 2013. Advances registered a growth of 5.6% to Rs. 595 billion as the Bank remained conservative in its lending.

The Capital Adequacy Ratio (CAR) under Basel III improved from 15.4% to 16.2% as at December 31, 2014, while the Tier 1 CAR improved to 13.3% as a result of strong internal capital generation.

Strong Earnings Growth

Profit after Tax increased by 38% to Rs. 31.8 billion while Pretax profit grew by 34% to Rs. 48.5 billion. The earnings per share increased from Rs. 15.59 for 2013 to Rs. 21.63 for 2014. This strong performance was primarily driven by a 25% increase in total revenue. Net Interest Income increased by 25% to Rs. 69.1 billion, driven by a 9% growth in the average Balance Sheet. The active shedding of high cost deposits and current account growth resulted in a 16 bps drop in the cost of deposits while the shifting of the investment portfolio from short term T-Bills to long term PIBs was reflected in a 32 bps increase in overall asset yields.

Non Mark-up Income increased by 24% to Rs. 23.5 billion, driven by a 20% increase in fees and commissions. The growth was mainly due to Bancassurance, which increased by 18% to nearly Rs. 2 billion, higher Investment Banking revenues and a streamlining of fees on general banking products. Treasury related activities showed a strong performance, growing by 30% as HBL successfully leveraged market opportunities. Share of profit from associates increased by 37% as a result of improved performance from Banking and Insurance associates. RoE improved to 20.4% from 16.7% last year.

During 2014, the Bank continued to invest heavily in people, technology and infrastructure in line with its philosophy of using technology to improve the customer experience and further its financial inclusion agenda. Administrative costs thus increased by 14% over the previous year. However, as a result of the strong revenue growth, the cost/income ratio declined from 48.6% in 2013 to 44.6% in 2014.

Net NPLs remained relatively stable at around Rs. 13 billion while the coverage was maintained at over 83%. Strong risk management and successful recovery efforts resulted in a reduction in the Net NPL ratio while the provision charge for the year remained at 0.2% of loans. The Bank remains well provisioned with the total stock of net NPLs representing only 26% of the operating profit.

Business Developments

Over the course of the year, the retail bank has integrated the branch network and distribution channels to ensure optimum rollout of key products and initiatives. In 2014, the business successfully changed its deposit mix, thus helping to offset the impact of regulatory changes on the minimum savings deposit rate. HBL has maintained its leadership position with market share of deposits stable at around 15%. This effort has been supported by improving service levels across the network as well as a target oriented sales culture.

HBL's consumer business has been growing steadily, building on already established and tested systems, processes and a strong risk management culture. Credit Cards, Personal Loans and Auto Loans remain the key products where strong revenue growth has been achieved with loss norms well within acceptable levels. In 2014, the business completely embedded the acquisition of the Citibank Pakistan Consumer portfolio and retained nearly 90% of customers through improved service at key touch points. Having developed a tested model, the business is now well positioned for further growth.

HBL also continues to maintain its leading position in rural banking in line with its vision of being a national institution and supporting the mainstay of the economy. This business has ambitious plans for growing lending, diversifying product mix and exploring non-traditional financing mechanisms. The Bank has been working on a unique value proposition for women customers to facilitate them in entering the financial services market, both for individuals and for women owned businesses. The Islamic Banking business has had an excellent year, more than doubling its deposits which have now crossed Rs. 100 billion. The business completed a landmark transaction with the Corporate & Investment Bank to launch the first Sukuk for K- Electric which was well received in the market.

HBL remains committed to financial inclusion by providing the widest access to financial services through non-branch channels. HBL is now the market leader with 1,592 ATMs and has the largest number of debit cards in the Pakistan market. During the year the Bank launched an Internet Payment Gateway which will enable it to capture the growing e-commerce market and also initiated POS acquiring. HBL is now one of the main institutions for G2P payments to internally displaced persons and for disaster relief. The business has also partnered with NADRA and is exploring similar alliances to grow the Agent network in a cost effective and rapidly scalable manner. The HBL AtWork programme continued its steady growth, opening more than 150,000 new-to-bank accounts. The Bank remains the largest provider of cash management services and has launched a payments portal for corporates and a proprietary platform which will enable smooth processing of recurring payments.

International Banking continues to pursue its business strategy of growing in its preferred target markets in the region while maintaining a presence in all major financial centers to enable trade and clearing across the network. In 2014, International has demonstrated strong revenue growth; there has been a significant improvement in the performance of the business and in its contribution to HBL's overall profitability. In particular, the business in the Gulf region has continued its growth trajectory and delivered excellent results, in terms of balance sheet growth, and bottom line contribution. Branches across the region have been upgraded, and alternate channels are being strengthened – internet banking, alerts and a trade portal have been launched.

HBL continues to invest heavily in technology, underpinning its commitment to the future. The Bank believes that technology is, and will remain, the single greatest opportunity and challenge for differentiation. During the year, hiring and systems development have been ramped up and the function has been reorganised to better deliver a seamless customer experience and position the Bank for its ambitious plans going forward.

Risk Management remains focused on developing capacity, both in terms of people and systems, to support the Bank's growth plans in line with its risk appetite. During 2014, a comprehensive Risk Appetite document has been developed, supported by the streamlining of various risk policies. Consumer and SME scorecards are being refined and risk analytics solutions are being assessed for effective deployment of these scorecards.

Compliance remains at the forefront of all activities of the Bank which places the highest priority on conducting its business in a prudent manner in line with the laws and regulatory frameworks of all the jurisdictions in which HBL operates. The Compliance function plays a key role in ensuring adherence to regulatory requirements which has been made a key part of staff objectives. This is supported by the roll-out of IT systems to strengthen monitoring and by continuous staff training and refreshers.

Human Resources

HBL is an equal opportunity employer, based on merit without any discrimination. The Bank places great emphasis on the development of staff. During the year, the performance appraisal system was strengthened to bring greater transparency to the process. Capacity building and training remains a key focus area with spend increasing over the previous year. Almost half of the Bank staff received 2 days of training. HBL is also working towards building and developing the future leadership of the Bank through the re-initiation of a high quality Management Trainee Programme, continuous increases in gender diversity and through job rotation and international secondments.

Rating

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

Awards

During 2014, HBL was conferred with the following awards:

- (i) Bank of the Year, Pakistan by The Banker, a publication of the Financial Times, London.
- (ii) Best Bank in Pakistan by Euromoney.
- (iii) Safest Bank in Pakistan by Global Finance.
- (iv) Best Local Trade Finance Bank in Pakistan by Global Trade Review.
- (v) Best Trade Finance Provider in Pakistan by Global Finance.

Future Outlook

The economic outlook continues to be tempered by security challenges and the energy shortages which are likely to restrain GDP growth to around 5%. Continued IMF support, privatisation and low inflation in the country, will help the currency stability and other macroeconomic indicators. Given the inflation levels, there is a possibility of further discount rate reductions which will increase pressure on banking spreads.

HBL has made substantial investments in people, technology and product development. The Bank continues to embrace and broaden financial inclusion of the largely unbanked population, through providing access to multiple channels and through product innovation that makes financial services more affordable and cost effective. The Bank remains conscious of regulatory frameworks and is committed to maintain high compliance and risk management standards while growing its presence and business.

Dividend

The Board has recommended a final cash dividend of Rs. 5.5 per share for the year ended December 31, 2014. The Board had earlier declared and paid interim cash dividends totalling Rs. 6.5 per share, bringing the total cash dividend for the year to Rs. 12 per share.

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	7	7	N/A	N/A	N/A	N/A	6	5
Mr. Agha Sher Shah	7	7	N/A	N/A	4	4	N/A	N/A
Mr. Moez Ahamed Jamal	7	7	5	5	N/A	N/A	6	6
Dr. Najeeb Samie	7	7	5	5	N/A	N/A	N/A	N/A
Mr. R. Zakir Mahmood	7	7	N/A	N/A	4	4	N/A	N/A
Mr. Sajid Zahid	7	7	5	5	N/A	N/A	6	6
Mr. Nauman K. Dar	7	7	N/A	N/A	4	4	6	6

Auditors

The retiring auditors, Messrs Ernst & Young Ford Rhodes Sidat Hyder, 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 2015.

Statement under Section XVI of the Code of Corporate Governance (the Code):

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:

- 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.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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.
- 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 2004 to 2014 – 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 seven meetings in the year.

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

Statement of Corporate Social Responsibility – (CSR)

HBL is committed to fulfilling its role as a responsible Corporate Citizen. To achieve its CSR goals, the Bank established the HBL Foundation in 2009 with a mandate to promote the development and well-being of the underprivileged, and improve their quality of life. The Bank contributes annually to the Foundation and also to other worthy causes to promote a more egalitarian society. HBL sponsored several theatre and cultural events, the most notable being the Karachi Literature Festival and the Children's Literature Festival. The Bank's efforts have been recognised by the Pakistan Center for Philanthropy.

HBL has a long tradition of being associated with the sporting tradition in the country. This year, the Bank partnered with the Azad Foundation for the uplift of children through the promotion of football at the grass-roots level. HBL showcased the achievements of Pakistan's Street Children Team who won the bronze medal at the World Cup in Brazil. HBL also contributed to the Shahid Afridi Foundation which provides maternity care and other health services in remote areas of KPK.

Donations to the HBL Foundation and others are disclosed in Annexure IV to the financial statements.

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	8,936
Employees' Pension Fund	5,957
Employees' Gratuity Fund	1,624
Employees' Benevolent Fund – Executive and Officers	1,151
Employees' Benevolent Fund – Clerical and Non-Clerical	458

Pattern of Shareholding

The pattern of Shareholding as at December 31, 2014, and the trading in the Bank's shares by Executives as defined by the Board of Directors under the Code is given in the Annual Report under the requirements of the Code.

Training programmes attended by Directors

Details have been provided in Statement of Compliance.

Appreciation and Acknowledgement

We 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 continuous improvements in the regulatory and governance framework.

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

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
February 17, 2015

Financial Highlights - Consolidated

Financial Position

	2014 Rupees in Million	2013	Variance Percentage
Deposits	1,524,538	1,401,230	9
Balance Sheet size	1,867,003	1,715,271	9
Advances - Net	595,295	563,701	6
Liquid Assets	991,705	935,427	6
Net Worth	170,103	142,434	19

Profit & Loss

Total Net Income (net of interest cost)	92,599	74,339	25
Total Expenditure	42,305	36,854	15
Provision against Loans & Others	1,778	1,351	32
Pre-Tax Profit	48,515	36,133	34
Profit after Taxation	31,820	23,027	38
Earnings per share (Rs/Share)	21.63	15.59	39

Financial Ratios

	Percentage	
Non-Interest Income to Total Income	25	25
Total Assets Growth Rate	9	7
Net Non-Performing Loans to Net advances	2	2
Coverage Ratio	83	84
Capital Adequacy Ratio	16.21	15.39
Total Risk Weighted Assets on Total Assets	52	49
Net Advances to Deposits	39	40
Liquid Assets to Deposits Ratio	65	67
Return on Average Assets	1.78	1.38
Return on Average Equity	20	17

Others

	Rupees in Million		
Home Remittances	386,197	307,630	26
Exports / Imports Payments	555,024	649,308	(15)
Number of Branches	1,644	1,594	3
Number of Staff	14,123	13,842	2

Progress at a Glance 2004 to 2014 - Consolidated

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	(Rs. in Millions)										
Balance Sheet											
Shareholders Equity & Revaluation Surplus	32,025	41,178	53,443	60,239	66,309	84,370	96,251	109,414	132,730	142,434	170,103
Total Assets	487,765	528,894	594,062	689,001	749,807	863,925	924,699	1,139,647	1,610,474	1,715,271	1,867,003
Total Deposits	404,629	432,545	459,140	531,298	597,091	682,750	747,375	933,632	1,214,964	1,401,230	1,524,538
Advances (net of Provision)	259,089	316,882	349,433	382,173	456,356	454,662	459,750	457,368	499,818	563,701	595,295
Investments (net of Diminution)	134,523	107,384	119,587	175,197	129,833	216,468	254,909	418,604	797,095	826,062	924,307
Operating Results											
Total Income (net of interest cost)	23,588	32,870	38,971	39,875	48,133	53,830	59,757	71,181	73,720	74,339	92,599
Total Expenditure	13,789	15,766	17,204	18,382	21,814	23,149	24,953	30,380	31,114	36,854	42,305
Operating Profit	9,799	17,104	21,767	21,493	26,320	30,682	34,804	40,801	42,607	37,485	50,293
Provision for Non-performing Loans & Others	2,552	3,270	2,927	7,823	9,388	9,300	7,764	6,745	7,045	1,351	1,778
Profit before Taxation	7,247	13,834	18,840	13,670	16,932	21,382	27,040	34,056	35,562	36,133	48,515
Provision for Taxation	1,484	4,187	6,140	3,749	6,068	7,981	10,006	11,895	12,770	13,106	16,695
Profit after Taxation	5,763	9,647	12,700	9,921	10,864	13,401	17,034	22,161	22,792	23,027	31,820
Others											
Home Remittances	47,423	54,759	66,656	79,322	94,530	128,970	158,693	226,536	271,090	307,630	386,197
Imports Payments	162,402	153,392	189,125	178,684	298,933	245,006	320,115	327,172	284,746	367,984	271,841
Exports Payments	134,090	118,882	117,593	129,742	172,518	177,101	229,379	281,093	259,446	281,324	283,183
Number of Branches	1,469	1,470	1,477	1,489	1,508	1,494	1,501	1,506	1,540	1,594	1,644
Number of Staff of HBL	18,625	16,314	14,572	14,552	14,123	13,211	13,269	13,661	13,978	13,842	14,123

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 minimize 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 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 report on the progress of the Bank's compliance with the Internal Controls over Financial Reporting (ICFR) based on the road map 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 December 31, 2013 which was submitted to SBP in June 2014. In the light of SBP instruction, Long Form Report as of December 31, 2014 is to be submitted latest by March 31, 2015 as per the OSED circular dated February 7, 2014.

Rayomond Kotwal
Chief Financial Officer

Faisal Anwar
Chief Compliance Officer

Salim Amlani
Chief Internal Auditor

Review Report

To the members on Statement of Compliance with best Practices of 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 2014 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 December 31, 2014.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: February 17, 2015
Karachi

Statement of Compliance

With the best practices of Code of Corporate Governance for the year ended December 31, 2014

This Statement is being presented to comply with the Code of Corporate Governance (the Code) contained in 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 Bank encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. As of the year end, a casual vacancy existed within the number of elected Directors, which has subsequently been filled by the Board. At present the Board includes :

Categories	Names
Independent Directors	1. Moez Ahamed Jamal 2. Agha Sher Shah 3. Sajid Zahid
Executive Director	1. Nauman K. Dar
Non-Executive Directors	1. Sultan Ali Allana 2. R.Zakir Mahmood 3. Dr.Najeeb Samie

The Independent directors meet the criteria of independence under clause i(b) of the CCG.

- 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 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 along with 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 seven times during the year and closely monitored the Bank's performance. The Committees of the Board also met regularly during the year. Written notices of the Board meetings, along with 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.
- The Directors have undergone training with the Institute of Directors, UK at the onset of their Term on the Board, this year no training was planned.
- 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 Director's 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 other 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 and the Chairman of the Committee is an independent director. 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 five times during the year 2014. On the recommendation of the Audit Committee, the Board approves the Financial Statements of the Bank. 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 Bank 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 companies' 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 stock exchanges.

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

For and on behalf of the Board

Nauman K. Dar
 President & Chief Executive Officer
 February 17, 2015

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 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions / conclusion on the financial statements of Habib Bank Limited and its subsidiary companies namely HBL Asset Management Limited 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 2014 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 17, 2015

Karachi

Consolidated Statement of Financial Position

As at December 31, 2014

2014 (US \$ in '000)	2013		Note	2014 (Rupees in '000)	2013
ASSETS					
1,346,266	1,348,253	Cash and balances with treasury banks	5	135,276,934	135,476,687
673,660	570,661	Balances with other banks	6	67,691,450	57,341,769
341,486	351,019	Lendings to financial institutions	7	34,313,560	35,271,477
9,198,634	8,220,908	Investments	8	924,307,285	826,062,308
5,924,331	5,609,906	Advances	9	595,295,176	563,700,737
271,785	255,827	Operating fixed assets	10	27,309,803	25,706,315
-	50,785	Deferred tax asset	11	-	5,103,072
824,111	662,888	Other assets	12	82,809,181	66,609,013
18,580,273	17,070,247			1,867,003,389	1,715,271,378
LIABILITIES					
218,839	193,289	Bills payable	13	21,989,658	19,422,316
1,029,139	1,073,458	Borrowings	14	103,411,114	107,864,424
15,172,082	13,944,930	Deposits and other accounts	15	1,524,537,786	1,401,229,814
-	25,000	Sub-ordinated loan		-	2,633,115
-	-	Liabilities against assets subject to finance lease		-	-
25,568	-	Deferred tax liability	11	2,569,110	-
441,797	416,076	Other liabilities	16	44,393,146	41,687,455
16,887,425	15,652,753			1,696,900,814	1,572,837,124
1,692,848	1,417,494			170,102,575	142,434,254
NET ASSETS					
REPRESENTED BY:					
Shareholders' equity					
145,980	132,709	Share capital	17	14,668,525	13,335,023
433,408	433,410	Reserves		43,550,188	43,550,373
886,186	733,943	Unappropriated profit		89,046,716	73,748,915
1,465,574	1,300,062	Total equity attributable to the equity holders of the Bank		147,265,429	130,634,311
11,796	18,770	Non-controlling interest		1,185,257	1,886,116
215,478	98,662	Surplus on revaluation of assets - net of deferred tax	18	21,651,889	9,913,827
1,692,848	1,417,494			170,102,575	142,434,254
CONTINGENCIES AND COMMITMENTS					
19 & 20					

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

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2014

2014 (US \$ in '000)	2013		Note	2014 (Rupees in '000)	2013
1,371,797	1,200,247	Mark-up / return / profit / interest earned	21	137,842,428	120,604,554
684,250	648,936	Mark-up / return / profit / interest expensed	22	68,755,574	65,207,109
687,547	551,311	Net mark-up / profit / interest income		69,086,854	55,397,445
17,033	15,950	Provision against advances	9.3	1,711,540	1,602,738
(1,017)	223	(Reversal) / charge against off-balance sheet obligations	16.1	(102,167)	22,427
(1,153)	(2,242)	Reversal against diminution in the value of investments	8.7	(115,907)	(225,306)
-	-	Bad debts written off directly		-	-
14,863	13,931			1,493,466	1,399,859
672,684	537,380	Net mark-up / profit / interest income after provisions		67,593,388	53,997,586
Non mark-up / interest income					
120,610	100,479	Fee, commission and brokerage income		12,119,283	10,096,404
11,270	7,557	Dividend income		1,132,493	759,345
24,345	17,769	Share of profit of associates and joint venture		2,446,287	1,785,462
28,332	15,661	Income from dealing in foreign currencies		2,846,844	1,573,673
20,388	23,027	Gain on sale of securities	23	2,048,674	2,313,847
526	(128)	Unrealised gain / (loss) on held for trading securities	8.13	52,856	(12,815)
28,516	24,139	Other income	24	2,865,353	2,425,583
233,987	188,504	Total non mark-up / interest income		23,511,790	18,941,499
906,671	725,884			91,105,178	72,939,085
Non mark-up / interest expense					
411,080	359,362	Administrative expenses	25	41,306,609	36,109,857
2,835	(482)	Other provisions / write offs - net	12.1	284,878	(48,390)
46	231	Other charges	26	4,654	23,175
9,895	7,176	Workers Welfare Fund	27	994,232	721,115
423,856	366,287	Total non mark-up / interest expenses		42,590,373	36,805,757
482,815	359,597	Profit before taxation		48,514,805	36,133,328
Taxation					
155,994	105,590	- current	28	15,674,740	10,610,047
(2,095)	(1,169)	- prior years		(210,479)	(117,510)
12,250	26,010	- deferred		1,230,954	2,613,696
166,149	130,431			16,695,215	13,106,233
316,666	229,166	Profit after taxation		31,819,590	23,027,095
Attributable to:					
315,728	227,534	Equity holders of the Bank		31,725,115	22,863,123
(1,348)	(753)	Non-controlling interest		(135,448)	(75,652)
2,288	2,385	Minority investor of HBL Funds		229,923	239,624
316,668	229,166			31,819,590	23,027,095
Basic and diluted earnings per share					
				-----Rupees-----	
				21.63	15.59

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

2014 (US \$ in '000)	2013		2014 (Rupees in '000)	2013
316,666	229,164	Profit for the year	31,819,590	23,027,095
		Other comprehensive income		
(2,288)	(2,385)	Minority share of HBL funds transferred to other liabilities	(229,923)	(239,624)
		Items to be reclassified to profit or loss in subsequent periods:		
(27,826)	20,627	Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(2,795,998)	2,072,653
		Items not to be reclassified to profit or loss in subsequent periods:		
(2,857)	(1,025)	Effect of actuarial gains and losses - net of tax	(287,084)	(103,025)
<u>283,695</u>	<u>246,381</u>	Comprehensive income transferred to equity	<u>28,506,585</u>	<u>24,757,099</u>
		Components of comprehensive income not reflected in equity		
		Items to be reclassified to profit or loss in subsequent periods:		
117,823	(27,970)	Surplus / (deficit) on revaluation of investments - net of tax	11,839,261	(2,810,482)
		Items not to be reclassified to profit or loss in subsequent periods:		
(83)	-	Deficit on revaluation of fixed assets - net of tax	(8,326)	-
<u>401,435</u>	<u>218,411</u>		<u>40,337,520</u>	<u>21,946,617</u>
		Total comprehensive income attributable to:		
403,978	217,601	Equity holders of the Bank	40,592,989	21,865,245
(2,682)	472	Non-controlling interest	(269,457)	47,387
139	338	Minority investor of HBL funds	13,988	33,985
<u>401,435</u>	<u>218,411</u>		<u>40,337,520</u>	<u>21,946,617</u>

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

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

	Attributable to shareholders of the Bank						Sub Total	Non-controlling interest	Total
	Share capital	Exchange translation reserve	Reserves		Revenue reserves				
			Joint venture and subsidiary	Bank	General	Unappropriated profit			
(Rupees in '000)									
Balance as at December 31, 2012	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 - net of tax	-	-	-	-	-	(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 paid 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 year	-	-	-	-	-	-	-	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
Total comprehensive income for the year									
Profit for the year ended December 31, 2014	-	-	-	-	-	31,955,038	31,955,038	(135,448)	31,819,590
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(229,923)	(229,923)	-	(229,923)
- Other comprehensive income									
Effect of actuarial gain and losses - net of tax	-	-	-	-	-	(287,084)	(287,084)	-	(287,084)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(2,660,432)	-	-	-	-	(2,660,432)	(135,566)	(2,795,998)
	-	(2,660,432)	-	-	-	31,438,031	28,777,599	(271,014)	28,506,585
Transactions with owners, recorded directly in equity									
Final Cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
1st interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	(2,933,705)	(2,933,705)	-	(2,933,705)
2nd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
3rd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
Issued as bonus shares	1,333,502	-	-	-	-	(1,333,502)	-	-	-
	1,333,502	-	-	-	-	(13,535,048)	(12,201,546)	-	(12,201,546)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	92,873	92,873	-	92,873
Transferred to statutory reserve	-	-	49,738	3,111,252	-	(3,160,990)	-	-	-
Derecognition of equity due to voluntary winding up of modaraba	-	-	(7,561)	-	-	(30,247)	(37,808)	(620,768)	(658,576)
Exchange translation realized on sale of foreign operation	-	(493,182)	-	-	-	493,182	-	-	-
Non-controlling interest acquired in HAIB during the year	-	-	-	-	-	-	-	189,366	189,366
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	1,557	1,557
Balance as at December 31, 2014	14,668,525	13,704,392	428,968	23,343,016	6,073,812	89,046,716	147,265,429	1,185,257	148,450,686

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

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2014

2014 (US \$ in '000)	2013		Note	2014 (Rupees in '000)	2013
482,815	359,596	CASH FLOWS FROM OPERATING ACTIVITIES		48,514,805	36,133,328
(35,616)	(25,326)	Profit before taxation		(3,578,780)	(2,544,807)
(20,388)	(23,027)	Dividend income and share of profit of associates and joint venture		(2,048,674)	(2,313,847)
(56,004)	(48,353)	Gain on sale of securities		(5,627,454)	(4,858,654)
426,811	311,243			42,887,351	31,274,674
19,609	15,242	Adjustment for:		1,970,355	1,531,558
4,506	2,735	Depreciation		452,801	274,850
(1,153)	(2,242)	Amortisation		(115,907)	(225,306)
17,033	15,950	Reversal against diminution in the value of investments		1,711,540	1,602,738
(526)	128	Provision against advances		(52,856)	12,815
733	1,543	Unrealised (gain) / loss on held for trading securities		73,681	155,057
(210)	(548)	Exchange loss on sub-ordinated loan / Goodwill - net		(21,115)	(55,030)
(745)	137	Gain on sale of operating fixed assets - net		(74,835)	13,756
1,818	(258)	(Gain) / loss on sale of non-banking asset - net		182,711	(25,963)
41,065	32,687	Miscellaneous provisions		4,126,375	3,284,475
467,876	343,930			47,013,726	34,559,149
9,533	(103,930)	(Increase) / decrease in operating assets		957,917	(10,443,222)
(130,494)	(34,613)	Lendings to financial institutions		(13,112,456)	(3,477,986)
(331,459)	(651,707)	Investments - held for trading		(33,305,979)	(65,485,569)
(172,910)	(92,305)	Advances		(17,374,511)	(9,275,128)
(625,330)	(882,555)	Other assets		(62,835,029)	(88,681,905)
25,550	4,768	Increase / (decrease) in operating liabilities		2,567,342	479,109
(44,319)	(882,972)	Bills payable		(4,453,310)	(88,723,714)
1,227,151	1,853,706	Borrowings		123,307,972	186,266,114
18,327	1,208	Deposits and other accounts		1,818,483	121,221
1,226,709	976,710	Other liabilities		123,240,487	98,142,730
1,069,255	438,085			107,419,184	44,019,974
(143,535)	(139,470)	Income tax paid - net		(14,422,825)	(14,014,343)
925,720	298,615	Net cash flows from operating activities		92,996,359	30,005,631
(269,511)	(272,223)	CASH FLOWS FROM INVESTING ACTIVITIES		(27,081,334)	(27,353,802)
(349,728)	17,283	Net investments - available for sale		(35,141,775)	1,736,676
9,937	7,237	Net investments - held to maturity		998,493	727,194
(42,840)	(37,107)	Dividend income received		(4,304,653)	(3,728,668)
896	858	Fixed capital expenditure		90,036	86,173
745	582	Proceeds from sale of fixed assets		74,835	58,500
(26,476)	19,368	Proceeds from sale of non-banking asset		(2,660,432)	1,946,186
(676,977)	(264,002)	Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates		(68,024,830)	(26,527,741)
(1,349)	1,259	Net cash flows used in investing activities		(135,566)	126,467
(25,000)	(31,303)	Exchange adjustment on translation of non-controlling interest in subsidiary		(2,489,204)	(3,145,470)
(121,382)	(127,882)	Repayment of subordinated loan		(12,196,831)	(12,849,980)
(147,731)	(157,926)	Dividend paid		(14,821,601)	(15,868,983)
101,012	(123,313)	Net cash flows used in financing activities		10,149,928	(12,391,093)
1,975,010	1,936,134	Increase / (decrease) in cash and cash equivalents during the year		198,455,155	194,548,738
(56,096)	106,093	Cash and cash equivalents at beginning of the year		(5,636,699)	10,660,811
1,918,914	2,042,227	Effects of exchange rate changes on cash and cash equivalents		192,818,456	205,209,549
2,019,926	1,918,914	Cash and cash equivalents at end of the year	30	202,968,384	192,818,456

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

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking 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 1,596 (2013: 1,546) branches inside Pakistan including 43 (2013: 38) Islamic Banking Branches and 48 branches (2013: 48) 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 88.59%
- Habibsons Bank Limited, United Kingdom – shareholding at 88.59%
- HBL Stock Fund, Pakistan – shareholding 82.28%
- HBL Multi Asset Fund, Pakistan - shareholding 79.57%
- HBL Income Fund, Pakistan - shareholding 49.04%

Habibsons Bank Limited is wholly owned subsidiary of Habib Allied International Bank Plc.

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, 2014 and 2013 have been converted using the exchange rate of Rs. 100.4831 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 4.3)
- ii) Valuation and impairment of available for sale equity investments and associates (refer 4.12)
- iii) Provision against non performing advances (refer 4.4)
- iv) Fixed assets, depreciation and amortisation (refer 4.5)
- v) Fair value of derivatives (refer 4.17)
- vi) Defined benefits plans and other benefits (refer 4.8)

- 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 SBP and SECP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 and the 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, 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 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 mentioned below:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendment has no material impact on the Group's financial position.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendment has no material impact on the Group's financial position.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Group's financial statements.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Group's financial statements.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Group's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Group's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are not likely to have an impact on Group's financial statements.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards which are not likely to have an impact on Group's financial statements:
 - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
 - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
 - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.
 - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
 - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards which are not likely to have an impact on Group's financial statements:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

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

4.2 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.

4.3 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 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 recognised at cost and the carrying amount is increased/decreased to recognise the investor's share of the profit and loss / reserve of the investee subsequent to the date of acquisition.

4.4 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 SBP. Provision against 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 SBP or the requirements of respective regulatory regimes. The Bank has grossed up the advances placed in special category alongwith provisions in note 9 of these financial statements in line with industry practice.

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 recognised 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 recognised only upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount. The residual value of the Ijarah asset is the estimated amount which could be obtained 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.

4.5 Operating fixed assets and depreciation

4.5.1 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 10.4 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.

4.5.2 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 10.3. 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.

4.5.3 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 recognised in the profit and loss account.

4.6 Borrowings / deposits

- a) Borrowings / deposits are recorded at the proceeds received.
- b) The cost of borrowings / deposits is recognised as an expense in the period in which this is incurred

4.7 Sub - Ordinated loan

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

4.8 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. 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 January 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) Approved Contributory Gratuity Fund (Defined contributory benefit scheme)

The Bank operates Contributory Gratuity Scheme for employees hired on or after January 01, 2002. Further, Contributory Gratuity Scheme was offered to staff in lieu of Pension Fund for their services subsequent to March 31, 2005.

iv) Provident Fund (Defined contributory scheme)

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

v) 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.

vi) 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.

vii) 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.

viii) 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

4.9 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 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.

4.10 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 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 suspended on classified leases, in accordance with the requirements of the Prudential Regulations of

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

4.11 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.

4.12 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 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 Share issuance cost

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

4.21 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 25 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

	Note	2014	2013
		(Rupees in '000)	
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand including National Prize Bonds			
Local currency		16,605,428	19,514,276
Foreign currency		3,853,015	4,029,550
		<u>20,458,443</u>	<u>23,543,826</u>
With State Bank of Pakistan in			
Local currency current account	5.2	8,819,466	33,096,322
Foreign currency current account		5,641,943	5,270,462
Foreign currency deposit account	5.1 / 5.3	16,947,158	15,728,111
		<u>31,408,567</u>	<u>54,094,895</u>
With other Central Banks in			
Foreign currency current account	5.1 / 5.4	55,640,415	38,444,961
Foreign currency deposit account		5,408,680	3,172,913
		<u>61,049,095</u>	<u>41,617,874</u>
With National Bank of Pakistan in			
Local currency current account		22,360,829	16,220,092
		<u>135,276,934</u>	<u>135,476,687</u>

- 5.1 The above balances include remunerative accounts amounting to Rs. 39,418.596 million (2013: Rs. 35,182.789 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% (2013: 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.

	Note	2014	2013
		(Rupees in '000)	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		906,881	775,657
On deposit account		35	2,781,035
		<u>906,916</u>	<u>3,556,692</u>
Outside Pakistan	6.1		
On current account		23,336,904	17,989,405
On deposit account		43,447,630	35,795,672
		<u>66,784,534</u>	<u>53,785,077</u>
		<u>67,691,450</u>	<u>57,341,769</u>

- 6.1 This includes remunerative current account balance amounting to Rs. 919.259 million (2013: Rs. 886.323 million). Since, the Group operates in different countries, these carry varied mark-up rates as given by the external banks of respective countries.

	Note	2014	2013
		(Rupees in '000)	
7. LENDINGS TO FINANCIAL INSTITUTIONS			
7.1. In local currency			
Call money lendings	7.2.1	12,311,200	6,842,250
Repurchase agreement lendings (reverse repo)	7.2	22,002,360	28,429,227
		<u>34,313,560</u>	<u>35,271,477</u>

		Note	2014			2013			
			Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total	
----- (Rupees in '000) -----									
7.2	Securities held as collateral against lendings to financial institutions								
	Market treasury bills	7.2.1	9,379,577	-	9,379,577	28,429,227	-	28,429,227	
	Pakistan investment bonds		12,622,783	-	12,622,783	-	-	-	
			22,002,360	-	22,002,360	28,429,227	-	28,429,227	
7.2.1 Market value of securities held as collateral against lendings to financial institutions as at December 31, 2014 amounted to Rs. 22,897.458million (2013: Rs. 28,443.866 million). Call money lendings carry mark-up rates ranging from 9.5% to 10% per annum (2013: 7.8% to 12.2% per annum). Repurchase agreement lendings carry mark-up rates ranging from 9.00% to 10.30% per annum (2013: 9.55% to 10.40% per annum).									
8.	INVESTMENTS	Note	2014			2013			
8.1	Investments by type		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
----- (Rupees in '000) -----									
Held-for-trading (HFT)									
Federal Government Securities									
- Pakistan Investment Bonds			5,669,613	-	5,669,613	11,942,763	-	11,942,763	
- Market Treasury Bills			42,471,309	-	42,471,309	23,209,005	-	23,209,005	
Fully paid-up ordinary shares									
- Listed companies			-	-	-	5,878	-	5,878	
Overseas Government Securities			557,556	-	557,556	300,135	-	300,135	
Investments of Mutual Funds			-	-	-	128,241	-	128,241	
			48,698,478	-	48,698,478	35,586,022	-	35,586,022	
Held-to-Maturity Securities (HTM)									
		8.3							
Federal Government Securities									
- Pakistan Investment Bonds			75,781,905	-	75,781,905	36,957,274	-	36,957,274	
- Government of Pakistan Guaranteed Bonds			1,992,000	-	1,992,000	1,700,000	-	1,700,000	
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)			-	-	-	738,666	-	738,666	
Debentures and Corporate Debt Instruments / Units									
- Listed securities			13,576,257	-	13,576,257	15,981,315	-	15,981,315	
- Unlisted securities			5,493,233	-	5,493,233	4,740,729	-	4,740,729	
Overseas Government securities			18,654,313	-	18,654,313	20,237,949	-	20,237,949	
			115,497,708	-	115,497,708	80,355,933	-	80,355,933	
Available-for-Sale Securities (AFS)									
Federal Government Securities									
- Market Treasury Bills			8.8	389,406,077	18,494,458	407,900,535	533,321,012	48,151,773	581,472,785
- Pakistan Investment Bonds				187,548,334	35,039,524	222,587,858	50,570,687	-	50,570,687
- Government of Pakistan Guaranteed Bonds				3,397,500	-	3,397,500	3,397,500	-	3,397,500
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)				47,294,174	-	47,294,174	22,676,455	-	22,676,455
Overseas Government Securities				3,426,462	-	3,426,462	6,080,334	-	6,080,334
Fully paid-up ordinary shares									
- Listed companies				15,324,333	-	15,324,333	5,545,079	-	5,545,079
- Unlisted companies				1,232,824	-	1,232,824	772,840	-	772,840
Debentures and Corporate Debt Instruments / Units									
- Listed securities				17,992,021	-	17,992,021	22,942,991	2,163,371	25,106,362
- Unlisted securities				2,928,467	-	2,928,467	1,954,491	-	1,954,491
NIT Units				2,261,113	-	2,261,113	11,113	-	11,113
Preference shares				250,000	-	250,000	250,000	-	250,000
Investments of mutual funds				6,679,874	-	6,679,874	4,056,718	-	4,056,718
				677,741,179	53,533,982	731,275,161	651,579,220	50,315,144	701,894,364
Investment in Associates and Joint Venture									
		8.4	11,615,806	-	11,615,806	9,652,402	-	9,652,402	
			853,553,171	53,533,982	907,087,153	777,173,577	50,315,144	827,488,721	
Provision for diminution / impairment in the value of investments including associates			8.7	(1,197,153)	-	(1,197,153)	(1,532,339)	-	(1,532,339)
Net investments				852,356,018	53,533,982	905,890,000	775,641,238	50,315,144	825,956,382
Surplus / (deficit) on revaluation of held for trading securities			8.13	52,856	-	52,856	(12,815)	-	(12,815)
Surplus / (deficit) on revaluation of available for sale securities			18.2	15,475,135	2,752,192	18,227,327	98,900	(122,077)	(23,177)
Surplus on revaluation of investment of associates				137,102	-	137,102	141,918	-	141,918
Total investments at market value				868,021,111	56,286,174	924,307,285	775,869,241	50,193,067	826,062,308

8.2 Investments by segments

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Federal Government Securities			
- Market Treasury Bills		450,371,844	604,681,790
- Pakistan Investment Bonds		304,039,376	99,470,724
- Government of Pakistan Guaranteed Bonds		5,389,500	5,097,500
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		47,294,174	23,415,121
Overseas Government Securities		22,638,331	26,618,418
Fully paid-up Ordinary Shares			
- Listed companies		15,324,333	5,550,957
- Unlisted companies		1,232,824	772,840
Debentures and Corporate Debt Instruments / Units			
- Listed securities		31,568,278	41,087,677
- Unlisted securities		8,421,700	6,695,220
Preference Shares		250,000	250,000
NIT Units		2,261,113	11,113
Investments of mutual funds		6,679,874	4,184,959
Investment in Associates and Joint Venture	8.4	11,615,806	9,652,402
		<u>907,087,153</u>	<u>827,488,721</u>
Less: Provision for diminution / impairment in the value of investments including associates	8.7	(1,197,153)	(1,532,339)
Net investments		<u>905,890,000</u>	<u>825,956,382</u>
Surplus / (deficit) on revaluation of held for trading securities	8.13	52,856	(12,815)
Surplus / (deficit) on revaluation of available for sale securities	18.2	18,227,327	(23,177)
Surplus on revaluation of investment of associates		137,102	141,918
		<u>924,307,285</u>	<u>826,062,308</u>

8.3 The market value of securities classified as "held-to-maturity" as at December 31, 2014 amounted to Rs. 120,290.496 million (2013: Rs. 81,284.503 million).

8.4 Investment in associates and joint venture company

	2014 (Rupees in '000)	2013 (Rupees in '000)
Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding - 18% (2013: 18%) - Unlisted		
Opening balance	905,671	719,649
Share of profit for the year - net of tax	168,352	165,580
Exchange translation reserve for the year	(44,680)	65,747
Dividend received during the year	(68,381)	(45,305)
	<u>960,962</u>	<u>905,671</u>
Diamond Trust Bank Kenya Limited - Holding - 11.97% (2013: 11.91%) - Listed		
Opening balance	3,666,516	2,904,447
Investment during the year	512,645	78,960
Share of profit for the year - net of tax	771,417	541,876
Surplus on investment / fixed assets	315	6,781
Exchange translation reserve for the year	(295,485)	190,736
Dividend received during the year	(67,294)	(56,284)
	<u>4,588,114</u>	<u>3,666,516</u>
Himalayan Bank Limited, Nepal, - Holding - 20% (2013: 20%) - Listed		
Opening balance	1,356,483	1,312,090
Share of profit for the year - net of tax	248,689	163,388
Exchange translation reserve for the year	(120,411)	(47,507)
Dividend received during the year	(59,264)	(71,488)
	<u>1,425,497</u>	<u>1,356,483</u>
Jubilee General Insurance Company Limited, - Holding - 17.84% (2013: 17.20%) - Listed		
Opening balance	1,357,030	1,172,463
Investment during the year	94,737	79,329
Share of profit for the year - net of tax	192,732	163,684
Dividend received during the year	(70,422)	(58,446)
	<u>1,574,077</u>	<u>1,357,030</u>

Note	2014	2013
	(Rupees in '000)	
Jubilee Life Insurance Company Limited, Holding - 17.95% (2013: 17.95%) - Listed		
Opening balance	639,127	577,891
Share of profit for the year - net of tax	217,870	140,021
Dividend received during the year	(71,751)	(78,785)
	785,246	639,127
HBL Money Market Fund, Holding - 5.24% (2013: 1.03%) - Listed		
Opening balance	187,583	309,829
Investment / (divestment) during the year	330,000	(146,000)
Share of profit for the year	42,124	23,782
Surplus / (deficit) on investment	65	(28)
	559,772	187,583
HBL Islamic Stock Fund, Holding - 75.24% (2013: 86.84%) - Listed		
Opening balance	514,480	350,282
Share of profit for the year	120,450	113,367
(Deficit) / surplus on investment	(8,555)	50,831
	626,375	514,480
HBL Islamic Money Market Fund, Holding - 72.97% (2013: 63.73%) - Listed		
Opening balance	318,104	293,195
Share of profit for the year	27,767	24,906
Surplus on investment	-	3
	345,871	318,104
HBL Pension Equity Sub Fund, Holding - 71.12% (2013: 73.69%) - Unlisted		
Opening balance	62,853	42,897
Share of profit for the year	12,279	18,359
Surplus on investment	4,166	1,597
	79,298	62,853
HBL Pension Debt Sub Fund, Holding - 32.97% (2013: 35.01%) - Unlisted		
Opening balance	36,519	33,656
Share of profit for the year	3,520	2,920
Surplus / (deficit) on investment	1,126	(57)
	41,165	36,519
HBL Pension Money Market Sub Fund, Holding - 31.90% (2013: 35.63%) - Unlisted		
Opening balance	36,497	33,525
Share of profit for the year	3,290	2,994
Surplus / (deficit) on investment	18	(22)
	39,805	36,497
HBL Islamic Pension Equity Sub Fund, Holding - 68.30% (2013: 68.32%) - Unlisted		
Opening balance	64,127	43,432
Share of profit for the year	10,497	18,131
(Deficit) / surplus on investment	(919)	2,564
	73,705	64,127
HBL Islamic Pension Debt Sub Fund, Holding - 54.83% (2013: 59.12%) - Unlisted		
Opening balance	35,942	33,092
Share of profit for the year	2,421	2,698
(Deficit) / surplus on investment	(425)	152
	37,938	35,942
HBL Islamic Pension Money Market Sub Fund, Holding - 65.73% (2013: 72.75%) - Unlisted		
Opening balance	36,010	33,156
Share of profit for the year	2,301	2,725
(Deficit) / surplus on investment	(606)	129
	37,705	36,010
	11,175,530	9,216,942

8.5.1

- 8.4.1 The market value of shares of above investments in listed associates as at December 31, 2014 amounted to Rs. 20,560.537 million (2013: Rs. 14,985.487 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 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

		2014					
		Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit
		------(Rupees in '000)-----					
Diamond Trust Bank Kenya Limited	September 30, 2014	212,958,037	178,622,244	34,335,793	20,688,704	4,912,190	
Himalayan Bank Limited, Nepal	October 17, 2014	80,582,592	74,071,806	6,510,786	1,445,700	278,838	
Kyrgyz Investment and Credit Bank	September 30, 2014	29,474,683	24,034,138	5,440,545	2,533,843	778,521	
Jubilee Life Insurance Company Limited	September 30, 2014	43,602,123	40,994,019	2,608,104	145,112	859,771	
Jubilee General Insurance Company Limited	September 30, 2014	15,788,530	10,671,309	5,117,221	3,513,663	766,757	
HBL Money Market Fund	December 31, 2014	9,326,863	61,158	9,265,705	1,184,173	985,592	
HBL Islamic Stock Fund	December 31, 2014	829,167	16,657	812,510	155,987	129,510	
HBL Islamic Money Market Fund	December 31, 2014	484,249	10,571	473,678	41,208	32,473	
HBL Pension Equity Sub Fund	December 31, 2014	111,404	1,342	110,062	16,622	14,173	
HBL Pension Debt Sub Fund	December 31, 2014	120,146	1,014	119,132	10,971	8,294	
HBL Pension Money Market Sub Fund	December 31, 2014	119,281	1,016	118,265	10,502	7,821	
HBL Islamic Pension Equity Sub Fund	December 31, 2014	133,444	1,911	131,533	17,945	15,002	
HBL Islamic Pension Debt Sub Fund	December 31, 2014	67,890	608	67,282	5,375	3,787	
HBL Islamic Pension Money Market Sub Fund	December 31, 2014	55,875	519	55,356	4,353	3,028	
		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 17, 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	

8.7 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Opening balance		1,532,339	1,755,518
Charge for the year		55,014	14,645
Reversal		(80,357)	(76,214)
Impairment charge on listed securities		63,475	55,171
Impairment reversal on listed securities		(154,039)	(218,908)
Total reversal - net		(115,907)	(225,306)
Derecognition of provision due to voluntary winding up of modaraba		(11,342)	-
Write offs		(207,937)	-
Other movement		-	2,127
Closing balance	8.7.1	<u>1,197,153</u>	<u>1,532,339</u>

8.7.1 Particulars of provision in respect of type and segment

Held-to-Maturity securities

- Debentures and corporate debt instruments	-	19,953
---	---	--------

Available-for-sale securities

- Fully paid-up ordinary shares		
- Listed companies	291,100	339,219
- Unlisted companies	13,786	62,754
- Debentures and corporate debt instruments	71,500	227,939
- Units	-	49,473
- Investments of mutual funds	243,389	255,623

Associate

577,378	577,378
<u>1,197,153</u>	<u>1,532,339</u>

- 8.8 Investments held for maintaining the liquidity requirements of the SBP amounted to Rs. 198,121 million as at December 31, 2014 (2013: Rs. 177,133 million).
- 8.9 Investments include Rs. 234.326 million as at December 31, 2014 (2013: Rs. 227.471 million) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.
- 8.10 Investments include Rs. 10.300 million as at December 31, 2014 (2013: Rs. 9.999 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. 4,076 million as at December 31, 2014 (2013: Rs. 3,469 million) in accordance with the Prudential Regulations issued by SBP.
- 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.

	2014 (Rupees in '000)	2013 (Rupees in '000)
8.13 Unrealized gain / (loss) on revaluation of held for trading securities		
Market Treasury Bills	14,294	(36,427)
Pakistan Investment Bonds	38,562	3,750
Shares	-	69
Investments of mutual funds	-	19,793
	<u>52,856</u>	<u>(12,815)</u>

- 8.14 The certificate holders of First Habib Bank Modaraba (FHB), in an Extraordinary General Meeting held on March 27, 2014 passed a resolution for the voluntary winding up of FHB and appointed a liquidator. Consequently, the Bank has derecognised the assets and liabilities of the former subsidiary in these consolidated financial statements amounting to Rs. 658.576 million. Subsequently, FHB and HBL executed the agreement for acquisition of the financial assets of FHB. As a result, HBL acquired certain assets through bidding process amounting to Rs. 531.300 million. .
- 8.15 The Bank's subsidiary, Habib Allied International Bank Plc, UK issued further right shares during the year, consequently the shareholding of the Bank has increased to 88.59% from 88.07%..

	Note	2014	2013
9. ADVANCES		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		450,443,893	430,554,811
Outside Pakistan		127,200,670	128,264,928
		<u>577,644,563</u>	<u>558,819,739</u>
Net investment in finance lease - in Pakistan	9.1.3	6,541,460	5,496,069
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		12,018,785	11,191,546
Payable outside Pakistan		65,271,245	54,915,098
		<u>77,290,030</u>	<u>66,106,644</u>
Provision against advances	9.3	(66,180,877)	(66,721,715)
		<u>595,295,176</u>	<u>563,700,737</u>
9.1 Particulars of advances			
9.1.1 In local currency		395,654,777	379,288,135
In foreign currency including foreign currency financing by domestic branches amounting to Rs. 36,990.464 million (2013: Rs. 33,170.873 million)		199,640,399	184,412,602
		<u>595,295,176</u>	<u>563,700,737</u>
9.1.2 Short term (for upto one year)		442,819,766	405,613,402
Long term (for over one year)		152,475,410	158,087,335
		<u>595,295,176</u>	<u>563,700,737</u>
9.1.3 Net investment in finance lease			

	2014				2013			
	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	45,664	7,061,849	1,428,711	8,536,224	102,483	5,713,897	1,299,210	7,115,590
Residual value	63	9,683	1,959	11,705	111	6,189	1,407	7,707
Gross investment in finance lease	45,727	7,071,532	1,430,670	8,547,929	102,594	5,720,086	1,300,617	7,123,297
Unearned finance income	(3,082)	(1,605,670)	(397,717)	(2,006,469)	(5,186)	(1,257,213)	(364,829)	(1,627,228)
Net investment in finance lease	42,645	5,465,862	1,032,953	6,541,460	97,408	4,462,873	935,788	5,496,069

9.2 Classification of non-performing advances is as follows:

Category of classification	2014								
	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	554,199	-	554,199	-	-	-	554,199	-	554,199
Substandard	6,775,792	962,186	7,737,978	1,675,263	288,228	1,963,491	5,100,529	673,958	5,774,487
Doubtful	2,414,009	754,054	3,168,063	1,207,005	373,567	1,580,572	1,207,004	380,487	1,587,491
Loss*	49,502,426	18,564,800	68,067,226	47,750,592	12,212,140	59,962,732	1,751,834	6,352,660	8,104,494
	59,246,426	20,281,040	79,527,466	50,632,860	12,873,935	63,506,795	8,613,566	7,407,105	16,020,671
General provision	-	-	-	1,137,628	1,536,454	2,674,082	-	-	-
	59,246,426	20,281,040	79,527,466	51,770,488	14,410,389	66,180,877	8,613,566	7,407,105	16,020,671

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

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	49,887,233	18,887,145	68,774,378	48,626,512	13,029,567	61,656,079	1,260,721	5,857,578	7,118,299
	58,925,772	20,941,981	79,867,753	50,850,210	13,721,122	64,571,332	8,075,562	7,220,859	15,296,421
General provision	-	-	-	952,973	1,197,410	2,150,383	-	-	-
	58,925,772	20,941,981	79,867,753	51,803,183	14,918,532	66,721,715	8,075,562	7,220,859	15,296,421

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 4.4.

9.2.2 Exposure amounting to Rs. 8.610 billion relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan, has not been classified as non performing, in accordance with a relaxation given by the SBP. However, markup income has been suspended on this amount and is not reflected in these consolidated financial statements.

9.3 Particulars of provision against non-performing advances

	Note	2014			2013		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		64,571,332	2,150,383	66,721,715	62,356,756	2,235,695	64,592,451
Charge for the year		5,263,354	636,014	5,899,368	5,714,234	750,866	6,465,100
Reversals		(4,135,884)	(51,944)	(4,187,828)	(3,978,569)	(883,793)	(4,862,362)
Net charge against advances		1,127,470	584,070	1,711,540	1,735,665	(132,927)	1,602,738
Write off	9.5	(1,372,191)	-	(1,372,191)	(640,377)	-	(640,377)
Net movement of derecognition and acquisition of Modaraba assets		(11,092)	-	(11,092)	-	-	-
Exchange adjustment / other movements		(808,724)	(60,371)	(869,095)	1,119,288	47,615	1,166,903
Closing balance		63,506,795	2,674,082	66,180,877	64,571,332	2,150,383	66,721,715
In local currency		49,801,826	1,137,628	50,939,454	49,801,171	952,973	50,754,144
In foreign currency		13,704,969	1,536,454	15,241,423	14,770,161	1,197,410	15,967,571
		63,506,795	2,674,082	66,180,877	64,571,332	2,150,383	66,721,715

9.4 Forced sale value (FSV) against non performing advances

As per regulation R-8 of Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan (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, 2014 would have been higher and profit before tax would have been lower by Rs. 650.595 million. Increase in retained earnings net of tax amounting to Rs. 422.887 million would not be available for the distribution of cash and stock dividend to shareholders.

	2014 (Rupees in '000)	2013 (Rupees in '000)
9.5 Particulars of write offs		
9.5.1 Against provisions	1,372,191	640,377
9.5.2 Analysis of write offs		
Rs. 500,000 and above in Pakistan (Note 9.6)	617,844	250,724
Below Rs. 500,000 in Pakistan and overseas	754,347	389,653
	1,372,191	640,377

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, 2014 is given in Annexure II.

	2014			2013		
9.7 Particulars of advances to directors, associated companies, etc.	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)	2,014,300	2,034,200	455,839	1,800,700	1,843,700	491,638
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	412,700	717,915	97,873	686,173	724,785	36,440
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	1,160,705	1,901,741	1,833,008	1,033,786	2,553,045	673,786

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	2014 (Rupees in '000)	2013 (Rupees in '000)
10. OPERATING FIXED ASSETS			
Capital work-in-progress	10.1	1,119,394	885,436
Intangible assets			
- Goodwill	10.2	1,932,297	2,149,889
- Computer software	10.3	844,915	746,703
Tangible fixed assets	10.4	23,413,197	21,924,287
		27,309,803	25,706,315
10.1 Capital work-in-progress			
Civil works		494,343	527,175
Advances to suppliers and contractors		625,051	358,261
		1,119,394	885,436

10.2 It represents the difference between fair values of identifiable assets and liabilities and purchase consideration paid in cash by the Group for acquisition of Habibsons Bank Limited.

10.4 Tangible fixed assets

Description	2014									
	COST / REVALUATION			DEPRECIATION			Book value as at December 31, 2014	Rate of depreciation %		
	As at January 1, 2014	Additions / (deletions) / Adjustments during the year	Surplus / (deficit) on revaluation during the year	As at December 31, 2014	Charge for the year / (depreciation on deletions) / adjustments	Surplus / (deficit) on revaluation reversed during the year				
Land	11,598,754	46,698 (8,000)	(39,581)	11,597,871	-	-	-	11,597,871	-	
Building	6,491,121	380,475 (55,035) (111,150)	(9,625)	6,695,786	837,278	186,582 (1,924) (14,037)	(57,710)	950,189	5,745,597	1.67
Machinery	605,306	111,286	-	716,592	83,199	62,679	-	145,878	570,714	10
Leasehold improvements	3,129,445	456,699 (4,192)	-	3,581,952	2,154,899	357,903 (3,016)	-	2,509,786	1,072,166	20
Furniture and fixtures and office equipments	10,006,958	2,655,879 (702,489) (88,764)	-	11,871,584	6,992,734	1,310,518 (696,749) (12,754)	-	7,593,749	4,277,835	20-33
Vehicles	424,585	41,768 (27,965)	-	438,388	263,772	52,673 (27,071)	-	289,374	149,014	20
	32,256,169	3,692,805 (797,681) (199,914)	(49,206)	34,902,173	10,331,882	1,970,355 (728,760) (26,791)	(57,710)	11,488,976	23,413,197	

- 10.5 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. During the year, HBL properties of Srilanka and Singapore branches were revalued as on December 04, 2014 and December 10, 2014 by G.A.Gunasegaram and United Valuers (Pte) Ltd. and these revaluations resulted in a surplus of Rs. 16.518 million and a deficit of Rs. 8.014 million respectively. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Domestic	Srilanka	Singapore	Lebanon	KEPZ	UK
	(Rupees in '000)					
Land	9,280,588	41,373	390,565	-	-	-
Building	3,952,144	34,267	33,834	11,738	2,007	128,342

The movement in surplus on revaluation of properties is given in note 18.1 to these consolidated financial statements.

10.6 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.

- 10.7 At December 31, 2014 cost / valuation of operating fixed assets retired from active service and held for disposal purposes amounted to Rs. 10.973 million (2013: Rs. 7.442 million). The cost / valuation of fully depreciated operating fixed assets that are still in the Group's use, as at the above date, amounted to Rs. 6,074.142 million (2013: Rs. 5,842.312 million).

11. DEFERRED TAX (LIABILITY) / ASSET

Note

2014
2013
(Rupees in '000)

Deductible temporary differences on

- recognised tax losses
- provision against investments
- provision against doubtful debts & Off-balance sheet
- liabilities written back under section 34(5) of the Income Tax Ordinance (ITO)
- provision against others
- revaluation of investments

18.2

153,740	186,349
(538,313)	(309,495)
3,683,961	4,972,311
1,313,702	1,255,056
115,627	116,170
-	267,086
4,728,717	6,487,477

Taxable temporary differences on

- fixed assets
- revaluation of investments
- others

18.2

(1,158,486)	(1,153,769)
(6,139,341)	-
-	(230,636)

Net deferred tax (liability) / asset recognised by the Group

(2,569,110)	5,103,072
-------------	-----------

11.1 Movement in temporary differences during the year

	Balance as at January 1, 2013	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2013	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2014
	(Rupees in '000)						
Deductible temporary differences on							
- recognised tax losses	849,867	(695,133)	31,615	186,349	(14,638)	(17,971)	153,740
- provision against investments	(167,641)	(141,854)	-	(309,495)	(228,818)	-	(538,313)
- provision against doubtful debts & Off-balance sheet	6,396,134	(1,423,823)	-	4,972,311	(1,288,350)	-	3,683,961
- liabilities written back under section 34(5) of the ITO	1,329,865	(74,809)	-	1,255,056	58,646	-	1,313,702
- provision against others	116,510	(340)	-	116,170	(543)	-	115,627
Taxable temporary differences on							
- fixed assets	(1,106,668)	(47,101)	-	(1,153,769)	12,113	(16,830)	(1,158,486)
- revaluation of investments	(1,361,584)	-	1,628,670	267,086	-	(6,406,427)	(6,139,341)
- others	-	(230,636)	-	(230,636)	230,636	-	-
	6,056,483	(2,613,696)	1,660,285	5,103,072	(1,230,954)	(6,441,228)	(2,569,110)

12. OTHER ASSETS

Note

2014
2013
(Rupees in '000)

Income / mark-up / profit accrued in local currency	26,710,706	13,934,193
Income / mark-up / profit accrued in foreign currency	2,568,524	1,976,354
Advances, deposits, advance rent and other prepayments	1,956,877	1,943,603
Advances against Islamic financing	4,724,486	1,706,730
Receivable from defined contribution plan	119,834	-
Advance taxation (payments less provisions)	13,306,717	14,348,153
Receivable against sale of securities	669,052	68,759
Advances for subscription of shares / TFCs	38,250	232,642
Stationery and stamps on hand	32,481	32,252
Accrued income	718,006	580,725
Due from Government of Pakistan / SBP	823,081	1,034,167
Unrealised gain on forward foreign exchange contract / derivative instruments	1,578,686	2,084,266
Non-banking assets acquired in satisfaction of claims [market value Rs. 2,593.734 million (2013: Rs. 2,300.575 million)]	2,257,327	2,220,722
Receivable from National Savings Centre / Clearing in transit	27,052,310	26,111,810
Claims against fraud and forgeries	257,371	166,155
Others	454,602	583,584
	83,268,310	67,024,115
Provision held against other assets	(459,129)	(415,102)
Other Assets - net	82,809,181	66,609,013

12.1 Provision against other assets

Opening balance	415,102	560,859
Charge for the year	291,416	144,729
Reversal	(6,538)	(193,119)
Net charge / (reversal)	284,878	(48,390)
Write off	(129,749)	(107,567)
Exchange adjustment / other movement	(111,102)	10,200
Closing balance	459,129	415,102

13. BILLS PAYABLE	Note	2014 (Rupees in '000)	2013
In Pakistan		21,235,603	18,552,992
Outside Pakistan		754,055	869,324
		<u>21,989,658</u>	<u>19,422,316</u>
14. BORROWINGS			
In Pakistan		86,957,906	87,352,602
Outside Pakistan		16,453,208	20,511,822
		<u>103,411,114</u>	<u>107,864,424</u>
14.1 Particulars of borrowings			
In local currency		85,077,250	85,618,861
In foreign currency		18,333,864	22,245,563
		<u>103,411,114</u>	<u>107,864,424</u>
14.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan:			
- Export refinance scheme	14.3	14,504,562	17,584,707
- Long term financing facility - locally manufactured and imported plant & machinery		6,468,165	5,464,963
- Long term finance - export oriented projects		133,651	480,741
- Refinance facility for modernization of SMEs		-	4,608
- Financing facility for Storage of Agricultural Produce		3,061	9,169
- Scheme for revival of SMEs and Agricultural activities in flood affected areas		-	9,170
Repurchase agreement borrowings	14.4	<u>56,041,292</u>	<u>50,072,621</u>
		<u>77,150,731</u>	<u>73,625,979</u>
Unsecured			
In Pakistan			
- Interbank call money borrowing	14.5	9,238,070	13,726,623
Outside Pakistan			
- Overdrawn nostro accounts	14.6	569,105	1,203,173
- Borrowings of overseas branches and subsidiaries		16,453,208	19,308,649
		<u>17,022,313</u>	<u>20,511,822</u>
		<u>26,260,383</u>	<u>34,238,445</u>
		<u>103,411,114</u>	<u>107,864,424</u>
14.3 Borrowings from the 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 6.00% to 7.50% (2013: 8.4% to 8.8%).			
14.4 These carry annual mark-up rates ranging from 8.50% to 9.70% (2013: 6.5% to 10.2%).			
14.5 These carry annual mark-up rates ranging from 9.30% to 9.50% (2013: 9.15% to 10.25%).			
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		2014 (Rupees in '000)	2013
Customers			
Current accounts - non-remunerative		496,598,562	402,564,215
Savings chequing account		664,749,424	611,241,490
Fixed deposits		329,292,130	365,989,421
		<u>1,490,640,116</u>	<u>1,379,795,126</u>
Financial institutions			
Current accounts - non-remunerative		24,986,975	8,926,506
Savings chequing account		4,092,718	4,551,714
Fixed deposits		4,817,977	7,956,468
		<u>33,897,670</u>	<u>21,434,688</u>
		<u>1,524,537,786</u>	<u>1,401,229,814</u>
15.1 Particulars of deposits			
In local currency		1,142,064,834	1,067,231,220
In foreign currency (including foreign currency deposits of domestic branches of Rs. 113,589.257 million (2013: Rs. 110,230.583 million))		382,472,952	333,998,594
		<u>1,524,537,786</u>	<u>1,401,229,814</u>

16.	OTHER LIABILITIES	Note	2014 (Rupees in '000)	2013
	Mark-up / return / profit payable in local currency		15,424,132	17,191,034
	Mark-up / return / profit payable in foreign currency		1,759,167	1,170,279
	Security deposits		540,210	531,990
	Accrued expenses		4,802,939	4,163,235
	Unrealised loss on forward foreign exchange contracts / derivative instruments		1,944,403	2,019,306
	Unclaimed dividends		173,657	134,789
	Dividend payable		81,032	76,317
	Provision for employees' compensated absences	32.2.8	2,134,581	1,845,749
	Provision for post retirement medical benefits	32.2.3	2,521,535	2,225,250
	Provision against off-balance sheet obligations	16.1	927,648	1,118,799
	Branch adjustment account		2,004,814	2,156,299
	Provision for staff retirement benefits		692,976	611,545
	Payable to defined benefit plan	32.2.3	539,945	341,541
	Amounts due to minority investors in funds consolidated by HBL		2,376,609	1,295,234
	Provision for workers welfare fund		3,581,424	2,603,892
	Unearned income		148,739	211,279
	Qarza-e-Hasna Fund		342,093	342,952
	Duties and taxes payable		1,536,211	1,356,205
	Insurance payable		203,451	162,322
	Reward point payable		261,867	228,166
	Payable to HBL foundation		468,118	252,387
	Others		1,927,595	1,648,885
			<u>44,393,146</u>	<u>41,687,455</u>
16.1	Provision against off-balance sheet obligations			
	Opening balance		1,118,799	1,083,490
	Charge for the year		57,858	109,403
	Reversal		(160,025)	(86,976)
	Net (reversal) / charge		(102,167)	22,427
	Exchange adjustment		(88,984)	12,882
	Closing balance		<u>927,648</u>	<u>1,118,799</u>
17.	SHARE CAPITAL			
17.1	Authorised capital			
	2014	2013		
	Number of shares in '000			
	<u>3,000,000</u>	<u>3,000,000</u>	Ordinary shares of Rs. 10 each	<u>30,000,000</u> <u>30,000,000</u>
17.2	Issued, subscribed and paid-up capital			
	2014	2013		
	Number of shares in '000			
	690,000	690,000	Ordinary shares of Rs. 10 each	6,900,000
	776,852	643,502	Fully paid in cash	7,768,525
	1,466,852	1,333,502	Issued as bonus shares	14,668,525
				13,335,023
17.3	Exchange translation reserves			

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

17.4 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.

17.5 Dividends

After December 31, 2014 the following dividends were proposed by the Directors for 2014. The dividends have not been provided for and, there are no income tax consequences.

	Note	2014 (Rupees in '000)	2013
Cash dividend: Rs. 5.5 per share in addition to Rs. 6.5 already paid during the year (2013: Rs. 8 per share)		8,067,689	2,667,005
Bonus share Nil (2013 : 1 share for 10 shares held)		-	1,333,502
18. SURPLUS ON REVALUATION OF ASSETS - net of deferred tax			
Surplus arising on revaluation of:			
- fixed assets	18.1	9,426,801	9,528,000
- investments	18.2	12,225,088	385,827
Surplus on revaluation of assets - net of deferred tax		21,651,889	9,913,827
18.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		10,419,565	10,514,994
Surplus on revaluation of Group's properties recognised during the year		8,504	-
Surplus realised on disposal of revalued properties during the year - net of deferred tax		(33,741)	(1,269)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(59,132)	(59,658)
Related deferred tax liability of incremental depreciation charged during the year		(31,870)	(32,154)
Related deferred tax liability on disposal of revalued properties		(16,962)	(2,348)
Surplus on revaluation of fixed assets as at December 31		10,286,364	10,419,565
Less: related deferred tax liability on			
- revaluation as at January 1		891,565	926,067
- revaluation of Group's properties recognised during the year		16,830	-
- surplus realised on disposal of revalued properties during the year		(16,962)	(2,348)
- incremental depreciation charged during the year transferred to profit and loss account		(31,870)	(32,154)
		859,563	891,565
		9,426,801	9,528,000
18.2 Surplus on revaluation of investments			
Market Treasury Bills		371,559	(1,197,179)
Pakistan Investment Bonds		14,774,097	(492,676)
Government of Pakistan Sukuk and US Dollar / Euro Bonds		(188,839)	287,648
Listed Securities		2,738,272	1,258,245
NIT Units		433,394	22,288
Other Investments		98,844	98,497
		18,227,327	(23,177)
Surplus on revaluation of investment of associates		137,102	141,918
Related deferred tax (liability) / asset		(6,139,341)	267,086
		12,225,088	385,827

19.	CONTINGENCIES AND COMMITMENTS	2014	2013
		(Rupees in '000)	
19.1	Direct credit substitutes - financial guarantees		
	Guarantees in favour of:		
	- Government	274,410	262,993
	- Financial institutions	295,000	295,000
	- Others	24,353,007	40,017,999
		<u>24,922,417</u>	<u>40,575,992</u>
19.2	Transaction-related contingent liabilities		
	Guarantees in favour of:		
	- Government	294,415	550,968
	- Financial institutions	2,956,884	1,894,819
	- Others	53,659,253	39,344,089
		<u>56,910,552</u>	<u>41,789,876</u>
19.3	Trade-related commitments		
	Credit cash	73,669,574	60,418,378
	Credit documentary acceptances	14,838,610	17,855,293
	Credit acceptances	29,323,479	48,660,293
		<u>117,831,663</u>	<u>126,933,964</u>
19.4	Other contingencies		
	Claims against the Group not acknowledged as debts	<u>37,608,696</u>	<u>33,826,739</u>
19.5	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.		
19.6	Commitments in respect of forward foreign and local exchange contracts	2014	2013
		(Rupees in '000)	
	Purchase	175,592,647	261,889,315
	Sale	176,427,323	262,090,382
	The above commitments have maturities falling within one year.		
	Commitments in respect of foreign currency options		
	Purchase	3,170,666	649,846
	Sale	3,170,666	649,846
	Commitments in respect of Cross Currency Swaps		
	Purchase	1,390,469	1,121,412
	Sale	1,353,623	1,105,785
	Commitments in respect of foreign and local currency interest rate swaps		
	Purchase	167,472	245,757
	Sale	330,805	490,757
19.7	Commitments for acquisition of operating fixed assets / intangibles	1,082,541	943,750
19.8	The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2013. The tax authorities have concluded the audit of years 2002 through 2013.		
	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.		

20. DERIVATIVE INSTRUMENTS

A derivative is a financial instrument whose value changes in response to the change in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or a similar variable, sometimes called the underlying. Derivatives include forwards, futures, swaps and options and 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 policy guidelines for taking derivative exposures are approved by the Board of Directors the (BoD) and the Board Risk Management Committee (BRMC).

The responsibility for derivatives trading activity lies with the Global Treasury. Measurement & monitoring of market and credit risk exposure and limits and its reporting to the senior management and the BoD is done by the Treasury Middle Office (TMO). TMO 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.

20.1 Product Analysis Counterparties

2014					
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	68	3,170,666	-	-
Market Making	-	-	-	2	1,548,048
With other entities for					
Hedging	-	-	-	-	-
Market Making	3	68	3,170,666	1	1,196,044
Total					
Hedging	1	68	3,170,666	-	-
Market Making	3	68	3,170,666	3	2,744,092

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)
Counterparties					
With Banks for					
Hedging	1	5	649,846	1	579,161
Market Making	-	2	202,523	1	542,251
With other entities for					
Hedging	-	-	-	-	-
Market Making	3	3	447,323	1	1,105,785
Total					
Hedging	1	5	649,846	1	579,161
Market Making	3	5	649,846	2	1,648,036

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

20.2 Maturity Analysis

2014					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 Month	14	508,436	(67)	21	(46)
1 to 3 Months	58	2,970,478	(2,448)	9,771	7,323
3 Months to 6 Months	64	2,862,418	(5,770)	3,154	(2,616)
6 Months to 1 Year	-	-	-	-	-
1 to 2 Years	5	2,404,042	(12,014)	61,707	49,693
2 to 3 Years	1	334,944	(4,594)	4,767	173
3 to 5 Years	1	503,383	-	5,412	5,412
	143	9,583,701	(24,893)	84,832	59,939
2013					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 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

21. MARK-UP / RETURN / PROFIT EARNED

	2014	2013
	(Rupees in '000)	
On advances to		
- Customers	52,890,270	47,849,606
- Financial institutions	120,455	260,841
On investments		
- Available-for-sale	64,785,406	62,664,436
- Held-for-trading	3,513,937	1,594,054
- Held-to-maturity	8,227,545	5,160,613
On deposits with financial institutions	1,439,331	1,167,436
On lendings to financial institutions	5,556,337	1,525,787
Compensation received on tax refunds	1,309,147	381,781
	137,842,428	120,604,554

22. MARK-UP / RETURN / PROFIT EXPENSED

Deposits	59,490,804	56,317,780
Securities sold under repurchase agreement borrowings	4,281,627	6,380,194
Other short term borrowings	4,444,383	2,034,387
Long term borrowings	538,760	474,748
	68,755,574	65,207,109

23. GAIN / (LOSS) ON SALE OF SECURITIES - NET

<i>Federal Government Securities</i>		
- Market treasury bills	71,567	283,706
- Pakistan investment bonds	736,047	215,008
Listed shares	1,277,216	1,743,869
Others	(36,156)	71,264
	2,048,674	2,313,847

24. OTHER INCOME

Incidental charges	1,822,204	1,459,768
Rent on lockers	387,263	376,958
Gain on sale of operating fixed assets - net	21,115	55,030
Gain / (loss) on sale of non-banking asset - net	74,835	(13,756)
Rent on property	102,198	129,724
Recovery against written-off loans	271,784	235,989
Liabilities no longer required written back	27,663	19,055
Management fee income	116,773	116,470
Derivative income	41,518	46,345
	2,865,353	2,425,583

24.1 Cash management fee, commission on import / export etc. amounting to Rs. 1,079.260 million has been reclassified from Incidental charges to Fee, commission and brokerage income. Further, commission on remittances amounting to Rs 725.458 million has been reclassified from income from dealing in foreign currency to Fee, commission and brokerage income.

25. ADMINISTRATIVE EXPENSES

	Note	2014 (Rupees in '000)	2013
Salaries, allowances, etc.		20,415,771	17,422,708
Charge for defined benefit / contribution plan and other benefits		1,426,195	1,235,097
Non-executive directors' fees		12,400	10,300
Outsource service charges		774,443	574,548
Brokerage and commission		393,928	98,853
Rent, taxes, insurance, electricity, etc		4,874,229	4,301,188
Legal and professional charges		786,720	656,622
Consultancy charges		484,200	1,302,560
Communications		1,144,149	924,402
Repairs and maintenance		2,072,552	1,910,993
Stationery and printing		965,843	837,032
Auditors' remuneration	25.1	187,728	176,001
Advertisement and publicity		1,279,817	1,208,159
Amortisation	10.3	452,801	274,850
Depreciation	10.4	1,970,355	1,531,558
Entertainment		207,267	193,152
Travelling		412,630	428,413
Conveyance		164,587	152,403
Training		207,432	185,140
Security charges		1,413,876	1,133,159
Remittance charges		221,498	220,753
Donations	25.3	384,014	286,059
Documentation and processing charges		865,338	790,830
Subscription		85,995	70,609
Others		102,841	184,468
		<u>41,306,609</u>	<u>36,109,857</u>

25.1 Auditors' remuneration

Audit fee	4,803	4,426
Fee for interim review	4,368	4,025
Fee for audit of local branches of Habib Bank Limited	12,638	10,664
Special certifications / examinations and sundry advisory services	16,817	10,868
Out of pocket expenses	3,989	3,655
	<u>42,615</u>	<u>33,638</u>
Overseas subsidiaries / branches and domestic subsidiaries	145,113	142,363
	<u>187,728</u>	<u>176,001</u>

25.2 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. 1,195.039 million (2013: Rs. 966.132 million) and Rs. 760.982 million (2013: Rs. 555.401 million) respectively.

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

	2014 (Rupees in '000)	2013
26. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	<u>4,654</u>	<u>23,175</u>

27. 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.

28. TAXATION

		2014 (Rupees in '000)	2013 (Rupees in '000)
For Pakistan - for the year	- current	13,688,211	9,258,426
	- deferred	1,230,954	2,613,696
For Pakistan - prior year	- current	(210,479)	(117,510)
For Overseas - for the year	- current	1,986,529	1,351,621
		<u>16,695,215</u>	<u>13,106,233</u>

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

28.1 Relationship between tax expense and accounting profit

Accounting profit for the current year	<u>48,514,805</u>	<u>36,133,328</u>
Tax on income @ 35% (2013: 35%)	16,980,182	12,646,665
- Reduced rate income	3,379	(542,691)
- Penalty imposed by SBP	1,629	8,111
- Tax losses	14,638	695,132
- Prior year charge	(210,479)	(117,510)
- Others	(94,134)	416,526
Tax charge for the current year	<u>16,695,215</u>	<u>13,106,233</u>

29. BASIC AND DILUTED EARNINGS PER SHARE

	2014 (Rupees in '000)	2013 (Rupees in '000)
Profit for the year attributable to equityholders of the Bank	<u>31,725,115</u>	<u>22,863,123</u>
	(Number)	
Weighted average number of ordinary shares	<u>1,466,852,508</u>	<u>1,466,852,508</u>
	(Rupees)	
Basic and diluted earnings per share	<u>21.63</u>	<u>15.59</u>

30. CASH AND CASH EQUIVALENTS

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Cash and balance with treasury banks	5	135,276,934	135,476,687
Balance with other banks	6	67,691,450	57,341,769
		<u>202,968,384</u>	<u>192,818,456</u>

31. STAFF STRENGTH

	(Number)	
Permanent	14,103	13,825
Others	20	17
Total staff strength	<u>14,123</u>	<u>13,842</u>

32. DEFINED BENEFIT PLANS AND OTHER BENEFITS

32.1 Principal actuarial assumptions

The latest actuarial valuation for pension and gratuity schemes was carried out as at December 31, 2014 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:

	2014	2013
	-----Per annum-----	
Valuation discount rate	12.25%	13.00%
Expected rate of increase in salary level	11.25%	12.00%
Expected rate of return on funds invested	12.25%	13.00%

32.2 Pension, gratuity, benevolent fund schemes and other benefits

32.2.1 Fair value of plan assets and present value of defined benefits obligations of these schemes as at December 31, 2014 are as follows:

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2014	2013	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----							
Fair value of plan assets	3,516,044	6,108,485	118,769	227,282	1,841,667	1,658,153	-	-
Present value of defined benefit obligation	(4,009,651)	(6,432,871)	(165,107)	(244,437)	(1,174,230)	(1,105,881)	(2,521,535)	(2,225,250)
(Liability) / asset recognised in the balance sheet	(493,607)	(324,386)	(46,338)	(17,155)	667,437	552,272	(2,521,535)	(2,225,250)

32.2.1.1 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.

32.2.2 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----							
Current service cost	47,323	47,970	6,527	8,313	22,288	25,764	61,386	51,766
Net mark up	62,687	72,798	2,230	5,877	(76,869)	(54,289)	269,358	244,513
Past service cost	(133,559)	-	-	-	-	-	-	-
Settlement loss	67,268	-	-	-	-	-	-	-
Contributions - employees	-	-	-	-	(39,029)	(39,530)	-	-
Charge / (reversal) for the year	43,719	120,768	8,757	14,190	(93,610)	(68,055)	330,744	296,279

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

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Opening balance	324,386	1,102,323	17,155	98,096	(552,272)	(412,877)	2,225,250	2,182,363
Charge / (credit) for the year	43,719	120,768	8,757	14,190	(93,610)	(68,055)	330,744	296,279
Contributions during the year	-	(991,355)	-	(98,246)	(39,029)	(39,530)	-	(289,510)
Other comprehensive income	125,502	92,650	20,426	3,115	17,474	(31,810)	272,069	36,118
Benefits paid	-	-	-	-	-	-	(306,528)	-
Closing balance	493,607	324,386	46,338	17,155	(667,437)	(552,272)	2,521,535	2,225,250

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

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

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Opening balance	(6,432,871)	(6,132,451)	(244,437)	(302,753)	(1,105,881)	(1,175,073)	(2,225,250)	(2,182,363)
Current service cost	(47,323)	(47,970)	(6,527)	(8,313)	(22,288)	(25,764)	(61,386)	(51,766)
Mark-up cost	(770,055)	(699,505)	(24,368)	(30,195)	(134,739)	(133,821)	(269,358)	(244,513)
Benefits paid	3,395,823	606,483	113,979	102,253	138,854	119,793	306,528	289,510
Past Service Cost	133,559	-	-	-	-	-	-	-
Settlement loss	(67,268)	-	-	-	-	-	-	-
Actuarial (loss) / gain	(221,516)	(159,428)	(3,754)	(5,429)	(50,176)	108,984	(272,069)	(36,118)
Closing balance	(4,009,651)	(6,432,871)	(165,107)	(244,437)	(1,174,230)	(1,105,881)	(2,521,535)	(2,225,250)

32.2.6 **Movement of fair value of plan assets**

	Pension		Gratuity		Benevolent	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Opening balance	6,108,485	5,030,128	227,282	204,657	1,658,153	1,587,950
Return on plan assets	707,368	626,708	22,138	24,318	211,608	188,110
Employer contribution	-	991,353	-	98,246	39,029	39,530
Employee contributions	-	-	-	-	39,029	39,530
Benefits paid	(3,395,823)	(606,483)	(113,979)	(102,253)	(138,854)	(119,793)
Actuarial gain / (loss) on plan assets	96,014	66,779	(16,672)	2,314	32,702	(77,174)
Closing balance	3,516,044	6,108,485	118,769	227,282	1,841,667	1,658,153

32.2.7 Actual return on plan assets

	Pension		Gratuity		Benevolent	
	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----					
Expected return on plan assets	707,368	626,708	22,138	24,318	211,608	188,110
Actuarial gain / (loss) on plan assets	96,014	66,779	(16,672)	2,314	32,702	(77,174)
Actual return on plan assets	803,382	693,487	5,466	26,632	244,310	110,936

32.2.8 Other long term benefits - Employee compensated absences

The liability of the Bank in respect of employee compensated absences as at December 31, 2014, amounted to Rs. 2,134.581 million (2013: Rs. 1,845.749 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 408.366 million (2013 charge: Rs. 132.622 million) is included in administrative expenses (note 25 to these financial statements) under 'Charge for defined benefit plans and other benefits' account head.

32.2.9 Composition of fair value of plan assets

	2014		2013	
	Fair value (Rupees in '000)	%	Fair value (Rupees in '000)	%
Pension Fund				
Bonds	3,531,281	100.43	5,080,507	83.17
Equities	1,366,337	38.86	754,228	12.35
Others (including bank balances)	(1,381,574)	(39.29)	273,750	4.48
	3,516,044	100.00	6,108,485	100.00
Gratuity Fund				
Bonds	111,671	94.02	18,825	8.28
Others (including bank balances)	7,098	5.98	208,457	91.72
	118,769	100.00	227,282	100.00
Benevolent Fund				
Bonds	1,762,765	95.72	1,168,006	70.44
Others (including bank balances)	78,902	4.28	490,147	29.56
	1,841,667	100.00	1,658,153	100.00

As per actuarial recommendations, the expected return on plan assets was assumed at 12.25% 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.

32.2.10 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	3,532,502	4,482,789	4,390,567	3,668,830
Gratuity Fund	162,961	167,418	167,749	162,630
Benevolent Fund	1,054,458	1,309,265	1,174,229	1,174,229
Post retirement medical benefit	2,246,688	2,788,818	2,554,315	2,476,147
Employee compensated absences	1,916,854	2,356,577	2,335,232	1,938,200

32.2.11 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, 2015, subject to the provisions of the Trust Deeds, would be as follows:

2015				
	Pension	Gratuity	Benevolent	Post retirement medical benefit
	(Rupees in '000)			
	187,927	9,501	(43,142)	379,284
	357,774			

Expected charge / (reversal) for the year

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

Pension Fund

Present value of defined benefit obligations
Fair value of plan assets
(Deficit) / surplus
Experience adjustments on plan liabilities [(loss) / gain]
Experience adjustments on plan assets [gain / (loss)]

Gratuity Fund

Present value of defined benefit obligations
Fair value of plan assets
(Deficit) / surplus
Experience adjustments on plan liabilities [(loss) / gain]
Experience adjustments on plan assets [(loss) / gain]

	2014	2013	2012	2011	2010
	(Rupees in '000)				
	(4,009,651)	(6,432,871)	(6,132,451)	(4,161,705)	(3,752,490)
	3,516,044	6,108,485	5,030,128	4,014,787	3,629,930
	(493,607)	(324,386)	(1,102,323)	(146,918)	(122,560)
	(221,516)	(159,428)	(423,638)	(132,145)	351,250
	96,014	66,779	(235,167)	164,373	(433,160)
	(165,107)	(244,437)	(302,753)	(374,205)	(363,236)
	118,769	227,282	204,657	329,342	314,910
	(46,338)	(17,155)	(98,096)	(44,863)	(48,326)
	(3,754)	(5,429)	(12,636)	1,608	(10,321)
	(16,672)	2,314	(29,051)	19,122	(21,601)

	2014	2013	2012	2011	2010
	----- (Rupees in '000) -----				
Benevolent Fund					
Present value of defined benefit obligations	(1,174,230)	(1,105,881)	(1,175,073)	(1,469,644)	(1,405,002)
Fair value of plan assets	1,841,667	1,658,153	1,587,950	1,478,094	1,281,248
Surplus / (deficit)	667,437	552,272	412,877	8,450	(123,754)
Experience adjustments on plan liabilities [(loss) / gain]	(50,176)	108,984	9,597	28,649	136,963
Experience adjustments on plan assets [gain / (loss)]	32,702	(77,174)	(68,607)	83,402	6,668
Post retirement medical benefit					
Present value of defined benefit obligations	(2,521,535)	(2,225,250)	(2,182,363)	(2,455,614)	(2,244,246)
Experience adjustments on plan liabilities [(loss) / gain]	(272,069)	(36,118)	(173,538)	(71,735)	80,259

33. DEFINED CONTRIBUTION PLAN

HABIB BANK LIMITED (BANK)

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. 12,116.102 million as at December 31, 2013 (2012: Rs. 11,445.951 million).

33.2 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 \$ 1,500. Employees who earn HK \$ 7,100 or more per month are also required to contribute the same amount. Those who earn less than HK \$ 7,100 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.

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Group President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Remuneration / fee of non executives directors	-	-	21,273	17,756	-	-
Managerial remuneration (including allowances)	45,900	30,600	-	-	6,169,166	5,779,307
Contribution to provident and benevolent fund	2,610	1,692	-	-	158,726	144,185
Medical	383	149	-	-	310,581	287,655
House-rent, maintenance, furnishing, others	1,254	1,170	-	-	-	-
Utilities	1,348	1,340	-	-	-	-
Conveyance	1,683	1,894	-	-	-	-
	<u>53,178</u>	<u>36,845</u>	<u>21,273</u>	<u>17,756</u>	<u>6,638,473</u>	<u>6,211,147</u>
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>7</u>	<u>2,854</u>	<u>3,081</u>

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 25.2 to these consolidated financial statements.

35. 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 subsidiaries, associated undertakings, joint venture company (refer note 8.4), associates of AKFED Group entities, employee benefit schemes (refer note 4.8) 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 than those under terms of employment. Details of advances to related parties are given in note 9.7 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:

	2014				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	Rs. in 000				
Statement of financial position					
Deposits	3,914,395	-	3,133,203	113,168	116,266
Maximum Deposits during the year	3,996,836	-	4,077,656	113,168	729,432
Borrowings	3,281,763	-	-	2,160,385	-
Investments	-	-	9,750,032	1,425,498	-
Markup / Other Receivable	-	-	277,663	-	-
Mark-up / Other Payable	8,352	-	5,906	18,326	961,746
Placements / Lendings	89,035	-	-	-	-
Overdrawn Nostro	173,250	-	692,192	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss					
Interest / Other Income	93,836	-	4,027,765	371,658	-
Interest / Other Expense	189,224	-	656,432	289,873	406,016
Others					
Other contingencies	541,418	-	-	-	-
Securities held as custodian	10,027,505	888,000	35,292,700	-	5,377,465

	2013				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	Rs. in 000				
Statement of financial position					
Deposits	3,450,508	-	7,467,809	159,678	1,105,198
Maximum 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

35.1. The donations given in note 25 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. 16.

35.2 Transaction with Government- related entities

The Federal Government (GOP) holds 41.5% out of which State Bank of Pakistan (SBP) holds 40.6% shareholding in the Bank and therefore entities which are owned and / or controlled by the GOP, or where the GOP may exercise significant influence, are related parties of the Group.

The Group in the ordinary course of business enters into transactions with Government-related entities, which are all conducted at arm's length basis. Such transactions include Investments [Treasury Bills / Sukuks, Pakistan Investment Bonds (PIBs), Shares], Borrowing / Deposits, Lendings and Balance with treasury bank. The outstanding amount as at December 31, 2014 amounting to Rs. 830,812 million for investments (December 31, 2013: Rs. 731,628 million), borrowings / deposits amounting to Rs. 204,324 million (December 31, 2013: Rs. 246,509 million), advances amounting to Rs. 125,571 million (December 31, 2013: Rs. 115,558 million) and Balance with treasury bank amounting to Rs. 53,768 million (December 31, 2013: Rs. 70,314 million).

35.3 Key Management Personnel

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

	2014 (Rupees in '000)	2013
Managerial remuneration (including allowances)	1,949,550	1,698,162
Contribution to provident and benevolent fund	30,681	25,416
Medical	60,919	49,793
	<u>2,041,150</u>	<u>1,773,371</u>
Number of persons	<u>207</u>	<u>188</u>

In addition Key Management Personnel are paid short-term employee benefits which are disclosed in note 25.2.

36. RISK MANAGEMENT FRAMEWORK

HBL's aim is to build a diversified business, characterized by sustained growth and profitability. The bank's operations have a high degree of complexity in view of its size and its regional, product and target market diversification. This coupled with increasing competition in the banking sector, changes in the regulatory regime and challenging macro-economic environment makes it imperative for the bank to have a well developed, robust risk management framework. Hence the risk management framework at HBL has been developed around board oversight, strong supervision, clear policies and procedures, efficient systems and documented risk appetite.

The Board of Directors provides the strategic direction for effective risk management and has the ultimate responsibility for ensuring that a robust risk management framework is in place including the required human resources, policies, procedures and systems. It is supported in this task by board committees i.e. Board Risk Management Committee (BRMC) and Board Audit Committee (BAC) as well as management committees i.e. Asset & Liability Committee (ALCO), Management Risk Committee (MRC), Credit Risk Management Committee (CRMC) and Operational Risk Management Committee (ORMC).

For effective implementation of the risk management framework, Risk Management function operates independently within the bank. The function is also responsible for development and oversight of risk policies and plays a pivotal role in monitoring the risks associated with various activities of the Bank. Risk Management function is headed by the Chief Risk Officer (CRO), who administratively reports to the President with an independent functional reporting line to the BRMC. This is to ensure the independence of this position

Risk Management function comprises of the following areas:

- 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 business units and other support functions. Head ORMD has a dotted reporting line to the CRO.

Credit Risk

Credit risk is defined as the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. While loans are the largest and most obvious source of credit risk; it also stems from activities both on and off balance sheet. The credit process at HBL is governed by well defined and documented credit policies and procedures. Beside core documents, separate policies are in place for consumer loans, rural banking and SME financing. These policy and procedure documents lay down the basic underwriting standards. Certain types of exposures/facilities are managed under product programs that contain their own detailed credit criteria, regulatory, compliance and documentation requirements.

Credit risk appetite i.e. tolerance for credit risk, is defined through the Overall Risk Appetite document that is also approved by the board of directors. It also covers the concentration risk the bank is willing to carry on its books with reference to risk ratings, sectors and large exposures.

The core pillars of credit risk management at HBL are:

- An independent risk management function.
- Approval rules based on three-initial system and joint business/risk sign-offs
- An independent audit and business risk review function.

Credit approval authorities are designated to individuals based on their qualifications and experience. Proactive monitoring is ensured through an early warning mechanism for assets under stress. This enables the bank to put in place viable solutions before further deterioration in credit quality. A special Structured Credits function has been established to handle stressed assets to ensure a focused remedial strategy. The Bank follows the guidelines of SBP for domestic operations and the local regulators for international operations for classification/ provisioning/ write-off of problem advances. However, subjective judgment is also applied to recognize credit losses earlier than the regulations warrant.

Disbursement authorization as well as collateral and security management, documentation and monitoring are managed by Credit Administration Department (CAD) that operates as part of Risk Management.

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 optional scenarios.

Business Risk Review performs the function of independent reviewer of the credit portfolio. BRR is part of the Internal Audit function which reports to the Board Audit Committee and is independent of Risk Management and the business functions. It provides independent assessment of the quality of credit portfolio, efficacy of processes for acquisition of risk assets, regulatory/policy compliance and appropriate classification and risk rating of assets to the Board and the senior management of the bank.

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 its 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 uncertainty about the change in an investment'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 within 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 activities 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 also conducts 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.

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. A pre-settlement risk limit for derivative transaction is recommended by Treasury Middle Office for approval to the appropriate Credit Approval Authority. The 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 framework

The Bank is continuing with its efforts to adopt the Foundation Internal Ratings Based (FIRB) Approach for certain credit risk portfolios and Internal Models Approach (IMA) for Market Risk (Alternate Standardized Approach for operational risk has already been adopted) under the Basel II Framework. Considerable challenges remain in this area not the least of which relate to data quality and sufficiency and a lack of in-country expertise in this area. Being a large Bank in Pakistan, and having a strong risk culture and focus, the Bank is increasingly developing resources internally to embed Basel related processes and methodologies in its risk practices. To this end, a programme is in place to augment the skill set of staff in this area. Once completed, the Bank expects to achieve a number of significant business benefits from its Basel II program with a more robust risk management and internal control environment in line with best practice.

The Bank is currently engaged in the deployment of a comprehensive suite of 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 Banks/DFIs to report capital ratio following the Basel III framework setting higher capital requirements to be achieved gradually in phase-in arrangements by 2019.

The Basel III guideline applies on a consolidated as well as a standalone basis. Lists of 'subsidiaries' and 'associates and joint venture' have been provided in notes no. 1 and 8.4, respectively, of these consolidated financial statements. Subsidiaries are fully consolidated whereas the equity method has been used to incorporate associates and joint venture as mentioned in note 2.2.

37 CAPITAL ADEQUACY

37.1 Risk-Weighted Exposures

Credit Risk

On-balance sheet

Other sovereigns, GOP, PG, SBP other than PKR
PSE's
Banks
Corporates
Retail Portfolio
Secured by residential property
Past due loans
Commercial entities exceeding 10%
Listed Equity investments
Unlisted equity investments
Investments in fixed assets
Other assets

Off-balance sheet

Non-market related
Market related

Market Risk

Interest Rate Risk
Equity Position Risk
Foreign Exchange Risk

Operational Risk

Capital Adequacy Ratio

Total eligible regulatory capital held

Total risk weighted assets

Capital adequacy ratio

Detailed disclosure is available in Annexure VI of Consolidated Financial Statements

Capital Requirements		Risk Weighted Assets	
2014	2013	2014	2013
----- (Rupees in '000) -----			
8,375,855	5,176,190	83,758,552	51,761,898
1,344,765	2,740,601	13,447,650	27,406,006
3,854,844	3,303,384	38,548,443	33,033,836
29,357,174	28,795,721	293,571,739	287,957,209
6,346,773	5,711,113	63,467,732	57,111,125
209,455	370,999	2,094,546	3,709,987
1,224,552	1,105,370	12,245,524	11,053,701
840,000	-	8,400,000	-
807,515	622,225	8,075,150	6,222,249
409,897	263,735	4,098,969	2,637,345
2,452,903	2,274,288	24,529,026	22,742,878
1,234,784	1,426,124	12,347,843	14,261,244
56,458,517	51,789,750	564,585,174	517,897,478
8,801,809	9,681,362	88,018,089	96,813,617
223,167	202,052	2,231,669	2,020,520
9,024,976	9,883,414	90,249,758	98,834,137
8,109,675	3,471,810	101,370,938	43,397,625
3,030,322	1,148,716	37,879,025	14,358,950
4,942,088	5,158,976	61,776,097	64,487,197
16,082,085	9,779,502	201,026,060	122,243,772
9,033,041	8,568,980	112,913,013	107,112,245
90,598,619	80,021,646	968,774,005	846,087,632
157,017,621	130,252,763		
968,774,005	846,087,632		
16.21%	15.39%		

37.2 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.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET1) ratio and Tier 1 ratio of 5.5% and 7%, respectively, as at December 31, 2014. As at December 31, 2014 the Group was fully compliant with prescribed ratios. The Group and its individually regulated operations have complied with all capital requirements throughout the year.

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

- Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET1 capital includes fully paid-up capital, balance in share premium account and other reserves (excluding foreign exchange translation reserves) as per the financial statements, unappropriated profits and non-controlling interest meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

- Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria).

Above capital is subject to certain regulatory adjustments i.e. threshold deductions for investments, reciprocal crossholdings, investment in own shares etc.

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.

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.

- 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. Eligible 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).

- 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 using the maturity method, foreign exchange risk and equity price risk.

38. CURRENCY RISK

	2014				2013			
	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	1,299,386,058	1,176,680,407	(14,379,179)	108,326,472	1,255,919,256	1,144,751,762	(24,787,576)	86,379,918
United States Dollar	275,208,100	261,723,462	(52,962)	13,431,676	213,081,536	221,281,901	4,091,178	(4,109,187)
Great Britain Pound	73,667,392	73,093,186	8,442,075	9,016,281	76,228,969	60,987,278	7,178,602	22,420,293
UAE Dirham	71,059,229	61,091,056	(54,714)	9,913,459	46,709,216	44,369,475	5,208,127	7,547,868
Japanese Yen	31,448	1,219	(22,999)	7,230	106,757	2,683	(96,927)	7,147
Euro	20,081,907	26,959,311	9,066,822	2,189,418	20,133,161	24,704,725	8,734,457	4,162,893
Other Currencies	127,569,255	97,352,173	(2,999,043)	27,218,039	103,092,483	76,739,300	(327,861)	26,025,322
	1,867,003,389	1,696,900,814	-	170,102,575	1,715,271,378	1,572,837,124	-	142,434,254

39. MATURITIES OF ASSETS AND LIABILITIES

39.1 In accordance with BSD Circular Letter No.03 of 2011, issued by the 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.

	2014							
	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	
	------(Rupees in '000)-----							Over five to ten years
Assets								
Cash and balances with treasury banks	135,276,934	64,738,639	11,182,413	14,530,452	4,446,003	924,841	705,468	17,624,055
Balances with other banks	67,691,450	63,150,129	2,540,492	1,700,829	300,000	-	-	-
Lendings to financial institutions	34,313,560	33,771,310	-	-	542,250	-	-	-
Investments	924,307,285	318,651,542	17,761,882	15,975,361	96,920,167	96,810,973	54,236,898	113,914,113
Advances	595,295,176	92,670,032	74,915,607	73,439,811	30,510,618	17,047,855	22,405,297	145,822,563
Operating fixed assets	27,309,803	-	-	-	-	-	-	37,628,385
Deferred tax asset	-	-	-	-	-	-	-	-
Other assets	82,809,181	38,821,158	25,112,119	11,974,673	6,901,231	-	-	-
	1,867,003,389	611,802,810	131,512,513	117,621,126	139,620,269	114,783,668	77,347,662	201,075,003
								119,437,696
Liabilities								
Bills payable	21,989,658	4,376,087	7,078,534	10,535,037	-	-	-	-
Borrowings from financial institutions	103,411,114	81,508,677	7,232,926	7,984,624	134,706	144,181	732,744	3,392,259
Deposits and other accounts - note 39.2	1,524,537,786	266,944,321	122,560,472	95,137,080	162,669,687	31,262,495	31,633,510	384,859,051
Sub-ordinated loan	-	-	-	-	-	-	-	-
Deferred tax liability	2,569,110	-	-	-	-	642,277	642,277	642,279
Other liabilities	44,393,146	23,861,105	10,370,636	4,192,557	1,851,145	536,549	3,044,605	-
	1,696,900,814	376,690,190	147,242,568	117,849,298	164,655,538	32,585,502	33,545,080	388,893,589
								380,032,934
Net gap	170,102,575	235,112,620	(15,730,055)	(22,812)	(25,035,269)	82,198,167	43,802,583	(187,818,586)
								(260,595,238)
Share capital	14,668,525							
Reserves	43,550,188							
Unappropriated profit	89,046,716							
Non-controlling interest	1,185,257							
Surplus on revaluation of assets - net of tax	21,651,889							
	170,102,575							

2013									
(Rupees in '000)									
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
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
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
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
Operating fixed assets	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
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 39.2	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
Sub-ordinated loan	2,633,115	-	-	1,316,558	1,316,557	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-
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
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)
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	-	-	-	-	-	-	-	-

39.2 Expected maturity dates do not differ significantly from the contract dates except for the maturity of Rs. 908.355 billion (2013: Rs. 878.257 billion) of deposits representing retail deposit accounts considered by the Group as stable core source of funding of its operations.

2014

Note	Total	2014								
		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
Assets										
Cash and balances with treasury banks	135,276,934	130,173,667	778,260	2,891,642	1,183,120	250,245	-	-	-	-
Balances with other banks	67,691,450	64,698,648	1,185,555	1,507,247	300,000	-	-	-	-	-
Lendings to financial institutions	34,313,560	33,771,310	-	-	542,250	-	-	-	-	-
Investments	924,307,285	120,315,703	31,288,381	331,555,637	75,598,922	115,725,840	28,331,422	112,265,267	106,702,012	2,524,101
Advances	595,295,176	353,572,408	52,602,432	24,094,240	12,550,686	12,628,087	22,210,608	66,846,792	41,769,677	9,020,246
Operating fixed assets	27,309,803	1,318,760	398,733	598,099	1,196,198	2,392,395	2,392,395	1,863,724	764,157	16,385,342
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other assets	82,809,181	62,608,048	2,902,018	5,273,418	12,025,697	-	-	-	-	-
	1,867,003,389	766,458,544	89,155,379	365,920,283	103,396,873	130,996,567	52,934,425	180,975,783	149,235,846	27,929,689
Liabilities										
Bills payable	21,989,658	21,989,658	-	-	-	-	-	-	-	-
Borrowings from financial institutions	103,411,114	95,083,208	2,467,757	148,384	91,345	550,388	181,179	1,862,952	3,025,901	-
Deposits and other accounts	1,524,537,786	1,268,016,326	95,153,325	53,830,350	80,046,304	8,826,376	9,198,011	4,561,206	4,905,888	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Deferred tax liability	2,569,110	2,048,712	1,471,372	1,479,827	(541,256)	(490,529)	(1,405,693)	(682,419)	(6,272)	695,368
Other liabilities	44,393,146	42,910,989	1,333,501	26,403	122,253	-	-	-	-	-
	1,696,900,814	1,430,048,893	100,425,955	55,484,964	79,718,646	8,886,235	7,973,497	5,741,739	7,925,517	695,368
Net gap	170,102,575	(663,590,349)	(1,270,576)	310,435,319	23,678,227	122,110,332	44,960,928	175,234,044	141,310,329	27,234,321
Share capital	14,668,525									
Reserves	43,550,188									
Unappropriated profit	89,046,716									
Non-controlling interest	21,651,889									
Surplus on revaluation of assets - net of tax	170,102,575									

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	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	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	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
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									

393.1 It includes current, saving and term deposits amounting to Rs. 19,980 billion (December 31, 2013; Rs. 4,966 billion), Rs. 64,525 billion (December 31, 2013; Rs. 28,976 billion) and Rs. 28,628 billion (December 31, 2013; 14,055 billion) of Islamic Banking Business.

394 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.

40. YIELD / INTEREST RATE RISK

40.1 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.

Effective yield / interest rate	Total	2014									Not exposed to yield / interest risk
		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	
(Rupees in '000)											
On-balance sheet assets											
Financial assets											
Cash and balances with treasury banks	135,276,934	59,335,733	695,527	309,809	1,183,120	250,245	-	-	-	-	73,502,500
Balances with other banks	67,691,450	40,475,884	1,350,963	1,737,185	551,452	251,440	-	-	-	-	23,324,526
Lendings to financial institutions	34,313,560	33,771,310	-	542,250	-	-	-	-	-	-	-
Investments	924,307,285	91,030,652	42,726,574	384,763,985	57,350,038	89,971,784	47,027,757	106,822,137	88,933,110	4,505,718	11,175,530
Advances	595,295,176	92,493,135	246,934,024	167,780,166	32,613,042	11,526,934	12,462,743	23,709,203	6,302,724	1,473,205	-
Other assets	67,545,587	-	-	-	-	-	-	-	-	-	67,545,587
	1,824,429,992	317,106,714	291,707,088	555,133,395	91,697,652	102,000,403	59,490,500	130,531,340	95,235,834	5,978,923	175,548,143
Financial liabilities											
Bills payable	21,989,658	-	-	-	-	-	-	-	-	-	21,989,658
Borrowings from financial institutions	103,411,114	79,375,893	7,232,926	7,984,624	134,706	144,181	732,744	4,413,781	3,392,259	-	-
Deposits and other accounts	1,524,537,786	157,888,136	92,704,781	647,035,592	78,509,235	8,119,131	9,188,382	4,559,596	4,887,667	59,729	521,585,537
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	40,811,722	-	-	-	-	-	-	-	-	-	40,811,722
	1,690,750,280	237,264,029	99,937,707	655,020,216	78,643,941	8,263,312	9,921,126	8,973,377	8,279,926	59,729	584,386,917
On-balance sheet gap	133,679,712	79,842,685	191,769,381	(99,886,821)	13,053,711	93,737,091	49,569,374	121,557,963	86,955,908	5,919,194	(408,838,774)
Non - financial net assets	36,422,863	-	-	-	-	-	-	-	-	-	-
Total net assets	170,102,575	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments											
Foreign and local currency forward purchases	175,592,647	54,750,330	77,224,192	34,961,853	8,656,272	-	-	-	-	-	-
Foreign and local currency forward sales	(176,427,323)	(73,428,746)	(52,699,249)	(49,781,308)	(518,020)	-	-	-	-	-	-
Foreign Currency Options purchases	3,170,666	254,218	1,485,239	1,431,209	-	-	-	-	-	-	-
Foreign Currency Options sales	(3,170,666)	(254,218)	(1,485,239)	(1,431,209)	-	-	-	-	-	-	-
Cross Currency Swaps- long position	1,390,469	-	-	-	-	1,138,294	-	252,175	-	-	-
Cross Currency Swaps- short position	(1,353,623)	-	-	-	-	(1,102,415)	-	(251,208)	-	-	-
Interest rate swaps - long position	167,472	-	-	-	-	-	167,472	-	-	-	-
Interest rate swaps - short position	(330,805)	-	-	-	-	(163,333)	(167,472)	-	-	-	-
	(961,163)	(18,678,416)	24,524,943	(14,819,455)	8,138,252	(127,454)	-	967	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	61,164,269	216,294,324	(114,706,276)	(114,706,276)	21,191,963	93,609,637	49,569,374	121,558,930	86,955,908	5,919,194	(408,838,774)
Cumulative yield / interest risk sensitivity gap	61,164,269	277,458,593	162,752,317	183,944,280	277,553,917	327,123,291	448,682,221	535,638,129	541,557,323	132,718,549	-

Effective yield / interest rate	Total	2013									Not exposed to yield / interest risk	
		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		
(Rupees in '000)												
On-balance sheet assets												
Financial assets												
Cash and balances with treasury banks	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	35,271,477	34,471,477	800,000	-	-	-	-	-	-	-	-	-
Investments	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	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	50,317,257	-	-	-	-	-	-	-	-	-	-	50,317,257
	1,668,170,235	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	-	190,181,840
Financial liabilities												
Bills payable	19,422,316	-	-	-	-	-	-	-	-	-	-	19,422,316
Borrowings from financial institutions	107,864,424	74,848,237	13,821,042	11,084,726	185,173	272,378	227,588	4,253,296	3,171,984	-	-	-
Deposits and other accounts	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	2,633,115	-	-	2,633,115	-	-	-	-	-	-	-	-
Other liabilities	39,083,563	-	-	-	-	-	-	-	-	-	-	39,083,563
	1,570,233,232	220,890,557	136,124,206	620,676,305	83,677,615	10,763,897	8,508,139	11,377,806	8,186,293	31,813	469,996,601	-
On-balance sheet gap	97,937,003	172,166,075	327,773,187	(252,495,428)	(13,951,143)	28,105,119	48,089,934	31,666,414	1,484,261	34,913,345	(279,814,761)	-
Non - financial net assets												
Total net assets	44,497,251	-	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	-
	(430,440)	(31,392,200)	49,130,658	(20,963,519)	3,023,994	-	(229,373)	-	-	-	-	-
Off-balance sheet gap												
Total yield / interest risk sensitivity gap		140,773,875	376,903,845	(273,458,947)	(10,927,149)	28,105,119	47,860,561	31,666,414	1,484,261	34,913,345	(279,814,761)	-
Cumulative yield / interest risk sensitivity gap		140,773,875	517,677,720	244,218,773	233,291,624	261,396,743	309,257,304	340,923,718	342,407,979	377,321,324	97,506,563	-

41.

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 advances has been calculated in accordance with the Group's accounting policy as stated in note 4.4

The maturity and repricing profile and effective rates are stated in notes 39 and 40 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 advances and deposits are frequently repriced.

42. **CONCENTRATION OF CREDIT AND DEPOSITS**
42.1 **Segment by class of business**

	2014					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	23,384,888	3.54	5,746,940	0.38	8,225,094	4.12
Agribusiness	31,190,314	4.72	11,165,035	0.73	990,690	0.50
Textile	79,580,175	12.03	6,548,140	0.43	6,295,977	3.15
Cement	4,333,023	0.66	519,952	0.03	1,431,614	0.72
Sugar	5,808,854	0.88	1,131,039	0.07	51,766	0.03
Shoes and leather garments	2,728,541	0.41	783,222	0.05	184,693	0.09
Automobile and transportation equipment	13,296,860	2.01	9,604,047	0.63	6,211,356	3.11
Financial	45,637,234	6.90	31,437,265	2.06	27,647,551	13.85
Hotel & Tourism	1,291,773	0.20	55,023	-	377,648	0.19
Research & Development	-	-	3,603,934	0.24	-	-
Insurance	4,339	-	3,756,375	0.25	2,405	-
Electronics and electrical appliances	11,102,266	1.68	3,381,590	0.22	8,404,978	4.21
Oil and Gas	13,790,561	2.08	8,477,586	0.56	4,334,268	2.17
Power and energy	42,977,607	6.50	18,406,102	1.21	15,617,450	7.82
Education & medical	2,126,716	0.32	10,840,040	0.71	807,202	0.40
Telecommunication	11,793,993	1.78	1,685,173	0.11	2,385,972	1.19
Printing & publishing	4,630,691	0.70	1,309,926	0.09	37,145	0.02
Construction	2,135,723	0.32	1,840,520	0.12	760,105	0.38
Mining & quarrying	371,264	0.06	96,429	0.01	-	-
Food, tobacco and beverages	14,801,813	2.24	4,066,682	0.27	3,616,961	1.81
Public / Government - note 42.1.1	128,540,269	19.43	149,089,937	9.78	65,056,929	32.58
Whole sale & retail trade	62,797,468	9.49	80,134,239	5.26	8,904,596	4.46
Metal and allied	8,584,872	1.30	5,710,217	0.37	3,141,094	1.57
Individual	40,180,710	6.07	759,892,535	49.84	402,022	0.20
Farming, cattle and dairy	1,746,794	0.26	415,099	0.03	696,221	0.35
Ports and shipping	-	-	-	-	27,532	0.01
Trust funds and non profit organization	3,105,384	0.47	25,865,943	1.70	2,000	-
Others	105,533,921	15.95	378,974,796	24.85	34,051,363	17.07
	661,476,053	100.00	1,524,537,786	100.00	199,664,632	100.00

	2013					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	22,233,836	3.53	8,158,714	0.58	9,840,860	4.70
Agribusiness	34,222,078	5.43	9,125,263	0.65	640,714	0.31
Textile	81,343,965	12.90	6,418,201	0.46	9,742,948	4.66
Cement	5,802,681	0.92	287,287	0.02	2,162,976	1.03
Sugar	5,350,169	0.85	881,537	0.06	429,587	0.21
Shoes and leather garments	2,471,748	0.39	701,396	0.05	398,490	0.19
Automobile and transportation equipment	12,287,015	1.95	2,084,181	0.15	1,452,092	0.69
Financial	46,359,213	7.35	18,195,412	1.30	26,668,049	12.74
Hotel & Tourism	1,031,082	0.16	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	8,109,013	1.29	1,465,995	0.10	7,112,813	3.40
Oil and Gas	9,633,571	1.53	11,367,325	0.81	2,781,704	1.33
Power and energy	49,192,537	7.80	9,386,420	0.67	14,908,666	7.12
Education & medical	2,094,261	0.33	6,515,987	0.47	469,970	0.22
Telecommunication	8,645,964	1.37	1,945,262	0.14	2,409,238	1.15
Printing & publishing	4,723,774	0.75	1,910,327	0.14	239,159	0.11
Construction	2,666,739	0.42	2,873,567	0.21	839,239	0.40
Mining & quarrying	358,545	0.06	88,072	0.01	-	-
Food, tobacco and beverages	12,680,284	2.01	3,770,579	0.27	2,144,877	1.02
Public / Government - note 42.1.1	121,816,497	19.32	201,770,421	14.40	79,234,064	37.86
Whole sale & retail trade	60,250,798	9.56	72,044,450	5.14	8,053,917	3.85
Metal and allied	10,849,005	1.72	4,109,817	0.29	2,136,587	1.02
Individual	44,713,681	7.09	669,135,885	47.75	536,020	0.26
Farming, cattle and dairy	1,479,706	0.23	476,183	0.03	1,144,038	0.55
Trust funds and non profit organization	1,890,583	0.30	18,454,030	1.32	2,000	-
Others	80,100,607	12.72	331,565,014	23.66	35,357,987	16.90
	630,422,452	100.00	1,401,229,814	100.00	209,299,832	100.00

42.1.1 Public / Government sector

	2014					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	12,450	0.01	-	-
Agribusiness	54,049,139	42.05	5,068,266	3.40	-	-
Automobile and transportation equipment	8,966,168	6.98	-	-	-	-
Financial	1,328,892	1.03	2,460,405	1.65	11,428,961	17.57
Insurance	-	-	4,482,315	3.01	39,204	0.06
Oil and Gas	25,002,993	19.45	15,752,170	10.57	12,500,276	19.21
Power and energy	35,055,739	27.27	14,059,369	9.43	1,083,215	1.67
Education & medical	425,078	0.33	34,895,959	23.41	491,995	0.76
Telecommunication	227,000	0.18	2,036,183	1.37	-	-
Printing & publishing	-	-	-	-	-	-
Construction	-	-	2,425,190	1.63	-	-
Metal and allied	1,105,265	0.86	60,885	0.04	-	-
Defence	817,874	0.64	2,351,336	1.58	31,270,002	48.07
Ports and shipping	-	-	3,999,700	2.68	2,142	-
Others	1,562,121	1.21	61,485,709	41.22	8,241,134	12.66
	128,540,269	100.00	149,089,937	100.00	65,056,929	100.00

	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	40.60	2,055,843	2.59
	121,816,497	100.00	201,770,421	100.00	79,234,064	100.00

42.1.2	Segment by sector	2014					
		Advances		Deposits		Contingencies and commitments	
		(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
	Public / Government	128,540,269	19.43	149,089,937	9.78	65,056,929	32.58
	Private	532,935,784	80.57	1,375,447,849	90.22	134,607,703	67.42
		661,476,053	100.00	1,524,537,786	100.00	199,664,632	100.00

42.2	Details of non-performing advances and specific provisions by class of business segment	2013					
		Advances		Deposits		Contingencies and commitments	
		(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
	Public / Government	121,816,497	19.32	201,770,421	14.40	79,234,064	37.86
	Private	508,605,955	80.68	1,199,459,393	85.60	130,065,768	62.14
		630,422,452	100.00	1,401,229,814	100.00	209,299,832	100.00

42.2	Details of non-performing advances and specific provisions by class of business segment	2014		2013	
		Classified advances	Specific provisions held	Classified advances	Specific provisions held
		----- (Rupees in '000) -----			
	Chemical and pharmaceuticals	687,121	636,619	1,944,959	1,848,072
	Agribusiness	3,776,586	2,893,818	4,150,533	2,998,613
	Textile	21,105,013	19,982,173	24,743,228	22,932,310
	Cement	1,242,697	835,899	1,707,217	1,028,327
	Sugar	320,964	285,464	444,510	303,543
	Shoes and leather garments	917,558	514,148	444,694	418,230
	Automobile and transportation equipment	1,365,467	1,354,406	2,370,532	2,205,208
	Financial	1,383,406	1,383,406	1,987,000	1,851,165
	Hotel and Tourism	261,594	243,424	310,798	292,050
	Electronics and electrical appliances	2,717,838	2,717,490	3,153,214	3,153,214
	Oil and Gas	3,674,205	1,238,904	2,323,167	927,737
	Power and energy	1,735,437	1,735,437	1,740,437	1,740,437
	Education & medical	568,384	550,679	602,007	601,789
	Telecommunication	1,416,345	741,206	291,987	291,613
	Printing & publishing	366,201	257,178	488,312	364,895
	Construction	1,468,528	1,290,962	1,568,502	1,457,352
	Mining & quarrying	648	648	999	999
	Food, tobacco and beverages	115,007	115,007	641,366	558,525
	Whole sale & retail trade	7,113,233	5,804,872	9,555,631	8,449,408
	Metal and allied	2,489,254	1,241,313	2,914,988	1,577,729
	Individual	2,557,743	2,270,989	3,194,221	2,516,021
	Farming, cattle and dairy	190,218	117,068	321,980	180,490
	Others	24,054,019	17,295,685	14,967,471	8,873,605
		79,527,466	63,506,795	79,867,753	64,571,332

42.2.1	Segment by sector	2014		2013	
		Classified advances	Specific provisions held	Classified advances	Specific provisions held
		----- (Rupees in '000) -----			
	Private	76,909,125	61,954,192	76,808,845	62,578,162
	Public / Government	2,618,341	1,552,603	3,058,908	1,993,170
		79,527,466	63,506,795	79,867,753	64,571,332

43. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	2014					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / other business groups	Total
	----- (Rupees in million) -----					
Net interest income - External	(34,668)	24,794	67,760	8,192	3,009	69,087
Inter segment revenue - net	73,129	(18,002)	(63,057)	-	7,930	-
Non-funded income	8,677	3,138	3,141	6,455	2,101	23,512
Net interest and non-mark-up income	47,138	9,930	7,844	14,647	13,040	92,599
Total expenses including provision (excluding impairment)	17,749	1,035	305	9,692	15,494	44,275
Impairment against investments	-	-	(117)	-	(74)	(191)
Inter segment administrative cost	8,549	1,710	246	942	(11,447)	-
Total expenses including provision	26,298	2,745	434	10,634	3,973	44,084
Profit before tax	20,840	7,185	7,410	4,013	9,067	48,515
Segment assets (gross)	171,776	379,376	854,694	392,862	136,132	1,934,840
Segment non-performing advances	12,367	46,685	-	20,281	194	79,527
Segment provision required including general provision	10,633	41,204	87	14,410	1,503	67,837
Segment liabilities including equity	992,375	175,804	78,759	292,354	327,711	1,867,003
Segment return on net liability / asset %	10.01%	10.20%	9.56%	4.84%	7.59%	-
Segment cost of funds (%)	5.12%	7.50%	8.61%	1.06%	1.72%	-

	2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / other business groups	Total
	----- (Rupees in million) -----					
Net interest income - External	(35,560)	24,193	59,573	6,768	423	55,397
Inter segment revenue - net	64,421	(17,758)	(53,868)	-	7,205	-
Non-funded income	6,693	2,563	1,590	5,500	2,596	18,942
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)	166,566	372,297	791,780	332,760	120,538	1,783,941
Segment non-performing advances	13,797	44,907	-	20,942	222	79,868
Segment provision required including general provision	13,669	38,411	140	14,920	1,530	68,670
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%	-

44. 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.

45. GEOGRAPHICAL SEGMENT ANALYSIS

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	43,349,749	1,488,551,628	108,809,670	150,241,070
Asia Pacific (including South Asia)	1,628,247	79,328,965	19,697,925	4,803,487
Europe	(1,089,127)	101,341,521	11,358,390	9,620,376
North America	457,913	28,312,887	2,458,050	4,656,625
Middle East	2,431,184	147,156,320	19,335,243	25,656,517
Others	1,736,839	22,312,068	8,443,297	4,686,557
	<u>48,514,805</u>	<u>1,867,003,389</u>	<u>170,102,575</u>	<u>199,664,632</u>
	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
	<u>36,133,328</u>	<u>1,715,271,378</u>	<u>142,434,254</u>	<u>209,299,832</u>

46. 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, 2014 is given in annexure V. Further, detailed disclosures are also given in the said annexure to comply instructions issued by SBP and SECP under relevant circulars and standards.

47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on February 17, 2015.

48. GENERAL

48.1 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.

48.2 The comparative figures have been re-arranged and reclassified for comparison purposes. There are no material reclassifications other than as disclosed in note 24.1 of these financial statements.

DETAIL OF DOMESTIC INVESTMENTS - CONSOLIDATED
For the year ended December 31, 2014

ANNEXURE - I

1 Particulars of investments held in listed equity:

	Number of Shares held	Paid-up value per Share	Total paid-up value	Cost	Market Value	Short Term Rating
		Rupees		-----Rupees in '000-----		
1.1 Ordinary shares						
Adamjee Insurance Company Limited	8,813,000	10	88,130	395,027	435,891	Unrated
Agri Tech Limited	5,562,428	10	55,624	194,691	43,109	Unrated
Allied Bank of Pakistan Limited	5,500,000	10	55,000	605,000	624,690	A-1+
Attock Petroleum Limited	560,100	10	5,601	297,557	302,219	A-1+
Attock Refinery Limited	676,700	10	6,767	129,114	127,064	A-1
Bank Al Habib Limited	7,217,000	10	72,170	295,990	350,385	A-1+
Bank Alfalah Limited	22,215,000	10	222,150	664,100	774,859	A-1+
Cherat Cement Company Limited	9,675,000	10	96,750	663,424	664,479	Unrated
Engro Corporation Limited	2,223,400	10	22,234	474,606	492,505	A-1+
Engro Fertilizer Limited	9,378,500	10	93,785	628,115	732,461	A-1
Engro Foods Limited	52,700	10	527	5,737	5,720	Unrated
Fatima Fertilizer Company Limited	5,975,000	10	59,750	190,372	213,726	A-1+
Fauji Cement Company Limited	6,979,500	10	69,795	171,786	180,350	Unrated
Fauji Fertilizer Bin Qasim Limited	2,178,500	10	21,785	97,900	98,490	Unrated
Fauji Fertilizer Company Limited	10,238,800	10	102,388	1,193,053	1,199,066	Unrated
Habib Metropolitan Bank Limited	6,500,000	10	65,000	197,186	242,450	A-1+
Hub Power Company Limited	16,363,500	10	163,635	1,077,938	1,282,244	A-1+
Kot Addu Power Company Limited	16,506,000	10	165,060	866,836	1,302,984	A-1+
Lalpir Power Limited	8,938,000	10	89,380	260,850	267,246	A-1+
Lucky Cement Limited	1,522,200	10	15,222	663,024	761,526	Unrated
MCB Bank Limited	1,678,400	10	16,784	475,864	513,003	A-1+
National Bank of Pakistan Limited	9,772,000	10	97,720	616,891	678,763	A-1+
National Refinery Limited	1,369,100	10	13,691	340,328	253,078	A-1+
Nishat Chunian Power Limited	10,049,500	10	100,495	363,425	497,953	A-2
Nishat Mills Limited	459,500	10	4,595	55,668	55,595	A-1+
Nishat Power Limited	787,000	10	7,870	25,205	35,887	A-1
Oil and Gas Development Company Limited	913,100	10	9,131	226,083	187,980	A-1+
Pakgen Power Limited	3,834,500	10	38,345	102,775	103,647	A-1+
Pak Oilfields Limited	334,400	10	3,344	180,225	126,858	Unrated
Pakistan Petroleum Limited	2,756,400	10	27,564	603,420	486,560	Unrated
Pakistan State Oil Company Limited	3,309,032	10	33,090	1,252,199	1,148,514	A-1+
Pakistan Telecommunication Company Limited	21,690,000	10	216,900	489,193	499,521	Unrated
Saif Power Limited	32,268,354	10	322,684	322,684	1,191,348	A-1
United Bank Limited	6,885,400	10	68,854	1,198,068	1,216,719	A-1+
				15,324,333	17,096,889	

	Number of Shares held	Paid-up value per Share	Total paid-up value	Cost	Market Value	Short Term Rating
		Rupees		-----Rupees in '000-----		
1.2 Ordinary shares held by Mutual Funds						
Artistic Denim Mills Limited	423,000.00	10	4,230	51,429	50,227	Unrated
Adamjee Insurance Company Limited	5,000,000.00	10	50,000	244,979	247,300	Unrated
Cherat Cement Company Limited	3,000,000.00	10	30,000	203,187	206,040	Unrated
D G Khan Cement Company Limited	1,150,000.00	10	11,500	125,100	127,110	Unrated
Engro Fertilizers Limited	1,350,000.00	10	13,500	104,882	105,435	A-1+
Engro Foods Limited	1,200,000.00	10	12,000	126,560	130,248	Unrated
Engro Corporation Limited	1,202,500.00	10	12,025	265,787	266,366	A-1+
Habib Bank Limited	2,029,321.30	10	20,293	271,460	438,861	A-1+
Hub Power Company Limited	2,475,000.00	10	24,750	166,244	193,941	A-1+
ICI Pakistan Limited	818,200.00	10	8,182	203,948	378,385	A-1+
Lucky Cement Limited	295,000.00	10	2,950	130,881	147,583	Unrated
Millat Tractor Limited	30,000.00	10	300	19,667	19,406	A-1+
National Foods Limited	1,100,000.00	5	5,500	229,809	435,820	A-1
Nishat (Chunian) Limited	5,000,000.00	10	50,000	228,892	227,100	A-2
Nishat Chunian Power Limited	4,000,066.00	10	40,001	89,912	198,203	A-2
Pakistan Petroleum Limited	1,916,000.00	10	19,160	439,915	338,212	Unrated
Pak Suzuki Motors Company Limited	613,200.00	10	6,132	236,266	227,571	Unrated
Pakistan State Oil Company Limited	1,025,000.00	10	10,250	372,157	366,858	A-1+
Thal Limited	602,500.00	5	3,013	167,546	162,091	Unrated
United Bank Limited	1,525,000.00	10	15,250	283,607	269,483	A-1+
				3,962,228	4,536,238	

2 Investment in units of Mutual Funds

	Number of units held	Paid-up value per unit	Total paid-up value	Cost	Market Value	Short Term Rating
		Rupees		-----Rupees in '000-----		
National Investment Trust	673,546	10	6,735	11,113	44,111	5 Star
National Investment Trust (Islamic)	40,470,250	10	404,703	2,250,000	2,650,397	5 Star
				2,261,113	2,694,507	

DETAIL OF DOMESTIC INVESTMENTS - CONSOLIDATED
For the year ended December 31, 2014

3 Particulars of investment held in unlisted equity:

3.1 Ordinary shares

More than 10% holding
Khushnig Bank Limited
Apollo Pharma Limited
Less than 10 percent holding
First Women Bank Limited
National Institutional Facilitation Technologies (Private) Limited
National Investment Trust Limited
Central Depository Company
SME Bank Limited

Number of Shares	Paid-up value per Share Rupees	Percentage of holding	Cost	Break-up value	Based on accounts as at	Name of Chief Executive	Short Term Rating
				-----Rupees in '000-----			
30,000,000	10	17.60%	300,000	486,433	September 30, 2014	Mr. Muhammad Ghaleb Nishtar	A-3
84,000,000	10	30.00%	840,000	840,000	Not Available	Mr. Tarek Khan	Unrated
23,095,324	10	9.26%	63,300	227,949	September 30, 2014	Ms. Tahira Raza	A-1
1,478,228	10	9.07%	1,527	59,324	June 30, 2014	Mr. M.M. Khan	Unrated
79,200	10	8.33%	100	872,874	June 30, 2014	Mr. Shahid Chaffar	Unrated
4,124,901	10	6.35%	6,346	118,452	June 30, 2014	Mr. Muhammad Hanif Jakhura	Unrated
1,987,501	10	0.83%	13,475	5,488	September 30, 2014	Mr. Ihsan Ul Haq Khan	A-3
			<u>1,224,748</u>				

4 Particulars of investment held in preference shares:

No. of Shares	Paid-up value per Share Rupees	Total paid-up value	Cost	Rate of Interest / Profit	Medium to Long Term Rating	Terms and conditions
		-----Rupees in '000-----				
60,000,000	10	600,000	150,000	Nil	A-	Privately placed, non-cumulative convertible preference shares
10,000,000	10	1,000,000	100,000	6 Month Kibor + 200 BPS	A-2	Listed cumulative convertible preference shares
			<u>250,000</u>			

5 Investment in Term Finance Certificates / Sukuks:

5.1 Term finance certificates

Pakistan International Airline
Water and Power Development Authority (Islamic)
Quetta Textile Mills Limited
Bank Alfalah Limited
Faysal Bank Limited
Bank Al Habib Limited
Agard Nine Limited
Worldcall Telecom Limited
Independent Media Corporation
Engro Fertilizer Limited (Islamic)
Sui Southern Gas Company (Islamic)
Chani Glass (Islamic)
K - Electric - Sukuk (Islamic)
K - Electric - Sukuk (Islamic)

Number of certificates held	Paid-up value per certificate Rupees	Total paid-up value	Cost	Market Value	Medium to Long Term Rating	Terms of Redemption	Interest / Profit
		-----Rupees in '000-----				Principal	
700,000	5,000	3,500,000	3,397,500	3,397,500	Government Guaranteed	Semi Annual	Semi Annual
398,400	5,000	1,992,000	1,992,000	1,992,000	Government Guaranteed	14 equal semi annual installments till maturity	Semi Annual
13,000	4,258	55,354	55,172	55,172	D	12 stepped up semi annual installments till maturity	Semi Annual
40,000	4,990	199,600	199,600	206,552	AA-	Major repayment in 3 equal semi annual installments before maturity	Semi Annual
50,000	4,992	249,600	249,600	261,151	AA-	Major repayment in 4 equal semi annual installments before maturity	Semi Annual
18,000	4,993	89,874	94,804	102,169	AA	Major repayment in 2 equal semi annual installments before maturity	Semi Annual
9,233	5,000	46,165	46,165	46,165	D	7 stepped up semi annual installments till maturity	Semi Annual
96,000	2,142	205,632	205,591	154,091	D	3 equal semi annual installments before maturity	Semi Annual
40,000	5,000	200,000	150,000	150,000	Unrated	On Maturity	Semi Annual
29,000	5,000	145,000	151,648	144,631	A	2 equal semi annual installments before maturity	Semi Annual
200,000	5,000	1,000,000	1,000,000	1,000,000	Unrated	Quarterly	Semi Annual
1,838,270	100	183,827	183,828	183,828	Unrated	Quarterly	Semi Annual
100,000	5,000	500,000	500,000	500,000	AA	On Maturity	Quarterly
100,000	5,000	500,000	500,000	500,000	AA	On Maturity	Quarterly
1,500	5,000	7,500	40,000	40,026	AAA	Two equal semi annual installments before maturity	Semi Annual
24,700	5,000	123,500	123,500	132,469	Government Guaranteed	14 equal semi annual installments till maturity	Semi Annual
7,000	5,000	35,000	35,000	33,614	A+	On Maturity	Semi Annual
21,000	5,000	105,000	105,000	105,525	BB	On Maturity	Semi Annual
7,000	3,841	26,887	26,887	21,179	B8B	12 stepped up Quarterly installments till maturity	Quarterly
9,000	4,993	44,937	44,949	51,543	AA	Major repayment in 2 equal semi annual installments before maturity	Semi Annual
23,750	2,142	50,862	50,862	-	D	3 equal semi annual installments before maturity	Semi Annual
10,000	2,755	27,548	20,746	-	-	35 stepped up monthly installments till maturity	Monthly
9,000	4,905	44,149	44,149	-	-	5 equal semi annual installments till maturity	Semi Annual
9,000	2,114	19,024	19,025	-	-	7 equal quarterly installments till maturity	Quarterly
2,000	3,997	7,994	7,993	-	-	8 equal semi annual installments till maturity	Semi Annual
			<u>9,217,001</u>	<u>9,077,613</u>			

5.2 Term finance certificates held by HBL Mutual Funds

Standard Chartered Bank (Pakistan) Limited
Wapda Third Sukuk Company Limited
Engro Fertilizer Limited - II
Engro Fertilizer Limited - I
Maple Leaf Cement Factory Limited - Sukuk
Bank Al Habib Limited
World Call Telecom Limited
Saudi Pak Leasing Company Limited
New Allied Electronics Industries (Pvt) Limited
New Allied Electronics Industries (Pvt) Limited - Sukuk
Agrotech Limited

6 Particulars of investments held in bonds

6.1 GoP Ijara Sukuk (held by Islamic Banking Business)

Rate of Interest / Profit	Book Value	Market Value	Terms of Redemption		Medium to Long Term Rating
			Principal	Interest / Profit	
Rupees					
9.98%	11,061,879	11,064,365	On Maturity	Semi Annual	Government
9.98%	502,135	502,152	On Maturity	Semi Annual	Government
9.98%	1,250,698	1,251,625	On Maturity	Semi Annual	Government
9.97%	438,578	435,566	On Maturity	Semi Annual	Government
9.73%	8,273,963	8,274,192	On Maturity	Semi Annual	Government
9.70%	2,672,429	2,657,834	On Maturity	Semi Annual	Government
7.98%	1,984,789	1,974,507	On Maturity	Semi Annual	Government

6.2 Foreign Currency bonds

Orange	816,750	823,128	On Maturity	Annual	Baa1
Banco Do Brasil S. A.	503,197	503,018	On Maturity	Semi Annual	P-2
Corporation Andina de Fomento	256,377	258,166	On Maturity	Semi Annual	P-1
HSBC Bank Brasil S. A.	512,603	509,600	On Maturity	Semi Annual	P-2
Korea National Oil Corporation	556,697	559,037	On Maturity	Semi Annual	AA3
Orix corporation	422,827	423,720	On Maturity	Semi Annual	Ba2
Republic of Turkey	508,285	508,796	On Maturity	Semi Annual	Ba2
Tencent Holdings Limited	523,192	522,360	On Maturity	Semi Annual	A-3
Bank of Tokyo - Mitsubishi UFJ Limited	505,661	496,336	On Maturity	Semi Annual	P-1
BBVA Bancomer S. A. Texas Agency	310,364	312,754	On Maturity	Semi Annual	A-2
Abu Dhabi National Energy Company	539,249	544,518	On Maturity	Semi Annual	P-2
SABIC Capital I.B.V	304,876	305,881	On Maturity	Semi Annual	A-1
Saudi Electricity Company	511,970	511,559	On Maturity	Semi Annual	A-1
DIB Sukuk Limited	422,046	421,386	On Maturity	Semi Annual	Baa1
SOQ Sukuk A.Q.S.C	506,028	507,892	On Maturity	Semi Annual	Aa2
Mitsubishi Corp	1,009,145	1,003,826	On Maturity	Semi Annual	P-1
QIIB Sukuk Funding Ltd	303,798	308,292	On Maturity	Semi Annual	A-3
HSBC Sukuk (Islamic)	203,907	203,907	On Maturity	Semi Annual	A-1
Saudi Electricity Company (Islamic)	204,106	204,106	On Maturity	Semi Annual	A-1
IBD Trust Services	201,971	201,971	On Maturity	Semi Annual	Unrated
	35,307,522	35,290,497			

Detail of Advances Written-Off

ANNEXURE-II

Detail of Advances written-off for the year ended December 31, 2014 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, 2014

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
------(Rupees in '000)-----						
FURNITURE & FIXTURES						
	1,241	1,241	-	54	Sale	NCR
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,952	1,952	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,937	1,937	-	54	Sale	
	1,241	1,241	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	A. Q. Enterprises
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	7,034	7,034	-	5	Sale	Lucky Ali
	7,034	7,034	-	7	Sale	
	7,034	7,034	-	7	Sale	
	7,034	7,034	-	7	Sale	
	7,034	7,034	-	7	Sale	
	2,063	2,063	-	4	Sale	
	62,042	62,042	-	1,009		
LAND & BUILDING						
	40,750	1,477	39,273	30,000	Sale	Mr. Zia ur Rehman
	11,004	365	10,639	6,000	Sale	Mr. Wasim Malik
	11,281	82	11,199	20,000	Negotiation	Ms. Parveen Qasim & Mr. Shahzeb Ibrahim
	63,035	1,924	61,111	56,000		
MOTOR VEHICLES						
	1,060	1,060	-	575	Auction	Mr. Amirullah
	1,080	1,080	-	605	Auction	Mr. Saqib Nawaz
	1,238	1,238	-	690	Auction	Mr. Shahjahan
	1,080	1,080	-	705	Auction	Mr. Kashif Khan
	1,080	1,080	-	655	Auction	Mr. M. Atif Essani
	1,080	1,080	-	630	Auction	
	1,250	1,131	119	830	Auction	Mr. Athar Shafique
	2,320	1,645	675	1,354	Tender	Matrix Car Co.
	2,259	2,259	-	172	Auction	Mr. Timothy Ingonga
	1,590	1,590	-	397	Auction	Mr. George Muiruri
	3,293	3,293	-	476	Auction	Mr. James Naipei
	2,734	2,733	-	1,390	Auction	Ms. Lumbini Aluwihare
	1,491	1,491	-	432	Auction	Mr. Said Nawaz
	1,784	1,784	-	358	Auction	Mr. Fazal Ur Rehman
	23,339	22,544	794	9,269		
Assets having cost of less than Rs. 1 million and book value of less than Rs. 250,000	649,265	642,250	7,016	23,758		
	797,681	728,760	68,921	90,036		

Detail of Donations in excess of Rs. 100,000

ANNEXURE-IV

Detail of donations for the year ended December 31, 2014 is disclosed in Annexure IV of Unconsolidated Financial Statements.

Detail of Islamic Banking Business

ANNEXURE-V

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.

CAPITAL ADEQUACY DISCLOSURE - CONSOLIDATED

For the year ended December 31, 2014

ANNEXURE VI

1.1 Capital structure

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

	Note	2014 (Rupees in '000)	2013
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital		14,668,525	13,335,023
Balance in Share Premium Account		-	-
Reserve for issue of Bonus Shares		-	-
Discount on Issue of shares		-	-
General/Statutory Reserves		29,845,796	26,692,367
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		89,046,716	73,748,915
Non-controlling interest arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		1,185,257	1,886,116
CET 1 before Regulatory Adjustments		134,746,294	115,662,421
Total regulatory adjustments applied to CET1	1.2.1	5,519,456	6,216,971
Common Equity Tier 1		129,226,838	109,445,450
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		-	-
Total of Regulatory Adjustment applied to AT1 capital	1.2.2	-	-
Additional Tier 1 capital after regulatory adjustments		-	-
Additional Tier 1 capital recognized for capital adequacy		-	-
Tier 1 Capital (CET1 + admissible AT1)		129,226,838	109,445,450
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		-	-
Tier 2 capital instruments issued to third parties 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		2,674,082	2,150,383
Revaluation Reserves (net of taxes)		-	-
of which: Revaluation reserves on fixed assets		5,279,008	4,287,600
of which: Unrealized gains/losses on AFS		6,846,050	173,622
Foreign Exchange Translation Reserves		12,125,058	4,461,222
Undisclosed/Other Reserves (if any)		13,704,392	16,858,006
Tier 2 before regulatory adjustments		28,503,532	23,469,611
Total regulatory adjustment applied to T2 capital	1.2.3	712,749	2,662,298
Tier 2 capital recognized for capital adequacy		27,790,783	20,807,313
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy		27,790,783	20,807,313
TOTAL CAPITAL (Tier 1 + admissible Tier 2)		157,017,621	130,252,763
Total Risk Weighted Assets		968,774,005	846,087,632
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA		13.34%	12.94%
Tier-1 capital to total RWA		13.34%	12.94%
Total capital to RWA		16.21%	15.39%
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)		-	-
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		5.50%	5.00%
Tier 1 minimum ratio		7.00%	6.50%
Total capital minimum ratio		10.00%	10.00%

1.2 Regulatory Adjustments and Additional Information

	2014		2013	
	Basel III Transit	Pre-Basel III treatment	Basel III Transit	Pre-Basel III treatment
	----- (Rupees in '000) -----			
1.2.1 Common Equity Tier 1 capital: Regulatory adjustments				
Goodwill (net of related deferred tax liability)	1,932,297	-	2,149,889	-
All other intangibles (net of any associated deferred tax liability)	848,480	-	813,548	-
Shortfall in provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	46,521	-	325,324	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares/CET1 instruments	20,293	-	265,912	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of fixed assets/AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold	-	-	-	-
of which: significant investments in the common stocks of financial entities	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP (mention details)	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,671,865	-	2,662,298	-
Total regulatory adjustments applied to CET1	5,519,456	-	6,216,971	-
1.2.2 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 of banking, financial and insurance entities	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier-1 capital	-	-	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustment applied to AT1 capital	-	-	-	-
1.2.3 Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	712,749	-	2,662,298	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Total regulatory adjustment applied to T2 capital	712,749	-	2,662,298	-

1.2.4 Additional Information

Risk Weighted Assets subject to Pre-Basel III treatment

Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)

of which: deferred tax assets		
of which: Defined-benefit pension fund net assets		
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity		
of which: 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		

Amounts below the thresholds for deduction (before risk weighting)

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

Applicable caps on the inclusion of provisions in Tier 2

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		
Cap on inclusion of provisions in Tier 2 under standardized approach		
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		

2014
(Rupees in '000)

2013

968,774,005	846,087,632
-	-
-	-
-	-
-	-
4,565,971	1,314,335
9,697,196	8,288,128
-	5,103,072
2,674,082	2,150,383
8,185,437	7,709,145
-	-
-	-

1.3 Capital structure reconciliation

Assets

	As per published financial statements	Under regulatory scope of consolidation (Rupees in '000)
Cash and balances with treasury banks	135,276,934	135,276,934
Balances with other banks	67,691,450	67,691,450
Lendings to financial institutions	34,313,560	34,313,560
Investments	924,307,285	922,281,355
Advances	595,295,176	597,969,258
Operating fixed assets	27,309,803	24,529,026
Deferred tax asset	-	-
Other assets	82,809,181	82,809,181
Total assets	1,867,003,389	1,864,870,764

Liabilities & Equity

Bills payable	21,989,658	21,989,658
Borrowings	103,411,114	103,411,114
Deposits and other accounts	1,524,537,786	1,524,537,786
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	2,569,110	2,569,110
Other liabilities	44,393,146	44,393,146
Total liabilities	1,696,900,814	1,696,900,814
Share capital	14,668,525	14,668,525
Reserves	43,550,188	43,550,188
Unappropriated profit	89,046,716	86,914,091
Non-controlling interest	1,185,257	1,185,257
Surplus on revaluation of assets	21,651,889	21,651,889
Total liabilities & equity	1,867,003,389	1,864,870,764

1.3.1 Detail of capital structure reconciliation

	As per published financial statements (Rupees in '000)	Under regulatory scope of consolidation	Reference
Assets			
Cash and balances with treasury banks	135,276,934	135,276,934	
Balances with other banks	67,691,450	67,691,450	
Lendings to financial institutions	34,313,560	34,313,560	
Investments	924,307,285	922,281,355	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	1,959,116	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	46,521	d
<i>of which: investment in own shares</i>	-	20,293	e
Advances	595,295,176	597,969,258	
<i>shortfall in provisions/excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	-	2,674,082	g
Operating fixed assets	27,309,803	24,529,026	
<i>of which: Goodwill</i>	-	844,915	
<i>of which: Intangibles</i>	-	1,935,862	
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	82,809,181	82,809,181	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	-	-	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	1,867,003,389	1,864,870,764	
Liabilities & Equity			
Bills payable	21,989,658	21,989,658	
Borrowings	103,411,114	103,411,114	
Deposits and other accounts	1,524,537,786	1,524,537,786	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	2,569,110	2,569,110	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	44,393,146	44,393,146	
Total liabilities	1,696,900,814	1,696,900,814	

	As per published financial statements (Rupees in '000)	Under regulatory scope of consolidation	Reference
Share capital	14,668,525	14,668,525	
<i>of which: amount eligible for CET1</i>	-	14,668,525	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	43,550,188	43,550,188	
<i>of which: portion eligible for inclusion in CET1</i>	-	29,845,796	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	13,704,392	v
Unappropriated profit	89,046,716	86,914,091	w
Non-controlling interest	1,185,257	1,185,257	
<i>of which: portion eligible for inclusion in CET1</i>	-	1,185,257	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	21,651,889	21,651,889	
<i>of which: Revaluation reserves on Property</i>	-	9,426,801	
<i>of which: Unrealized Gains/Losses on AFS</i>	-	12,225,088	aa
Total liabilities & Equity	1,867,003,389	1,864,870,764	

1.3.2 Component of capital reported by the Group

Source based on
reference number

(Rupees in '000)

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

Fully Paid-up Capital	14,668,525	
Balance in Share Premium Account	-	(s)
Reserve for issue of Bonus Shares	-	
General/Statutory Reserves	29,845,796	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	89,046,716	(w)
Non-controlling interest	1,185,257	(x)

CET 1 before Regulatory Adjustments

134,746,294

Common Equity Tier 1 capital: Regulatory adjustments

Goodwill	844,915	(j) - (o)
All other intangibles	1,935,862	(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	46,521	(d)
Cash flow hedge reserve	-	
Investment in own shares	20,293	
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	2,671,865	
Total regulatory adjustments applied to CET1	5,519,456	

Common Equity Tier 1

129,226,838

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

-

Source based on
reference number

(Rupees in '000)

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

-
-
-
-
-
-
-
-
-

(ac)

(ad)

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)

129,226,838

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)

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

Revaluation Reserves eligible for Tier 2

of which: portion pertaining to Property

of which: portion pertaining to AFS securities

-
-
-
-
2,674,082
5,279,008
6,846,050
12,125,058
13,704,392
-
28,503,532

(n)

(z)

(g)

portion of (aa)

(v)

Foreign Exchange Translation Reserves

Undisclosed/Other Reserves (if any)

Tier 2 before regulatory adjustments

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

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

Tier 2 capital

712,749
-
-
-
-
712,749
27,790,783
27,790,783
-
27,790,783
157,017,621

(ae)

(af)

Tier 2 capital recognized for capital adequacy

Excess Additional Tier 1 capital recognized in Tier 2 capital

Total Tier 2 capital admissible for capital adequacy

TOTAL CAPITAL (Tier 1 + admissible Tier 2)

27,790,783

157,017,621

1.4 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)	14,668,525
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
Non-compliant transitioned features	Not applicable
If yes, specify non-compliant features	Not applicable

HBL Domestic Network

Name of Region	Number of Branches
Karachi South	68
Karachi North	84
Hyderabad	58
Sukkur	50
Quetta	39
Multan	101
Bahawalpur	61
Sahiwal	80
Faisalabad	97
Lahore	105
Sialkot	75
Gujranwala	71
Gujrat	70
Sargodha	77
Jhelum	76
Islamabad	125
Mardan	92
Peshawar	102
Muzaffarbad	37
Mirpur A.K	55
Islamic Banking	43
Commercial	19
Corporate (Including K.E.P.Z)	12
	1,597

Subsidiaries

Habib Bank Financial Services (Private) Limited
 HBL Currency Exchange (Private) Limited
 HBL Asset Management Limited
 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, 2014.

Macroeconomic Review

Pakistan's economy demonstrated underlying strength as GDP growth reached a 6 year high of 4.1% supported by a strong recovery in industrial output which exhibited growth of 5.8%. The recovery has benefited from the fiscal reforms of the Government including the partial resolution of the circular debt which has helped to boost Large Scale Manufacturing growth to 4%. Declining oil and commodity prices have resulted in a sharp reduction in inflation which averaged 6.1% for the first half of FY '15 and has fallen to an 11 year low in January 2015.

The trade balance has deteriorated in the first half of FY '15 as exports declined by 2% over the corresponding period of FY '14 while imports increased by 4%. This was offset by continued strong growth in remittances, which increased by 15% over H1 of FY '14. In addition, a further two payments from the Coalition Support Fund, along with investment flows have helped to stabilise the Balance of Payments.

FX reserves have increased by 75% to \$15 billion over the year, buoyed by several successful initiatives and a turnaround in investor confidence – the sale of \$ 2 billion Eurobonds and \$ 1 billion Sukuk, the auction of 3G/4G spectrum licences, and a one-off inflow of \$ 1.5 billion. The re-launch of the Privatisation programme has been largely successful with offerings of United Bank Limited, Pakistan Petroleum Limited and Allied Bank Limited, all being oversubscribed and generating over \$ 0.5 billion in foreign exchange proceeds. Consequently, the Rupee appreciated by nearly 5% over the year.

The KSE Index continued to set new records, rising by 27% over the year. This growth has been driven by strong corporate profitability and foreign portfolio investment of \$ 385 million. Moodys' upgrading of the country's external rating from "Negative" to "Stable" has reflected the improving macroeconomic environment and further improved perception.

Banking Sector deposits increased by 10% while loans grew by 9% in line with private sector credit offtake. The State Bank of Pakistan had maintained the discount rate at 10% for most of the year despite the deceleration in inflation, citing a need for demonstration of sustainability. However, in the wake of continued reduction in inflation and a stable macroeconomic environment, the SBP reduced the discount rate by 50 bps to 9.5% in November 2014, followed by a steeper reduction of 100 bps to 8.5% in January 2015.

Financial Performance

The financials of the Bank are summarised below:

	2014	2013
	Rupees in Million	
Profit after tax	31,112	21,910
Un-appropriated profit brought forward	67,435	61,820
Profit attributable to equity holders of the Bank	31,112	21,910
Other Comprehensive Income - net of tax	(287)	(103)
Transferred from surplus on revaluation of fixed assets - net of tax	93	61
	30,918	21,868
Profit available for appropriation	98,353	83,688

2014 2013
Rupees in Million

Appropriations:

Transferred to statutory reserves	(3,111)	(2,191)
Cash dividend - final	(2,667)	(4,849)
Issued as bonus shares	(1,333)	(1,212)
1st interim cash dividend	(2,934)	(5,334)
2nd interim cash dividend	(3,300)	(2,667)
3rd interim cash dividend	(3,300)	-
Total appropriations	(16,645)	(16,253)
Un-appropriated profit carried forward	81,708	67,435
Earnings per Share (Rupees)	21.21	14.94

Balance Sheet Growth

HBL's overall balance sheet size grew by 10% to Rs. 1.8 trillion in line with a 10% growth in the deposit base to Rs. 1.4 trillion. Despite targeted reduction in high cost deposits, the Bank was successful in increasing domestic deposits by 6.6% to Rs. 1.26 trillion. This was underpinned by a strong growth of 25% in Current Accounts which now form 31.5% of the domestic deposit mix, compared to 27% as at December 2013. Advances registered a growth of 6% to Rs. 555 billion as the Bank remained conservative in its lending.

The Capital Adequacy Ratio (CAR) under Basel III improved from 14.3% to 15.1% as at December 31, 2014, while the Tier 1 CAR improved to 13% as a result of strong internal capital generation.

Strong Earnings Growth

Profit after Tax increased by 42% to Rs. 31.1 billion while Pretax profit grew by 39% to Rs. 46.9 billion. The earnings per share increased from Rs. 14.94 for 2013 to Rs. 21.21 for 2014. This strong performance was primarily driven by a 27% increase in total revenue. Net Interest Income increased by 25% to Rs. 67.4 billion, driven by a 9% growth in the average Balance Sheet. The active shedding of high cost deposits and current account growth resulted in a 16 bps drop in the cost of deposits while the shifting of the investment portfolio from short term T-Bills to long term PIBs was reflected in a 32 bps increase in overall asset yields.

Non mark-up Income increased by 33% to Rs. 19.7 billion, driven by a 24% increase in fees and commissions. The growth was mainly due to Bancassurance, which increased by 18% to nearly Rs. 2 billion, higher Investment Banking revenues and a streamlining of fees on general banking products. Treasury related activities showed a strong performance, growing by 51% as HBL successfully leveraged market opportunities. RoE improved to 21.7% from 17.4% last year.

During 2014, the Bank continued to invest heavily in people, technology and infrastructure in line with its philosophy of using technology to improve the customer experience and further its financial inclusion agenda. Administrative costs thus increased by 15% over the previous year. However, as a result of the strong revenue growth, the cost/income ratio declined from 48.5% in 2013 to 43.9% in 2014.

Net NPLs remained relatively stable at around Rs. 7.6 billion while the coverage was maintained at over 89%. Strong risk management and successful recovery efforts resulted in a reduction in the Net NPL ratio while the provision charge for the year remained at 0.1% of loans. The Bank remains well provisioned with the total stock of net NPLs representing only 16% of the operating profit.

Business Developments

Over the course of the year, the retail bank has integrated the branch network and distribution channels to ensure optimum rollout of key products and initiatives. In 2014, the business successfully changed its deposit mix, thus helping to offset the impact of regulatory changes on the minimum savings deposit rate. HBL has maintained its leadership position with market share of deposits stable at around 15%. This effort has been supported by improving service levels across the network as well as a target-oriented sales culture.

HBL's consumer business has been growing steadily, building on already established and tested systems, processes and a strong risk management culture. Credit Cards, Personal Loans and Auto Loans remain the key products where strong revenue growth has been achieved with loss norms well within acceptable levels. In 2014, the business completely embedded the acquisition of the Citibank Pakistan Consumer portfolio and retained nearly 90% of customers through improved service at key touch points. Having developed a tested model, the business is now well positioned for further growth.

HBL also continues to maintain its leading position in rural banking in line with its vision of being a national institution and supporting the mainstay of the economy. This business has ambitious plans for growing lending, diversifying product mix and exploring non-traditional financing mechanisms. The Bank has been working on a unique value proposition for women customers to facilitate them in entering the financial services market, both for individuals and for women owned businesses. The Islamic Banking business has had an excellent year, more than doubling its deposits which have now crossed Rs. 100 billion. The business completed a landmark transaction with the Corporate & Investment Bank to launch the first Sukuk for K-Electric which was well received in the market.

HBL remains committed to financial inclusion by providing the widest access to financial services through non-branch channels. HBL is now the market leader with 1,592 ATMs and has the largest number of debit cards in the Pakistan market. During the year the Bank launched an Internet Payment Gateway which will enable it to capture the growing e-commerce market and also initiated POS acquiring. HBL is now one of the main institutions for G2P payments to internally displaced persons and for disaster relief. The business has also partnered with NADRA and is exploring similar alliances to grow the Agent network in a cost effective and rapidly scalable manner. The HBL AtWork programme continued its steady growth, opening more than 150,000 new-to-bank accounts. The Bank remains the largest provider of cash management services and has launched a payments portal for corporates and a proprietary platform which will enable smooth processing of recurring payments.

International Banking continues to pursue its business strategy of growing in its preferred target markets in the region while maintaining a presence in all major financial centers to enable trade and clearing across the network. In 2014, International has demonstrated strong revenue growth; and there has been a significant improvement in the performance of the business and in its contribution to HBL's overall profitability. In particular, the business in the Gulf region has continued its growth trajectory and delivered excellent results, in terms of balance sheet growth, and bottom line contribution. Branches across the region have been upgraded, and alternate channels are being strengthened – internet banking, alerts and a trade portal have been launched.

HBL continues to invest heavily in technology, underpinning its commitment to the future. The Bank believes that technology is, and will remain, the single greatest opportunity and challenge for differentiation. During the year, hiring and systems development have been ramped up and the function has been reorganised to better deliver a seamless customer experience and position the Bank for its ambitious plans going forward.

Risk Management remains focused on developing capacity, both in terms of people and systems, to support the Bank's growth plans in line with its risk appetite. During 2014, a comprehensive Risk Appetite document has been developed, supported by the streamlining of various risk policies. Consumer and SME scorecards are being refined and risk analytics solutions are being assessed for effective deployment of these scorecards.

Compliance remains at the forefront of all activities of the Bank which places the highest priority on conducting its business in a prudent manner in line with the laws and regulatory frameworks of all the jurisdictions in which HBL operates. The Compliance function plays a key role in ensuring adherence to regulatory requirements which has been made a key part of staff objectives. This is supported by the roll-out of IT systems to strengthen monitoring and by continuous staff training and refreshers.

Human Resources

HBL is an equal opportunity employer, based on merit without any discrimination. The Bank places great emphasis on the development of staff. During the year, the performance appraisal system was strengthened to bring greater transparency to the process. Capacity building and training remains a key focus area with spend increasing over the previous year. Almost half of the Bank staff received 2 days of training. HBL is also working towards building and developing the future leadership of the Bank through the re-initiation of a high quality Management Trainee Programme, continuous increases in gender diversity and through job rotation and international secondments.

Rating

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

Awards

During 2014, HBL was conferred with the following awards:

- (i) Bank of the Year, Pakistan by The Banker, a publication of the Financial Times, London.
- (ii) Best Bank in Pakistan by Euromoney.
- (iii) Safest Bank in Pakistan by Global Finance.
- (iv) Best Local Trade Finance Bank in Pakistan by Global Trade Review.
- (v) Best Trade Finance Provider in Pakistan by Global Finance.

Future Outlook

The economic outlook continues to be tempered by security challenges and the energy shortages which are likely to restrain GDP growth to around 5%. Continued IMF support, privatisation and low inflation in the country, will help the currency stability and other macroeconomic indicators. Given the inflation levels, there is a possibility of further discount rate reductions which will increase pressure on banking spreads.

HBL has made substantial investments in people, technology and product development. The Bank continues to embrace and broaden financial inclusion of the largely unbanked population, through providing access to multiple channels and through product innovation that makes financial services more affordable and cost effective. The Bank remains conscious of regulatory frameworks and is committed to maintain high compliance and risk management standards while growing its presence and business.

Dividend

The Board has recommended a final cash dividend of Rs. 5.5 per share for the year ended December 31, 2014. The Board had earlier declared and paid interim cash dividends totalling Rs. 6.5 per share, bringing the total cash dividend for the year to Rs. 12 per share.

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	7	7	N/A	N/A	N/A	N/A	6	5
Mr. Agha Sher Shah	7	7	N/A	N/A	4	4	N/A	N/A
Mr. Moez Ahamed Jamal	7	7	5	5	N/A	N/A	6	6
Dr. Najeeb Samie	7	7	5	5	N/A	N/A	N/A	N/A
Mr. R. Zakir Mahmood	7	7	N/A	N/A	4	4	N/A	N/A
Mr. Sajid Zahid	7	7	5	5	N/A	N/A	6	6
Mr. Nauman K. Dar	7	7	N/A	N/A	4	4	6	6

Auditors

The retiring auditors, Messrs Ernst & Young Ford Rhodes Sidat Hyder, 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 2015.

Statement under Section XVI of the Code of Corporate Governance (the Code):

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:

- 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.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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 2004 to 2014 – 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 seven meetings in the year.

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

Statement of Corporate Social Responsibility – (CSR)

HBL is committed to fulfilling its role as a responsible Corporate Citizen. To achieve its CSR goals, the Bank established the HBL Foundation in 2009 with a mandate to promote the development and well-being of the underprivileged, and improve their quality of life. The Bank contributes annually to the Foundation and also to other worthy causes to promote a more egalitarian society. HBL sponsored several theatre and cultural events, the most notable being the Karachi Literature Festival and the Children's Literature Festival. The Bank's efforts have been recognised by the Pakistan Center for Philanthropy.

HBL has a long tradition of being associated with the sporting tradition in the country. This year, the Bank partnered with the Azad Foundation for the uplift of children through the promotion of football at the grass-roots level. HBL showcased the achievements of Pakistan's Street Children Team who won the bronze medal at the World Cup in Brazil. HBL also contributed to the Shahid Afridi Foundation which provides maternity care and other health services in remote areas of KPK.

Donations to the HBL Foundation and others are disclosed in Annexure IV to the financial statements.

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	8,936
Employees' Pension Fund	5,957
Employees' Gratuity Fund	1,624
Employees' Benevolent Fund – Executive and Officers	1,151
Employees' Benevolent Fund – Clerical and Non-Clerical	458

Pattern of Shareholding

The pattern of Shareholding as at December 31, 2014, and the trading in the Bank's shares by Executives as defined by the Board of Directors under the Code is given in the Annual Report under the requirements of the Code.

Training programmes attended by Directors

Details have been provided in Statement of Compliance.

Appreciation and Acknowledgement

We 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 continuous improvements in the regulatory and governance framework.

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

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
February 17, 2015

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 2014** 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 30 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;
 - (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 2014 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 17, 2015
Karachi

Unconsolidated Statement of Financial Position

As at December 31, 2014

2014 (US \$ in '000)	2013		Note	2014 (Rupees in '000)	2013
ASSETS					
1,216,834	1,293,960	Cash and balances with treasury banks	5	122,271,268	130,021,065
527,709	345,548	Balances with other banks	6	53,025,792	34,721,738
341,486	351,019	Lendings to financial institutions	7	34,313,560	35,271,477
8,932,586	7,911,636	Investments	8	897,573,967	794,985,681
5,527,243	5,213,404	Advances	9	555,394,512	523,858,986
247,546	228,675	Operating fixed assets	10	24,874,238	22,978,009
-	55,236	Deferred tax asset	11	-	5,550,304
813,499	649,567	Other assets	12	81,742,917	65,270,545
17,606,903	16,049,045			1,769,196,254	1,612,657,805
LIABILITIES					
218,501	192,554	Bills payable	13	21,955,683	19,348,470
991,515	1,047,836	Borrowings	14	99,630,517	105,289,762
14,402,576	13,106,587	Deposits and other accounts	15	1,447,215,445	1,316,990,511
-	25,000	Sub-ordinated loan		-	2,633,115
-	-	Liabilities against assets subject to finance lease		-	-
18,414	-	Deferred tax liability	11	1,850,325	-
404,811	390,394	Other liabilities	16	40,676,639	39,106,941
16,035,817	14,762,371			1,611,328,609	1,483,368,799
1,571,086	1,286,674	NET ASSETS		157,867,645	129,289,006
REPRESENTED BY:					
Shareholders' equity					
145,980	132,709	Share capital	17	14,668,525	13,335,023
405,092	393,069	Reserves		40,704,933	39,496,771
813,149	671,114	Unappropriated profit		81,707,742	67,435,578
1,364,221	1,196,892			137,081,200	120,267,372
206,865	89,782	Surplus on revaluation of assets - net of deferred tax	18	20,786,445	9,021,634
1,571,086	1,286,674			157,867,645	129,289,006
CONTINGENCIES AND COMMITMENTS					
19 & 20					

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

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2014

2014 (US \$ in '000)	2013		Note	2014 (Rupees in '000)	2013
1,352,754	1,179,925	Mark-up / return / profit / interest earned	21	135,928,939	118,562,552
681,691	644,330	Mark-up / return / profit / interest expensed	22	68,498,443	64,744,258
671,063	535,595	Net mark-up / profit / interest income		67,430,496	53,818,294
9,355	12,283	Provision against advances	9.3	940,064	1,234,188
(1,017)	223	(Reversal) / charge against off-balance sheet obligations	16.1	(102,167)	22,427
(1,032)	(2,116)	Reversal against diminution in the value of investments	8.7	(103,678)	(212,630)
-	-	Bad debts written off directly		-	-
7,306	10,390			734,219	1,043,985
663,757	525,205	Net mark-up / profit / interest income after provisions		66,696,277	52,774,309
Non mark-up / interest income					
113,887	92,033	Fee, commission and brokerage income		11,443,744	9,247,794
12,154	8,593	Dividend income		1,221,305	863,450
25,143	11,898	Income from dealing in foreign currencies		2,526,411	1,195,577
13,846	13,907	Gain on sale of securities	23	1,391,286	1,397,410
526	(325)	Unrealised gain / (loss) on held for trading securities	8.13	52,856	(32,608)
30,246	20,588	Other income	24	3,039,187	2,068,704
195,802	146,694	Total non mark-up / interest income		19,674,789	14,740,327
859,559	671,899			86,371,066	67,514,636
Non mark-up / interest expense					
380,599	330,616	Administrative expenses	25	38,243,723	33,221,292
2,835	(1,371)	Other provisions / write offs - net	12.1	284,878	(137,757)
46	231	Other charges	26	4,654	23,175
9,585	6,895	Workers Welfare Fund	27	963,120	692,881
393,065	336,371	Total non mark-up / interest expenses		39,496,375	33,799,591
466,494	335,528	Profit before taxation		46,874,691	33,715,045
Taxation					
149,118	100,966	- current	28	14,983,827	10,145,345
(2,095)	(1,187)	- prior		(210,479)	(119,302)
9,841	17,700	- deferred		988,822	1,778,512
156,864	117,479			15,762,170	11,804,555
309,630	218,049	Profit after taxation		31,112,521	21,910,490
-----Rupees-----					
Basic and diluted earnings per share			29	21.21	14.94

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

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2014

2014 (US \$ in '000)	2013		2014 (Rupees in '000)	2013
309,629	218,051	Profit for the year	31,112,521	21,910,490
		Other comprehensive income		
		Items to be reclassified to profit or loss in subsequent periods:		
(18,939)	9,636	Effect of translation of net investment in foreign branches	(1,903,090)	968,225
		Items not to be reclassified to profit or loss in subsequent periods:		
(2,857)	(1,025)	Effect of actuarial gains and losses - net of tax	(287,084)	(103,025)
<u>287,833</u>	<u>226,662</u>	Comprehensive income transferred to equity	<u>28,922,347</u>	<u>22,775,690</u>
		Components of comprehensive income not reflected in equity		
		Items to be reclassified to profit or loss in subsequent periods:		
118,091	(29,230)	Surplus /(deficit) on revaluation of investments - net of tax	11,866,164	(2,937,119)
		Items not to be reclassified to profit or loss in subsequent periods:		
(83)	-	Deficit on revaluation of fixed assets - net of tax	(8,326)	-
<u>405,841</u>	<u>197,432</u>	Total comprehensive income	<u>40,780,185</u>	<u>19,838,571</u>

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

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2014

	Share Capital	RESERVES				Total
		Exchange translation reserve	Statutory	Revenue Reserves		
				General	Unappropriated profit	
(Rupees in '000)						
Balance as at December 31, 2012	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 - net of tax	-	-	-	-	(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 reserves	-	-	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
Total comprehensive income for the year						
Profit for the year ended December 31, 2014	-	-	-	-	31,112,521	31,112,521
- Other comprehensive income						
Effect of actuarial gain and losses - net of tax	-	-	-	-	(287,084)	(287,084)
Effect of translation of net investment in foreign branches	-	(1,903,090)	-	-	-	(1,903,090)
	-	(1,903,090)	-	-	30,825,437	28,922,347
Transactions with owners, recorded directly in equity						
Final Cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	(2,667,005)	(2,667,005)
1st interim cash dividend paid at Rs. 2 per share	-	-	-	-	(2,933,705)	(2,933,705)
2nd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	(3,300,418)	(3,300,418)
3rd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	(3,300,418)	(3,300,418)
Issued as bonus shares	1,333,502	-	-	-	(1,333,502)	-
	1,333,502	-	-	-	(13,535,048)	(12,201,546)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	93,027	93,027
Transferred to statutory reserve	-	-	3,111,252	-	(3,111,252)	-
Balance as at December 31, 2014	14,668,525	11,288,105	23,343,016	6,073,812	81,707,742	137,081,200

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

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2014

2014 (US \$ in '000)	2013		Note	2014 (Rupees in '000)	2013
CASH FLOWS FROM OPERATING ACTIVITIES					
466,494	335,528	Profit before taxation		46,874,691	33,715,045
(12,154)	(8,593)	Dividend income		(1,221,305)	(863,450)
(13,846)	(13,907)	Gain on sale of securities		(1,391,286)	(1,397,410)
(26,000)	(22,500)			(2,612,591)	(2,260,860)
440,494	313,028			44,262,100	31,454,185
Adjustment for:					
18,793	14,447	Depreciation		1,888,393	1,451,704
4,499	2,725	Amortisation		452,025	273,800
(1,032)	(2,116)	Reversal against diminution in the value of investments		(103,678)	(212,630)
9,355	12,283	Provision against advances		940,064	1,234,188
(526)	325	Unrealised (gain)/ loss on held for trading securities		(52,856)	32,608
(1,432)	3,363	Exchange (gain) / loss on sub-ordinated loan		(143,911)	337,931
(244)	(544)	Gain on sale of operating fixed assets - net		(24,551)	(54,707)
(745)	137	(Gain) / loss on sale of non-banking asset - net		(74,835)	13,756
1,818	(1,148)	Miscellaneous provisions		182,711	(115,330)
30,486	29,472			3,063,362	2,961,320
470,980	342,500			47,325,462	34,415,505
(Increase) / decrease in operating assets					
9,533	(103,930)	Lendings to financial institutions		957,917	(10,443,222)
(131,770)	(41,771)	Investments - held for trading		(13,240,697)	(4,197,231)
(323,195)	(647,099)	Advances		(32,475,590)	(65,022,540)
(176,611)	(88,900)	Other assets		(17,746,389)	(8,932,899)
(622,043)	(881,700)			(62,504,759)	(88,595,892)
Increase in operating liabilities					
25,947	4,676	Bills payable		2,607,213	469,818
(56,320)	(864,090)	Borrowings		(5,659,245)	(86,826,425)
1,295,988	1,749,802	Deposits and other accounts		130,224,934	175,825,536
13,890	1,942	Other liabilities		1,372,901	245,337
1,279,505	892,330			128,545,803	89,714,266
1,128,442	353,130			113,366,506	35,533,879
(136,931)	(134,941)	Income tax paid - net		(13,759,222)	(13,559,328)
991,511	218,189	Net cash flows from operating activities		99,607,284	21,974,551
CASH FLOWS FROM INVESTING ACTIVITIES					
(297,889)	(156,335)	Net investments - available for sale		(29,932,765)	(15,709,024)
(394,154)	(8,351)	Net investments - held to maturity		(39,605,863)	(839,142)
11,906	8,817	Dividend income received		1,196,318	885,921
(42,724)	(35,319)	Fixed capital expenditure		(4,293,029)	(3,548,984)
890	849	Proceeds from sale of fixed assets		89,437	85,279
745	582	Proceeds from sale of non-banking asset		74,835	58,500
(18,939)	9,636	Effect of translation of net investment in foreign branches		(1,903,090)	968,225
(740,165)	(180,121)	Net cash flows used in investing activities		(74,374,157)	(18,099,225)
CASH FLOWS FROM FINANCING ACTIVITIES					
(25,000)	(25,000)	Repayment of subordinated loan		(2,489,204)	(2,562,301)
(121,311)	(127,406)	Dividend paid		(12,189,666)	(12,802,181)
(146,311)	(152,406)	Net cash flows used in financing activities		(14,678,870)	(15,364,482)
105,035	(114,338)	Increase / (decrease) in cash and cash equivalents during the year		10,554,257	(11,489,156)
1,672,026	1,682,627	Cash and cash equivalents at beginning of the year		168,010,306	169,075,607
(32,518)	71,219	Effects of exchange rate changes on cash and cash equivalents		(3,267,503)	7,156,352
1,639,508	1,753,846			164,742,803	176,231,959
1,744,543	1,639,508	Cash and cash equivalents at end of the year	30	175,297,060	164,742,803

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

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, 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 1,596 (2013: 1,546) branches inside Pakistan including 43 (2013: 38) Islamic Banking Branches and 48 branches (2013: 48) 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, 2014 and 2013 have been converted using the exchange rate of Rs. 100.4831 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 4.3)
- ii) Valuation and impairment of available for sale equity investments and associates (refer 4.12)
- iii) Provision against non performing advances (refer 4.4)
- iv) Fixed assets, depreciation and amortisation (refer 4.5)
- v) Fair value of derivatives (refer 4.17)
- vi) Defined benefits plans and other benefits (refer 4.8)

- 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 the Banking Companies Ordinance, 1962 and the directives issued by the SBP and the 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 the 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 mentioned below:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendment has no material impact on the Bank's financial position.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Bank's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendment has no material impact on the Bank's financial position.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Bank's financial statements. The amendment has no material impact on the Bank's financial position.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Bank's financial statements.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Bank's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Bank's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are not likely to have an impact on Bank's financial statements.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards which are not likely to have an impact on Bank's financial statements:
 - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
 - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
 - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards which are not likely to have an impact on Bank's financial statements:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

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

4.2 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.

4.3 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.

4.4 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 SBP. Provision against 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 SBP or the requirements of respective regulatory regimes. The Bank has grossed up the advances placed in special category alongwith provisions in note 9 of these financial statements in line with industry practice.

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 exceed its recoverable amount. The residual value of the Ijarah asset is the estimated amount which could be obtained 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.

4.5 Operating fixed assets and depreciation

4.5.1 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.

4.5.2 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.

4.6 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.

4.7 Sub - Ordinated loan

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

4.8 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. 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 January 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) Approved Contributory Gratuity Fund (Defined contributory benefit scheme)

The Bank operates Contributory Gratuity Scheme for employees hired on or after January 01, 2002. Further, Contributory Gratuity Scheme was offered to staff in lieu of Pension Fund for their services subsequent to March 31, 2005.

iv) Provident Fund (Defined contributory scheme)

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

v) 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.

vi) 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.

vii) 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.

viii) 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.

4.9 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.

4.10 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 suspended 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.

4.11 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.

4.12 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 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 Share issuance cost

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

4.21 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 25 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	2014 (Rupees in '000)	2013
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand including National Prize Bonds			
Local currency		16,605,428	19,514,276
Foreign currency		3,633,929	3,453,649
		<u>20,239,357</u>	<u>22,967,925</u>
With State Bank of Pakistan in			
Local currency current account	5.2	8,817,802	33,095,825
Foreign currency current account		5,641,943	5,270,462
Foreign currency deposit account	5.1 / 5.3	16,947,158	15,728,111
		<u>31,406,903</u>	<u>54,094,398</u>
With other Central Banks in			
Foreign currency current account	5.1 / 5.4	42,855,499	33,565,737
Foreign currency deposit account		5,408,680	3,172,913
		<u>48,264,179</u>	<u>36,738,650</u>
With National Bank of Pakistan in			
Local currency current account		22,360,829	16,220,092
		<u>122,271,268</u>	<u>130,021,065</u>

5.1 The above balances include remunerative accounts amounting to Rs. 39,418.596 million (2013: Rs. 35,182.789 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% (2013: 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	2014 (Rupees in '000)	2013
6. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		500,131	612,708
On deposit account		35	2,000,035
		<u>500,166</u>	<u>2,612,743</u>
Outside Pakistan	6.1		
On current account		23,130,386	7,941,046
On deposit account		29,395,240	24,167,949
		<u>52,525,626</u>	<u>32,108,995</u>
		<u>53,025,792</u>	<u>34,721,738</u>

6.1 This includes remunerative current account balance amounting to Rs. 744.723 million (2013: Rs. 886.323. million). Since, the Bank operates in different countries, these carry varied mark-up rates as given by the external banks of respective countries.

	Note	2014 (Rupees in '000)	2013
7. LENDINGS TO FINANCIAL INSTITUTIONS			
7.1 In local currency			
Call money lendings	7.2.1	12,311,200	6,842,250
Repurchase agreement lendings (reverse repo)	7.2	22,002,360	28,429,227
		<u>34,313,560</u>	<u>35,271,477</u>

7.2 Securities held as collateral against lendings to financial institutions	Note	2014			2013		
		Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
		(Rupees in '000)					
Market treasury bills	7.2.1	9,379,577	-	9,379,577	28,429,227	-	28,429,227
Pakistan investment bonds		12,622,783	-	12,622,783	-	-	-
		22,002,360	-	22,002,360	28,429,227	-	28,429,227

7.2.1 Market value of securities held as collateral against lendings to financial institutions as at December 31, 2014 amounted to Rs. 22,897.458 million (2013: Rs. 28,443.866 million). Call money lendings carry mark-up rates ranging from 9.5% to 10% per annum (2013: 7.8% to 12.2% per annum). Repurchase agreement lendings carry mark-up rates ranging from 9.00% to 10.30% per annum (2013: 9.55% to 10.40% per annum).

		Note	2014			2013		
8.	INVESTMENTS		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
			(Rupees in '000)					

8.1 Investments by type

Held for Trading securities (HFT)

Federal Government Securities

- Pakistan Investment Bonds
- Market Treasury Bills

Fully paid-up ordinary shares

- Listed companies

Overseas Government Securities

5,669,613	-	5,669,613	11,942,763	-	11,942,763
42,471,309	-	42,471,309	23,209,005	-	23,209,005
-	-	-	5,878	-	5,878
557,556	-	557,556	300,135	-	300,135
48,698,478	-	48,698,478	35,457,781	-	35,457,781

Held-to-maturity securities (HTM)

Federal Government Securities

- Pakistan Investment Bonds
- Government of Pakistan Guaranteed Bonds
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

Overseas Government securities

8.4

8.8 - 8.10

75,683,578	-	75,683,578	36,857,744	-	36,857,744
1,992,000	-	1,992,000	1,700,000	-	1,700,000
-	-	-	738,666	-	738,666
2,101,819	-	2,101,819	2,329,538	-	2,329,538
5,493,233	-	5,493,233	4,681,489	-	4,681,489
14,803,817	-	14,803,817	14,161,147	-	14,161,147
100,074,447	-	100,074,447	60,468,584	-	60,468,584

Available-for-sale Securities (AFS)

Federal Government Securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Government of Pakistan Guaranteed Bonds
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)

Overseas Government Securities

Fully paid-up ordinary shares

- Listed companies
- Unlisted companies

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

NIT Units

Preference shares

389,346,079	18,494,458	407,840,537	533,321,012	48,151,773	581,472,785
187,548,334	35,039,524	222,587,858	50,570,687	-	50,570,687
3,397,500	-	3,397,500	3,397,500	-	3,397,500
45,689,461	-	45,689,461	22,676,455	-	22,676,455
72,175	-	72,175	600,771	-	600,771
15,324,333	-	15,324,333	5,539,588	-	5,539,588
1,232,824	-	1,232,824	768,100	-	768,100
11,184,454	-	11,184,454	13,747,597	2,163,371	15,910,968
8,709,868	-	8,709,868	8,572,600	-	8,572,600
2,261,113	-	2,261,113	11,113	-	11,113
250,000	-	250,000	250,000	-	250,000
665,016,141	53,533,982	718,550,123	639,455,423	50,315,144	689,770,567

Investment in Subsidiary Companies

Investment in Associates and Joint Venture

8.5

8.4 / 8.6

8,313,797	-	8,313,797	6,617,229	-	6,617,229
5,362,679	-	5,362,679	4,755,297	-	4,755,297
827,465,542	53,533,982	880,999,524	746,754,314	50,315,144	797,069,458

Provision for diminution / impairment in the value of investments including associates

8.7

Net investments

Surplus / (deficit) on revaluation of held for trading securities

Surplus / (deficit) on revaluation of available for sale securities

8.13

18.2

(953,764)	-	(953,764)	(1,265,379)	-	(1,265,379)
826,511,778	53,533,982	880,045,760	745,488,935	50,315,144	795,804,079
52,856	-	52,856	(32,608)	-	(32,608)
14,723,159	2,752,192	17,475,351	(663,713)	(122,077)	(785,790)
841,287,793	56,286,174	897,573,967	744,792,614	50,193,067	794,985,681

Total investments at market value

8.2 Investments by segments

	Note	2014 (Rupees in '000)	2013
Federal Government Securities			
- Market treasury bills		450,311,846	604,681,790
- Pakistan investment bonds		303,941,049	99,371,194
- Government of Pakistan guaranteed bonds		5,389,500	5,097,500
- Government of Pakistan bonds / Sukuk / (US Dollar / Euro)		45,689,461	23,415,121
Overseas Government Securities		15,433,548	15,062,053
Fully paid-up Ordinary Shares			
- Listed companies		15,324,333	5,545,466
- Unlisted companies		1,232,824	768,100
Debentures and Corporate Debt Instruments / Units			
- Listed securities		13,286,273	18,240,506
- Unlisted securities	8.3	14,203,101	13,254,089
NIT units		2,261,113	11,113
Preference shares		250,000	250,000
Investment in subsidiary companies	8.5	8,313,797	6,617,229
Investment in associates and joint venture company	8.6	5,362,679	4,755,297
		880,999,524	797,069,458
Provision for diminution / impairment in the value of investments including associates	8.7	(953,764)	(1,265,379)
Net investments		880,045,760	795,804,079
Surplus / (deficit) on revaluation of held for trading securities	8.13	52,856	(32,608)
Surplus / (deficit) on revaluation of available for sale securities	18.2	17,475,351	(785,790)
		897,573,967	794,985,681

8.3 This includes investment in the Variable Rate Subordinated Loan Notes issued by Habib Allied International Bank Plc, UK (Subsidiary) amounting to Rs. 6.330 billion equivalent US \$ 63 million (2013: Rs. 6.635 billion equivalent US \$ 63 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, 2014		December 31, 2013	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	100,074,447	104,935,785	60,468,584	61,382,087
- Investment in listed associates and joint venture	4,326,448	20,560,537	3,719,066	14,985,487

8.5 Investment in subsidiaries

	Note	2014 (Rupees in '000)	2013
Habib Allied International Bank Plc - Holding 88.59% (2013: 88.07%)	8.5.1	4,261,126	2,564,558
Habib Finance International Limited, Hong Kong - wholly owned		1,188,403	1,188,402
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 43.86% (2013: 67.97%) - listed		739,586	739,586
HBL Multi Asset Fund 79.57% (2013: 86.33%) - listed		248,181	248,181
HBL Stock Fund 82.28% (2013: 81.57%) - listed		1,344,001	1,344,002
		8,313,797	6,617,229

8.5.1 During the year, the Bank has further invested GBP 10.4 million to acquire 6,927,010 right shares of the Bank's subsidiary, Habib Allied International Bank Plc, UK (HAIB), consequently the shareholding of the Bank has increased to 88.59% from 88.07%.

8.6 Investment in associates and joint venture company

	Note	2014 (Rupees in '000)	2013
Himalayan Bank Limited, Nepal - Holding 20% (2013: 20%) - Listed		7,197	7,197
Diamond Trust Bank Kenya Limited - Holding 11.97% (2013: 11.91%) - Listed		2,147,056	1,634,411
Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding 18% (2013: 18%) - Unlisted		256,231	256,231
Jubilee General Insurance Company Limited - Holding 17.84% (2013: 17.20%) - Listed		1,703,791	1,609,054
Jubilee Life Insurance Company Limited - Holding 17.95% (2013: 17.95%) - Listed		468,404	468,404
HBL Money Market Fund - Holding 1.68% (2013: 1.03%) - Listed		100,000	100,000
HBL Islamic Money Market Fund - Holding 72.97% (2013: 63.73%) - Listed		250,000	250,000
HBL Islamic Stock Fund - Holding 75.24% (2013: 86.84%) - Listed		250,000	250,000
HBL Pension Equity Sub Fund - Holding 71.12% (2013: 73.69%) - Unlisted		30,000	30,000
HBL Pension Debt Sub Fund - Holding 32.97% (2013: 35.01%) - Unlisted		30,000	30,000
HBL Pension Money Market Sub Fund - Holding 31.90% (2013: 35.63%) - Unlisted		30,000	30,000
HBL Islamic Pension Equity Sub Fund - Holding 68.30% (2013: 68.32%) - Unlisted		30,000	30,000
HBL Islamic Pension Debt Sub Fund - Holding 54.83% (2013: 59.12%) - Unlisted		30,000	30,000
HBL Islamic Pension Money Market Sub Fund - Holding 65.73% (2013: 72.75%) - Unlisted		30,000	30,000
		5,362,679	4,755,297

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 as investment in associates under IAS 28.

8.6.2 Summary of financial information of associates and joint venture company

	2014				
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue
		(Rupees in '000)			
Diamond Trust Bank Kenya Limited	September 30, 2014	212,958,037	178,622,244	34,335,793	20,688,704
Himalayan Bank Limited, Nepal	October 17, 2014	80,582,592	74,071,806	6,510,786	1,445,700
Kyrgyz Investment and Credit Bank	September 30, 2014	29,474,683	24,034,138	5,440,545	2,533,843
Jubilee Life Insurance Company Limited	September 30, 2014	43,602,123	40,994,019	2,608,104	145,112
Jubilee General Insurance Company Limited	September 30, 2014	15,788,530	10,671,309	5,117,221	3,513,663
HBL Money Market Fund	December 31, 2014	9,326,863	61,158	9,265,705	1,184,173
HBL Islamic Stock Fund	December 31, 2014	829,167	16,657	812,510	155,987
HBL Islamic Money Market Fund	December 31, 2014	484,249	10,571	473,678	129,510
HBL Pension Equity Sub Fund	December 31, 2014	111,404	1,342	110,062	32,473
HBL Pension Debt Sub Fund	December 31, 2014	120,146	1,014	119,132	14,173
HBL Pension Money Market Sub Fund	December 31, 2014	119,281	1,016	118,265	8,294
HBL Islamic Pension Equity Sub Fund	December 31, 2014	133,444	1,911	131,533	7,821
HBL Islamic Pension Debt Sub Fund	December 31, 2014	67,890	608	67,282	15,002
HBL Islamic Pension Money Market Sub Fund	December 31, 2014	55,875	519	55,356	3,787
					3,028

		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 17, 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	906,610
	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	6,000
	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
8.7	Particulars of provision held against diminution in value of investments	Note				2014 (Rupees in '000)	2013 (Rupees in '000)
	The analysis of total provision held is as follows:						
	Opening balance					1,265,379	1,473,880
	Charge for the year					55,014	4,772
	Reversal					(63,060)	(74,480)
	Impairment charge on listed securities					49,580	55,171
	Impairment reversal on listed securities					(145,212)	(198,093)
	Total reversal - net					(103,678)	(212,630)
	Write offs					(207,937)	-
	Other Movement					-	4,129
	Closing balance	8.7.1				953,764	1,265,379
8.7.1	Particulars of provision in respect of type and segment						
	Held-to-Maturity securities (HTM)						
	- Debentures and Corporate Debt Instruments					-	10,578
	Available-for-sale Securities (AFS)						
	- Fully paid-up ordinary shares						
	- Listed companies					291,100	337,257
	- Unlisted companies					13,786	62,754
	- Debentures and Corporate Debt Instruments					71,500	227,939
	- Units					-	49,473
	Associates					577,378	577,378
						953,764	1,265,379
8.8	Investments held for maintaining the liquidity requirements of the SBP amounted to Rs. 198,121 million as at December 31, 2014 (2013: Rs. 177,133 million).						
8.9	Investments include Rs. 234.326 million as at December 31, 2014 (2013: Rs. 227.471 million) pledged with SBP and National Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.						
8.10	Investments include Rs. 10.300 million as at December 31, 2014 (2013: Rs. 9.999 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. 10,058.500 million as at December 31, 2014 (2013: Rs. 7,754.554 million) in accordance with the Prudential Regulations issued by SBP.						
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				2014	2013
8.13	Unrealized gain / (loss) on revaluation of held for trading securities					(Rupees in '000)	
	Market Treasury Bills					14,294	(36,427)
	Pakistan Investment Bonds					38,562	3,750
	Shares					-	69
						52,856	(32,608)
9.	ADVANCES						
	Loans, cash credits, running finances, etc.						
	In Pakistan					450,443,893	429,748,039
	Outside Pakistan					96,819,124	92,650,654
						547,263,017	522,398,693
	Net investment in finance lease - in Pakistan	9.1.3				6,541,460	5,496,069
	Bills discounted and purchased (excluding Government treasury bills):						
	Payable in Pakistan					12,018,785	11,191,546
	Payable outside Pakistan					50,421,536	46,326,442
						62,440,321	57,517,988
	Provision against non-performing advances	9.3				(60,850,286)	(61,553,764)
						555,394,512	523,858,986

	2014 (Rupees in '000)	2013 (Rupees in '000)
9.1 Particulars of advances		
9.1.1 In local currency	395,654,777	378,602,344
In foreign currency including foreign currency financing by domestic branches amounting to Rs. 36,990.464 million (2013: Rs. 33,170.873 million)	159,739,735	145,256,642
	<u>555,394,512</u>	<u>523,858,986</u>
9.1.2 Short term (for upto one year)	404,775,011	373,372,867
Long term (for over one year)	150,619,501	150,486,119
	<u>555,394,512</u>	<u>523,858,986</u>

	2014				2013			
	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	45,664	7,061,849	1,428,711	8,536,224	102,483	5,713,897	1,299,210	7,115,590
Residual value	63	9,683	1,959	11,705	111	6,189	1,407	7,707
Gross investment in finance lease	45,727	7,071,532	1,430,670	8,547,929	102,594	5,720,086	1,300,617	7,123,297
Unearned finance income	(3,082)	(1,605,670)	(397,717)	(2,006,469)	(5,186)	(1,257,213)	(364,829)	(1,627,228)
Net investment in finance lease	42,645	5,465,862	1,032,953	6,541,460	97,408	4,462,873	935,788	5,496,069

9.2 Classification of non-performing advances is as follows:

	2014								
Category of classification	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	554,199	-	554,199	-	-	-	554,199	-	554,199
Substandard	6,775,792	962,186	7,737,978	1,675,263	288,228	1,963,491	5,100,529	673,958	5,774,487
Doubtful	2,414,009	754,054	3,168,063	1,207,005	373,567	1,580,572	1,207,004	380,487	1,587,491
Loss*	49,502,426	7,572,589	57,075,015	47,750,592	7,149,428	54,900,020	1,751,834	423,161	2,174,995
	59,246,426	9,288,829	68,535,255	50,632,860	7,811,223	58,444,083	8,613,566	1,477,606	10,091,172
General provision	-	-	-	1,137,628	1,268,575	2,406,203	-	-	-
	59,246,426	9,288,829	68,535,255	51,770,488	9,079,798	60,850,286	8,613,566	1,477,606	10,091,172

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

	2013								
Category of classification	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	49,760,005	8,526,962	58,286,967	48,507,408	8,273,278	56,780,686	1,252,597	253,684	1,506,281
	58,790,813	10,581,798	69,372,611	50,729,228	8,964,833	59,694,061	8,061,585	1,616,965	9,678,550
General provision	-	-	-	952,974	906,729	1,859,703	-	-	-
	58,790,813	10,581,798	69,372,611	51,682,202	9,871,562	61,553,764	8,061,585	1,616,965	9,678,550

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 4.4.

9.2.2 Exposure amounting to Rs. 8.610 billion relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan, has not been classified as non performing, in accordance with a relaxation given by SBP. However, markup income has been suspended on this amount and is not reflected in these unconsolidated financial statements.

9.3 Particulars of provision against non-performing advances

	Note	2014			2013		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		59,694,061	1,859,703	61,553,764	58,227,550	2,085,855	60,313,405
Charge for the year		4,491,878	636,014	5,127,892	5,251,915	641,395	5,893,310
Reversals		(4,135,884)	(51,944)	(4,187,828)	(3,775,329)	(883,793)	(4,659,122)
Net charge against advances		355,994	584,070	940,064	1,476,586	(242,398)	1,234,188
Write off	9.5	(1,372,191)	-	(1,372,191)	(640,376)	-	(640,376)
Acquisition of Modaraba assets	9.3.1	109,890	-	109,890	-	-	-
Exchange adjustment / other movement		(343,671)	(37,570)	(381,241)	630,301	16,246	646,547
Closing balance		58,444,083	2,406,203	60,850,286	59,694,061	1,859,703	61,553,764
In local currency		49,801,826	1,137,628	50,939,454	49,680,189	952,974	50,633,163
In foreign currency		8,642,257	1,268,575	9,910,832	10,013,872	906,729	10,920,601
		58,444,083	2,406,203	60,850,286	59,694,061	1,859,703	61,553,764

9.3.1 The certificate holders of First Habib Bank Modaraba (FHHM), in an Extraordinary General Meeting held on March 27, 2014 passed a resolution for the voluntary winding up of FHHM and appointed a liquidator. Subsequently, FHHM and HBL executed the agreement for acquisition of the financial assets of FHHM. As a result, HBL acquired certain assets through bidding process amounting to Rs. 531.300 million.

9.4 Forced sale value (FSV) against non performing advances

As per regulation R-8 of Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan (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, 2014 would have been higher and profit before tax would have been lower by Rs. 650.595 million. Increase in retained earnings net of tax amounting to Rs. 422.887 million would not be available for the distribution of cash and stock dividend to shareholders.

	2014 (Rupees in '000)	2013 (Rupees in '000)
9.5 Particulars of write offs		
9.5.1 Against provisions	1,372,191	640,376
9.5.2 Analysis of write offs		
Rs. 500,000 and above in Pakistan (Note 9.6)	617,844	250,724
Below Rs. 500, 000 in Pakistan and overseas	754,347	389,652
	1,372,191	640,376

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, 2014 is given in Annexure II.

	2014			2013		
	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)	2,014,300	2,034,200	455,839	1,800,700	1,843,700	491,638
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	412,700	419,800	97,873	360,200	382,200	36,440
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	1,160,705	1,901,741	1,833,008	1,033,786	2,553,045	673,786
Debts due by Subsidiary company	51,009	159,962	-	48,416	48,416	-

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	2014 (Rupees in '000)	2013 (Rupees in '000)
10. OPERATING FIXED ASSETS			
Capital work-in-progress	10.1	1,119,170	884,039
Intangible assets	10.2	843,040	744,783
Tangible fixed assets	10.3	22,912,028	21,349,187
		24,874,238	22,978,009
10.1 Capital work-in-progress			
Civil works		494,119	525,784
Advances to suppliers and contractors		625,051	358,255
		1,119,170	884,039

10.2 Intangible assets

Description	2014					Rate of amortisation %
	COST		AMORTISATION		Book value As at December 31, 2014	
	As at January 1, 2014	Additions / (deletions) during the year	As at January 1, 2014	Charge for the year (Amortisation on deletions)		
	Rupees in '000					
	2,518,061	550,282 (213,322)	1,773,278	452,025 (213,322)	843,040	33.33
Computer Software						

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

138

- 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. During the year, HBL properties of Sri Lanka and Singapore branches were revalued as on December 04, 2014 and December 10, 2014 by G.A.Gunasegaram and United Valuers (Pte) Ltd. and these revaluations resulted in a surplus of Rs. 16,518 million and a deficit of Rs. 8,014 million respectively. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Domestic	Sri Lanka	Singapore	Lebanon	KEPZ
	(Rupees in '000)				
Land	9,280,588	41,373	390,565	-	-
Building	3,952,144	34,267	33,834	11,738	2,007

The movement in surplus on revaluation of properties is given in note 18.1 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 unconsolidated financial statements.

- 10.6 At December 31, 2014 cost / valuation of operating fixed assets retired from active service and held for disposal purposes amounted to Rs. 10,973 million (2013: Rs. 7,442 million). The cost / valuation of fully depreciated operating fixed assets that are still in the Bank's use, as at the above date, amounted to Rs. 6,074.142 million (2013: Rs. 5,842.312 million).

11. DEFERRED TAX (LIABILITY) / ASSET

Deductible temporary differences on

- provision against investments
- provision against doubtful debts & Off-balance sheet
- liabilities written back under section 34(5) of the Income Tax Ordinance (ITO)
- provision against others
- revaluation of investments

Note	2014 (Rupees in '000)	2013 (Rupees in '000)
	290,333	292,205
	3,683,957	4,972,306
	1,313,703	1,255,057
	115,627	116,170
18.2	-	277,549
	5,403,620	6,913,287

Taxable temporary differences on

- fixed assets
- revaluation of investments
- others

	(1,136,517)	(1,132,347)
18.2	(6,117,428)	-
	-	(230,636)

Net deferred tax (liability) / asset recognised by the Bank

(1,850,325)	5,550,304
-------------	-----------

11.1 Movement in temporary differences during the year

	Balance as at January 1, 2013	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2013	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2014
	(Rupees in '000)						
Deductible temporary differences on							
- provision against investments	292,295	(90)	-	292,205	(1,872)	-	290,333
- provision against doubtful debts & Off-balance sheet	6,396,134	(1,423,828)	-	4,972,306	(1,288,349)	-	3,683,957
- liabilities written back under section 34(5) of the ITO	1,329,866	(74,809)	-	1,255,057	58,646	-	1,313,703
- provision against others	117,016	(846)	-	116,170	(543)	-	115,627
Taxable temporary differences on							
- fixed assets	(1,084,044)	(48,303)	-	(1,132,347)	12,660	(16,830)	(1,136,517)
- on revaluation of investments	(1,307,803)	-	1,585,352	277,549	(6,394,977)	(6,117,428)	(6,117,428)
- others	-	(230,636)	-	(230,636)	230,636	-	-
	5,743,464	(1,778,512)	1,585,352	5,550,304	(988,822)	(6,411,807)	(1,850,325)

12. OTHER ASSETS

Note	2014 (Rupees in '000)	2013
	26,576,369	13,893,052
	2,084,117	1,265,020
	1,797,945	1,742,361
	4,724,486	1,706,730
	119,835	-
	13,257,274	14,271,400
	535,325	68,759
	38,250	109,139
	32,473	32,235
	714,182	490,334
	823,080	1,034,167
	1,578,686	2,083,395
	2,257,327	2,220,722
	27,052,310	26,055,206
	257,371	166,155
	322,536	423,611
	82,171,566	65,562,286
12.1	(428,649)	(291,741)
	<u>81,742,917</u>	<u>65,270,545</u>

12.1 Provision against other assets

Opening balance	291,741	530,362
Charge for the year	291,416	55,362
Reversal	(6,538)	(193,119)
Net charge / (reversal)	284,878	(137,757)
Write off	(129,749)	(107,567)
Exchange adjustment / other movement	(18,221)	6,703
Closing balance	<u>428,649</u>	<u>291,741</u>

13. BILLS PAYABLE

In Pakistan	21,235,603	18,552,991
Outside Pakistan	720,080	795,479
	<u>21,955,683</u>	<u>19,348,470</u>

14. BORROWINGS

In Pakistan	86,957,906	88,555,775
Outside Pakistan	12,672,611	16,733,987
	<u>99,630,517</u>	<u>105,289,762</u>

14.1 Particulars of borrowings

In local currency	85,077,250	85,618,861
In foreign currency	14,553,267	19,670,901
	<u>99,630,517</u>	<u>105,289,762</u>

14.2 Details of borrowings

Secured

Borrowings from State Bank of Pakistan:

- Export refinance scheme	14,504,562	17,584,707
- Long term financing facility - locally manufactured and imported plant & machinery	6,468,165	5,464,963
- Long term finance - export oriented projects	133,651	480,741
- Refinance facility for modernization of SMEs	-	4,608
- Financing facility for Storage of Agricultural Produce	3,061	9,169
- Scheme for revival of SMEs and Agricultural activities in flood affected areas	-	9,170

Repurchase agreement borrowings	56,041,292	50,072,621
	<u>77,150,731</u>	<u>73,625,979</u>

Unsecured

In Pakistan	9,238,070	13,726,623
- Interbank call money borrowing	787,697	2,051,589
Outside Pakistan	12,454,019	15,885,571
- Overdrawn nostro accounts	13,241,716	17,937,160
- Borrowings of overseas branches	22,479,786	31,663,783
	<u>99,630,517</u>	<u>105,289,762</u>

- 14.3 Borrowings from the 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 6.00% to 7.50% (2013: 8.4% to 8.8%).
- 14.4 These carry annual mark-up rates ranging from 8.50% to 9.70% (2013: 6.5% to 10.2%).
- 14.5 These carry annual mark-up rates ranging from 9.30% to 9.50% (2013: 9.15% to 10.25%).
- 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

2014
2013
(Rupees in '000)

Customers

Current accounts - non-remunerative	468,368,418	373,276,540
Savings chequing account	656,174,379	603,492,831
Fixed deposits	291,630,878	321,062,655
	<u>1,416,173,675</u>	<u>1,297,832,026</u>

Financial institutions

Current accounts - non-remunerative	22,128,144	6,279,959
Savings chequing account	4,092,718	4,551,714
Fixed deposits	4,820,908	8,326,812
	<u>31,041,770</u>	<u>19,158,485</u>
	<u>1,447,215,445</u>	<u>1,316,990,511</u>

15.1 Particulars of deposits

In local currency	1,142,630,972	1,068,064,404
In foreign currencies {including foreign currency deposits of domestic branches of Rs. 113,589.257 million (2013: Rs. 110,230.583 million)}	304,584,473	248,926,107
	<u>1,447,215,445</u>	<u>1,316,990,511</u>

16. OTHER LIABILITIES

Mark-up / return / profit payable in local currency	15,424,132	17,191,034
Mark-up / return / profit payable in foreign currency	1,659,136	1,064,448
Security deposits	540,210	403,066
Accrued expenses	4,421,789	3,829,748
Unrealised loss on forward foreign exchange contracts /derivative instruments	1,944,403	2,019,306
Unclaimed dividends	173,657	122,375
Dividend payable	81,006	69,126
Provision for employees' compensated absences	32.2.8 2,134,581	1,845,749
Provision for post retirement medical benefits	32.2.3 2,521,535	2,225,250
Provision against off-balance sheet obligations	16.1 927,648	1,118,799
Branch adjustment account	1,313,633	1,959,529
Provision for staff retirement benefits	692,547	611,222
Payable to defined benefit plan	32.2.3 539,945	341,541
Provision for workers welfare fund	3,488,642	2,525,522
Unearned income	148,739	174,017
Qarza-e-Hasna Fund	342,093	342,952
Duties and taxes payable	1,511,704	1,319,695
Insurance payable	203,451	162,322
Reward points payable	261,867	228,166
Payable to HBL foundation	468,118	252,387
Others	1,877,803	1,300,687
	<u>40,676,639</u>	<u>39,106,941</u>

16.1 Provision against off-balance sheet obligations

	2014 (Rupees in '000)	2013 (Rupees in '000)
Opening balance	1,118,799	1,083,490
Charge for the year	57,858	109,403
Reversal	(160,025)	(86,976)
Net (reversal) / charge	(102,167)	22,427
Exchange adjustment	(88,984)	12,882
Closing balance	927,648	1,118,799

17. SHARE CAPITAL

17.1 Authorised Capital

2014 Number of shares in '000	2013 Number of shares in '000		2014 (Rupees in '000)	2013 (Rupees in '000)
3,000,000	3,000,000	Ordinary shares of Rs. 10 each	30,000,000	30,000,000

17.2 Issued, subscribed and paid-up capital

2014 Number of shares in '000	2013 Number of shares in '000		2014 (Rupees in '000)	2013 (Rupees in '000)
690,000	690,000	Ordinary shares of Rs. 10 each	6,900,000	6,900,000
776,852	643,502	Fully paid in cash	7,768,525	6,435,023
1,466,852	1,333,502	Issued as bonus shares	14,668,525	13,335,023

17.3 Exchange translation reserves

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

17.4 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.

17.5 Dividends

After December 31, 2014 the following dividends were proposed by the Directors for 2014. The dividends have not been provided for and, there are no income tax consequences.

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Cash dividend: Rs. 5.5 per share in addition to Rs. 6.5 already paid during the year (2013: Rs. 8 per share)		8,067,689	2,667,005
Bonus share Nil (2013 : 1 share for 10 shares held)		-	1,333,502

18. SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Surplus / (deficit) arising on revaluation of:			
- fixed assets	18.1	9,428,522	9,529,875
- investments	18.2	11,357,923	(508,241)
Surplus on revaluation of assets - net of deferred tax		20,786,445	9,021,634

18.1 Surplus on revaluation of fixed assets

	2014 (Rupees in '000)	2013
Surplus on revaluation of fixed assets as at January 1	10,422,480	10,518,132
Surplus on revaluation of Bank's properties recognised during the year	8,504	-
Surplus realised on disposal of revalued properties during the year - net of tax	(33,741)	(1,269)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(59,286)	(59,823)
Related deferred tax liability of incremental depreciation charged during the year	(31,923)	(32,212)
Related deferred tax liability on disposal of revalued properties	(16,962)	(2,348)
Surplus on revaluation of fixed assets as at December 31	10,289,072	10,422,480
Less: related deferred tax liability on:		
- revaluation as at January 1	892,605	927,165
- revaluation of Bank's properties recognised during the year	16,830	-
- surplus realised on disposal of revalued properties during the year	(16,962)	(2,348)
- incremental depreciation charged during the year transferred to profit and loss account	(31,923)	(32,212)
	860,550	892,605
	9,428,522	9,529,875

18.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills	371,647	(1,195,437)
Pakistan Investment Bonds	14,774,097	(492,676)
Government of Pakistan Sukuk and US Dollar / Euro Bonds	(206,481)	287,648
Listed Securities	2,063,647	476,306
NIT Units	433,394	22,288
Other Investments	39,047	116,081
	17,475,351	(785,790)
Related deferred tax (liability) / asset	(6,117,428)	277,549
	11,357,923	(508,241)

19. CONTINGENCIES AND COMMITMENTS

19.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:		
- Government	274,410	262,993
- Financial institutions	295,000	295,000
- Others	24,414,605	40,075,109
	24,984,015	40,633,102

19.2 Transaction-related contingent liabilities

Guarantees in favour of:		
- Government	294,415	550,968
- Financial institutions	2,956,884	1,894,819
- Others	52,186,802	39,154,598
	55,438,101	41,600,385

19.3 Trade-related commitments

Credit cash	73,356,926	60,038,619
Credit documentary acceptances	14,838,610	17,800,947
Credit acceptances	28,786,059	46,375,108
	116,981,595	124,214,674

19.4 Other contingencies

Claims against the Bank not acknowledged as debts	37,606,753	33,824,701
---	------------	------------

19.5 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.

19.6 Commitments in respect of forward foreign and local exchange contracts

2014
(Rupees in '000)

Purchase	170,017,119	247,342,208
Sale	170,839,112	247,527,601

The above commitments have maturities falling within one year.

Commitments in respect of foreign currency options

Purchase	3,170,666	649,846
Sale	3,170,666	649,846

Commitments in respect of Cross Currency Swaps

Purchase	1,390,469	1,121,412
Sale	1,353,623	1,105,785

Commitments in respect of foreign and local currency interest rate swaps

Purchase	167,472	245,757
Sale	330,805	490,757

19.7 Commitments for acquisition of operating fixed assets / intangibles

1,082,541 **943,750**

19.8 The income tax returns of the Bank have been submitted upto and including the Bank's financial year 2013. The tax authorities have concluded the audit of years 2002 through 2013.

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.

20. DERIVATIVE INSTRUMENTS

A derivative is a financial instrument whose value changes in response to the change in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or a similar variable, sometimes called the underlying. Derivatives include forwards, futures, swaps and options and 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 policy guidelines for taking derivative exposures are approved by the Board of Directors the (BoD) and the Board Risk Management Committee (BRMC).

The responsibility for derivatives trading activity lies with the Global Treasury. Measurement & monitoring of market and credit risk exposure and limits and its reporting to the senior management and the BoD is done by the Treasury Middle Office (TMO). TMO 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.

20.1. Product Analysis

2014						
Counterparties	Interest Rate Swaps		FX Options		Cross Currency Swaps	
	No. of	Notional	No. of	Notional	No. of	Notional
	Contracts	Principal* (Rupees in '000)	Contracts	Principal * (Rupees in '000)	Contracts	Principal * (Rupees in '000)
With Banks for						
Hedging	1	167,472	68	3,170,666	-	-
Market Making	-	-	-	-	2	1,548,048
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	3	330,805	68	3,170,666	1	1,196,044
Total						
Hedging	1	167,472	68	3,170,666	-	-
Market Making	3	330,805	68	3,170,666	3	2,744,092

2013						
Counterparties	Interest Rate Swaps		FX Options		Cross Currency Swaps	
	No. of	Notional	No. of	Notional	No. of	Notional
	Contracts	Principal* (Rupees in '000)	Contracts	Principal * (Rupees in '000)	Contracts	Principal * (Rupees in '000)
With Banks for						
Hedging	1	245,757	5	649,846	1	579,161
Market Making	-	-	2	202,523	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	649,846	1	579,161
Market Making	3	490,757	5	649,846	2	1,648,036

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

20.2. Maturity Analysis

2014					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
----- (Rupees in '000) -----					
Upto 1 Month	14	508,436	(67)	21	(46)
1 to 3 Months	58	2,970,478	(2,448)	9,771	7,323
3 Months to 6 Months	64	2,862,418	(5,770)	3,154	(2,616)
6 Months to 1 Year	-	-	-	-	-
1 to 2 Years	5	2,404,042	(12,014)	61,707	49,693
2 to 3 Years	1	334,944	(4,594)	4,767	173
3 to 5 Years	1	503,383	-	5,412	5,412
	143	9,583,701	(24,893)	84,832	59,939

2013					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
----- (Rupees in '000) -----					
Upto 1 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

21. MARK-UP / RETURN / PROFIT EARNED

	2014	2013
	(Rupees in '000)	
<i>On advances to</i>		
- Customers	51,436,591	46,299,614
- Financial institutions	120,455	260,841
<i>On investments</i>		
- Available for sale	64,689,025	62,776,865
- Held for Trading	3,513,937	1,594,054
- Held to maturity	7,998,351	4,721,152
On deposits with financial institutions	1,305,096	1,002,458
On lendings to financial institutions	5,556,337	1,525,787
Compensation received on tax refunds	1,309,147	381,781
	<u>135,928,939</u>	<u>118,562,552</u>

22. MARK-UP / RETURN / PROFIT EXPENSED

Deposits	59,294,886	55,973,904
Securities sold under repurchase agreement borrowings	4,281,627	6,380,194
Other short term borrowings	4,383,170	1,915,412
Long term borrowings	538,760	474,748
	<u>68,498,443</u>	<u>64,744,258</u>

23. GAIN / (LOSS) ON SALE OF SECURITIES- NET

<i>Federal Government Securities</i>		
- Market treasury bills	71,567	283,706
- Pakistan investment bonds	736,047	215,008
Listed shares	638,125	827,432
Others	(54,453)	71,264
	<u>1,391,286</u>	<u>1,397,410</u>

24. OTHER INCOME

Incidental charges	1,648,462	1,312,561
Rent on lockers	354,994	368,006
Gain on sale of operating fixed assets - net	24,551	54,707
Gain / (loss) on sale of non-banking asset - net	74,835	(13,756)
Rent on property	102,198	129,724
Recovery against written-off loans	271,784	152,062
Liabilities no longer required written back	27,663	19,055
Derivative income	41,518	46,345
Exchange translation realized on sale of foreign operation	493,182	-
	<u>3,039,187</u>	<u>2,068,704</u>

- 24.1 Cash management fee, commission on import / export etc. amounting to Rs. 1,079.260 million has been reclassified from Incidental charges to Fee, commission and brokerage income. Further, commission on remittances amounting to Rs 725.458 million has been reclassified from income from dealing in foreign currency to Fee, commission and brokerage income

25. ADMINISTRATIVE EXPENSES	Note	2014	2013
		(Rupees in '000)	
Salaries, allowances, etc.		18,706,537	15,905,498
Charge for defined benefit / contribution plan and other benefits		1,371,719	1,183,132
Non-executive directors' fees		12,400	10,300
Outsource service charges		774,443	574,548
Brokerage and commission		393,928	98,853
Rent, taxes, insurance, electricity, etc.		4,376,011	3,698,605
Legal and professional charges		597,903	500,430
Consultancy charges		484,200	1,302,560
Communications		1,053,812	852,593
Repairs and maintenance		2,036,440	1,877,423
Stationery and printing		914,734	814,717
Auditors' remuneration	25.1	118,851	108,239
Advertisement and publicity		1,237,822	1,163,671
Amortization	10.2	452,025	273,800
Depreciation	10.3	1,888,393	1,451,704
Entertainment		197,360	178,837
Travelling		365,223	396,757
Conveyance		154,795	150,059
Training		189,516	159,143
Security charges		1,403,525	1,103,459
Remittance charges		164,112	175,832
Donations	25.3	384,014	286,059
Documentation and processing charges		861,947	759,935
Subscription		73,516	70,609
Others		30,497	124,529
		<u>38,243,723</u>	<u>33,221,292</u>

25.1 Auditors' remuneration

Audit fee	4,803	4,426
Fee for interim review	4,368	4,025
Fee for audit of local branches of the Bank	12,638	10,664
Special certifications / examinations and sundry advisory services	16,817	10,868
Out of pocket expenses	3,989	3,655
	<u>42,615</u>	<u>33,638</u>
Overseas branches	76,236	74,601
	<u>118,851</u>	<u>108,239</u>

25.2 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. 1,182.489 million (2013: Rs. 957.832 million) and Rs. 750.682 million (2013: Rs. 547.101 million) respectively.

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

26. OTHER CHARGES	2014	2013
	(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan	<u>4,654</u>	<u>23,175</u>

27. 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.

28. TAXATION

Note

2014
(Rupees in '000)

2013

For Pakistan - for the year	- current	13,688,211	9,258,426
	- deferred	988,822	1,778,512
For Pakistan - prior year	- current	(210,479)	(119,302)
For Overseas - for the year	- current	1,295,616	886,919
		<u>15,762,170</u>	<u>11,804,555</u>

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

28.1 Relationship between tax expense and accounting profit

Accounting profit for the current year	46,874,691	33,715,045
Tax on income @ 35% (2013: 35%)	16,406,142	11,800,266
- Reduced rate income	(128,133)	(267,556)
- Penalty imposed by SBP	1,629	8,111
- Prior year charge	(210,479)	(119,302)
- Others	(306,989)	383,036
Tax charge for the current year	<u>15,762,170</u>	<u>11,804,555</u>

29. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year	31,112,521	21,910,490
	(Number)	
Weighted average number of ordinary shares	1,466,852,508	1,466,852,508
	(Rupees)	
Basic and diluted earnings per share	21.21	14.94

30. CASH AND CASH EQUIVALENTS

2014
(Rupees in '000)

2013

Cash and balance with treasury banks	5	122,271,268	130,021,065
Balance with other banks	6	53,025,792	34,721,738
		<u>175,297,060</u>	<u>164,742,803</u>

31. STAFF STRENGTH

(Number)

Permanent	13,954	13,667
Others	20	17
Total staff strength	<u>13,974</u>	<u>13,684</u>

32. DEFINED BENEFIT PLANS AND OTHER BENEFITS

32.1 Principal actuarial assumptions

The latest actuarial valuation for pension and gratuity schemes was carried out as at December 31, 2014 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:

	2014	2013
	-----Per annum-----	
Valuation discount rate	12.25%	13.00%
Expected rate of increase in salary level	11.25%	12.00%
Expected rate of return on funds invested	12.25%	13.00%

32.2 Pension, gratuity, benevolent fund schemes and other benefits

32.2.1 Fair value of plan assets and present value of defined benefits obligations of these schemes as at December 31, 2014 are as follows:

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2014	2013	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----							
Fair value of plan assets	3,516,044	6,108,485	118,769	227,282	1,841,667	1,658,153	-	-
Present value of defined benefit obligation	(4,009,651)	(6,432,871)	(165,107)	(244,437)	(1,174,230)	(1,105,881)	(2,521,535)	(2,225,250)
Asset / (liability) recognised in the balance sheet	(493,607)	(324,386)	(46,338)	(17,155)	667,437	552,272	(2,521,535)	(2,225,250)

32.2.1.1 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.

32.2.2 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----							
Current service cost	47,323	47,970	6,527	8,313	22,288	25,764	61,386	51,766
Net mark up	62,687	72,798	2,230	5,877	(76,869)	(54,289)	269,358	244,513
Past service cost	(133,559)	-	-	-	-	-	-	-
Settlement loss	67,268	-	-	-	-	-	-	-
Contributions - employees	-	-	-	-	(39,029)	(39,530)	-	-
Charge / (reversal) for the year	43,719	120,768	8,757	14,190	(93,610)	(68,055)	330,744	296,279

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

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2014	2013	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----							
Opening balance	324,386	1,102,323	17,155	98,096	(552,272)	(412,877)	2,225,250	2,182,363
Charge / (credit) for the year	43,719	120,768	8,757	14,190	(93,610)	(68,055)	330,744	296,279
Contributions during the year	-	(991,355)	-	(98,246)	(39,029)	(39,530)	-	(289,510)
Other comprehensive income	125,502	92,650	20,426	3,115	17,474	(31,810)	272,069	36,118
Benefits payable	-	-	-	-	-	-	(306,528)	-
Closing balance	493,607	324,386	46,338	17,155	(667,437)	(552,272)	2,521,535	2,225,250

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

32.2.5 Movement of present value of defined benefit obligation

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2014	2013	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----							
Opening balance	(6,432,871)	(6,132,451)	(244,437)	(302,753)	(1,105,881)	(1,175,073)	(2,225,250)	(2,182,363)
Current service cost	(47,323)	(47,970)	(6,527)	(8,313)	(22,288)	(25,764)	(61,386)	(51,766)
Mark-up cost	(770,055)	(699,505)	(24,368)	(30,195)	(134,739)	(133,821)	(269,358)	(244,513)
Benefits paid	3,395,823	606,483	113,979	102,253	138,854	119,793	306,528	289,510
Past Service Cost	133,559	-	-	-	-	-	-	-
Settlement loss	(67,268)	-	-	-	-	-	-	-
Actuarial (loss) / gain	(221,516)	(159,428)	(3,754)	(5,429)	(50,176)	108,984	(272,069)	(36,118)
Closing balance	(4,009,651)	(6,432,871)	(165,107)	(244,437)	(1,174,230)	(1,105,881)	(2,521,535)	(2,225,250)

32.2.6 Movement of fair value of plan assets

	Pension		Gratuity		Benevolent	
	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----					
Opening balance	6,108,485	5,030,128	227,282	204,657	1,658,153	1,587,950
Return on plan assets	707,368	626,708	22,138	24,318	211,608	188,110
Employer contribution	-	991,353	-	98,246	39,029	39,530
Employee contributions	-	-	-	-	39,029	39,530
Benefits paid	(3,395,823)	(606,483)	(113,979)	(102,253)	(138,854)	(119,793)
Actuarial gain / (loss) on plan assets	96,014	66,779	(16,672)	2,314	32,702	(77,174)
Closing balance	3,516,044	6,108,485	118,769	227,282	1,841,667	1,658,153

32.2.7 Actual return on plan assets

	Pension		Gratuity		Benevolent	
	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----					
Expected return on plan assets	707,368	626,708	22,138	24,318	211,608	188,110
Actuarial (loss) / gain on plan assets	96,014	66,779	(16,672)	2,314	32,702	(77,174)
Actual return on plan assets	803,382	693,487	5,466	26,632	244,310	110,936

32.2.8 Other long term benefits - Employee compensated absences

The liability of the Bank in respect of employee compensated absences as at December 31, 2014, amounted to Rs. 2,134,581 million (2013: Rs. 1,845,749 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 408.366 million (2013 charge: Rs. 132.622 million) is included in administrative expenses (note 25 to these financial statements) under 'Charge for defined benefit plans and other benefits' account head.

32.2.9 Composition of fair value of plan assets

Pension Fund

	2014		2013	
	Fair value (Rupees in '000)	%	Fair value (Rupees in '000)	%
Bonds	3,531,281	100.43	5,080,507	83.17
Equities	1,366,337	38.86	754,228	12.35
Others (including bank balances)	(1,381,574)	(39.29)	273,750	4.48
	3,516,044	100.00	6,108,485	100.00

Gratuity Fund

Bonds	111,671	94.02	18,825	8.28
Others (including bank balances)	7,098	5.98	208,457	91.72
	118,769	100.00	227,282	100.00

Benevolent Fund

Bonds	1,762,765	95.72	1,168,006	70.44
Others (including bank balances)	78,902	4.28	490,147	29.56
	1,841,667	100.00	1,658,153	100.00

As per actuarial recommendations, the expected return on plan assets was assumed at 12.25% 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.

32.2.10 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	3,532,502	4,482,789	4,390,567	3,668,830
Gratuity Fund	162,961	167,418	167,749	162,630
Benevolent Fund	1,054,458	1,309,265	1,174,229	1,174,229
Post retirement medical benefit	2,246,688	2,788,818	2,554,315	2,476,147
Employee compensated absences	1,916,854	2,356,577	2,335,232	1,938,200

32.2.11 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, 2015, subject to the provisions of the Trust Deeds, would be as follows:

2015				
	Pension	Gratuity	Benevolent	Post retirement medical benefit
	(Rupees in '000)			
	187,927	9,501	(43,142)	379,284
	357,774			

Expected charge / (reversal) for the year

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

Pension Fund

Present value of defined benefit obligations	(4,009,651)	(6,432,871)	(6,132,451)	(4,161,705)	(3,752,490)
Fair value of plan assets	3,516,044	6,108,485	5,030,128	4,014,787	3,629,930
(Deficit) / surplus	(493,607)	(324,386)	(1,102,323)	(146,918)	(122,560)
Experience adjustments on plan liabilities [(loss) / gain]	(221,516)	(159,428)	(423,638)	(132,145)	351,250
Experience adjustments on plan assets [(loss) / gain]	96,014	66,779	(235,167)	164,373	(433,160)

Gratuity Fund

Present value of defined benefit obligations	(165,107)	(244,437)	(302,753)	(374,205)	(363,236)
Fair value of plan assets	118,769	227,282	204,657	329,342	314,910
(Deficit) / surplus	(46,338)	(17,155)	(98,096)	(44,863)	(48,326)
Experience adjustments on plan liabilities [(loss) / gain]	(3,754)	(5,429)	(12,636)	1,608	(10,321)
Experience adjustments on plan assets [(loss) / gain]	(16,672)	2,314	(29,051)	19,122	(21,601)

	2014	2013	2012	2011	2010
	(Rupees in '000)				
Benevolent Fund					
Present value of defined benefit obligations	(1,174,230)	(1,105,881)	(1,175,073)	(1,469,644)	(1,405,002)
Fair value of plan assets	1,841,667	1,658,153	1,587,950	1,478,094	1,281,248
Surplus / (deficit)	667,437	552,272	412,877	8,450	(123,754)
Experience adjustments on plan liabilities [(loss) / gain]	(50,176)	108,984	9,597	28,649	136,963
Experience adjustments on plan assets [gain / (loss)]	32,702	(77,174)	(68,607)	83,402	6,668
Post retirement medical benefit					
Present value of defined benefit obligations	(2,521,535)	(2,225,250)	(2,182,363)	(2,455,614)	(2,244,246)
Experience adjustments on plan liabilities [loss / (gain)]	(272,069)	(36,118)	(173,538)	(71,735)	80,259

33. DEFINED CONTRIBUTION PLAN

33.1 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
12% of the Basic Salary
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. 12,116.102 million as at December 31, 2013 (2012: Rs. 11,445.951 million).

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Remuneration / fee of non executives directors	-	-	21,273	17,756	-	-
Managerial remuneration (including allowances)	45,900	30,600	-	-	5,809,235	5,382,259
Contribution to provident and benevolent fund	2,610	1,692	-	-	157,803	143,509
Medical	383	149	-	-	301,134	281,471
House-rent, maintenance, furnishing, others	1,254	1,170	-	-	-	-
Utilities	1,348	1,340	-	-	-	-
Conveyance	1,683	1,894	-	-	-	-
	53,178	36,845	21,273	17,756	6,268,172	5,807,239
Number of persons	-	1	6	7	2,833	3,061

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 25.2 to these consolidated financial statements.

35. 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 4.8) 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 than those under terms of employment. Details of advances to related parties are given in note 9.7 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:

	2014				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	Rs. in 000				
Statement of financial position					
Deposits	3,914,395	442,840	2,963,040	-	116,266
Maximum Deposits during the year	3,914,395	442,840	3,936,712	-	729,432
Borrowings	2,536,471	332,401	-	2,160,385	-
Investments	-	14,610,933	5,355,483	-	-
Markup / Other Receivable	-	-	277,663	-	-
Mark-up / Other Payable	8,352	13	5,906	18,326	961,746
Placements / Lendings	89,035	6,150,516	-	-	-
Overdrawn Nostro	173,250	-	692,192	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss					
Interest / Other Income	93,836	412,393	1,953,136	-	-
Interest / Other Expense	189,224	9,723	656,432	289,873	406,016
Dividend income	-	6,500	267,518	54,885	-
Others					
Other contingencies	541,418	-	-	-	-
Securities held as custodian	10,027,505	888,000	35,292,700	-	5,377,465
	2013				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	Rs. in 000				
Statement of financial position					
Deposits	3,450,508	600,663	7,164,508	149,228	1,105,198
Maximum 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

- 35.1 The donations given in note 25 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. 16.

- 35.2 The Federal Government (GOP) holds 41.5% out of which State Bank of Pakistan (SBP) holds 40.6% shareholding in the Bank and therefore entities which are owned and / or controlled by the GOP, or where the GOP may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transactions with Government-related entities, which are all conducted at arm's length basis. Such transactions include Investments [Treasury Bills / Sukuks, Pakistan Investment Bonds (PIBs), Shares], Borrowing / Deposits, Lendings and Balance with treasury bank. The outstanding amount as at December 31, 2014 amounting to Rs. 825,913 million for investments (December 31, 2013: Rs. 727,712 million), borrowings / deposits amounting to Rs. 204,324 million (December 31, 2013: Rs. 246,509 million), advances amounting to Rs. 125,571 million (December 31, 2013: Rs. 115,558 million) and Balance with treasury bank amounting to Rs. 53,768 million (December 31, 2013: Rs. 70,314 million).

35.3 Key Management Personnel

Key Management Personnel comprises members of Management Forum, Regional Management, Country Managers and Senior Executives:

	2014	2013
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,589,619	1,301,114
Contribution to provident and benevolent fund	29,757	24,740
Medical	51,471	43,609
	<u>1,670,847</u>	<u>1,369,463</u>
Number of persons	<u>186</u>	<u>168</u>

In addition, Key Management Personnel are paid short-term employee benefits which are disclosed in note 25.2.

36. RISK MANAGEMENT FRAMEWORK

HBL's aim is to build a diversified business, characterized by sustained growth and profitability. The bank's operations have a high degree of complexity in view of its size and its regional, product and target market diversification. This coupled with increasing competition in the banking sector, changes in the regulatory regime and challenging macro-economic environment makes it imperative for the bank to have a well developed, robust risk management framework. Hence the risk management framework at HBL has been developed around board oversight, strong supervision, clear policies and procedures, efficient systems and documented risk appetite.

The Board of Directors provides the strategic direction for effective risk management and has the ultimate responsibility for ensuring that a robust risk management framework is in place including the required human resources, policies, procedures and systems. It is supported in this task by board committees i.e. Board Risk Management Committee (BRMC) and Board Audit Committee (BAC) as well as management committees i.e. Asset & Liability Committee (ALCO), Management Risk Committee (MRC), Credit Risk Management Committee (CRMC) and Operational Risk Management Committee (ORMC).

For effective implementation of the risk management framework, Risk Management function operates independently within the bank. The function is also responsible for development and oversight of risk policies and plays a pivotal role in monitoring the risks associated with various activities of the Bank. Risk Management function is headed by the Chief Risk Officer (CRO), who administratively reports to the President with an independent functional reporting line to the BRMC. This is to ensure the independence of this position.

Risk Management function comprises of the following areas:

- 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 business units and other support functions. Head ORMD has a dotted reporting line to the CRO.

Credit Risk

Credit risk is defined as the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. While loans are the largest and most obvious source of credit risk; it also stems from activities both on and off balance sheet. The credit process at HBL is governed by well defined and documented credit policies and procedures. Beside core documents, separate policies are in place for consumer loans, rural banking and SME financing. These policy and procedure documents lay down the basic underwriting standards. Certain types of exposures/ facilities are managed under product programs that contain their own detailed credit criteria, regulatory, compliance and documentation requirements.

Credit risk appetite i.e. tolerance for credit risk, is defined through the Overall Risk Appetite document that is also approved by the board of directors. It also covers the concentration risk the bank is willing to carry on its books with reference to risk ratings, sectors and large exposures.

The core pillars of credit risk management at HBL are:

- An independent risk management function.
- Approval rules based on three-initial system and joint business/risk sign-offs
- An independent audit and business risk review function.

Credit approval authorities are designated to individuals based on their qualifications and experience. Proactive monitoring is ensured through an early warning mechanism for assets under stress. This enables the bank to put in place viable solutions before further deterioration in credit quality. A special Structured Credits function has been established to handle stressed assets to ensure a focused remedial strategy. The Bank follows the guidelines of SBP for domestic operations and the local regulators for international operations for classification/ provisioning/ write-off of problem advances. However, subjective judgment is also applied to recognize credit losses earlier than the regulations warrant.

Disbursement authorization as well as collateral and security management, documentation and monitoring are managed by Credit Administration Department (CAD) that operates as part of Risk Management.

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 optional scenarios.

Business Risk Review performs the function of independent reviewer of the credit portfolio. BRR is part of the Internal Audit function which reports to the Board Audit Committee and is independent of Risk Management and the business functions. It provides independent assessment of the quality of credit portfolio, efficacy of processes for acquisition of risk assets, regulatory/policy compliance and appropriate classification and risk rating of assets to the Board and the senior management of the bank.

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 its 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 uncertainty about the change in an investment'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 within 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 activities 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 also conducts 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.

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. A pre-settlement risk limit for derivative transaction is recommended by Treasury Middle Office for approval to the appropriate Credit Approval Authority. The 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 framework

The Bank is continuing with its efforts to adopt the Foundation Internal Ratings Based (FIRB) Approach for certain credit risk portfolios and Internal Models Approach (IMA) for Market Risk (Alternate Standardized Approach for operational risk has already been adopted) under the Basel II Framework. Considerable challenges remain in this area not the least of which relate to data quality and sufficiency and a lack of in-country expertise in this area. Being a large Bank in Pakistan, and having a strong risk culture and focus, the Bank is increasingly developing resources internally to embed Basel related processes and methodologies in its risk practices. To this end, a programme is in place to augment the skill set of staff in this area. Once completed, the Bank expects to achieve a number of significant business benefits from its Basel II program with a more robust risk management and internal control environment in line with best practice.

The Bank is currently engaged in the deployment of a comprehensive suite of 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 Banks/DFIs to report capital ratio following the Basel III framework setting higher capital requirements to be achieved gradually in phase-in arrangements by 2019.

The Basel III guideline applies to consolidated as well as a standalone basis. Lists of 'subsidiaries' and 'associates and joint venture' have been provided in notes no. 8.5 and 8.6 of these unconsolidated financial statements respectively.

37 CAPITAL ADEQUACY

37.1 Risk-Weighted Exposures

Credit Risk

On-balance sheet

Other sovereigns, GOP, PG, SBP other than PKR
PSE's
Banks
Corporates
Retail Portfolio
Secured by residential property
Past due loans
Commercial entities exceeding 10%
Listed Equity investments
Unlisted equity investments
Investments in fixed assets
Other assets

Capital Requirements		Risk Weighted Assets	
2014	2013	2014	2013
(Rupees in '000)			

7,919,400	4,632,105	79,193,997	46,321,048
1,344,765	2,740,606	13,447,650	27,406,061
3,009,174	2,293,776	30,091,738	22,937,760
25,932,249	26,617,579	259,322,492	266,175,793
6,346,773	5,412,455	63,467,732	54,124,549
209,455	213,259	2,094,546	2,132,586
928,078	824,001	9,280,775	8,240,009
840,000	-	8,400,000	-
614,988	395,197	6,149,880	3,951,965
96,355	166,319	963,549	1,663,185
2,402,763	2,216,638	24,027,633	22,166,381
1,194,977	1,425,584	11,949,767	14,255,838
50,838,977	46,937,519	508,389,759	469,375,175

Off-balance sheet

Non-market related
Market related

8,662,944	9,436,027	86,629,436	94,360,274
214,791	180,216	2,147,909	1,802,157
8,877,735	9,616,243	88,777,345	96,162,431

Market Risk

Interest Rate Risk
Equity Position Risk
Foreign Exchange Risk

8,107,672	3,470,654	101,345,900	43,383,175
3,010,466	1,125,056	37,630,825	14,063,200
4,321,602	3,703,548	54,020,022	46,294,347
15,439,740	8,299,258	192,996,747	103,740,722

Operational Risk

8,853,406	8,064,686	110,667,575	100,808,580
84,009,858	72,917,706	900,831,426	770,086,908

Capital Adequacy Ratio

Total eligible regulatory capital held

135,963,905 110,242,123

Total risk weighted assets

900,831,426 770,086,908

Capital adequacy ratio

15.09% 14.32%

Detailed disclosure is available in Annexure VI of Unconsolidated Financial Statements.

37.2 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.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET1) ratio and Tier 1 ratio of 5.5% and 7%, respectively, as at December 31, 2014. As at December 31, 2014 the Bank was fully compliant with prescribed ratios. The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET1 capital includes fully paid-up capital, balance in share premium account and other reserves (excluding foreign exchange translation reserves) as per the financial statements, unappropriated profits and non-controlling interest meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

- Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria).

Above capital is subject to certain regulatory adjustments i.e. threshold deductions for investments, reciprocal crossholdings, investment in own shares etc.

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.

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.

- 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. Eligible 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).

- 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 using the maturity method, foreign exchange risk and equity price risk.

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 39.2	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	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
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									

39.2 Expected maturity dates do not differ significantly from the contract dates except for the maturity of Rs. 908.355 billion (2013: Rs. 878.257 billion) of deposits representing retail deposit accounts considered by the Bank as stable core source of funding of its operations.

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

		2014									
	Note	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		122,271,268	117,425,396	759,105	2,653,402	1,183,120	250,245	-	-	-	-
Balances with other banks		53,025,792	50,332,990	1,185,555	1,507,247	-	-	-	-	-	-
Lendings to financial institutions		34,313,560	33,771,310	-	-	542,250	-	-	-	-	-
Investments		897,573,967	95,280,269	30,886,778	331,455,760	74,707,848	115,725,840	28,258,189	112,265,267	106,683,992	2,310,024
Advances		555,394,512	320,242,716	49,932,565	22,978,090	11,621,640	12,270,633	21,859,616	66,159,743	41,677,111	8,652,398
Operating fixed assets		24,874,238	1,261,142	283,945	425,918	851,836	1,703,673	1,703,673	1,813,038	735,196	16,095,817
Deferred tax asset		-	-	-	-	-	-	-	-	-	-
Other assets		81,742,917	62,153,487	2,698,117	5,069,517	11,821,796	-	-	-	-	-
		1,769,196,254	680,467,310	85,746,065	364,089,934	100,728,490	129,950,391	51,821,478	180,238,048	149,096,299	27,058,239
Liabilities											
Bills payable		21,955,683	21,955,683	-	-	-	-	-	-	-	-
Borrowings from financial institutions		99,630,517	91,694,020	2,213,589	74,327	90,716	549,012	174,181	1,841,168	2,993,504	-
Deposits and other accounts		1,447,215,445	1,190,741,806	95,105,504	53,830,350	80,046,304	8,826,376	9,198,011	4,561,206	4,905,888	-
Sub-ordinated loan		-	-	-	-	-	-	-	-	-	-
Deferred tax liability		1,850,325	1,214,445	1,460,132	1,466,619	(553,063)	(514,143)	(1,275,563)	(678,581)	(4,948)	735,427
Other liabilities		40,676,639	40,580,790	-	-	95,849	-	-	-	-	-
		1,611,328,609	1,346,186,744	98,779,225	55,371,296	79,679,806	8,861,245	8,096,629	5,723,793	7,894,444	735,427
Net gap											
		157,867,645	(665,719,434)	(13,033,160)	308,718,638	21,048,684	121,089,146	43,724,849	174,514,255	141,201,855	26,322,812
Share capital		14,668,525									
Reserves		40,704,933									
Unappropriated profit		81,707,742									
Surplus on revaluation of assets - net of tax		20,786,445									
		157,867,645									

2013

		Rupees in '000							
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
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
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
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
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
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	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-
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
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								

34.3.1 It includes current, saving and term deposits amounting to Rs. 19,980 billion (December 31, 2013: Rs. 4,966 billion), Rs. 64,525 billion (December 31, 2013: Rs. 28,976 billion) and Rs. 28,628 billion (December 31, 2013: 14,055 billion) of Islamic Banking Business.

39.4 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.

40. YIELD / INTEREST RATE RISK
40.1 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.

2014

Effective yield / interest rate	Total	Exposed to yield / interest risk								Not exposed to yield / interest risk
		Rupees in '000								
		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	
On-balance sheet assets										
Financial Assets										
Cash and balances with treasury banks	122,271,268	59,335,733	695,527	309,809	1,183,120	250,245	-	-	-	60,496,834
Balances with other banks	53,025,792	23,563,961	2,201,050	2,587,273	893,857	893,857	-	-	-	22,885,794
Lendings to financial institutions	34,313,560	33,771,310	-	542,250	-	-	-	-	-	-
Investments	897,573,967	59,957,934	45,105,172	384,564,457	54,841,263	90,363,819	47,008,799	106,972,523	89,033,365	13,099,098
Advances	555,394,512	56,681,098	244,814,795	166,663,480	32,002,856	11,490,998	12,410,344	23,561,648	6,297,293	-
Other assets	66,687,698	-	-	-	-	-	-	-	-	66,687,698
	1,729,266,797	233,310,036	292,816,544	554,667,269	88,921,096	102,998,919	59,419,143	130,534,171	95,330,658	163,169,424
Financial Liabilities										
Bills payable	21,955,683	-	-	-	-	-	-	-	-	21,955,683
Borrowings from financial institutions	99,630,517	75,413,232	7,409,770	7,988,643	135,907	144,181	732,744	4,413,781	3,392,259	-
Deposits and other accounts	1,447,215,445	111,432,723	93,069,128	647,023,714	78,489,436	8,116,033	9,184,843	4,555,156	4,837,406	10,444
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	37,187,997	-	-	-	-	-	-	-	-	37,187,997
	1,605,989,642	186,845,955	100,478,898	655,012,357	78,625,343	8,260,214	9,917,587	8,968,937	8,229,665	549,640,242
On-balance sheet gap	123,277,155	46,464,081	192,337,646	(100,345,088)	10,295,753	94,738,705	49,501,556	121,565,234	87,100,993	(386,470,818)
Non - financial net assets										
Total net assets										
Off-balance sheet financial instruments										
Foreign and local currency forward purchases	170,017,119	47,402,051	77,822,032	35,536,315	9,256,721	-	-	-	-	-
Foreign and local currency forward sales	(170,839,112)	(69,147,426)	(52,087,130)	(49,083,700)	(520,856)	-	-	-	-	-
Foreign Currency Options purchases	3,170,666	254,218	1,485,239	1,431,209	-	-	-	-	-	-
Foreign Currency Options sales	(3,170,666)	(254,218)	(1,485,239)	(1,431,209)	-	-	-	-	-	-
Gross Currency Swaps- long position	1,390,469	-	-	-	-	1,138,294	-	252,175	-	-
Gross Currency Swaps- short position	(1,353,623)	-	-	-	-	(1,102,415)	-	(251,208)	-	-
Interest rate swaps - long position	167,472	-	-	-	-	-	167,472	-	-	-
Interest rate swaps - short position	(330,805)	-	-	-	-	(163,333)	(167,472)	-	-	-
Off-balance sheet gap	(948,480)	(21,745,375)	25,734,902	(13,547,385)	8,735,865	(127,454)	-	967	-	-
Total yield / interest risk sensitivity Gap										
	24,718,706	218,072,548	(113,892,473)	19,031,618	94,611,251	49,501,556	121,566,201	87,100,993	8,089,093	(386,470,818)
Cumulative Yield / Interest Risk Sensitivity Gap										
	24,718,706	242,791,254	128,898,781	147,930,399	242,541,650	292,043,206	413,609,407	500,710,400	508,799,493	122,328,675

2013

	Effective yield / interest rate	Exposed to yield / interest risk								Not exposed to yield / interest risk		
		Total	Over 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		49,256,784	-	-	-	-	-	-	-	-	-	49,256,784
		1,568,115,731	341,634,783	460,800,382	361,926,997	49,880,109	35,877,085	56,265,984	41,577,591	9,674,350	35,840,656	174,457,794
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		87,272,454	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	(263,150,662)
Non - financial net assets		42,016,552	-	-	-	-	-	-	-	-	-	-
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	304,690	-	-	-	-	-	-
Foreign Currency Options sales		(649,846)	-	(345,156)	(304,690)	(304,690)	-	-	-	-	-	-
Gross Currency Swaps- long position		1,121,412	579,162	-	-	-	-	542,250	-	-	-	-
Gross 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	(263,150,662)	-
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	86,857,688	-

41.

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 can not 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 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 39 and 40 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 advances and deposits are frequently repriced.

42 CONCENTRATION OF CREDIT AND DEPOSITS

42.1 Segment by class of business

	2014					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	23,384,888	3.79	5,746,940	0.40	8,225,094	4.17
Agribusiness	31,190,314	5.06	11,165,035	0.77	990,690	0.50
Textile	79,580,175	12.91	6,548,140	0.45	6,295,977	3.19
Cement	4,333,023	0.70	519,952	0.04	1,431,614	0.73
Sugar	5,808,854	0.94	1,131,039	0.08	51,766	0.03
Shoes and leather garments	2,728,541	0.44	783,222	0.05	184,693	0.09
Automobile and transportation equipment	13,296,860	2.16	9,604,047	0.66	6,211,356	3.15
Financial	40,558,925	6.58	28,581,365	1.97	27,647,551	14.01
Hotel & Tourism	1,291,773	0.21	55,023	-	377,648	0.19
Research & Development	-	-	3,603,934	0.25	-	-
Insurance	4,339	-	3,756,375	0.26	2,405	-
Electronics and electrical appliances	11,102,266	1.80	3,381,590	0.23	8,404,978	4.26
Oil and Gas	13,790,561	2.24	8,477,586	0.59	4,334,268	2.20
Power and energy	42,977,607	6.97	18,406,102	1.27	15,617,450	7.91
Education & Medical	2,126,716	0.35	10,840,040	0.75	807,202	0.41
Telecommunication	11,793,993	1.91	1,685,173	0.12	2,385,972	1.21
Printing & publishing	4,630,691	0.75	1,309,926	0.09	37,145	0.02
Construction	2,135,723	0.35	1,840,520	0.13	760,105	0.39
Mining & quarrying	371,264	0.06	96,429	0.01	-	-
Food, tobacco and beverages	14,801,813	2.40	4,066,682	0.28	3,616,961	1.83
Public / Government - note 42.1.1	127,392,822	20.67	149,089,937	10.30	65,056,929	32.96
Whole sale & retail trade	62,711,735	10.18	79,923,557	5.52	8,791,753	4.45
Metal and allied	8,584,872	1.39	5,710,217	0.39	3,141,094	1.59
Individual	40,180,710	6.52	759,892,535	52.51	402,022	0.20
Farming, cattle and dairy	1,746,794	0.28	415,099	0.03	696,221	0.35
Ports and shipping	-	-	-	-	27,532	0.01
Trust funds and non profit organization	3,105,384	0.50	25,865,943	1.79	2,000	-
Others	66,614,155	10.84	304,719,037	21.06	31,903,285	16.15
	616,244,798	100.00	1,447,215,445	100.00	197,403,711	100.00

	2013					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	22,098,780	3.77	8,156,973	0.62	9,840,860	4.77
Agribusiness	34,222,078	5.85	9,098,964	0.69	640,714	0.31
Textile	80,420,637	13.74	5,477,189	0.42	9,742,948	4.72
Cement	5,802,681	0.99	287,287	0.02	2,162,976	1.05
Sugar	5,318,772	0.91	881,537	0.07	429,587	0.21
Shoes and leather garments	2,460,401	0.42	701,396	0.05	398,490	0.19
Automobile and transportation equipment	9,553,733	1.63	1,462,762	0.11	1,452,092	0.70
Financial	37,435,094	6.39	15,919,209	1.21	26,649,507	12.91
Hotel & Tourism	1,031,082	0.18	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	8,109,013	1.39	1,458,854	0.11	7,112,813	3.45
Oil and Gas	9,633,571	1.65	11,367,325	0.86	2,781,704	1.35
Power and energy	49,188,537	8.40	5,585,450	0.42	14,908,666	7.22
Education & Medical	2,094,261	0.36	6,515,987	0.49	469,970	0.23
Telecommunication	8,645,964	1.48	1,945,262	0.15	2,409,238	1.17
Printing & publishing	4,723,774	0.81	1,910,327	0.15	239,159	0.12
Construction	2,666,739	0.46	2,873,567	0.22	839,239	0.41
Mining & quarrying	358,545	0.06	88,072	0.01	-	-
Food, tobacco and beverages	12,565,526	2.15	3,652,669	0.28	2,144,877	1.04
Public / Government - note 42.1.1	120,612,322	20.60	201,089,423	15.27	79,234,064	38.38
Whole sale & retail trade	58,475,605	9.99	71,112,550	5.40	7,928,195	3.84
Metal and allied	10,796,836	1.84	4,109,817	0.31	2,136,587	1.03
Individual	39,535,520	6.75	643,616,577	48.87	536,020	0.26
Farming, cattle and dairy	1,479,706	0.25	476,183	0.04	1,144,038	0.55
Trust funds and non profit organization	1,890,583	0.32	18,454,030	1.40	2,000	-
Others	56,177,890	9.59	282,619,145	21.46	32,650,580	15.80
	585,412,750	100.00	1,316,990,511	100.00	206,448,161	100.00

42.1.1 Public / Government sector

	2014					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	12,450	0.01	-	-
Agribusiness	54,049,139	42.43	5,068,266	3.40	-	-
Automobile and transportation equipment	8,966,168	7.04	-	-	-	-
Financial	181,444	0.14	2,460,405	1.65	11,428,961	17.57
Insurance	-	-	4,482,315	3.01	39,204	0.06
Oil and Gas	25,002,993	19.63	15,752,170	10.57	12,500,276	19.21
Power and energy	35,055,739	27.52	14,059,369	9.43	1,083,215	1.67
Education & medical	425,078	0.33	34,895,959	23.41	491,995	0.76
Telecommunication	227,000	0.18	2,036,183	1.37	-	-
Printing & publishing	-	-	-	-	-	-
Construction	-	-	2,425,190	1.63	-	-
Metal and allied	1,105,265	0.87	60,885	0.04	-	-
Defence	817,874	0.64	2,351,336	1.58	31,270,002	48.07
Ports and shipping	-	-	3,999,700	2.68	2,142	-
Others	1,562,122	1.22	61,485,709	41.22	8,241,134	12.66
	127,392,822	100.00	149,089,937	100.00	65,056,929	100.00

	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

42.1.2 Segment by sector

	2014					
	Advances (Rupees in '000)		Deposits (Rupees in '000)		Contingencies and commitments (Rupees in '000)	
	Percent		Percent		Percent	
Public / Government	127,392,822	20.67	149,089,937	10.30	65,056,929	32.96
Private	488,851,976	79.33	1,298,125,508	89.70	132,346,782	67.04
	616,244,798	100.00	1,447,215,445	100.00	197,403,711	100.00

	2013					
	Advances (Rupees in '000)		Deposits (Rupees in '000)		Contingencies and commitments (Rupees in '000)	
	Percent		Percent		Percent	
Public / Government	120,612,322	20.60	201,089,423	15.27	79,234,064	38.38
Private	464,800,428	79.40	1,115,901,088	84.73	127,214,097	61.62
	585,412,750	100.00	1,316,990,511	100.00	206,448,161	100.00

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

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Chemical and Pharmaceuticals	687,121	636,619	1,944,959	1,848,072
Agribusiness	3,776,586	2,893,818	4,150,533	2,998,613
Textile	21,105,013	19,982,173	24,628,743	22,827,541
Cement	1,242,697	835,899	1,707,217	1,028,327
Sugar	320,964	285,464	444,510	303,543
Shoes and leather garments	917,558	514,148	444,694	418,230
Automobile and transportation equipment	1,365,467	1,354,406	2,370,532	2,205,208
Financial	235,958	235,958	782,825	646,990
Hotel and Tourism	261,594	243,424	310,798	292,050
Electronics and electrical appliances	2,717,838	2,717,490	3,153,214	3,153,214
Oil and Gas	3,674,206	1,238,904	2,323,167	927,737
Power and energy	1,735,437	1,735,437	1,740,437	1,740,437
Education & medical	568,384	550,679	602,007	601,789
Telecommunication	1,416,345	741,206	291,987	291,613
Printing & publishing	366,201	257,178	488,312	364,895
Construction	1,468,528	1,290,962	1,568,502	1,457,352
Mining & quarrying	648	648	999	999
Food, tobacco and beverages	115,007	115,007	641,366	558,525
Whole sale & retail trade	7,113,233	5,755,611	9,503,988	8,397,765
Metal and allied	2,489,254	1,241,313	2,914,988	1,577,729
Individual	2,557,743	2,270,989	2,324,268	2,156,023
Farming, cattle and dairy	190,218	117,068	321,980	180,490
Others	14,209,255	13,429,682	6,712,585	5,716,919
	68,535,255	58,444,083	69,372,611	59,694,061

42.2.1 Segment by sector

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Private	67,064,362	58,038,928	67,517,878	58,905,066
Public / Government	1,470,893	405,155	1,854,733	788,995
	68,535,255	58,444,083	69,372,611	59,694,061

43. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	2014					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / other business groups	Total
	-----Rupees in million-----					
Net interest income - External	(34,668)	24,794	67,760	6,880	2,664	67,430
Inter segment revenue - net	73,129	(18,002)	(63,057)	-	7,930	-
Non-funded income	8,677	3,138	3,141	3,677	1,042	19,675
Net interest and non-mark-up income	47,138	9,930	7,844	10,557	11,636	87,105
Total expenses including provision (excluding impairment)	17,749	1,035	305	6,138	15,171	40,398
Impairment against investments	-	-	(117)	-	(50)	(167)
Inter segment administrative cost	8,549	1,710	246	942	(11,447)	-
Total expenses including provision	26,298	2,745	434	7,080	3,674	40,231
Profit before tax	20,840	7,185	7,410	3,477	7,962	46,874
Segment assets (gross)	171,776	379,376	859,117	295,934	125,226	1,831,429
Segment non-performing advances	12,367	46,685	-	9,289	194	68,535
Segment provision required including general provision	10,633	41,173	87	9,080	1,260	62,233
Segment liabilities including equity	992,375	175,804	78,759	202,912	319,346	1,769,196
Segment return on net liability / asset (%)	10.01%	10.20%	9.56%	5.07%	6.39%	-
Segment cost of funds (%)	5.12%	7.50%	8.61%	1.25%	1.72%	-
	2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / other business groups	Total
	-----Rupees in million-----					
Net interest income - External	(35,560)	24,193	59,573	5,514	98	53,818
Inter segment revenue - net	64,421	(17,758)	(53,868)	-	7,205	-
Non-funded income	6,693	2,563	1,590	2,960	935	14,741
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 before tax	13,087	5,161	7,035	1,196	7,236	33,715
Segment assets (gross)	166,566	373,901	796,203	218,403	120,696	1,675,769
Segment non-performing advances	13,797	44,907	-	10,582	87	69,373
Segment provision required including general provision	13,669	38,302	140	9,872	1,128	63,111
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%	-

44. 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.

45. **GEOGRAPHICAL SEGMENT ANALYSIS**

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan	42,242,020	1,482,343,315	104,214,396	150,302,669
Asia Pacific (including South Asia)	1,051,022	76,312,009	17,272,092	4,690,644
Europe	73,566	12,303,549	8,585,624	7,410,699
North America	457,913	28,312,887	2,458,050	4,656,625
Middle East	2,431,184	149,719,522	19,335,243	25,656,517
Others	618,986	20,204,972	6,002,240	4,686,557
	<u>46,874,691</u>	<u>1,769,196,254</u>	<u>157,867,645</u>	<u>197,403,711</u>

	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
	<u>33,715,045</u>	<u>1,612,657,805</u>	<u>129,289,006</u>	<u>206,448,161</u>

46. **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, 2014 is given in annexure V. Further, detailed disclosures are also given in the said annexure to comply instructions issued by SBP and SECP under relevant circulars and standards.

47. **DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on February 17, 2015.

48. **GENERAL**

48.1 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.

48.2 The comparative figures have been re-arranged and reclassified for comparison purposes. There are no material reclassifications other than as disclosed in note 24.1 of these financial statements.

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

DETAIL OF DOMESTIC INVESTMENTS - UNCONSOLIDATED For the year ended December 31, 2014

ANNEXURE - I

1 Particulars of investments held in listed equity:

	Number of Shares held	Paid-up value per Share	Total paid-up value	Cost	Market Value	Short Term Rating
		Rupees		Rupees in '000		
1.1 Ordinary shares						
Adamjee Insurance Company Limited	8,813,000	10	88,130	395,027	435,891	Unrated
Agri Tech Limited	5,562,428	10	55,624	194,691	43,109	Unrated
Allied Bank of Pakistan Limited	5,500,000	10	55,000	605,000	624,690	A-1+
Attock Petroleum Limited	560,100	10	5,601	297,557	302,219	A-1+
Attock Refinery Limited	676,700	10	6,767	129,114	127,064	A-1
Bank Al Habib Limited	7,217,000	10	72,170	295,990	350,385	A-1+
Bank Alfalah Limited	22,215,000	10	222,150	664,100	774,859	A-1+
Cherat Cement Company Limited	9,675,000	10	96,750	663,424	664,479	Unrated
Engro Corporation Limited	2,223,400	10	22,234	474,606	492,505	A-1+
Engro Fertilizer Limited	9,378,500	10	93,785	628,115	732,461	A-1
Engro Foods Limited	52,700	10	527	5,737	5,720	Unrated
Fatima Fertilizer Company Limited	5,975,000	10	59,750	190,372	213,726	A-1+
Fauji Cement Company Limited	6,979,500	10	69,795	171,786	180,350	Unrated
Fauji Fertilizer Bin Qasim Limited	2,178,500	10	21,785	97,900	98,490	Unrated
Fauji Fertilizer Company Limited	10,238,800	10	102,388	1,193,053	1,199,066	Unrated
Habib Metropolitan Bank Limited	6,500,000	10	65,000	197,186	242,450	A-1+
Hub Power Company Limited	16,363,500	10	163,635	1,077,938	1,282,244	A-1+
Kot Addu Power Company Limited	16,506,000	10	165,060	866,836	1,302,984	A-1+
Lalpir Power Limited	8,938,000	10	89,380	260,850	267,246	A-1+
Lucky Cement Limited	1,522,200	10	15,222	663,024	761,526	Unrated
MCB Bank Limited	1,678,400	10	16,784	475,864	513,003	A-1+
National Bank of Pakistan Limited	9,772,000	10	97,720	616,891	678,763	A-1+
National Refinery Limited	1,369,100	10	13,691	340,328	253,078	A-1+
Nishat Chunian Power Limited	10,049,500	10	100,495	363,425	497,953	A-2
Nishat Mills Limited	459,500	10	4,595	55,668	55,595	A-1+
Nishat Power Limited	787,000	10	7,870	25,205	35,887	A-1
Oil and Gas Development Company Limited	913,100	10	9,131	226,083	187,980	A-1+
Pakgen Power Limited	3,834,500	10	38,345	102,775	103,647	A-1+
Pak Oilfields Limited	334,400	10	3,344	180,225	126,858	Unrated
Pakistan Petroleum Limited	2,756,400	10	27,564	603,420	486,560	Unrated
Pakistan State Oil Company Limited	3,309,032	10	33,090	1,252,199	1,148,514	A-1+
Pakistan Telecommunication Company Limited	21,690,000	10	216,900	489,193	499,521	Unrated
Saif Power Limited	32,268,354	10	322,684	322,684	1,191,348	A-1
United Bank Limited	6,885,400	10	68,854	1,198,068	1,216,719	A-1+
				15,324,333	17,096,889	

2 Investment in units of Mutual Funds

	Number of units held	Paid-up value per unit	Total paid-up value	Cost	Market Value	Short Term Rating
		Rupees		Rupees in '000		
National Investment Trust	673,546	10	6,735	11,113	44,111	5 Star
National Investment Trust (Islamic)	40,470,250	10	404,703	2,250,000	2,650,397	5 Star
				2,261,113	2,694,507	

DETAIL OF DOMESTIC INVESTMENTS - UNCONSOLIDATED
For the year ended December 31, 2014

3 Particulars of investment held in unlisted equity:

3.1 Ordinary shares

More than 10% holding
Khushhal bank Limited
Appollo Pharma Limited
Less than 10 percent holding
First Women Bank Limited
National Institutional Facilitation Technologies (Private) Limited
National Investment Trust Limited
Central Depository Company
SME Bank Limited

Number of Shares	Paid-up value per Share Rupees	Percentage of holding	Cost	Break-up value -----Rupees in '000-----	Based on accounts as at	Name of Chief Executive	Short Term Rating
30,000,000	10	17.60%	300,000	486,433	September 30, 2014	Mr. Muhammad Chailib Nishtar	A-3
84,000,000	10	30.00%	840,000	840,000	Not Available	Mr. Tarek Khan	Unrated
23,095,324	10	9.26%	63,300	227,849	September 30, 2014	Ms. Tahira Raza	A-1
1,478,228	10	9.07%	1,527	59,324	June 30, 2014	Mr. M.M. Khan	Unrated
79,200	10	8.33%	100	872,874	June 30, 2014	Mr. Shahid Chaffar	Unrated
4,124,901	10	6.35%	6,346	118,452	June 30, 2014	Mr. Muhammad Hanif Jak hura	Unrated
1,987,501	10	0.83%	13,475	5,488	September 30, 2014	Mr. Ihsan Ul Haq Khan	A-3
			<u>1,224,748</u>				

4 Particulars of investment held in preference shares:

No. of Shares	Paid-up value per Share Rupees	Total paid-up value -----Rupees in '000-----	Cost	Rate of Interest / Profit	Medium to Long Term Rating	Terms and conditions
60,000,000	10	600,000	150,000	Nil	A-	Privately placed, non-cumulative convertible preference shares
10,000,000	10	1,000,000	100,000	6 Month Kibor + 200 BPS	A-2	Listed cumulative convertible preference shares
			<u>250,000</u>			

5 Investment in Term Finance Certificates / Sukuks:

5.1 Term finance certificates

Pakistan International Airline
Water and Power Development Authority (Islamic)
Quetta Textile Mills Limited
Bank Alfalah Limited
Faysal Bank Limited
Bank Al Habib Limited
Azgard Nine Limited
Worldcall Telecom Limited
Independent Media Corporation
Engro Fertilizer Limited (Islamic)
Sui Southern Gas Company (Islamic)
Chani Glass (Islamic)
K - Electric - Sukuk (Islamic)
K - Electric - Sukuk (Islamic)

Number of certificates held	Paid-up value per certificate Rupees	Total paid-up value -----Rupees in '000-----	Cost	Market Value	Medium to Long Term Rating	Terms of Redemption Principal	Interest / Profit
700,000	5,000	3,500,000	3,397,500	3,397,500	Government Guaranteed	Semi Annual	Semi Annual
398,400	5,000	1,992,000	1,992,000	1,992,000	Government Guaranteed	14 equal semi annual installments till maturity	Semi Annual
13,000	4,258	55,354	55,172	55,172	D	12 stepped up semi annual installments till maturity	Semi Annual
40,000	4,990	199,600	199,600	206,552	AA-	Major repayment in 3 equal semi annual installments before maturity	Semi Annual
50,000	4,992	249,600	249,600	261,151	AA-	Major repayment in 4 equal semi annual installments before maturity	Semi Annual
18,000	4,993	89,874	94,804	102,169	AA	Major repayment in 2 equal semi annual installments before maturity	Semi Annual
9,233	5,000	46,165	46,165	46,165	D	7 stepped up semi annual installments till maturity	Semi Annual
96,000	2,142	205,632	205,591	154,091	D	3 equal semi - annual installments before maturity	Semi Annual
40,000	5,000	200,000	150,000	150,000	Unrated	On Maturity	Semi Annual
29,000	5,000	145,000	151,648	144,631	A	2 equal semi - annual installments before maturity	Semi Annual
200,000	5,000	1,000,000	1,000,000	1,000,000	Unrated	Quarterly	Semi Annual
1,838,270	100	183,827	183,828	183,828	Unrated	Quarterly	Semi Annual
100,000	5,000	500,000	500,000	500,000	AA	On Maturity	Quarterly
100,000	5,000	500,000	500,000	500,000	AA	On Maturity	Quarterly
			<u>8,725,908</u>	<u>8,693,259</u>			

6 Particulars of investments held in bonds

	Rate of Interest / Profit	Book Value	Market Value	Terms of Redemption		Medium to Long Term Rating
				Principal	Interest / Profit	
Rupees						
6.1 GoP Ijara Sukuk (held by Islamic Banking Business)						
GOP IJARA SUKUK IX	9.98%	11,061,879	11,064,365	On Maturity	Semi Annual	Government
GOP IJARA SUKUK X	9.98%	502,135	502,152	On Maturity	Semi Annual	Government
GOP IJARA SUKUK XI	9.98%	1,250,698	1,251,625	On Maturity	Semi Annual	Government
GOP IJARA SUKUK XII	9.97%	438,578	435,566	On Maturity	Semi Annual	Government
GOP IJARA SUKUK XIII	9.73%	8,273,963	8,274,192	On Maturity	Semi Annual	Government
GOP IJARA SUKUK XIV	9.70%	2,672,429	2,657,834	On Maturity	Semi Annual	Government
GOP IJARA SUKUK XV	7.98%	1,984,789	1,974,507	On Maturity	Semi Annual	Government
6.2 Foreign Currency bonds						
Orange	5.00%	816,750	823,128	On Maturity	Annual	Baa1
Banco Do Brasil S. A.	4.50%	503,197	503,018	On Maturity	Semi Annual	P-2
Corporation Andina de Fomento	3.75%	256,377	258,166	On Maturity	Semi Annual	P-1
HSBC Bank Brasil S. A.	4.00%	512,603	509,600	On Maturity	Semi Annual	P-2
Korea National Oil Corporation	4.00%	556,697	559,037	On Maturity	Semi Annual	AA3
Orix corporation	4.71%	422,827	423,720	On Maturity	Semi Annual	Ba2
Republic of Turkey	7.25%	508,285	508,796	On Maturity	Semi Annual	Ba2
Tencent Holdings Limited	4.63%	523,192	522,360	On Maturity	Semi Annual	A-3
Bank of Tokyo - Mitsubishi UFJ Limited	1.65%	505,661	496,336	On Maturity	Semi Annual	P-1
BBVA Bancomer S. A. Texas Agency	4.50%	310,364	312,754	On Maturity	Semi Annual	A-2
Abu Dhabi National Energy Company	5.88%	539,249	544,518	On Maturity	Semi Annual	P-2
SABIC Capital I.B.V	3.00%	304,876	305,881	On Maturity	Semi Annual	A-1
Saudi Electricity Company	2.67%	511,970	511,559	On Maturity	Semi Annual	A-1
DIB Sukuk Limited	4.75%	422,046	421,386	On Maturity	Semi Annual	Baa1
SOQ Sukuk A Q.S.C	2.10%	506,028	507,892	On Maturity	Semi Annual	Aa2
Mitsubishi Corp	1.88%	1,009,145	1,003,826	On Maturity	Semi Annual	P-1
QIIB Sukuk Funding Ltd	2.69%	303,798	308,292	On Maturity	Semi Annual	A-3
HSBC Sukuk (Islamic)	3.57%	203,907	203,907	On Maturity	Semi Annual	A-1
Saudi Electricity Company (Islamic)	2.67%	204,106	204,106	On Maturity	Semi Annual	A-1
IBD Trust Services	1.36%	201,971	201,971	On Maturity	Semi Annual	Unrated
		35,307,522	35,290,497			

Amount Written-Off During the Year 2014

Statement showing written-off Advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2014

ANNEXURE - II

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			Un-Debited Markup	Reversal	
1	PARAMOUNT BONES CRUSHING MILLS AHMED NAGAR ROAD, WAZIRABAD, DISTT. GUJRANWALA	GHULAM SAJJAD 34201-3605017-5	GHULAM SARWAR	-	-	-	-	-	7.648	-	7.648
2	FARKAN ENTERPRISES (PVT) LTD FACTORY LOCATED AT CHUNIAN, DISTT. KASUR	SYED SUBTAIN RAZA 35201-6193660-5 SYED HASNAIN RAZA 35202-0275898-9 QAMAR SULTANA 35201-1952093-2	SYED GHULAM JAFFAR SYED GHULAM JAFFAR SYED GHULAM JAFFAR SHAH	2.106	0.624	-	0.790	-	0.180	0.624	1.594
3	U.K TEXTILE (PVT) LTD H/209 ST 3 SECTOR CASKARI-10, LAHORE CANTT.	MUHAMMAD USMAN SAEED CHAUDHRY 35202-2625332-7 KHALID MAHMOOD AKHTAR 35202-4919863-3	MUHAMMAD SAEED CHAUDHRY MUHAMMAD SHAFI	13.599	-	-	-	-	10.206	-	10.206
4	MOHSIN KALEEM MACHINERY STORE GALI PEER ALI MARDAN AKBAR ROAD, CHOWK	MUHAMMAD KALEEM USMANI 36302-9635310-7	MUHAMMAD AFZAL USMANI	0.370	0.182	-	-	-	0.996	-	0.996
5	CHAND TRADERS MAIN BAZAR, PATTORI	MUHAMMAD YASEEN 35103-7100013-7	NAWAB DIN	1.000	0.050	-	-	-	0.546	-	0.546
6	MAUK & COMPANY GODOWN NO.223 ELLAHI BUX MARKET,RAHIM ROAD,HISRI SHAH, LAHORE	MAUK KHADIM HUSSAIN 35202-2414712-5	ABDUL REHMAN	-	-	-	-	-	1.260	-	1.260
7	NIZAM INTERNATIONAL JILLANI BADSHA COTTON FACTORY, BHUNG ROAD, TEHSIL SADIQABAD	SHEIKH ZIA UDDIN 31304-948917-5	SHEIKH NIZAM UDDIN	-	-	-	-	-	1.782	-	1.782
8	JAMICA GARMENTS PLOT# 7ST. # 11/ASEEN ROAD, KARIM PARK, LAHORE	NAZIR ALI 35202-3044994-9	FAZAL DIN	-	-	-	-	-	3.064	-	3.064

S. No.	Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning 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	
9		HAND TOOLS LTD. 5TH FLOOR, JUBILEE INSURANCE HOUSE,JI CHUNDRIGAR ROAD, KARACHI	AMIR ALI HANFY MUHAMMAD YOUSUF EICK SALEEM A FANCY GHULAM HAJI		0.177	-	-	0.177	0.177	-	0.740	-	0.917
10		AMAN & COMPANY COTTON GINNERS ADDA PERMIT BAHAWALPUR ROAD, LODHIAN	ABDUL SALAM 36202-8408598-9 SAMIULLAH KHAN 36202-8841600-5 HASSAN MUHAMMAD KHAN 35201-1462427-1 HAJIRA BIBI 326-43-577531 WAKEELA BIBI 326-55-577510 SAHINA BIBI 326-58-577521 HAMEEDA BIBI 326-17-083058 SANAWAR BANO 326-16-201718	KARAM ELLAHI HAMEDULLAH KHAN ATTAULLAH KHAN NOORELLAHI SAMIULLAH KHAN NOOR MUHAMMAD KARAM ELLAHI HAMEED ULLAH KHAN	-	-	-	-	-	0.901	-	0.901	
11		ANSARI AGENCIES W.S.2 BLOCK-2,F.BINDUSTRIAL AREA, KARACHI	ABDUL SALEEM ANSARI 42101-4572269-7 ABDUL NADEEM ANSARI 42101-4573219-7 SHAHID WASEEM ANSARI 42101-5924163-1	A.QADIR ANSARI A.QADIR ANSARI A.QADIR ANSARI	5.936	-	-	5.936	-	-	1.432	-	1.432
12		RANA COLOUR LAB & STUDIO HIGH STREET, SAHRAWL	EJAZ AHMED KHAN 36502-4804297-1	RASHID AHMED KHAN	3.498	0.002	-	3.500	-	-	2.119	-	2.119

S. No.	Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning 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	
13	NOOR MATCH FACTORY LIMITED C/O AZEEM COLD STORAGE PVT.LTD G.T.ROAD, PESHAWAR	MUHAMMAD ISHAQ KHAN 17301-5079841-9 FAWAD ISHAQ 17301-7489063-9 MRS.KHURSHED ISHAQ 17301-8595265-6 MRS.AISHYA MANZOOR 17301-9388979-0 SHAKIR ISHAQ 17301-510694-5 MRS.YASKEEN FAWAD 17301-2244725-8 BILAL FAWAD AZEEM 17301-1511644-5	MIAN MUHAMMAD AZEEM MUHAMMAD ISHAQ MUHAMMAD ISHAQ KHAN MANZOOR AHMED MUHAMMAD ISHAQ JAN FAWAD ISHAQ FAWAD ISHAQ	3.655	-	-	3.655	2.927	-	0.057	-	2.984	
14	AZEEM TAPES LIMITED C/O AZEEM COLD STORAGE PVT.LTD G.T.ROAD, PESHAWAR	MUHAMMAD ISHAQ KHAN 17301-5079841-9 FAWAD ISHAQ 17301-7489063-9 MRS.KHURSHED ISHAQ 17301-8595265-6 MRS.AISHYA MANZOOR 17301-9388979-0 SHABBIR AHMED 17301-861251-3 MRS.YASKEEN FAWAD 17301-2244725-8 MRS.ATIA SHABBIR 17301-4482908-4	MIAN MUHAMMAD AZEEM MUHAMMAD ISHAQ MUHAMMAD ISHAQ JAN MANZOOR AHMED GHOURI MUHAMMAD ASLAM FAWAD ISHAQ SHABBIR AHMED SIDDIQUI	1.859	3.185	-	5.044	-	-	0.075	3.185	3.260	
15	CHEMICON INTERNATIONAL AZEEM COLD STORAGE PVT. LTD. G.T.ROAD, PESHAWAR	MUHAMMAD ISHAQ JAN 17301-5079841-9 YAWAR SHARIF 17301-8666448-3 WAQAR ISHAQ JAN 17301-6799592-9	MIAN MUHAMMAD AZEEM SHARIF HUSSAIN HAJI MUHAMMAD ISHAQ JAN	-	0.220	-	0.220	-	-	0.504	0.220	0.724	

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning of year				Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total		Un-debited Markup	Reversal	
16	HERBS-N-OIL 73, CLIFTON, KARACHI	SYED TASVEER HUSSAIN 271-50-234715	SYED SHABIR HUSSAIN	0.494	-	-	0.494	0.494	0.322	-	0.816
17	APPAREL INTERNATIONAL (PVT) LTD INDUSTRIAL PLOT NO/79 MALIR TOWNSHIP AREA, KARACHI	TALIB SOHAIL 42301-6267242-7 SHABANA DANISH QURAT-UL-AIN AHMED	AFTAB AHED DANISH BURHAN	18,728	0.318	-	19,046	10,228	8,019	0.318	18,565
18	MEHRAN OIL MILLS LIMITED F-31-A BLOCK-VI/IDA SCHEME-5, CLIFTON, KARACHI	MUZAFFAR ALI ISSANI 42301-6828728-7 JOHANNA ISANI	GHULAM MURTAZA MUZAFFAR ALI ISSANI	30,314	19,264	-	49,578	19,514	50,139	19,264	88,917
19	SHAHID TEXTILE INDUSTRIES LAHORE GATE, KASUR	RASHEED AHMED 35102-0648407-1 MUHAMMAD SHAHID RASHEED 35102-7987082-7	SHAHAB UDDIN RASHEED AHMED	32,273	-	-	32,273	-	23,463	-	23,463
20	MUHAMMAD AMIN SULTAN PUR WALLA 42-THE MALL LAHORE			0.850	-	-	0.850	0.850	0.039	-	0.889
21	PUBLIC MEDICAL STORE SADAR BAZAR, SAHIWAL	TANVEER AHMED	NAZIR AHMED	0.704	-	-	0.704	0.704	0.454	-	1,158
22	AZEEM TARES C/O AZEEM COLD STORAGE PVT(LTD), G.T.ROAD, PESHAWAR	MUHAMMAD ISHAQ KHAN 71301-5079641-9 FAWAD ISHAQ 17301-7489063-9 KHURSHEED ISHAQ 17301-8595265-6 AISHYA MANZOOOR 17301-9388979-0 SHABIR AHMED 17301-1681253-3 YASMEEN FAWAD 17301-2244725-8 AFIA SHABIR 17301-4482908-4	MIAN MUHAMMAD AZEEM MUHAMMAD ISHAQ MUHAMMAD ISHAQ JAN MANZOOOR AHMED MUHAMMAD ASLAM FAWAD ISHAQ SHABIR AHMED SIDDIQUI	-	3,161	-	3,161	-	-	3,161	3,161

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning of year			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges			Un-Debited Markup	Reversal	
23	JAMIA CLOTH HOUSE ANDHI KHOT, MULTAN	MUHAMMAD NADIR SIDDIQUE 36302-0983646-5	MUHAMMAD JAFAR SIDDIQUE	4,000	1,062	-	5,062	-	0,606	-	0,606
24	MSI RESEARCH INSTITUTE B-5, 2ND FLOOR ISLAMIC PLAZA, PLOT #SB-3, BLOCK-13, GULSHAN-E-IQBAL, KARACHI	SYED SHIJAT HUSSAIN ZAIDI 42201-0484406-7 SHAHNAZ HUSSAIN ZAIDI 516-90-372316 M.A.KAREEM IQBAL	SYED LIAQUAT HUSSAIN ZAIDI SYED SHIJAT HUSSAIN ZAIDI	0,492	-	-	0,492	0,492	0,280	-	0,772
25	ALKHAN CONSTRUCTION CO.(PVT) LTD 38-A, MAIN GULBERG, LAHORE	MUHAMMAD ASLAM KHAN 270-34-184961 DR.IFTIKHAR ALI KHAN 35202-2637944-5 ZAFARULLAH KHAN 35202-980768-3 NASEER KHAN 61101-8302287-7 MST.NASIM AKHTAR 270-38-184962		51,000	4,803	-	55,803	25,525	17,616	4,803	47,944
26	SHALIMAR PAPERS LTD. 14-K.M.,MULTAN ROAD,LAHORE 38-A, MAIN GULBERG, LAHORE	MUHAMMAD ASLAM KHAN 270-34-184961 NASIM AKHTAR 270-38-184962 M.ZAFARULLAH KHAN 35202-8090768-3 NASEER KHAN 61101-8302287-7 MRS MAHWASH KHAN 35202-2901253-2 IFTIKHAR ALI KHAN 35202-2637944-5 MRS RUBINA SULTANA KHAN 35202-7030379-0		19,995	-	-	19,995	12,600	14,150	-	26,750

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning 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	
27	PAKISTAN LAMINATE LTD. 9-HAPPY HOMES,3B-A MAIN GULBERG, LAHORE	MUHAMMAD ASLAM KHAN 270-34-784961 ABDUL WAHEED KHAN 35202-5452812-7 ZAFARULAH KHAN 35203-9080768-3 BASHARAT ELAHI 35200-6540992-5 MRS YASMEEN ELAHI 35200-1892049-2 MRS HAMEEDA BEGUM 35203-8276979-2 MTK RAHMANI		52.371	19.329	-	71.700	52.371	-	20.984	19.329	92.684
28	KAMRAN TRADERS NEAR NEW GHALLAH MANDI, SAMINA CHOWK, DEEA GHAZI KHAN	SYED KAMRAN ABBAS NAQVI 32102-1016293-3	SYED MUSHTAQ HUSSAIN NAQVI	3.799	0.204	-	4.003	-	-	2.819	-	2.819
29	MULTI LINK INTERNATIONAL 30-SADIQ PLAZA, THE MALL, LAHORE	RIAZ AHMED QURESHI 323-60-749452 MUHAMMAD MAHMOOD SAQIB 309-70-333290	MUHAMMAD AZEEM QURESHI HAJI MUHAMMAD ALI	0.732	-	-	0.732	0.732	-	0.047	-	0.779
30	BEST ORIENTAL RUGS 219-F-1, MA, JOHAR TOWN, LAHORE	ZUBAIR AHMED 35201-2949088-1 SHANSHAD JEHAN 35201-8588272-8	MEHR BARKAT ALI ZUBAIR AHMED	10.702	1.041	-	11.743	-	-	6.509	-	6.509
31	SHABAB TRADERS NEW SABZI MANDI, MUZAFFARGARH	MUHAMMAD SHABAB MEHDI 32502-7759781-9	MIAN SHAFQAT HUSSAIN ABID	1.997	0.131	-	2.128	-	-	0.813	-	0.813
32	HILAL CORPORATION (PVT) LTD 20-B, 40-B SECTOR-9, KORANGI INDUSTRIAL AREA, KARACHI	SHAIKH ABDUL SATTAR BATTI WALA 42201-8073770-5 S. SHARIF AHMED 42201-7583661-3 FURQAN A. SATTAR 42201-8073615-5	S/O. SHAIKH ABDUS SALAM S/O. SHAIKH ABDUL SATTAR	114.393	21.629	-	136.022	44.193	-	59.316	21.629	125.138

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning of year			Principal Write-off	Mark-up & Other Charges Write-off		Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges				Un-Debited Markup	Reversal	
33	VAPIWALA INTERNATIONAL CORPORATION 2172ND FLOOR RUBY CENTRE, TALPUR ROAD OPPOST CITY POST OFFICE, KARACHI	ABDUL JABBAR VAPIWALA 42201-0746639-7 M. ALI VAPIWALA 42201-6726425-1		12,198	0,547	-	12,745	-	-	6,610	-	6,610
34	PAKISTAN ELECTRONICS H-26-2-C-1, GHOUSIA CHOWK COLLEGE ROAD TOWNSHIP, LAHORE	MAQSOOD AHMED SAJJID 35202-2689635-9	M. SHAFI	10,997	1,216	-	12,213	-	-	2,072	0,818	2,890
35	NEPHEW & NEPHEW (PVT) LTD PLOT NO.P/2, SITE, HYDERABAD	MUHAMMAD HABIB 41304-6497882-3 MUHAMMAD ASHFAQ 42201-0771550-5 MUHAMMAD SHARIF 41304-4220853-7 ABDUL WAHEED KHAN 41303-7481833-7 MRS. RUKHSANA SHARIF 41304-4346680-4 MRS. SUHERA WAHEED 41303-2929820-4 MRS. NAILA ASHFAQ 41303-8869765-4 MRS. PERVEEN HABIB 41303-4804521-2	ABBAS BAHII ABBAS BAHII ABBAS BAHII ABBAS BAHII W/O. MUHAMMAD SHARIF W/O. ABDUL WAHEED W/O. MUHAMMAD ASHFAQ W/O. MUHAMMAD HABIB	5,891	7,748	-	13,639	-	-	14,191	6,282	20,473
36	FATEH WEAVING MILLS LIMITED C/O ABTEX INTERNATIONAL LIMITED UNIT NO-4, LATIFABAD, HYDERABAD	MUHAMMAD HABIB 41304-6497882-3 MUHAMMAD ASHFAQ 42201-0771550-5 MUHAMMAD SHARIF 41304-4220853-7 ABDUL WAHEED KHAN 41303-7481833-7 MRS. RUKHSANA SHARIF 41304-4346680-4 MRS. NAILA ASHFAQ	ABBAS BAHII ABBAS BAHII ABBAS BAHII ABBAS BAHII W/O. MUHAMMAD SHARIF W/O. MUHAMMAD ASHFAQ	5,432	9,171	-	14,603	-	-	79,698	7,162	26,860

S. No. Co. Code		Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning 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	
41303-8869765-4 W/O MUHAMMAD HABIB													
MRS. PERVEEN HABIB													
41303-4804521-2													
37 KHAN CATERING CONCEPT CANAL BANK COLONY,CANAL ROAD, UNIVERSITY TOWN, PESHAWAR													
OMER AKRAM													
17301-859649-1													
MOHAMMAD AKRAM													
IBRAHIM AKRAM													
17301-6844543-3													
2,500													
-													
2,500													
8,626													
-													
8,626													
38 WELCOME FILLING STATION NEW BASUL ROAD,MANDI BAHAUDDIN													
UMER HAYAT LEYLEKA													
34401-0578066-7													
CH. SARDAR KHAN													
-													
-													
1,618													
-													
1,618													
39 MUSTAFA ENTERPRISES OPP NEW GRAIN MARKET,VEHARI ROAD, MULTAN													
SHERAZ AHMED													
36302-5735709-7													
MALIK RAFIQ AHMED													
ABDUL HUSSAIN													
36302-0158754-5													
ABDUL RAZZAQ													
5,999													
0.001													
-													
6,000													
-													
5,097													
-													
5,097													
40 MUSTAFA ENTERPRISES OIL MILLS 09-KM,MULTAN ROAD,LODHRAN/H/O, OPP NEW GRAIN MKT,VEHARI ROAD, MULTAN													
SHERAZ AHMED													
36302-5735709-7													
MALIK RAFIQ AHMED													
ABDUL HUSSAIN													
36302-0158754-5													
ABDUL RAZZAQ													
16,752													
2,494													
-													
19,246													
-													
14,656													
-													
14,656													
41 SHER AFZAL KHAN & CO PRIVATE LTD 4-THE MALL,NOWSHERA CANTT.													
USMAN ALI KHAN													
17201-5033398-1													
SHER AFZAL KHAN													
GHULAM FAROOQ KHAN													
17201-1422112-1													
GHULAM SARWER													
HAROON KHAN GHAZI													
17201-7271914-5													
SHER AFZAL KHAN													
ASIF ALI KHAN													
61101-2010993-5													
-													
-													
0.602													
-													
0.602													
42 MUMTAZ OIL MILLS NEAR NORTH RAILWAY CROSSING, G.T.ROAD, KOT ADDU													
MALIK MUMTAZ AHMED													
MALIK ABDUL QADIR													
0.088													
-													
-													
0.088													
-													
0.679													
-													
0.679													

S. No.	Name & Address of the Borrower	Name of Individuals/Business/Directors (with CNIC No)	Father's /Husband Name	Outstanding Liabilities at beginning of year			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
Co. Code				Principal	Mark-up	Other Charges	Total		Un-Debited Markup	Reversal	
43	THARPARKAR SUGAR MILLS LTD SAMARO ROAD,KOT GHULAM MUHAMMAD,DISTT. THARPARKAR	IMTIYAZ ALI SHAH 475-88-080553 ADIL ALI SHAH 475-93-377732 IRFAN ALI SHAH 475-91-080557 QUTUB ALI SHAH 501-34-442248 IMDAD ALI SHAH 477-47-004643 IMRANI IQBAL 506-88-096663 ASHRAF KOTHARI 511-52-043777	SYED GHULAM HAIDER ABID ALI SHAH S. GHULAM HAIDER SHUJA MUHAMMAD SHAH M. ALI SHAH IQBAL USMAN JANI MUHAMMAD	28.110	-	-	28.110	-	73.748	-	73.748
44	ZULFIQAR ALI SHAIKH SHAUKH MUHAMMAD SHAHAD KOT. TALUKA SHAHADKOT, DISTT. LARKANA	42201-4745527-5	AKEBAR ALI SHAIKH	-	-	-	-	-	1.651	-	1.651
45	MALIK MAIBAJ KHALID FLAT # A-31, BLOCK NO. 3, GULSHAN-E-IQBAL, KARACHI	42201-5483472-7	MALIK ALLAH DAD KHAN	-	-	-	-	-	3.430	-	3.430
46	BILLU STAR TRADERS FEROZPUR ROAD,NEAR MUSLIM TOWN MORE, LAHORE	M. Tariq Sheikh 35202-2728804-3	A LATIF	99.000	15.819	-	114.819	-	18.542	-	18.542
47	MITSUBISHI RAVALPIND MOTORS 125-B MURREE ROAD,NEAR CHANDANI CHOWK, RAVALPINDI	MALK MUHAMMAD REVAIZ 37401-17469786-5	M. SARVAR	29.996	4.315	-	34.311	-	16.622	-	16.622
48	HARIS & COMPANY H.NO.48-K-BLOCK,BUREWALA, DISTT. VEHARI	MUHAMMAD ARIF 36502-52784020-3	MUHAMMAD YOUSUF	1.500	0.215	-	1.715	-	0.620	-	0.620

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning 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	
49	TROPICAL WOODS PRODUCTS (PVT) LTD INDUSTRIAL PLOT # 01, SECTOR-29, KORANGI INDUSTRIAL AREA, NEAR HARBION, KARACHI	ALTAF HUSSAIN 42201-0775503-9 HALIMA ALTAF RAHIZ ALTAF 42201-6294270-7		46,749	24,065	-	70,814	-	-	22,056	1,005	23,061
50	AL-REHMAN INTERNATIONAL OFFICE TOWER, RIMPA PLAZA, M.A. JINNAH ROAD, KARACHI	AJIAZ-UR-REHMAN 512-91-129623	ATTA-UR-REHMAN	-	-	-	-	-	-	7,205	-	7,205
51	MUHAMMAD SIDDIQUE & H. RAHQUE & SONS MUSTAFA CHOWK,MULTAN ROAD, DEBA GHAI KHAN	MUHAMMAD SIDDIQUE 36603-0759628-9 ABDUL JABBAR 36603-7182703-5 ABDUL SATTAR TAHIR 36603-1022884-1	HAJI ALI MUHAMMAD MUHAMMAD SIDDIQUE	8,500	-	-	8,500	-	-	6,542	-	6,542
52	ASHRAF OIL MILLS MUSTAFA CHOWK, MULTAN ROAD, DEBA GHAI KHAN	SH. ASHRAF ALI 32102-4169921-7	SH. ABDUL RAUF	-	-	-	-	-	-	1,412	-	1,412
53	AKHTAR ZEB KHAN MOHALIAH GARHI SADRIZAI, D.I. KHAN	12101-4571549-1	HAMEEDULLAH KHAN KHALIL	0,777	0,189	-	0,966	-	-	1,049	-	1,049
54	SYED ZULFIQAR HAIDER NAQVI 319/2-C KANAL BANK ROAD, NEW CAMPUS, PUNJAB UNIVERSITY, LAHORE	35202-2603788-3	SYED MUHAMMAD NAQVI	2,479	0,948	-	3,427	2,479	-	1,299	0,948	4,726
55	HARIS & COMPANY HOUSE NO.26-A,CIVIL LINES, KHANEWAL	RAMA SALABAT KHAN 36502-1372345-1	CHAU BUX	0,591	-	-	0,591	-	-	2,324	-	2,324
56	ASIATIC ENGINEERING SERVICES 50-D,NEW MUSLIM TOWN, LAHORE	CH NAZIR AHMED MAJ.RTD.SULTAN MUHAMMAD DOGAR TAHIR HAMEED 35202-9502446-9 COL.RTD.ZAHEER HUSSAIN		0,977	-	-	0,977	0,977	-	0,438	-	1,415

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning 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	
57	ASMAR TEXTILE MILLS (PVT) LTD 21-K.M FERDOSPUR ROAD, LAHORE	SHAIKH IRSHAD MEHMOOD 35201-8031264-5 NEELAM IRSHAD SHEIKH 35201-1087986-0	MUHAMMAD SIDDIQ SHAIKH IRSHAD MEHMOOD	-	-	-	-	-	-	9766	-	9766
58	ENGLISH KNITWEAR (PVT) LTD 32-H, COMMERCIAL AREA, LCCHS, LAHORE	MIAN IRFAN KHURSHID MAHMOONA IRFAN	MIAN KHURSHID AHMED IRFAN KHURSHID	5.372	0.181	-	5.553	5.372	-	3.171	0.181	8.724
59	MONAM ZIA VILLAGE KALEEY, TEHSIL & DISTT. SHEIKHUPURA	35404-1601914-9	RIASAT ALI	-	-	-	-	-	-	0.518	-	0.518
60	DR.KHALID MEHMOOD BUTT H.NO.15-143-MOHALLA CHIRAGH PURA.OLD GHALLA MANDI, SIALKOT	34603-4246562-3	AHMED HAMEED BUTT	-	-	-	-	-	-	1738	-	1738
61	MASHALLAH OIL TRADERS H.NO.1732314, DEHLI COLONY, B. TOWN, KARACHI	SYED SHAHID 41201-9859769-3	SAKED LATEEF	0.371	-	-	0.371	0.371	-	0.448	-	0.819
62	FRIENDS CORPORATION H/3794 & H/380,SECTOR-50-B, KORANGI TOWNSHIP,KARACHI-74900	MUNEER AHMED SHAIKH 41201-2194687-3	ZAHED AHMED SHAIKH	-	-	-	-	-	-	3.177	-	3.177
63	BILWALI PETROLEUM SERVICE SHAHIED MAKHOOM BILAWAL CHOWK, DADU LARKANA ROAD, DADU	MONDER KHAN BIRHAMANI 41202-0831034-9	GHULAM BASOOL BIRHAMANI	1.500	-	-	1.500	-	-	0.810	-	0.810
64	TAJ PVC WORKS BARADARI ROAD NEAR TOOL TAX RAVI BRIDGE,SHAHDARA, LAHORE	FAQIR MUHAMMAD 35202-3771531-5	MUHAMMAD IBRAHIM	13.000	3.500	-	16.500	-	-	2.420	-	2.420
65	RAZA BROTHERS & GROUP RACHI RAM BUILDING,OPP BAHADUR SHAH MARKET M.A.JINNAH ROAD, KARACHI	FATEH KHAN CHAUDHRY	NOOR MUHAMMAD KHAN	0.656	-	-	0.656	0.656	-	0.506	-	1.162

S. No.	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beging of year			Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges		Un-Debited Markup	Reversal	
66	THAPUR GARMENTS (PVT) LTD THAPUR BUILDING MAHARAJA ROAD, SIALKOT	ALTAN AZMAT 34603-2150428-5 ARSLAN AZMAT 34603-4116564-9 NOMAN AZMAT RIZWAN AZMAT ADNAN AZMAT		19,302	3,311	-	14,802	1,472	3,311	19,585
67	GONDAL ENTERPRISE CHAK NO.15-B,C,YAZMAN ROAD, BAHAWALPUR	CH. MUHAMMAD NAWAZ GONDAL 227-50-144852 MUHAMMAD TARIQ GONDAL 345-65-426756 ZAHIDA PARVEEN 34402-5118156-6 ZAFAR IQBAL GONDAL 34402-6068903-7 MUKHTAR BEGUM	CH.BATTI KHAN CH.BATTI KHAN MUHAMMAD NAWAZ GONDAL CH. BATTI KHAN LATE CAPTAN PASAND	2,492	-	-	2,492	1,403	1,341	5,236
68	COT FELD INTERNATIONAL 7/B, BLOCK-C, GULBERG-III, LAHORE	PERVAIZ BASHIR AGHA 35202-2099680-7	AGHA BASHIR AHMED	24,598	4,002	-	-	4,300	-	4,300
69	PRIME STEEL WORKS SHEKHUPURA ROAD, JIA MOSA SHAHDARA, LAHORE	SHEIKH IFTIKHAR AHMED 35202-8251558-3	SHAIKH EHSAN EALAHI	19,524	0,568	-	-	9,728	-	9,728
70	SHEHZAD CLOTH HOUSE CHOWK BAZAR, MULTAN	MUHAMMAD SHEHZAD SIDDIQUE 36302-9199083-3	MUHAMMAD JAFER SIDDIQUE	2,200	0,300	-	-	1,447	-	1,447
71	LUQAT ALI H.NO.93GHALLA MANDI,CHAK, JHUIBRA, FAISALABAD	33101-5051921-3	CH.MUHAMMAD TUFAIL	-	-	-	-	0,884	-	0,884
72	TAHIR HUSSAIN KHAN FAIZ HOUSE,FAISAL STREET CHUNGI NO. 6, BOSAN ROAD, TEHSIL & DISTT. MULTAN	36302-2834934-5	FAIZ ULIAH KHAN	-	0,250	-	-	0,940	-	0,940
73	PROGRESSIVE KNITWEAR (PVT) LTD. 35-D, MUSLIM TOWN, LAHORE			0,274	-	-	0,274	0,269	-	0,543

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning 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	
74	FAYIAZ AHMED 14/C/SUNSET LINE-6,DHA,PHASE-2 KARACHI	42301-1114381-9	GULZAR AHMED SHAIKH	1,861	-	-	1,861	-	-	0.685	-	0.685
75	SURIYA FABRICS 84-C-II,MAJOHAR TOWN,LAHORE.	WAHIED SARWAR BUTT 35202-2379291-7	GHIULAM SARWAR BUTT	-	0.084	-	0.084	-	-	1.049	0.084	1.133
76	NAUMAN GARMENTS SHOP NO.165-B PANORAMA CENTRE, LAHORE	IJAZ AHMED 35201-7258401-3	RIAZ AHMED AASI	1,000	0.182	-	1,182	-	-	0.728	-	0.728
77	ARSHAD MEHMOOD (LATE) VILLAGE NANDPUR,POCHANGI,TEH. DASKADISTT, SIALKOT	34601-4579050-1	KHUDA BAKSH	2,488	-	-	2,488	-	-	1.074	-	1.074
78	FALCON FLOUR MILLS (PVT) LTD 83-C, GULBERG CENTRE, OPP. PACE, MAIN BOULEVARD, 83-C, GULBERG-II, LAHORE	KHALID JAVED KHAN 35201-1258512-3 KHURRAM KHALID KHAN 35201-9391895-3 ADNAN KHALID KHAN 35201-4053135-5 TAIMOOR KHALID KHAN 35201-1352467-3	BAIRAM KHAN KHALID JAVED KHAN KHALID JAVED KHAN KHALID JAVED KHAN KHALID JAVED KHAN	28,500	5,268	-	33,768	-	-	5,708	3,374	9,082
79	ALI TRADERS A.AREHMAN STREET,IODIA BAZAR, KARACHI	HAIZ MUHAMMAD NAEEM (ALIAS MUJAZZAM ALI) 35202-0319380-1	MUHAMMAD FAIZ	1,787	0.013	-	1,800	-	-	4,453	-	4,453
80	JAFFAR SONS G.T.ROAD KALRA KHASA, GUJRAT	SYED QAISER MUSTAFA 34201-6116370-7	SYED JAFFAR ALI SHAH	-	-	-	-	-	-	1,201	-	1,201
81	B.T.EXPORTS (PVT) LTD 9-K,MFRAN THOKAR NIAZ BAIG, RAWIND ROAD, LAHORE	BILAL ZUBAIR 35201-1663814-7 MARUW ZUBAIR 35201-1534186-4 RABIA BILAL 35202-9667273-8	KHAWAJA TALHA ZUBAIR KHAWAJA TALHA ZUBAIR BILAL ZUBAIR	17,332	0.168	-	17,500	-	-	13,360	-	13,360

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning of year				Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total		Un-Debited Markup	Reversal	
82	IQBAL HUSSAIN MOUZA SHER GARIH, TEHSIL MALISI & DISTT. VEHARI	36602-2113967-7	HAJI SHER MUHAMMAD KHAN	2.250	0.190	-	2.440	-	0.755	-	0.755
83	AZAM COTTON GINNERS SHOP NO.51,BLOCK-8,CHALLA MANDI,VEHARI, P.O. TEH DISTT. VEHARI	MUHAMMAD AZAM 36603-0904173-7 MUHAMMAD SAIFDAR 36603-6033421-7	KHUSHI MUHAMMAD KHUSHI MUHAMMAD	3.982	0.618	-	4.600	-	2.334	-	2.334
84	KHAN PETROLIUM SERVICE JACOBABAD ROAD,SULTAN KOT, P.O. SAMETAL SHIKARPUR	ABDUL MAJEED KHAN 43304-7300585-7 AGHA LAL BUX KHAN 43304-2525438-3	ABDUL HAMEED KHAN AGHA ABDUL HAMEED KHAN	0.880	0.150	-	1.030	-	0.608	-	0.608
85	SAJWAL BROTHERS VILL & P.O. CHAK LUSO, DISTT. GUJANWALA	MUHAMMAD IMRAN 34101-4106685-1		0.261	-	-	0.261	0.261	0.339	-	0.600
86	ASMAT ULLAH PLOT NO D-9, SHOP NO. 1, CLIFTON BLOCK-1, KARACHI	54303-2213376-3	HAJI ABDUL KARIM	0.632	-	-	0.632	0.632	0.418	-	1.050
87	EMAN FABRICS (PVT) LTD OOSMAN CHAMBERS ABDULLAH HAROON ROAD, KARACHI	SAMIR ANWAR OOSMAN 48201-0586516-9 RAHIA ANWAR OOSMAN	ANWAR USMAN	-	14.835	-	14.835	-	-	11.835	11.835
88	DEWAN-E-RHAS HOTEL & MARRIAGE HALL G.T.ROAD, GUJRAT	ZAHED PERVEZ 34201-2258894-3	CH-MUHAMMAD YOUSUF	-	-	-	-	-	4.348	-	4.348
89	DILAWAR ABBAS P-42JANAWAB CHOWK.GREEN VIEW COLONY, FAISALABAD	33100-0702484-7	NAWAB QADIR DAD KHAN	0.176	-	-	0.176	0.176	0.328	-	0.504
90	MUHAMMAD ZAKI UDDIN NOKHANI FLAT NO M-107/1ST FLOOR, SECTOR 15-B, PHASE II, COUNTRY TOWER, NORTH KARACHI	42101-8616227-7	AZIZ UDDIN NOKHANI	0.542	-	-	0.542	0.542	0.104	-	0.646

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning 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 RAMZAN KHOSO SHAHBAZ RICE MILL,K/N SHAH, TALKA,KHARPUR NATHAN SHAH, DISTT. DADU	41203-2457569-5	DUR MUHAMMAD KHOSO	1.731	0.059	-	1.790	-	-	0.656	-	0.656
92	PAKISTAN TRANSPORT COMPANY R-609 BLOCK-H-NORTH NAZIMABAD, KARACHI	Z/A UL-QAYYUM 508-67-068778 SARBULAND KHAN	CHOWDHRY MAQAYYUM MUHAMMAD SHER	2.130	0.177	-	2.307	2.130	-	1.226	0.177	3.533
93	NEW REHMAT RICE MILLS NEAR RAJBA BRIDGE, KAMOKI, TEHSIL DISTT. GUJJANWALA	ALTAF HUSSAIN 34102-9752881-7 MAQBIOL HUSSAIN 34102-6642332-3 MST.NAEEMA NOOR 286-55-224290 MUHAMMAD SALEED 286-78-767582	MANZOOR HUSSAIN REHMAT ULLAH NOOR HUSSAIN NOOR HUSSAIN	8.936	0.069	-	9.005	8.936	-	0.890	0.069	9.895
94	WASEEM ENTERPRISES SHOP NO.2/177/LIAQUATABAD NO.2, KARACHI	WASEEM AHMED 41201-8203837-1	SHAMIM AHMED	0.320	-	-	0.320	0.320	-	0.267	-	0.587
95	STANDARD INDUSTRIES (PVT) LTD ORANGI STREET,NISHTER ROAD, KARACHI	SOHAL MEHMOOD 517-50-165921 SAADAT MEHMOOD 517-23-160216 SHEHLA MAHMOOD 517-85-393182 GHAZALA AZHAR 267-49-107985 SAMIER MEHMOOD 517-53-105927	MUHAMMAD MEHMOOD MUHAMMAD MAHMOOD MUHAMMAD MAHMOOD MUHAMMAD MAHMOOD MUHAMMAD MAHMOOD	3.246	-	-	3.246	3.246	-	1.403	-	4.649

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning of year				Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total		Un-Debited Markup	Reversal	
96	TRADER & INDUSTRY PUBLICATION (PVT) LTD TRADE & IND. HOUSE NO.14, WEST WHARF ROAD, KARACHI	MUHAMMAD AHTESHAM GHAZI SEEMA AHTESHAM GHAZI M.H.HAMEED KHAN A.R.ANJUM ZAHIER AHMED SALMAN AHMED KHAN QARI RAZA MUSTAFA QAMAR HAMEED	NASIRUDDIN CHAZI	2,082	2,414	-	4,496	2,082	0,211	2,414	4,707
97	FANCY VARIETY HOUSE SHOP NO.32,LAHORE BLOCK,ALLAH WALI MARKET, AZAM CLOTH MARKET, LAHORE	ABDUL LATIF 35202-8762814-9	RAHIM BUKSH	-	-	-	-	-	0,856	-	0,856
98	CAR ZONE CAR ZONE,20-LAWRENCE ROAD, LAHORE	DIL MUHAMMAD ASIF CHAUDHRY 35404-1634761-5	CH MUHAMMAD SHARIF	-	-	-	-	-	9,305	-	9,305
99	SUNDER ESTATE FILLING STATION SUNDER ROAD,OPP INDUSTRIAL AREA,GATE NO.2,BHAI KOT, RAWIND, LAHORE	SUHAIL ANWAR 35201-2695292-9	SHAIKH MUHAMMAD ANWAR	-	-	-	-	-	0,737	-	0,737
100	ANSAR AGENCIES AUTO FINANCE A-18,BLOCK-2,GULSHAN-E-IQBAL, KARACHI	TALIB HUSSAIN SHAH 35202-1408740-1 ABDUL HAFEEZ 35202-8797421-5	SYED SHAH NAWAZ SHAH ABDUL REHMAN	0,578	-	-	0,578	0,578	0,627	-	1,205
101	ECO-GEN ENGINEERING 272-KAHNAN BLOCK,ALLAMA IQBAL TOWN, LAHORE	TALIB HUSSAIN SHAH 35201-1277335-9 ABDUL HAFEEZ 35202-8797421-5	SYED SHAH NAWAZ SHAH ABDUL REHMAN	40,000	1,890	-	41,890	3,000	14,978	1,890	19,868
102	OBSON PHARMACEUTICAL 209-S INDUSTRIAL ESTATE,KOT LAKHPAT, LAHORE	SHEIKH MUHAMMAD INAM ULLAH 35201-1277335-9 SHEIKH MUHAMMAD NAEEM ULLAH 35201-7048684-3	SHEKH UBEED ULLAH SHEKH UBEED ULLAH	6,000	0,127	-	6,127	6,000	6,490	0,127	12,617

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning of year			Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges		Un-Debited Markup	Reversal	
103	SHEBANI ENGINEERING PLOT NO.1&2,SECTOR-12-A, INDUSTRIAL AREA NORTH KARACHI	MAHMOOD ALAM SHEBANI 42000-0364826-3	MUHAMMAD UMAR KHAN SHEBANI	8.247	-	-	5.234	19.629	-	24.863
104	NASEEM AHMED HOUSE NO.R-40,SECTOR-5-M, NORTH KARACHI	466-93-096385	MUHAMMAD IDREES	0.655	-	-	0.655	0.069	-	0.724
105	MADINA FOAM CENTRE RAILWAY ROAD, SHEKHUPURA	JAMIL AHMED 35404-7624988-3	MUHAMMAD SIDDIQUE	1.788	0.204	-	-	0.622	-	0.622
106	KHAWAJA FAREED ENTERPRISES NISHTER ROAD,OPP.HOTEL SINDBAD, MULTAN	MALIK BILAL FAREED 36302-2529978-1 MALIK MUHAMMAD JAWAAD KAPRAN KHAR 32303-8025716-5 QASIM HASOOL 36302-1405154-7	MALIK GHULAM FAREED MUHAMMAD IQBAL KHAR	4.074	0.776	-	-	2.378	-	2.378
107	AMAN KHAN HOUSE NO.4-A,6/73,NAZIMABAD, NO. 4, KARACHI	502-67-265088	MUQTADA AHMED	0.514	-	-	0.514	0.035	-	0.549
108	UBAIDULLAH R/O BULLO BAND, C/O KARIM-JIL- BALOCH COACH TRANSPORT, BULLO	52204-1056899-9	NASER AHMED	0.427	-	-	0.427	0.371	-	0.798
109	MIRZA ARSHAD BAIG MOHALLAH SHAHT FASAL GATE, GUJRAT	34201-0563945-3	MIRZA MUNAWAR BAIG	0.168	-	-	0.168	0.480	-	0.648

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning of year				Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total		Un-Debited Markup	Reversal	
110	ABDUL REHMAN FLAT NO.4,2ND FLOOR MOHSIN MANSON, OFF TARIQ ROAD,BLOCK-2, PECHS, KARACHI	412201-95867595-7	ABDUL HAKIM	0.846	-	-	0.846	-	0.614	-	1.460
111	ABDUL NASIR HOUSE 12, STREET 9&10, BLOCK-A, EAST SHAH BAIG LINE, TENIRY ROAD, LYARI, KARACHI	412301-0961625-9	MUHAMMAD EBRAHIM	0.385	-	-	0.385	-	0.185	-	0.570
112	AMIR HAMZA CHAK NO.4/F W CHISTIAN, TEHSIL & DISTT. BAHAWALPUR	31102-0625066-7	MUHAMMAD HANIF	0.418	-	-	0.418	-	0.136	-	0.554
113	KHALID MEHMOOD HOUSE NO.08-E, STREET NO.1-E, MAKKAH COLONY, GULBERG-III, LAHORE	36501-1778034-3	SHAH MUHAMMAD	0.402	-	-	0.402	-	0.126	-	0.528
114	FAWAD BIN ATTA H.NO.10,ST.NO.25, ZAHARIA TOWN, BORSAN ROAD, MULTAN	36302-1623385-7	ATTA ULLAH	0.395	-	-	0.395	-	0.116	-	0.511
115	ABDUL ABBASS H-2777, CHOWK NASIR KHAN, MOHALLAH MARVHAA, PESHAWAR			0.343	-	-	0.343	-	0.170	-	0.513
116	FAHAD JAVED 167-G, JOHAR TOWN, LAHORE	35202-1860401-5	SHAJAVED ISHAQ	0.383	-	-	0.383	-	0.118	-	0.501
117	MUHAMMAD KHALID KHAN H.NO.B-2, BABOO MOHAMMAD, SARGODHA,	38403-6445079-7	MUHAMMAD SADIQ	0.401	-	-	0.401	-	0.106	-	0.507
118	MALIK IMRAN GULL H.242/8, MOH. GHARI AWAN STREET MOULVI SABARWALI, HAIFABAD	34301-3659253-1	MALIK GULZAR AHMED	0.494	-	-	0.494	-	0.077	-	0.571

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning of year				Principal Write-off	Markup & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Markup	Other Charges	Total			Un-Debited Markup	Reversal	
119	FAROOQ AZAM ST NO.1, RAITAN WALA,NEW CHANDNI CHOWK,MODEL TOWN, GUJRANWALA	34101-0466470-3	GHULAM MUHAMMAD	0.620	-	-	0.620	0.620	-	0.248	-	0.868
120	ABDUL HAFEZ H-293,ALIYAMA IQBAL COLONY, MEHMOODABAD GATE,NEAR QADRI CHAKKI STORE KARACHI	42301-233424-5	ABDUL RASHEED CHAUDHRY	0.614	-	-	0.614	0.614	-	0.130	-	0.744
121	PARAMOUNT CHEMICAL CORPORATION (PVT) LTD 5TH FLOOR,BHUTTO HOUSE(IIDQ) HOUSE DR ZIA UDDIN AHMED ROAD, KARACHI	MUHAMMAD FAROOQ MUHAMMAD AYUB WALID AD 491-52-062064 MUHAMMAD TARIQ GHAZALA HABIB	LATE MUHAMMAD SHAFI LATE MUHAMMAD SHAFI ALI BAKSH	1.850	-	-	1.850	1.850	-	2.934	-	4.784
122	NATIONAL PLASTIC INDUSTRIES PLOT NO.17-50/20,SYED MUHAMMAD ASLAM ROAD,CHAKIWARA NO. 2, KARACH	MUHAMMAD ASLAM 42101-1689089-3	MUHAMMAD	1.002	0.273	-	1.275	1.002	-	0.423	0.273	1.698
123	GULZAR WEAVING FACTORY LAST STOP DHUDDIWALA GHOSIA ROAD, (LINK ROAD), JARANWALA ROAD, FANSLABAD	HAMAD MATEEN 33100-0628155-7 AWAIS QARNI 33100-0628155-9	GULZAR MUHAMMAD AFZAL GULZAR MUHAMMAD AFZAL	5.000	0.510	-	5.510	-	-	4.620	-	4.620
124	MARS SECURITIES (PVT) LIMITED ROOM 623,KARACHI STOCK EXCHANGE BUILDING, STOCK EXCHANGE ROAD, KARACHI	REHAN HADI 42201-8588650-1 SHAIKH MUHAMMAD RIZWAN 42101-1507504-9 SYED IBBAD-UL-HAQUE 42301-8259034-7	HADIN NASEEM SHEIKH MUHAMMAD NASEEM SYED MAZHAR-UL-HAQUE	6.189	-	-	6.189	3.989	-	4.963	-	8.952

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning of year				Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total		Un-Debited Markup	Reversal	
125	AL-AYESHA ACADEMY/HIGH SCHOOL HABIB ULLAH OFF DAVIS ROAD, LAHORE	MUNAWAR NAVEED PIRZADA 35202-6083572-8	NAVEED ASLAN PIRZADA	5.876	0.282	-	6.158	-	0.583	-	0.583
126	SHAHID CLOTH HOUSE GUDDWARA GALLI NO.1, OPP. PAKISTAN MODEL HOUSE RAIL BAZAR, FAISALABAD	SHAHID PERVAIZ 33100-4533821-1	SH ABDUL CHAFOOR	10.000	-	-	10.000	-	3.258	-	3.258
127	HAMAYUN & CO SHABAN STREET SIALKOT ROAD, GUJRANWALA	HUMAYUN ASHRAF 34101-5198650-7	HAJI MUHAMMAD ASHRAF	1.400	0.130	-	1.530	-	0.801	-	0.801
128	MUHAMMAD SAIED GHANI H.NO 6-E-JAHANGIR ROAD WEST KARACHI	42201-4116719-3	SHAKIL AHMED GHANI	0.354	-	-	0.354	0.354	0.164	-	0.518
129	PARAMOUNT & TRADE INTERNATIONAL 5TH FLOOR BHUTTO HOUSE(PDC) HOUSE,DR.ZIA UDDIN AHMED ROAD, KARACHI	MUHAMMAD FAROOQ	MUHAMMAD SHAFI	-	0.671	-	0.671	-	-	0.671	0.671
130	SACOTEX INDUSTRIES (PVT) LTD SHOP NO.2-M,GROUND FLOOR, M. YASEEN MANSON, G-K/752, BAGH-E-ZEHRA STREET, KHARADAR, KARACHI	MUHAMMAD FAROOQ 42201-4484076-9 MUHAMMAD AMIN 42201-5723660-5 ABDUL AZIZ 42201-9587064-5	MUHAMMAD SIDDIQUE ABDUL AZIZ HAJI ISMAIL	12.012	-	-	12.012	0.550	1.661	-	2.211
131	NOOR ICE FACTORY PLOT NO.107,SECLY-31, USMAN ABAD,	HAJI ALI NAWAZ 42201-6057789-1	SOHRAB KHAN	0.998	-	-	0.998	0.998	0.760	-	1.758
132	WORLD AUTO CENTRE (PVT) LTD 177A, MAIN SHAHRA-E-QUADEN, KARACHI	ABDUL RAUF 423.01-7524004-7 ASHIQ HUSSAIN 423.01-3511825-3 AMIN RAUF	HAJI ABDUL BAHIM MUHAMMAD RANZAN	13.353	-	-	13.353	8.553	6.117	-	14.670

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at begning 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	
133	ABDULLAH & CO R-244,ABID TOWN,GULSHAN-E-IQBAL, BLOCK-2,KARACHI	RUHSANA	ABDULLAH	1,019	-	-	1,019	1,019	-	3,219	-	4,238
134	ANJUM ENTERPRISES STATE VIEW HOUSE,JI CHUNDRIGAR ROAD,KARACHI	ABDUL JABBAR MANGHI 42201-2004328-5	SHAH DINDO MANGHI	2,899	-	-	2,899	2,899	-	3,875	-	6,774
135	MUGHAL HANDICRAFTS 148-MUSSARAT COLONY-A-BLOCK, GULSHAN-E-RAVI, LAHORE	MUHAMMAD TARIQ 35202-4536393-7	TAJ MUHAMMAD	1,500	0,253	-	1,753	-	-	0,973	-	0,973
136	LAIR SUGAR MILLS LTD 16-E BLOCK-CRASHID MINHAS STREET,FECHS, KARACHI	SAJID RAFIQUE MUSTAFA SHAH 42201-6875703-9 MUHAMMAD AHMED 42000-0396378-5 MUSARRAT AHMED 42000-0378706-6 ABDUR RAUF 42201-0893198-7	SYED GHULAM MUSTAFA SHAH MUHAMMAD AMIN MUHAMMAD AHMED MUHAMMAD FAROOQ	32,750	7,250	-	40,000	-	-	10,863	-	10,863
137	FANCY EMPORIUM SHOP NO.1-G DUBAI SHOPPING CENTER, LAHORE	SHEIKH MUSHTAQ AHMED (LATE) 35202-1649480-7 SHEIKH ANJUM MUSHTAQ 35202-2478654-7	SHEIKH MUKHTAR AHMED SHEIKH MUSHTAQ AHMED (LATE)	-	-	-	-	-	-	1,383	-	1,383
138	ROYAL TUBES (PVT) LTD BEHIND SUI POWER STATION, KHURSHID PARK, JIA MUSA SHAHIDRAH, SHEIKHUPURA ROAD, LAHORE	KAMAL SHAKEEL AHMED 35202-5925155-1 BILAL SHAKEEL AHMED 35202-3659961-1	SHAKEEL AHMED SHAIKH SHAKIL AHMED	13,463	1,563	-	15,026	-	-	11,005	1,563	12,568
139	GHULAM SHABIR ABBASI P/O KALHORA STATION,VILLOHER GAULTEH NAUSHERO FEROZE, DISTT. NAWABSHAH	45304-2446655-1	MUHAMMAD BRAHIQY ABBASI	0,301	-	-	0,301	0,301	-	0,378	-	0,679

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning of year				Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total		Un-Debited Markup	Reversal	
140	MAHBOOB ALI 791/112 BALUGH CO-OPERATIVE SOCIETY,BALUCH GARDEN, NISHTER ROAD, KARACHI	52101-4991864-9	RASOOL BAKHSH	0.292	-	-	0.292	0.292	0.411	-	0.703
141	ALLAH DINO KHAKHELI PLOT NO.62,S.NO.94,DEH KANGHAL, T.C. DARYA KHAN MARI, NOWSHERO FEROZE	45304-2444264-9	HAJI SHER MUHAMMAD	0.368	-	-	0.368	0.368	0.328	-	0.696
142	NAWAZ ALI MASTOI MASTOI MOH. ST. NO.03,MITHANJ, TEH. NOSHERO FEROZE	45304-4833316-7	JHANDO KHAN	0.483	-	-	0.483	0.483	0.204	-	0.687
143	TANMUR MALIK H.NO-A-100A1-FALAH HOUSING SOCIETY,SHAH FASAL COLONY, KARACHI	42201-0704578-5	WAJEE MUBBRAIZ	0.472	-	-	0.472	0.472	0.047	-	0.519
144	SYED ZAHID HUSSAIN H.NO.1079/21 MOH-JANDI HAVELI LARHA, TEH. DEPALPUR	35301-9682868-3	SYED NAZIR AHMED SHAH	0.462	-	-	0.462	0.462	0.055	-	0.517
145	NAZIR AHMED H.NO.12972/D WARD NO.1,SHWAIL NAGAR DULLE KHURD,FEROZPUR ROAD, LAHORE	35201-8244273-1	MUHAMMAD HANIF	0.301	-	-	0.301	0.301	0.200	-	0.501
146	MUHAMMAD ANWAR VILL QULI SALAH OFFICE CANTT. CHAPPAR ROAD, SIALKOT	34603-3323171-5	HAJI GHULAM HUSSAIN	0.363	-	-	0.363	0.363	0.153	-	0.516
147	ZUBAIR ENGG WORKS H.NO-A-313,GROUND FLOOR,BLOCK-A NORTH NAZIMABAD, KARACHI	MUHAMMAD ZUBAIR 42101-5661381-7	MUHAMMAD HAMID	0.364	-	-	0.364	0.364	0.158	-	0.522

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at begning 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	
148	MUHAMMAD ASLAM KHARIL SAGAR KALAN,P/O:CHAK CHATTHA, TEH. & DISTT. HAFIZABAD	34301-8502507-1	MUHAMMAD ISMAIL	0.375	-	-	0.375	0.375	-	0.167	-	0.542
149	QASAR JAVED SHOP NO.1,ST.NO.1,SHABNAM COLONY, KOT LAHRIAT, LAHORE	35201-7224455-5	ABDUL HAMEED KHAN	0.445	-	-	0.445	0.445	-	0.106	-	0.551
150	MUHAMMAD AHSAN TARIQ H.NO.107,KOHENLOOR TOWN, MADINA TOWN, FAISALABAD	33100-2022149-1	SHAFIQ TARIQ	0.386	-	-	0.386	0.386	-	0.179	-	0.565
151	QAMAR TUFAIL H.NO.L-259/1,XBR SOCIETY SEC-16-A, BUFFER ZONE,KARACHI	42101-7110765-7	TUFAIL AHMED	0.402	-	-	0.402	0.402	-	0.214	-	0.616
152	KALEEM ULLAH COMMISSION SHOP,VILL THILLAY KALAN,PO NAROWAL, TEHSIL & DISTT. NAROWAL, SIALKOT	34501-0746984-5	NAZR AHMED	0.424	-	-	0.424	0.424	-	0.198	-	0.622
153	MUHAMMAD ABBASS H.NO.D-85,SAHIBZADA ABDUL QAYUM ROAD,UNIVERSITY TOWN, PESHAWAR	17101-0604054-9	AHMAD JAN	0.393	-	-	0.393	0.393	-	0.232	-	0.625
154	KASHIF MAHMOOD 2ND FLOOR HONDA DEFENCE BUILDING, KORANGI ROAD, KARACHI	42301-7191414-3	MUHAMMAD ASLAM	0.444	-	-	0.444	0.444	-	0.201	-	0.645
155	MUHAMMAD KHAN H.NO.2930,SEC.NO.06,MIANWALI COLONY, MANGOPIRE ROAD, KASBA COLONY, KARACHI	42401-1970852-5	HAJI MEHAR KHAN	0.429	-	-	0.429	0.429	-	0.256	-	0.685
156	MUHAMMAD RAFIQ H.NO.10,ST.NO.190,MULTAN ROAD, LAHORE	35202-7523247-3	KHUSHI MUHAMMAD	0.429	-	-	0.429	0.429	-	0.275	-	0.704

S. No.	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning of year				Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total		Un-Debited Markup	Reversal	
157	MUHAMMAD ANIN SIDDIQUI 3F,10/20,1ST FLOOR ASHRAF APARTMENT, NAZIMABAD NO.3, KARACHI	42101-7807935-9	MUHAMMAD SIDDIQUI	0.437	-	-	0.437	0.437	0.286	-	0.723
158	WASI AHMED H.NO.F-260, AREA-F, KORANGI NO. 4, KARACHI	42201-6557703-3	NASEEM AHMED KHAN	0.421	-	-	0.421	0.421	0.309	-	0.730
159	HIRA SHAKOOR H.NO.F-139,DEFENCE VIEW,PHASE-II, DHA, KARACHI	61101-2068369-0	HUNAIN MADINI	0.450	-	-	0.450	0.450	0.299	-	0.749
160	MUHAMMAD RAZA ALVI H.NO.24,5T.NO.G-X,BLOCK, MADINA TOWN, SUSAN ROAD, FAISALABAD	33100-8354064-3	SALAMAT ALI	0.486	-	-	0.486	0.486	0.285	-	0.771
161	RAFIQ AKHTAR FLAT NO.0-314,SUPREME CORNER, BLOCK-18, 3RD FLOOR, KARACHI			0.470	-	-	0.470	0.470	0.313	-	0.783
162	ROZINA NAZ H.NO.550/63,3T.NO.1,QAZI STREET,CHUNG AMER SIDHU, FEROZ PUR ROAD, LAHORE	35202-8802007-2	GHULAM MOHAMMAD	0.478	-	-	0.478	0.478	0.328	-	0.806
163	ZULFIQAR ALI MANSHA BROTHERS,61-D, COMMERCIAL AREA, PUNJAB CO-OPERATIVE HOUSING SOCIETY, LAHORE	35101-1726386-9	MUHAMMAD BOOTA	0.482	-	-	0.482	0.482	0.345	-	0.827
164	MUHAMMAD ABDULLAH H.NO.22,BRIDGE COLONY, JITEFAQ ROAD, KOT LAHPAT, LAHORE	35202-1774536-3	BASHIR ALI	0.485	-	-	0.485	0.485	0.345	-	0.830
165	HAJI NAZEER ENTERPRISES D-115, GULISTAN SOCIETY, QUAIDABAD LINDHI, KARACHI	HAJI NAZEER AHMED BADDI 42501-1400385-1	HAJI GULSHAD KHAN	19.988	-	-	19.988	7.988	8.294	-	16.282

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's/Husband Name	Outstanding Liabilities at beginning of year			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges			Un-Debited Markup	Reversal	
166	A-ONE POLYESTER 287/0-6, 3RD FLOOR, LATEEF CLOTH MARKET, KARACHI	ANJUM SHEHZAD 517-88-22950		6.628	-	-	6.628	6.628	0.738	-	7.366
167	PAK FIBRE INDUSTRIES LTD OFFICE NO.7, SINDH MARKET, M.A. JINNAH ROAD, KARACHI	MAQSOOD Z. HABIB 42201-4468920-9 HAMEED HABIB QAYYUM HABIB 42201-84059766-1 IRFAN HABIB GUL BANO Z. HABIB SHAHIDA H. HABIB ANEELA MAQSOOD 42201-4250697-8	ZAKARIA HABIB HAJI HABIB MAQSOOD HABIB	80.752	-	-	80.752	80.752	88.034	-	168.786
168	EYE GARMENTS 1/A BLOCK-22, F. B. AREA, KARACHI	RAZIA FAZIL 42101-4574950-0	MAJOR.M.FAZAL KHAN	-	-	-	-	-	0.802	-	0.802
169	FAZAL FIBRE (PVT) LTD OFFICE 3RD FLOOR, STATE LIFE BUILDING, NO.2-A, WALLACE ROAD, I.I. CHUNDRIGAR ROAD, KARACHI	MIAN MUNIR AHMED 42301-3865951-9		116.060	-	-	116.060	77.060	378.250	-	455.310
170	SARA IMPEX 1ST FLOOR, 12, DARYALAL STREET, JODIA BAZAR, KARACHI	AMINA BAI 509-91-100341		1.100	-	-	1.100	1.100	0.143	-	1.243
171	SYED SAYED HUSSAIN RIZVI C/O HBL NAZIMABAD, KARACHI	502-59-276447	SYED RACIB HUSSAIN RIZVI	0.393	0.139	-	0.532	0.393	0.149	0.139	0.681
172	LATIF PAPER MART VENUS MARKET, KABIR STREET, URDU BAZAR, LAHORE	SHAHID LATIF 35202-2873927-7	MUHAMMAD LATIF	3.998	0.523	-	4.521	-	1.148	-	1.148

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at bginning 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	
173	HAJI QASIM JAN 9-B,CHAMMAN HOUSING SCHEME, CHAMMAN ROAD, QUETTA	601-42-115860	HAJI SAHIB JAN	3,550	4,023	-	7,573	-	-	38,954	1,073	40,027
174	IBRAHIM WOOD WORKS KOT ABDUL RASHEED KHAN AWAN, QILA DIDAR SINGH, GUJRANWALA	MUHAMMAD IBRAHIM KHAN	GHAZI MUHAMMAD KHAN	0.638	0.071	-	0.709	0.638	-	0.534	0.071	1.243
175	AL-MADINA ELECTRONIC STORE H.NO.384,CHUTTANI MUHALLAH, DAHARKI, TALUKA,DAHARKI	ANWAR ALI 45101-0630296-5	GAYAS UDDIN	1,563	0.194	-	1,757	-	-	0.675	-	0.675
176	ALI RAZA SILK CENTRE HASIL SHOPPING CENTRE,DAHARKI	ALI AHMED 413-77-106055	MUHAMMAD RAMZAN ARAIN	0.677	-	-	0.677	0.677	-	1,010	-	1,687
177	GHULAM AHMED SHOP NO.6,UMER MANZIL,BLOCK-2, HUSSAINABAD, F. B. AREA, KARACHI	42201-0568753-3	MUHAMMAD KAMIL	0.375	-	-	0.375	0.375	-	0.312	-	0.687
178	UNION INDUSTRIES (PVT) LTD PLOT NO.B-45 & B-46, ESTATE AVENUE S.I.T.E., KARACHI	JAVED HABIB 42301-1176752-3 MIRZA KAMRAN ALI KHAN 42301-1791682-5	ABDUL HABIB AHMED ZULFIQAR ALI KHAN	194,967	-	-	194,967	165,951	-	86,291	-	252,242
179	AKBER JAWAID KHAN PLOT NO.121,BLOCK-C, BHITTAI COLONY, KORANGI CREEK, KARACHI	42101-0417268-7	AKRAM JAWAID KHAN	0.326	-	-	0.326	0.326	-	0.223	-	0.549
180	AJIAZ KASIM ALI PLOT NO.97,SADAT COLONY,PHASE-II, MIRPUR KHAS.	501-85-280923	KASIM ALI ALLAN	0.645	-	-	0.645	0.645	-	0.228	-	0.873
181	SINDH LUXURY COACH SERVICES HOUSE NO.4,BLOCK NO.4, SATELITE TOWN, MIRPURKHAS	RAMESH KUMAR 44103-5637923-7	DEWAN	2,095	-	-	2,095	-	-	2,680	-	2,680

S. No. Co. Code	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with CNIC No.)	Father's /Husband Name	Outstanding Liabilities at bgnning of year			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges			Un-Debited Markup	Reversal	
182	YASIR IQBAL 84,NEW ANARKALI LAHORE	35202-9349918-3	SH MUHAMMAD IQBAL	0.356	-	-	0.356	-	0.200	-	0.556
183	KHURRAM AHASSAN MANZILIST FLOOR PLOT, NOR-U-S/720,RANCHOR LINE JAMILA STREET, KARACHI	42301-6144232-1	AHSAN ALI	0.450	-	-	0.450	-	0.275	-	0.725
184	WAQAS JAVED H.NO.5-A,ST.22,TAJ MAHAL STREET, MOH. SHAHDAB COLONY, TEMPLE ROAD, LAHORE	35202-6115461-9	MUHAMMAD JAVED MIAN	0.456	-	-	0.456	-	0.243	-	0.699
185	NADEEM LATIF H.NO.16,MOULA BAKHSH ROAD, KANAK HANOI,HOZANG LAHORE			0.806	-	-	0.806	-	0.315	-	1.121
186	MUHAMMAD RIAZ H.NO.136,USMAN STREET GULSHAN COLONY,WALTON ROAD,LAHORE	35201-0506819-9	MUHAMMAD JEHANGIR KHOKHAR	0.416	-	-	0.416	-	0.230	-	0.646
187	AWAIS ALAM OFFICE NO.11,GULISTAN SHOPPING HALL,GULISTAN COLONY, FAISALABAD	33301-3235340-3	CH.SARFARAZ AHMED	0.479	-	-	0.479	-	0.213	-	0.692
188	MUHAMMAD NAVEED H.NO.269B,LOCK-3-D-1, GREEN TOWN, LAHORE			0.276	-	-	0.276	-	0.312	-	0.588
189	MUHAMMAD NAVEED BALI TANG, TTH & DISTT. KOHAT			0.294	-	-	0.294	-	0.299	-	0.593
190	MORCAH VALLEY (PVT) LTD 4-PARK VIEW,P.O.BOX.207, Faisalabad	ABDUL JABBAR KHAN 37405-1110814-5 AIR MARSHAL(RTD),A.RAHIM KHAN 210-25-443971 BEGUM A. RAHIM KHAN BEGUM FIRDOUS JABBAR KHAN SATTAR AZIM MAJ GEN(R) KHADIM HUSSAIN RAZA NASIR JABBAR KHAN 37405-7172688-9	KARAM BUX KHAN RISALDAR MAJ,KARMA BUX A. RAHIM KHAN ABDUL JABBAR KHAN ABDUL JABBAR KHAN	0.500	1.553	-	2.053	0.500	1.403	1.553	3.456
				1,449,452	198,704	-	1,648,156	617,844	1,287,387	118,894	2,024,125

Details of Disposal of Operating Fixed Assets Unconsolidated For the year ended December 31, 2014

ANNEXURE-III

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
------(Rupees in '000)-----						
FURNITURE & FIXTURES						
	1,241	1,241	-	54	Sale	NCR
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,952	1,952	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,937	1,937	-	54	Sale	
	1,241	1,241	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	1,317	1,317	-	54	Sale	
	7,034	7,034	-	5	Sale	A. Q. Enterprises
	7,034	7,034	-	7	Sale	
	7,034	7,034	-	7	Sale	
	7,034	7,034	-	7	Sale	
	7,034	7,034	-	7	Sale	
	2,063	2,063	-	4	Sale	Lucky Ali
	62,042	62,042	-	1,009		
LAND & BUILDING						
	40,750	1,477	39,273	30,000	Sale	Mr. Zia ur Rehman
	11,004	365	10,639	6,000	Sale	Mr. Wasim Malik
	11,281	82	11,199	20,000	Negotiation	Ms. Parveen Qasim & Mr. Shahzeb Ibrahim
	63,035	1,924	61,111	56,000		
MOTOR VEHICLES						
	1,060	1,060	-	575	Auction	Mr. Amirullah
	1,080	1,080	-	605	Auction	Mr. Saqib Nawaz
	1,238	1,238	-	690	Auction	Mr. Shahjahan
	1,080	1,080	-	705	Auction	Mr. Kashif Khan
	1,080	1,080	-	655	Auction	Mr. M.Atif Essani
	1,080	1,080	-	630	Auction	
	1,250	1,131	119	830	Auction	Mr. Athar Shafique
	2,320	1,645	675	1,354	Tender	Matrix Car Co.
	2,259	2,259	-	172	Auction	Mr. Timothy Ingonga
	1,590	1,590	-	397	Auction	Mr. George Muiruri
	3,293	3,293	-	476	Auction	Mr. James Naipei
	2,734	2,733	-	1,390	Auction	Ms. Lumbini Aluwihare
	1,491	1,491	-	432	Auction	Mr. Said Nawaz
	1,784	1,784	-	358	Auction	Mr. Fazal Ur Rehman
	23,339	22,544	794	9,269		
Assets having cost of less than Rs. 1 million and book value of less than Rs. 250,000	636,610	633,630	2,981	23,159		
	785,026	720,140	64,886	89,437		

DETAILS OF DONATIONS IN EXCESS OF RS. 100,000

For the year ended December 31, 2014

ANNEXURE - IV

	2014 (Rupees in `000)	2013
HBL Foundation	305,064	252,387
Flood Relief Funds	13,037	-
University of Karachi	10,800	-
Kidz Dunya Ventures (Pvt.) Ltd.	8,250	-
HBL Officers Welfare Association	5,761	-
Patient Behbud Society-AKUH	5,000	5,000
Oxford University Press	5,000	-
Indus Valley School of Art & Architecture	3,083	-
Pakistan Veterans Cricket Association	1,780	-
Sind Club	1,600	700
Old Ravians Union-GC University, Lahore	1,500	500
Lahore University of Management Sciences	1,270	318
GC University-Lahore	1,158	-
Third World Solidarity	1,000	-
National Academy of Performing Arts	1,000	200
Naya Jevan	1,000	-
New World Concepts	1,000	-
Pakistan Guarantee Export Corporation Limited	1,000	-
Dawn Media Group	800	-
Shaheed Zulfikar Ali Bhutto Institute of Science and Technology(SZABIST)	800	-
Canvas Gallery	645	-
Institute of Chartered Accountants of Pakistan	600	250
Floral Art Society of Pakistan	600	-
Rotary Club of Lahore Model Town	600	-
Subh-e-Nau	500	500
International Islamic University, Islamabad	500	400
Publicity Channel	500	200
Idara-e-Taleem-o-Aagahi	500	-
Malik Auto & Agricultural Ind. (Pvt) Ltd.	500	-
Tariq A. Qaiser	500	-
Entertainment Xtra	450	400
The Citizens Foundation	425	-
All Pakistan Music Conference	400	-
Karachi Chamber of Commerce	350	250
Pakistan Hindu Council	350	-
Football Championship - Pakistan Rangers	300	-
CAS Veterans Golf Championship-2014	300	-
Siddiqsons Limited	300	-
The Cardiovascular Foundation	300	-
Zoomin Communications	300	-
Arts Council Institute of Arts & Crafts	250	-
Pakistan Education Foundation	250	-
Port Grand Limited	250	-

	2014	2013
	(Rupees in `000)	
Sindh Volley Ball Association, Karachi	220	-
Ripah International University	200	-
Jinnah Postgraduate Medical Centre	200	-
Cancer Foundation Pakistan Trust	200	-
Karachi Eat Food Festival	200	-
Sindh Sumo Festival	200	-
His Highness Aga Khan Ismaili Charitable Trust	150	-
M/s. Say & See	150	150
DA Creek Vista Community Centre	125	-
Mehran University of Engg. & Technology, Jamshoro	125	-
Souvenir Markhour	102	-
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
Omni Racing Team Pakistan	-	600
Ministry of Foreign Affairs, Islamabad	-	550
HQ FCNA	-	500
Youth Impact	-	500
Karachi Conference Foundation	-	500
Akhuwat	-	500
Aga Khan Hospital & Medical College Foundation	-	500
NAB Sindh	-	450
All Pakistan Memon Federation	-	400
Pakistan Bridge Federation	-	400
Zahid Hussain Cricket Ground	-	300
Karwan-e-Hayat	-	300
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
Layton Rahmatulla Benevolent Trust	-	200
National Forum for Environment & Health	-	200
South Asian Academy of Motion Picture and Television	-	200
Cutchi Memon Students Federation	-	105
Karachi Boat Club	-	250
	381,444	284,377

Shariah Advisors Report

ANNEXURE - V

"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 Hazarat 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 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 determine the compliance of the operations of Islamic banking of HBL for the year ended 31 December 2014. We have reviewed transactions and processes to determine that they are compatible to the principles of Islamic Shariah and also fatwas, specific guidelines issued by the Bank's Shariah Advisor and by the State Bank of Pakistan (SBP). Our review includes 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 carried out our review in order to obtain 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 our opinion

1. The operations during the year 2014 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. 1,035,256/- 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 06, 2015

1 FINANCIAL POSITION OF ISLAMIC BANKING BUSINESS

The Statement of the financial position of the Islamic Banking Business as at December 31, 2014 are as follows:

	Note	2014 (Rupees in '000)	2013
1.1 ASSETS			
Cash and balances with treasury banks		3,026,837	1,811,029
Balances with other banks		35	2,000,035
Due from financial institutions		55,081,889	17,200,000
Investments	1.2	33,752,058	21,826,042
Islamic financing and related assets	1.3	10,539,537	7,285,755
Due from Head Office		12,984,581	-
Other assets		1,103,532	1,123,239
		<u>116,488,469</u>	<u>51,246,100</u>
LIABILITIES AND REDEEMABLE CAPITAL			
Bills payable		2,400	785
Due to financial institutions		75,161	179,000
Deposit and other accounts - Current		19,979,500	4,965,607
Due to Head Office		-	1,343,997
Deferred tax liability		133,044	46,754
Other liabilities		843,034	520,208
		<u>21,033,139</u>	<u>7,056,351</u>
Redeemable Capital	1.4	93,152,763	43,031,607
		<u>114,185,902</u>	<u>50,087,958</u>
NET ASSETS		<u>2,302,567</u>	<u>1,158,142</u>
REPRESENTED BY			
Islamic Banking Fund		250,000	250,000
Unappropriated profit		1,805,485	821,313
		<u>2,055,485</u>	<u>1,071,313</u>
Surplus on revaluation of investments - net of deferred tax		247,082	86,829
		<u>2,302,567</u>	<u>1,158,142</u>

The commitments in respect of financial guarantees and letter of credit of Islamic Banking business amounting to Rs. 87.066 million (2013 : Rs. 66.970 million) and Rs. 69.783 million (2013 : Rs. 409.383 million).

1.2 This Include GoP Ijarah Sukuk Rs. 26,159.271 million (2013: Rs. 18,085.054 million).

		2014 (Rupees in '000)	2013
1.3 Islamic financing and related assets - net			
Murabaha	1.5	91,835	641,727
Ijarah	1.6	785,934	197,388
Musharaka		4,914,056	3,881,438
Istisnah Financing		133,116	858,472
Advance for Murabaha		168,265	909,307
Advance for Ijarah		50,000	161,514
Advance for Musharaka		2,241,685	108,205
Istisnah		836,853	527,704
Assets/Inventories		1,427,682	-
Provision against financings		(109,889)	-
		<u>10,539,537</u>	<u>7,285,755</u>

1.4 Redeemable Capital

Customers

Saving Accounts

Term Deposits

Financial institution

Saving Accounts

Term Deposits

1.4.1 Particulars of deposits

In local currency

In foreign currency

1.5 This represents assets sold under Murabaha agreement.

1.6 This represents fixed assets given to customer under Ijarah agreement.

2 PROFIT AND LOSS ACCOUNT OF ISLAMIC BANKING BUSINESS

Profit earned

Profit expensed

Net profit earned

Depreciation on assets given on Ijarah

Reversal against diminution in value of investments

Net profit after depreciation and provisions

Other income

Fee, commission and brokerage income

Rent on Lockers

Income from dealing in foreign currencies

Others

Total other income

Other expenses

Administrative expenses

Net Profit for the year

3 Charity Fund

Opening balance

Additions during the year

Payments/Utilization

Closing balance

4 Remuneration to Shariah Advisor/Board

2014 2013
(Rupees in '000)

46,325,718	22,675,944
24,538,054	12,899,973
70,863,772	35,575,917

18,199,530	6,300,345
4,089,461	1,155,345
22,288,991	7,455,690
93,152,763	43,031,607

89,874,348	42,508,574
3,278,415	523,033
93,152,763	43,031,607

2014 2013
(Rupees in '000)

5,123,730	3,017,558
2,943,360	2,032,707
2,180,370	984,851

264,974	90,323
(10,578)	(7,044)
254,396	83,279
1,925,974	901,572

61,636	30,148
4,382	5,547
4,573	9,619
28,475	26,380
99,066	71,694
2,025,040	973,266

510,931	416,686
1,514,109	556,580

4,039	1,844
1,035	4,022
(4,042)	(1,827)
1,032	4,039

1,919	2,245
-------	-------

- 5 Mudarib's share in profit is 30% (2013: 30%) and amounts to Rs. 1,180.99 million (2013: Rs. 614.56million) after netting of Hiba to depositors from Mudarib's share amounting to Rs. 25.866 million (2013: Rs. 159.06 million).
- 6 Minimum weightages for profit allocation was 0.0662 (2013: 0.0590) and minimum profit rate was 4.25% (2013: 4.50%), Maximum weightages for profit allocation was 0.1286 (2013: 0.1083) and maximum profit rate was 8.25% (2013: 8.25%).
- 7 Following are the types and nature of pools maintained by Islamic Banking Business alongwith their key features :

General Pool PKR (Mudaraba)

Generally the deposits parked 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 (Mudaraba)

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.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. The weightages are also declared separately.

IERS Pool PKR (Musharaka)

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

- 8 The following are the parameters used for profit distribution in pool :
 - Administrative and operating expenses are paid by the Mudarib and not charged to pool except for salaries and allowances to the extent of branch staff.
 - It is the practice of the Bank that the Bank first charge the profit of on equity allocated to pool and then charge the Mudarib fee before distribution of profit among depositors.
 - It is the practice of the Bank to give the priority to depositors funds for placement of funds in investing activities.
 - Provisions for non performing accounts and provisions on impairment (if any) is borne by Mudarib. However, write off of non performing accounts (if any) has been charged to respective pool.
 - Income generated from non - financing activities are not be considered income of the pool.
 - 2% profit Equalization Reserve charged for the year
- 9 Average profit rates earned on the earning assets of Islamic Banking Business during the year is 9.67% (2013: 9.97%) as compared to profit of 5.24% (2013: 6.06%) distributed to the depositors.

10 Segmentation of economic sectors where Mudaraba based deposits are deployed

	Note	2014 (Rupees in '000)	2013
Chemical and Pharmaceuticals		219,843	55,007
Textile		32,052	1,436,481
Cement		1,501,818	1,418,922
Sugar		8,873	-
Financial		2,510,303	7,038,593
Oil and Gas		-	1,015,460
Power & Energy		4,672,402	1,700,000
Education & Medical		9,503	6,104
Telecommunication		-	6,540
Printing & Publishing		4,716	-
Food, tobacco and beverages		41,081,345	1,428,572
Public / Government	10.1	22,893,902	20,807,832
Individual		29,754	-
Ports and shipping		1,499,365	1,059,418
Others		2,229,124	1,561,156
		76,693,000	37,534,085

10.1 This represents investments in Government of Pakistan (GoP) Sukuk.

11 Average current accounts during year was Rs. 8,120.61 million (2013: Rs.3,823.89 million) and income generated from current accounts was Rs. 785.26 million (2013: 381.24 million).

12 Funds Classification for Financing

Bank and Unrestricted Investments / PLS Deposits Jointly

	2014	2013
	Rupees in '000	
On Financing Activities		
- Customers	10,048,588	6,380,331
- Financial Institutions	490,949	905,424
	<u>10,539,537</u>	<u>7,285,755</u>
On Investments		
- Available for Sale	29,608,410	18,915,457
- Held for Maturity	4,143,648	2,910,585
	<u>33,752,058</u>	<u>21,826,042</u>
On deposits with financial institutions	55,081,924	19,200,035
	<u>99,373,519</u>	<u>48,311,832</u>

13 Profit / Return earned on Financings, Investments and Placements

Bank and Unrestricted Investments / PLS Deposits Jointly

On Financing Activities		
- Customers	706,525	358,479
- Financial Institutions	34,519	50,871
	<u>741,044</u>	<u>409,350</u>
On Investments		
- Available for Sale	2,270,492	1,949,003
- Held for Maturity	317,751	299,899
	<u>2,588,243</u>	<u>2,248,902</u>
On deposits with financial institutions	1,671,194	281,459
	<u>5,000,481</u>	<u>2,939,711</u>

14 Administrative Expenses

Bank and Unrestricted Investments / PLS Deposits Jointly

Salaries, allowances, etc.	208,245	-
Others	-	-
	<u>208,245</u>	<u>-</u>

CAPITAL ADEQUACY DISCLOSURE - UNCONSOLIDATED

For the year ended December 31, 2014

ANNEXURE VI

1.1 Capital structure

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

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital		14,668,525	13,335,023
Balance in Share Premium Account		-	-
Reserve for issue of Bonus Shares		-	-
Discount on Issue of shares		-	-
General/ Statutory Reserves		29,416,828	26,305,576
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		81,707,742	67,435,578
Non-controlling interest arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		-	-
CET 1 before Regulatory Adjustments		125,793,095	107,076,177
Total regulatory adjustments applied to CET1	1.2.1	8,375,111	8,540,820
Common Equity Tier 1		117,417,984	98,535,357
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		-	-
Total of Regulatory Adjustment applied to AT1 capital	1.2.2	-	-
Additional Tier 1 capital after regulatory adjustments		-	-
Additional Tier 1 capital recognized for capital adequacy		-	-
Tier 1 Capital (CET1 + admissible AT1)		117,417,984	98,535,357
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		-	-
Tier 2 capital instruments issued to third parties 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		2,406,203	1,859,703
Revaluation Reserves (net of taxes)		-	-
of which: Revaluation reserves on fixed assets		5,279,972	4,288,444
of which: Unrealized gains/losses on AFS		6,360,437	(228,708)
		11,640,409	4,059,736
Foreign Exchange Translation Reserves		11,288,105	13,191,195
Undisclosed/Other Reserves (if any)		-	-
Tier 2 before regulatory adjustments		25,334,717	19,110,634
Total regulatory adjustment applied to T2 capital	1.2.3	6,788,796	7,403,868
Tier 2 capital recognized for capital adequacy		18,545,921	11,706,766
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy		18,545,921	11,706,766
TOTAL CAPITAL (Tier 1 + admissible Tier 2)		135,963,905	110,242,123
Total Risk Weighted Assets		900,831,426	770,086,908
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA		13.03%	12.80%
Tier-1 capital to total RWA		13.03%	12.80%
Total capital to RWA		15.09%	14.32%
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)		-	-
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		5.50%	5.00%
Tier 1 minimum ratio		7.00%	6.50%
Total capital minimum ratio		10.00%	10.00%

1.2 Regulatory Adjustments and Additional Information

1.2.1 Common Equity Tier 1 capital: Regulatory adjustments

	2014		2013	
	Basel III Transit	Pre-Basel III treatment	Basel III Transit	Pre-Basel III treatment
	(Rupees in '000)			
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	846,605	-	811,628	-
Shortfall in provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	46,521	-	325,324	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares/CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of fixed assets/AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold	-	-	-	-
of which: significant investments in the common stocks of financial entities	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP (mention details)	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	7,481,985	-	7,403,868	-
Total regulatory adjustments applied to CET1	8,375,111	-	8,540,820	-

1.2.2 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 of banking, financial and insurance entities	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on Pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier-1 capital	-	-	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustment applied to AT1 capital	-	-	-	-

1.2.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on Pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	5,522,869	-	7,403,868	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
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	1,265,927	-	-	-
Total regulatory adjustment applied to T2 capital	6,788,796	-	7,403,868	-

1.2.4 Additional Information

Risk Weighted Assets subject to Pre-Basel III treatment

Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)

of which: deferred tax assets	900,831,426	770,086,908
of which: Defined-benefit pension fund net assets	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
of which: 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	-	-

Amounts below the thresholds for deduction (before risk weighting)

Non-significant investments in the capital of other financial entities	4,565,971	1,314,335
Significant investments in the common stock of financial entities	10,350,631	14,692,632
Deferred tax assets arising from temporary differences (net of related tax liability)	-	5,550,304

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)	2,406,203	1,859,703
Cap on inclusion of provisions in Tier 2 under standardized approach	7,464,589	7,069,220
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	-	-

2014
(Rupees in '000)

2013

1.3 Capital structure reconciliation

Assets

	As per published financial statements (Rupees in '000)	Under regulatory scope of consolidation
Cash and balances with treasury banks	122,271,268	122,271,268
Balances with other banks	53,025,792	53,025,792
Lendings to financial institutions	34,313,560	34,313,560
Investments	897,573,967	895,568,330
Advances	555,394,512	557,800,715
Operating fixed assets	24,874,238	24,027,633
Deferred tax asset	-	-
Other assets	81,742,917	81,742,917
Total assets	1,769,196,254	1,768,750,215

Liabilities & Equity

Bills payable	21,955,683	21,955,683
Borrowings	99,630,517	99,630,517
Deposits and other accounts	1,447,215,445	1,447,215,445
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	1,850,325	1,850,325
Other liabilities	40,676,639	40,676,639
Total liabilities	1,611,328,609	1,611,328,609
Share capital	14,668,525	14,668,525
Reserves	40,704,933	40,704,933
Unappropriated profit	81,707,742	81,261,703
Surplus on revaluation of assets	20,786,445	20,786,445
Total liabilities & equity	1,769,196,254	1,768,750,215

1.3.1 Detail of capital structure reconciliation

	As per published financial statements (Rupees in '000)	Under regulatory scope of consolidation	Reference
Assets			
Cash and balances with treasury banks	122,271,268	122,271,268	
Balances with other banks	53,025,792	53,025,792	
Lendings to financial institutions	34,313,560	34,313,560	
Investments	897,573,967	895,568,330	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	1,959,116	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	46,521	d
<i>of which: investment in own shares</i>	-	-	e
Advances	555,394,512	557,800,715	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	-	2,406,203	g
Operating fixed assets	24,874,238	24,027,633	
<i>of which: Goodwill</i>	-	-	
<i>of which: Intangibles</i>	-	846,605	
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	81,742,917	81,742,917	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	-	-	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	1,769,196,254	1,768,750,215	
Liabilities & Equity			
Bills payable	21,955,683	21,955,683	
Borrowings	99,630,517	99,630,517	
Deposits and other accounts	1,447,215,445	1,447,215,445	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,850,325	1,850,325	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	40,676,639	40,676,639	
Total liabilities	1,611,328,609	1,611,328,609	

	As per published financial statements (Rupees in '000)	Under regulatory scope of consolidation	Reference
Share capital	14,668,525	14,668,525	
<i>of which: amount eligible for CET1</i>	-	14,668,525	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	40,704,933	40,704,933	
<i>of which: portion eligible for inclusion in CET1</i>	-	29,416,828	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	11,288,105	v
Unappropriated profit	81,707,742	81,261,703	w
Non-controlling interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	20,786,445	20,786,445	
<i>of which: Revaluation reserves on Property</i>	-	9,428,522	
<i>of which: Unrealized Gains/Losses on AFS</i>	-	11,357,923	aa
Total liabilities & Equity	1,769,196,254	1,768,750,215	

1.3.2 Component of capital reported by the Group

	Rupees in '000	Source based on reference number
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital	14,668,525	
Balance in Share Premium Account	-	(s)
Reserve for issue of Bonus Shares	-	
General/Statutory Reserves	29,416,828	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	81,707,742	(w)
Non-controlling interest	-	(x)
CET 1 before Regulatory Adjustments	125,793,095	
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill	-	(j) - (o)
All other intangibles	846,605	(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	46,521	(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	7,481,985	
Total regulatory adjustments applied to CET1	8,375,111	
Common Equity Tier 1	117,417,984	
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	-	

	Rupees in '000	Source based on reference number
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)	117,417,984	
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	2,406,203	(g)
Revaluation Reserves eligible for Tier 2		
of which: portion pertaining to Property	5,279,972	
of which: portion pertaining to AFS securities	6,360,437	portion of (aa)
	11,640,409	
Foreign Exchange Translation Reserves	11,288,105	(v)
Undisclosed/Other Reserves (if any)	-	
Tier 2 before regulatory adjustments	25,334,717	
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	5,522,869	
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	1,265,927	(af)
Amount of Regulatory Adjustment applied to Tier 2 capital	6,788,796	
Tier 2 capital	18,545,921	
Tier 2 capital recognized for capital adequacy	18,545,921	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	18,545,921	
TOTAL CAPITAL (Tier 1 + admissible Tier 2)	135,963,905	

1.4 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)	14,668,525
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
Non-compliant transitioned features	Not applicable
If yes, specify non-compliant features	Not applicable

Pattern of Shareholdings

As at December 31, 2014

No. of shareholders	Shareholding			Shares Held	Percentage
	From		To		
20169	1	to	100	529,681	0.0361
75282	101	to	500	16,367,055	1.1158
2675	501	to	1,000	1,919,854	0.1309
2084	1,001	to	5,000	3,740,901	0.2550
189	5,001	to	10,000	1,367,049	0.0932
66	10,001	to	15,000	817,302	0.0557
44	15,001	to	20,000	782,637	0.0534
26	20,001	to	25,000	582,839	0.0397
21	25,001	to	30,000	576,950	0.0393
12	30,001	to	35,000	399,250	0.0272
10	35,001	to	40,000	375,219	0.0256
8	40,001	to	45,000	340,541	0.0232
8	45,001	to	50,000	388,802	0.0265
2	50,001	to	55,000	105,270	0.0072
4	55,001	to	60,000	225,835	0.0154
9	60,001	to	65,000	567,328	0.0387
4	65,001	to	70,000	267,521	0.0182
1	70,001	to	75,000	72,436	0.0049
3	75,001	to	80,000	232,785	0.0159
4	80,001	to	85,000	329,820	0.0225
3	85,001	to	90,000	261,191	0.0178
3	90,001	to	95,000	278,192	0.0190
7	95,001	to	100,000	688,227	0.0469
2	100,001	to	105,000	202,100	0.0138
2	105,001	to	110,000	220,000	0.0150
2	110,001	to	115,000	226,212	0.0154
1	115,001	to	120,000	119,680	0.0082
1	120,001	to	125,000	124,010	0.0085
2	125,001	to	130,000	253,900	0.0173
1	130,001	to	135,000	134,000	0.0091
1	135,001	to	140,000	137,177	0.0094
3	140,001	to	145,000	425,200	0.0290
3	150,001	to	155,000	461,685	0.0315
1	160,001	to	165,000	160,500	0.0109
2	165,001	to	170,000	334,197	0.0228
1	175,001	to	180,000	180,000	0.0123
1	180,001	to	185,000	185,000	0.0126
1	195,001	to	200,000	200,000	0.0136
1	200,001	to	205,000	203,330	0.0139
1	205,001	to	210,000	209,000	0.0142
2	220,001	to	225,000	445,588	0.0304
1	225,001	to	230,000	230,000	0.0157
1	230,001	to	235,000	233,052	0.0159
1	260,001	to	265,000	262,000	0.0179
1	265,001	to	270,000	265,733	0.0181
2	270,001	to	275,000	549,600	0.0375
1	290,001	to	295,000	293,048	0.0200
1	295,001	to	300,000	295,943	0.0202
1	340,001	to	345,000	342,600	0.0234
2	345,001	to	350,000	695,214	0.0474
1	350,001	to	355,000	352,700	0.0240
1	360,001	to	365,000	361,340	0.0246

No. of shareholders	Shareholding		Shares Held		Percentage
1	390,001	to	395,000	390,817	0.0266
1	410,001	to	415,000	411,300	0.0280
1	415,001	to	420,000	417,600	0.0285
2	520,001	to	525,000	1,040,466	0.0709
1	555,001	to	560,000	557,400	0.0380
1	565,001	to	570,000	566,200	0.0386
1	575,001	to	580,000	576,847	0.0393
1	600,001	to	605,000	605,000	0.0412
1	635,001	to	640,000	635,496	0.0433
1	640,001	to	645,000	640,319	0.0437
1	670,001	to	675,000	674,300	0.0460
1	740,001	to	745,000	741,100	0.0505
1	895,001	to	900,000	900,000	0.0614
1	965,001	to	970,000	967,869	0.0660
1	980,001	to	985,000	981,000	0.0669
1	990,001	to	995,000	993,414	0.0677
1	1,040,001	to	1,045,000	1,044,121	0.0712
1	1,065,001	to	1,070,000	1,065,319	0.0726
1	1,105,001	to	1,110,000	1,110,000	0.0757
1	1,290,001	to	1,295,000	1,294,700	0.0883
1	1,395,001	to	1,400,000	1,396,116	0.0952
1	1,590,001	to	1,595,000	1,592,508	0.1086
1	1,720,001	to	1,725,000	1,720,330	0.1173
1	1,730,001	to	1,735,000	1,733,377	0.1182
1	1,775,001	to	1,780,000	1,775,995	0.1211
1	2,250,001	to	2,255,000	2,255,000	0.1537
1	2,685,001	to	2,690,000	2,685,950	0.1831
1	3,180,001	to	3,185,000	3,182,999	0.2170
1	3,595,001	to	3,600,000	3,595,800	0.2451
1	3,820,001	to	3,825,000	3,822,500	0.2606
1	13,750,001	to	13,755,000	13,750,541	0.9374
1	30,745,001	to	30,750,000	30,747,258	2.0961
1	595,566,594	to	595,566,594	595,566,594	40.6017
1	748,094,778	to	748,094,778	748,094,778	51.0000
100,710				1,466,852,508	100.0000

Shares Trading (Purchase / Sale) during the Year 2014

HBL - CEO, Director & Executives

S.No.	Name of shareholder	No. of Shares	Purchase / Sale
1	Nauman K. Dar President & Chief Executive Officer	373,800	Purchase
2	Najeeb Samie Director	18,500	Purchase

HBL - Executives / Employees

S.No.	Name of shareholder	No. of Shares	Purchase / Sale
1	Aman Aziz Siddiqui	10,000	Purchase
2	Maya Inayat Ismail	25,000	Purchase
3	Syed Shahid Mansoor	2,900	Sale

Category of Shareholding

As at December 31, 2014

Particulars	Shareholders	Shareholding	Percentage
Associated Companies, undertakings and related parties			
Jubilee General Insurance Company Limited	1	1,396,116	0.0952
HBL Stock Fund	1	1,733,377	0.1182
Jubilee Life Insurance Company Limited	1	2,685,950	0.1831
HBL Multi Asset Fund	1	295,943	0.0202
HBL Employees Pensions Fund Trust	1	2,255,000	0.1537
HBL Employees Gratuity Fund Trust	1	605,000	0.0412
Habib Bank Limited Employees Provident Fund	1	3,822,500	0.2606
The Aga Khan University Foundation	1	635,496	0.0433
Directors and their spouse(s) and minor children			
Nauman K. Dar C.E.O	1	1,065,319	0.0726
R. Zakir Mahmood Director	1	345,214	0.0235
Najeeb Samie Director	1	18,500	0.0013
Executives / Employees	508	667,061	0.0455
Public Sector Companies and Corporations	6	5,924,659	0.4039
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	34	5,377,797	0.3666
Mutual Funds			
JS Large Capital Fund	1	225,000	0.0153
PAK Strategic Allocation Fund	1	200	0.0000
Atlas Stock Market Fund	1	100,000	0.0068
Alfalalah GHP Value Fund	1	57,700	0.0039
AKD Index Tracker Fund	1	33,583	0.0023
JS KSE-30 Index Fund	1	5,990	0.0004
UBL Stock Advantage Fund	1	741,100	0.0505
APF-Equity Sub Fund	1	20,000	0.0014
JS Growth Fund	1	674,300	0.0460
KASB Asset Allocation Fund	1	38,860	0.0026
IGI Stock Fund	1	262,000	0.0179
Alfalalah GHP Alpha Fund	1	154,700	0.0105
NIT-Equity Market Opportunity Fund	1	1,775,995	0.1211
First Habib Stock Fund	1	12,000	0.0008
Crosby Dragon Fund	1	22,900	0.0016
NAFA Asset Allocation Fund	1	96,000	0.0065
Askari Equity Fund	1	48,500	0.0033
PIML Strategic Multi Asset Fund	1	7,000	0.0005
First Capital Mutual Fund	1	44,900	0.0031
National Investment (unit) Trust	1	576,847	0.0393
General Public			
Local	99,913	31,405,366	2.1410
Foreign	9	6,476	0.0004
Others	169	34,768,214	2.3703
Government of Pakistan	2	13,754,543	0.9377
Foreign Companies	36	11,531,030	0.7861
Shareholders holding five percent or more voting rights			
Aga Khan Fund for Economic Development	1	748,094,778	51.0000
State Bank of Pakistan	1	595,566,594	40.6017
	100,710	1,466,852,508	100.0000

Notice of Annual General Meeting

Notice is hereby given that the 73rd Annual General Meeting of Habib Bank Limited will be held on Friday, March 27, 2015 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, 2014, 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 authorise the Directors to fix their remuneration, provided that, the increase in such remuneration shall not exceed 7.5% of the remuneration for statutory audit/certification paid or payable for the year 2014. In addition any Federal or Provincial taxes and reimbursements of out of pocket expenses will be paid at actuals. 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. 5.5/- per share, i.e. 55%, to those who are Shareholders as at close of business on March 16, 2015, as recommended by the Directors, which Final Cash Dividend is in addition to the 65% Interim Cash Dividend (i.e. Rs. 6.5 per share) already paid.
4. To elect 7 Directors of the Bank, as fixed by the Board of Directors of the Bank under the provisions of Section 178 of the Companies Ordinance, 1984, for a period of 3 years commencing from March 27, 2015. The names of the retiring Directors are:
 - i. Mr. Sultan Ali Allana
 - ii. Mr. Agha Sher Shah
 - iii. Mr. Moez Ahamed Jamal
 - iv. Dr. Najeeb Samie
 - v. Mr. R. Zakir Mahmood
 - vi. Mr. Sajid Zahid
 - vii. Mr. Nauman K. Dar

Special Business:

5. To approve and confirm the fee payable to the Non-Executive Directors and the Chairman of the Bank.
6. To approve and authorise investment in First Microfinance Bank Limited of upto Rs. 2 billion as and by way of equity over the next three (3) years, as a result of which investment Habib Bank Limited shall have a majority shareholding in First Microfinance Bank Limited.

The said investment will be subject to approval being granted by the State Bank of Pakistan and other regulatory approvals being taken as required in Pakistan.

For the purpose of the proposed investment in the capital of First Microfinance Bank Limited to consider and if thought fit to pass the following resolution as a Special Resolution with or without modification:

RESOLVED as and by way of Special Resolution **THAT**, subject to the approval of the State Bank of Pakistan, the Bank make an investment in First Microfinance Bank Limited, in the form of equity, of upto Rupees two billion (Rs. 2,000,000,000), over a period of three years in such amounts and at such times as determined by the Board of Directors of the Bank.

FURTHER RESOLVED THAT for the purpose of giving effect to the above Resolution, the Board of Directors of the Bank or such person or persons as may be authorised by the Board of Directors of the Bank, be and each of them is hereby authorised to do all such acts, deeds and things and to execute and deliver for and on behalf and in the name of the Bank all such deeds, agreements, declarations and undertakings as may be necessary or required or as they or any of them may think fit for or in connection with the investment aforesaid, including without limiting the generality of the foregoing the negotiation, finalization and acceptance of the terms and conditions relating to such investment and of any approval, sanction or permission required thereof or in connection therewith.

7. To approve the issuance by the Bank of rated, listed, unsecured, subordinated, Term Finance Certificates (TFCs) of upto Rupees 20 billion (inclusive of a green shoe option) to contribute towards the Bank's Tier II Capital under the Basel III Guidelines of the State Bank of Pakistan which, inter alia, may require conversion of TFCs into ordinary shares of the Bank if so directed by SBP in certain circumstances, and for this purpose to consider and if thought fit to pass the following resolution as a Special Resolution with or without modification:

RESOLVED as and by way of Special Resolution THAT, for the purposes of raising Tier II Capital under the Basel III Guidelines of the State Bank of Pakistan (Guidelines), the Bank does issue redeemable capital in the form of listed, rated, unsecured, subordinated, Term Finance Certificates (TFCs) of the aggregate face value of upto Rupees twenty billion (Rs. 20,000,000,000) inclusive of a green shoe option, which TFCs may be converted to ordinary shares of the Bank if so directed by the State Bank of Pakistan on the occurrence of a point of non-viability as determined by the State Bank of Pakistan pursuant to the Guidelines and on such terms and, subject to such conditions as may be determined by the State Bank of Pakistan, under and pursuant to and in accordance with the applicable BPRD Circular of the State Bank of Pakistan.

FURTHER RESOLVED THAT for the purpose of giving effect to the above Resolution, the Board of Directors of the Bank or such person or persons as may be authorised by the Board of Directors of the Bank, be and each of them is hereby authorised to do all such acts, deeds and things as required including application and procurement of approvals from the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and any other regulatory body and/or stock exchange(s), and to execute and deliver for and on behalf and in the name of the Bank all such deeds, agreements, declarations and undertakings as may be necessary or required or as they or any of them may think fit for or in connection with the issuance of the said TFCs and to comply with the Guidelines aforesaid, including without limiting the generality of the foregoing the negotiation, finalization and acceptance of the terms and conditions relating to the issuance, listing and rating of such TFCs and in the event of a determination by the State Bank of Pakistan of the occurrence of a point of non viability and direction to the Bank for conversion of such TFCs into ordinary shares of the Bank, the acceptance of terms and of any approval, sanction or permission required for any of the foregoing or in connection therewith.

A Statement of Material Facts 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 being sent to Members along with a copy of the notice.

Any Other Business:

8. To consider any other business with the permission of the Chair.

By the Order of the Board

Nausheen Ahmad
Company Secretary

February 27, 2015
Karachi

Notes:

1. Copies of the Minutes of the AGM dated March 29, 2014 are available for inspection of Shareholders as required under section 173 of the Companies Ordinance, 1984.
2. The Register of Members and the Share Transfer Books will be closed from March 17, 2015 to March 27, 2015 (both days inclusive) for the purposes of the Annual General Meeting.
3. Only those persons whose names appear in the Register of Members of the Bank as at March 16, 2015 are entitled to attend and participate in and vote at the Annual General Meeting.
4. 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 Bank not less than 48 hours before the time of the holding of the Meeting.
5. 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.
6. 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.
7. Pursuant to Section 150 of the Income Tax Ordinance, 2001 and Finance Act, 2014 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders at 10% and 15% respectively. According to the Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts. Members that hold shares with joint shareholders are requested to provide shareholding proportions of principal shareholder and joint holder(s) in respect of shares held by them to our Share Registrar, Central Depository Company of Pakistan Limited in writing. In case the required information is not provided to our Registrar it will be assumed that the shares are held in equal shares by principal shareholder and joint holder(s).

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 Bank.

Statement of Material Facts

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

Special Business

Agenda Item 5 – Fee Payable to Non-Executive Directors and Non-Executive Chairman:

As per SBP Prudential Regulation G-1 paragraph C2 Non-Executive Directors including the Non-Executive Chairman may receive a reasonable and appropriate fee from the Bank, the scale of which is to be approved by the Shareholders on a pre or post facto basis.

Since 2008 the Directors Fee has been fixed at Rs. 200,000/- for each Board Meeting and Rs. 100,000/- for each Board Committee Meeting. The same has not been increased for the last 7 years or adjusted for inflation, which has been, on an average, in double digits during this period.

Based on a study by a leading Accountancy firm it is also noted that other leading banks paid their Non-Executive Directors the same fee for attendance of Board Committee Meetings as is payable to them for attending Board Meetings.

Accordingly, and keeping in mind the substantial amount of time invested by the Non-Executive Directors in relation to attendance of Board Meetings and Board Committee Meetings, the Board of Directors, at the Meeting of the Bank held on February 17, 2015, proposed a uniform fee of Rs. 400,000/- for each Board and Committee Meeting attended. In addition the Directors would get TA/DA and fare for travel as per the TA/DA Policy approved by the Board for attendance of (i) out of station Board and Committee Meetings in Pakistan or (ii) attendance of Board and Committee Meetings overseas or (iii) for any other travel in connection with the work of the Bank within or outside Pakistan. The Shareholders are requested to approve and confirm the above.

The Non-Executive Directors and Chairman of the Bank are directly interested in this matter to the extent of the fee, travel fares and TA/DA, which will be payable to them for attending meetings of the Board and of the Committees of the Board or for travel for Bank related work.

Agenda Item 6 – Investment in First Microfinance Bank Limited:

The stated intention of Habib Bank Limited is to be a leader in financial inclusion with emphasis not only on alternate delivery channels and branchless banking, but also on serving customers who are in the low-income bracket. In order for HBL to serve its wide and varied customer base in low-income communities in both rural and urban areas, it is desirable that HBL create a differentiated and cost effective model. To this end, HBL has looked at First Microfinance Bank Limited which already has a base and presence in the microfinance sector all over Pakistan and was the first and is the oldest microfinance bank in Pakistan. HBL has obtained an in-principle approval from the State Bank of Pakistan for participation in the capital increase of First Microfinance Bank Limited. The proposed investment in First Microfinance Bank Limited by way of equity is, however, subject to final approval for such investment being granted by the State Bank of Pakistan.

For this purpose the Board of Directors have recommended that the Members consider and if thought fit to pass the Resolution with or without modification set forth at Agenda Item 6 of the Notice convening the 73rd Annual General Meeting of HBL, which resolution will be proposed and passed as a Special Resolution.

First Microfinance Bank Limited

1	Name of associated company or associated undertaking alongwith criteria based on which the associated relationship is established	The Aga Khan Development Network (AKDN), through the Aga Khan Fund for Economic Development (AKFED) and Aga Khan Agency for Microfinance (AKAM) respectively, own more than 20% shares in Habib Bank Limited and First Microfinance Bank Limited, making the entities associated.
2	Purpose, benefits and period of investments	To serve customers in the low income bracket through providing microfinance products and, as First Microfinance Bank Limited is already an established institution, acquisition of major shareholding will help achieve this goal.
3	Maximum amount of investment	Rs. 2,000,000,000 (Rupees two billion)
4	Maximum price at which securities will be acquired	To be determined once a due diligence and valuation has been conducted by an approved firm of Chartered Accountants.
5	Maximum number of securities to be acquired	Shares upto a value of Rupees two billion.
6	Number of securities and percentage thereof held before and after the proposed investment	At present nil. Through the investment, a majority shareholding of First Microfinance Bank Limited.
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 terms of regulation 6(1)	The fair market value to be determined after a due diligence and valuation has been conducted by an approved firm of Chartered Accountants for the purpose of regulation 6(1).
9	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	Rs. 8.16
10	Earnings / (loss) per share of the associated company or associated undertaking for the last three years	2013: Rs. 1.06 2012: Rs. (0.50) 2011: Rs. (0.93)
11	Source of fund from which securities will be acquired	Cash generated from own operations.
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	The Aga Khan Development Network (AKDN), through the Aga Khan Fund for Economic Development (AKFED) and Aga Khan Agency for Microfinance (AKAM) respectively, own more than 20% shares in both Habib Bank Limited and First Microfinance Bank Limited.
15	Any other important details necessary for the members to understand the transaction	Financial Position in table below.
16	<p>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</p> <p>I. Description of the project and its history since conceptualization;</p> <p>II. Starting and expected date of completion of work;</p> <p>III. Time by which such project shall become commercially operational; and</p> <p>IV. Expected time by which the project shall start paying return on investment</p>	Not Applicable

Financial Position:

	2012	2013
Revenue	830.800	1,010.200
Operating expense	774.700	839.200
Operating profit / (loss)	56.100	171.000
Customer deposits	6,570.600	7,814.900
Customer loans and advances	2,971.700	3,450.400
Investments / balances with banks	4,859.300	5,574.500
Equity	960.400	1,102.100

The Directors of the Bank are not directly or indirectly interested in the proposed investment in First Microfinance Bank Limited.

Agenda Item 7 – Issuance of TFCs for raising Tier II Capital:

In order to contribute towards Tier II Capital, Habib Bank Limited intends to issue redeemable capital in the form of term finance certificates under Section 120 of the Companies Ordinance, 1984 and the Basel III Guidelines issued by the State Bank of Pakistan. The funds so raised will be utilized in the Bank's business operations as permitted by the Bank's Memorandum and Articles of Association.

The Board of Directors upon receiving an in-principle approval from the State Bank of Pakistan have approved the issuance of listed, rated, unsecured and subordinated Term Finance Certificates ("TFCs") of up to Rs. 20 billion (inclusive of a green shoe option) subject to compliance with applicable laws, rules and regulations and in particular the conditions specified under Basel III Guidelines issued through BPRD Circular #6 dated August 15, 2013.

Pursuant to the Basel III Guidelines, if the State Bank of Pakistan determines that a point of non-viability has occurred, it may direct the Bank to convert the TFCs into ordinary shares of the Bank at such time or times and for such consideration and on such terms and subject to such conditions as may be determined by the State Bank of Pakistan, under and pursuant to and in accordance with the Basel III Guidelines and the applicable BPRD Circular of the State Bank of Pakistan.

Therefore, the Board of Directors have recommended that the Members consider and if thought fit to pass the Resolution with or without modification set forth at Agenda Item 7 of the Notice convening the 73rd Annual General Meeting of the Bank, which resolution will be proposed and passed as a Special Resolution.

The Directors of the Bank are not directly or indirectly interested in the issue of the TFCs except to the extent of their shareholding in the Bank.

Update

The remainder of this Statement of Material Facts provides information to the Members under Sections 4 and 8 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012:

At the Annual General Meeting held on March 22, 2013 the Members through a Special Resolution approved certain investments to be made in Subsidiaries and Associates of the Bank, the period for which was extended to March 2019 at the AGM held on March 29, 2014. Earlier, at the Annual General Meeting held on March 28, 2008, the Members through a Special Resolution approved 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 2014
Diamond Trust Bank Kenya Limited (DTBK)	To acquire additional shareholding of 14.32%	0.06% shares acquired in 2014
Kyrgyz Investment and Credit Bank Limited (KICB)	To acquire additional shareholding of 8%	No shares were acquired in 2014
Habib Allied International Bank, Plc, UK (HBL-UK)	To invest upto GBP 50 million	GBP 10.4 million invested in 2014
Jubilee General Insurance Company Limited (JGIC)	To acquire additional shareholding of 8.26%	0.64% shares acquired in 2014
Jubilee Life Insurance Company Limited (JLIC)	To acquire additional shareholding of 6.55%	No shares were acquired in 2014
HBL Asset Management Limited	To invest Rs. 2,250 million as seed capital in various funds managed by HBL Asset Management Limited	No investment in seed capital made in 2014

(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 to upto 26%.
2	Amount of investment made to date	US\$ 21,367,339 (Equivalent Kshs 1.94 billion) representing 11.97% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	This is a listed entity and investment is dependent on availability of shares in the market 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 the table below.

US\$ million

	2009	2010	2011	2012	2013
Revenue	66.82	96.36	112.67	142.44	174.40
Operating expense	36.41	45.60	53.95	60.37	75.45
Operating profit	26.57	43.83	51.78	82.07	98.95
Customer deposits	696.56	822.32	1,012.20	1,244.62	1,561.49
Customer loans and advances	547.37	636.77	839.29	1,020.44	1,345.15
Investments / balances with banks	19.09	265.96	281.02	457.96	524.87
Equity	92.26	111.04	136.47	192.23	254.02

(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 to upto 26%.
2	Amount of investment made to date	US\$ 2.55 million representing 18% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The investment is dependent on availability of shares as KICB is an unlisted entity.
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 the table below.

US\$ in million

	2009	2010	2011	2012	2013
Revenue	9.61	10.48	14.29	19.59	23.59
Operating expense	5.61	6.34	7.72	9.09	11.54
Operating profit	3.55	2.06	6.68	10.49	12.05
Customer deposits	46.83	71.31	99.47	147.54	170.72
Customer loans and advances	57.96	64.24	88.23	117.42	146.92
Investments / balances with banks	0.16	3.05	12.90	45.27	26.60
Equity	22.38	24.21	37.38	43.63	50.13

(iii) Habib Allied International Bank, Plc, UK (HBL-UK):

1	Total Investment approved:	Approved by the Shareholders in Annual General Meeting held on March 22, 2013 to invest upto GBP 50 million.
2	Amount of investment made to date	GBP 13.2 million representing 88.59% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	HBL-UK's capital raising plan was delayed against the earlier expectation.
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 the table below.

GBP in million

	2009	2010	2011	2012	2013
Revenue	15.00	10.90	14.50	17.30	15.30
Operating expenses	7.40	7.40	11.90	15.20	16.30
Operating profit / (loss)	7.40	3.50	2.60	2.10	(1.00)
Customer deposits	197.00	193.60	422.40	462.40	472.60
Customer loans and advances	125.10	122.00	199.40	174.34	171.50
Investments / balances with banks	240.40	257.40	413.00	142.03	414.60
Equity	44.90	49.20	49.40	42.76	40.90

(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% as a result of which the total shareholding shall stand increased to upto 24.50%.
2	Amount of investment made to date	Rs. 1,703 million representing 17.84% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	This is a listed entity and investment is dependent on availability of shares in the market 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 the table below.

Rs. in million

	2009	2010	2011	2012	2013
Revenue	2,976.099	3,081.131	3,534.106	3,910.745	4,567.290
Operating expense	2,204.201	2,534.449	2,641.195	2,964.666	3,347.020
Operating profit	771.898	546.682	892.911	946.079	1,220.270
Investments / balances with banks	3,930.943	4,830.384	6,049.439	7,335.848	8,467.000
Equity	2,621.006	2,903.875	3,542.869	4,072.828	4,759.800

(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% as a result of which the total shareholding shall stand increased to upto 24.50%.
2	Amount of investment made to date	Rs. 468 million representing 17.95% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	This is a listed entity and investment is dependent on availability of shares in the market 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 the table below.

Rs. in million

	2009	2010	2011	2012	2013
Revenue	5.741	34.328	97.619	142.548	145.050
Operating expense	(55.003)	17.060	45.263	29.970	60.070
Operating profit	60.744	17.268	52.356	112.578	84.980
Investments / balances with banks	7,702.591	10,757.779	15,230.351	22,789.931	33,242.180
Equity	546.505	1,149.873	1,430.398	1,795.635	2,243.100

(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.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	This depends on the requirement of the Company in terms of Funds launched.
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 the table below.

HBL Asset Management Limited

Fund Return

For the period From 2009 to 2014

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
2010	13.28%	100.938	19.52%	91.046	19.17%	96.462	N/A	N/A	N/A	N/A	N/A	N/A
2011	12.90%	101.764	28.19%	103.901	23.55%	99.411	11.54%	103.050	10.46%	101.461	2.50%	102.500
2012	12.29%	103.315	11.00%	104.066	12.67%	94.824	11.50%	102.893	10.33%	103.024	16.52%	117.630
2013	7.70%	102.611	44.42%	135.850	37.60%	116.712	9.28%	101.260	8.45%	100.984	44.87%	155.910
2014	9.91%	101.338	27.40%	105.916	10.24%	95.450	8.08%	100.412	6.86%	100.183	30.17%	131.907
Half Year ended, December 31, 2014	12.89%	107.910	3.53%	108.830	0.91%	96.320	8.42%	104.670	7.50%	103.970	5.32%	138.920

Year ended 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
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%	122.436	9.77%	104.720	9.29%	104.904	32.43%	119.932	9.38%	104.074	8.80%	104.635
2013	45.40%	178.036	8.87%	114.055	7.88%	113.209	50.27%	180.252	8.63%	113.098	7.69%	112.687
2014	25.56%	223.569	7.44%	122.537	7.13%	121.277	44.41%	260.293	7.04%	121.070	6.08%	119.533
Half Year ended, December 31, 2014	16.71%	260.930	13.57%	130.920	7.30%	125.740	15.05%	299.470	3.08%	122.940	2.93%	121.300

Admission Slip

The 73rd Annual General Meeting of Habib Bank Limited will be held on Friday, March 27, 2015 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 Bank's record.
- ii. Shareholders are requested to handover 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 Computerised 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 73rd Annual General Meeting of the Bank
to be held on Friday, March 27, 2015 at Serena Hotel, Islamabad and at any adjournment thereof.

As witness my/our hand/Seal this _____ day of _____ 2015

Signed by the said _____

In the presence of: 1. _____
2. _____

Folio/CDC Account No.

Signature on
Five Rupees Revenue
Stamp

This signature should agree with the
specimen registered with the Bank.

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Bank at 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.

111-111-425 | www.hbl.com