

# HBL

HABIB BANK  
حبيب بيبك



Celebrating the Past, Embracing the Future.

Annual Report 2016





Established in 1941, HBL has a rich legacy spanning over 75 years and is an integral part of the country's economic progress. We are Pakistan's largest bank with a global reach, operating over 1700 branches and 2000 ATMs and with more than 10 million relationships. Our products and services are geared towards improving the quality of life of our customers and for the communities in which we operate.

We celebrate our past and seek to shape a future filled with innovation and progress. As an institution that is an essential part of the nation's economic fabric, HBL continues to strive towards a better and brighter Pakistan.

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# Corporate Information

## Board of Directors

Mr. Sultan Ali Allana  
Mr. Shaffiq Dharamshi  
Mr. Moez Ahamed Jamal  
Dr. Najeeb Samie  
Mr. Agha Sher Shah  
Mr. Sajid Zahid  
Mr. Nauman K. Dar

Chairman  
Director  
Director  
Director  
Director  
Director  
President & CEO

## Board Committees

### Audit Committee

Mr. Moez Ahamed Jamal  
Dr. Najeeb Samie  
Mr. Sajid Zahid  
Ms. Nausheen Ahmad

Chairman  
Member  
Member  
Secretary

### Risk Management Committee

Mr. Shaffiq Dharamshi  
Mr. Nauman K. Dar  
Mr. Agha Sher Shah  
Mr. Rizwan Haider

Chairman  
Member  
Member  
Secretary

### Human Resource and Remuneration Committee

Mr. Sultan Ali Allana  
Mr. Nauman K. Dar  
Mr. Moez Ahamed Jamal  
Mr. Sajid Zahid  
Mr. Jamal Nasir

Chairman  
Member  
Member  
Member  
Secretary

### Chief Financial Officer

Mr. Raymond Kotwal

### Company Secretary

Ms. Nausheen Ahmad

### Legal Advisors

Mandviwalla and Zafar  
Legal Consultants and Advocates

## Auditors

A. F. Ferguson & Co.  
Chartered Accountants  
A member firm of the PwC network

## Share 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) 3432-6053  
Email: info@cdcpak.com  
Website: www.cdcpakistan.com

## HBL Corporate Secretariat

Phone: (92-21) 3247-4396  
Fax: (92-21) 3241-5623

## Head Office

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

## Registered Office

Habib Bank Limited  
9<sup>th</sup> Floor, HBL 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. Nauman K. Dar**  
President & CEO

**Ms. Nausheen Ahmad**  
Company Secretary

**Mr. Tariq M. Akbar**  
Head - Global Operations

**Mr. Salim Amlani**  
Chief Compliance Officer

**Mr. Naveed Asghar**  
Chief Marketing Officer

**Mr. Mirza Saleem Baig**  
Head - Islamic Banking

**Mr. Rizwan Haider**  
Chief Risk Officer

**Mr. Abbas Hasan**  
Divisional Head - International, Europe,  
Middle East & Americas

**Mr. Aamir Irshad**  
Head - Corporate & Investment Banking

**Ms. Sima Kamil**  
Head - Branch Banking

**Mr. Rayomond Kotwal**  
Chief Financial Officer

**Mr. Salahuddin Manzoor**  
Global Treasurer

**Dr. Aamir Matin**  
Head - Technology Strategy

**Mr. Abrar Ahmed Mir**  
Chief Innovation & Financial Inclusion Officer

**Mr. Jamal Nasir**  
Head - Human & Organisational Development

**Mr. Zahid Parekh**  
Head - Special Project, Islamic Banking

**Mr. Faiq Sadiq**  
Chief Internal Auditor

**Mr. Abid Sattar**  
Divisional Head - International, Asia & Africa

**Mr. Khalid Mohsin Shaikh**  
Head - Remedial & Structured Credits

**Mr. Anwar Zaidi**  
Head - Financial Institutions, Global Trade  
Services & Global Remittance Business



## Vision

“Enabling people  
to advance with  
confidence and  
success”

## Mission

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



# Values

Our values are the fundamental 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 products & processes and a spirit of enterprise.

## Customer Focus

We strive to fully understand our customers' needs while adapting our products and services to meet their requirements. We always endeavour for customer satisfaction as our primary goal.

## Excellence

This is at the core of everything we do. In an increasingly competitive environment, we strive to provide quality services, products and premises. Only by being the very best, can we become successful.

## Integrity

We are the leading bank in Pakistan, and our success depends upon building trust at every level. Our customers – and society in general – expect us to possess and steadfastly adhere to high moral principles and professional standards.

## Meritocracy

We believe in providing opportunities to our employees on the basis of their performance and ability. We reward achievements and provide enriching careers for all.

# The power of inclusion

Financial inclusion is at the core of HBL's business focus – we aim to reach out to customers not just across Pakistan, but in each and every market in which we operate. In Pakistan, while women form nearly a quarter of the workforce, only 5% are estimated to have access to formal financial services.

HBL is acutely aware of the need to increase the engagement of women with financial services, not just as customers, but also as employees. With this objective, we have consciously been recruiting an increasing number of women – up to 50% of new entrants – and ensuring that they are provided equal opportunities for advancement and success. Women tellers now greet customers at both rural and urban branches across Pakistan, and also occupy management positions at the very highest levels of the institution.

In 2016, we developed and launched a dedicated platform for women to access financial services. HBL Nisa was developed to offer the women of Pakistan financial support and advice so that they are able to realize their dreams. At HBL we are committed to creating an enabling environment where all women can stride ahead with confidence.

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# HBL's international footprint across 4 continents and in over 25 countries

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



UAE	<b>Dubai:</b>	Deira Naif Road Bur Dubai Jumeirah
	<b>Abu Dhabi:</b>	Main Branch Sheikh Zayed Road
	<b>Al Ain</b>	
	<b>Sharjah</b>	
USA	New York City	

#### AFFILIATES

Nepal	<b>Himalayan Bank Ltd - Nepal (20%)</b> 42 Branches
Kyrgyz Republic	<b>Kyrgyz Investment and Credit Bank - Kyrgyz Republic (18%)</b> 38 Branches (including - Sub branches)
Kenya	<b>Diamond Trust Bank Kenya Limited - Kenya (11.97%)</b> 127 Branches across Kenya, Tanzania, Uganda and Burundi

#### SUBSIDIARIES

UK	<b>Habib Allied Holding Limited</b>
	<b>Habibsons Bank Limited</b> Trading as Habib Bank UK
London:	Edgware Road Whitechapel Road Green Street Southall Portman Street
	<b>Manchester</b>
	<b>Birmingham</b>
	<b>Leicester</b>
	<b>Glasgow</b>
Netherlands	<b>Rotterdam</b>
Switzerland	<b>Zurich</b>
	<b>11 Branches</b>
Hong Kong	<b>Habib Finance International Limited</b>

#### REPRESENTATIVE OFFICES

People's Republic of China	<b>Beijing</b>
Iran	<b>Tehran</b>

HBL has become the first Pakistani bank to receive a branch license in China, thereby paving the path for Pakistan's economic growth and prosperity.

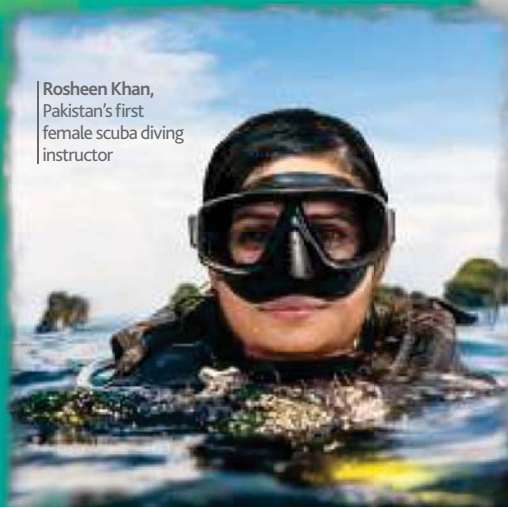


## The future of passion

Cricket unites Pakistan and HBL is synonymous with cricket in Pakistan. With our landmark support of the Pakistan Super League we have once again demonstrated our commitment to bringing the people of Pakistan together.

The global success of Pakistan's first Street Children Football Team has kept our flag flying high and allowed them to display their energy, verve and skill to an international audience. HBL is proud to have been a staunch supporter of this team and showcase their success. We at HBL are committed to providing the youth of Pakistan every opportunity to hone their skill and display their talent in the international arena.

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Rosheen Khan,  
Pakistan's first  
female scuba diving  
instructor



The Street Children Football Team,  
Bronze Winners at the Street Children  
World Cup-Rio de Janeiro 2014



Samina Baig,  
Pakistan's first woman  
to summit seven of  
the world's highest  
peaks, including  
Mount Everest



# Accolades

## **Bank of the Year in Pakistan**

The Banker

## **Safest Bank in Pakistan**

Global Finance

## **Best Domestic Bank – Pakistan**

Asiamoney

## **Brand of the Year, Banking – Pakistan**

World Branding Awards

## **Best Investment Bank in Pakistan**

Global Finance

## **Best Retail Bank in Pakistan**

Asian Banker

## **Best Trade Finance Bank in Pakistan**

Global Finance

## **Best Bank for Small Business and Agriculture**

Institute of Bankers Pakistan (IBP) Awards

## **Best Environmental, Social and Governance Bank**

Institute of Bankers Pakistan (IBP) Awards

## **The Innovators of Transaction Services**

Global Finance, Digital Bank Awards



PKR **2.5** Trillion  
Asset Base

Over **2000**  
ATMs

PKR **1.9** Trillion  
Deposit Base

Over **1700**  
Branches

PKR **56.5** Billion  
Profit before tax

Over **10** Million  
Customers

# Board of Directors



## **1. Mr. Sultan Ali Allana** *Chairman*

Mr. Sultan Ali Allana has been Chairman of the Board of Directors of HBL since February 2004. He has over 32 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. Mr. Shaffiq Dharamshi** *Director*

Mr. Dharamshi joined the Board in 2015. He is a banker with over 24 years of banking experience in the Middle East and Africa.

He also currently serves on the Boards of Diamond Trust Bank, Kenya, Diamond Trust Bank, Tanzania, Diamond Trust Bank, Uganda, DCB Bank Limited, India, Kyrgyz Investment and Credit Bank, Kyrgyzstan and First Microfinance Bank, Tajikistan.

## **3. Mr. Moez Ahamed Jamal** *Director*

Mr. Moez Ahamed Jamal has been on the Board of HBL since 2009. He has experience of over 38 years in the financial sector.

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



**4. Dr. Najeeb Samie**  
*Director*

Dr. Najeeb Samie was appointed to the Board in 2013. He has over 36 years of experience in the corporate and financial sector.

He is currently the Managing Director of PIA Investments Limited and is a Director of the Roosevelt Hotel Corporation and Minhal France, S.A, amongst other tourism related companies.



**5. Mr. Agha Sher Shah**  
*Director*

Mr. Agha Sher Shah has been on the Board since 2013. He has over 25 years of experience in the financial sector.

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



**6. Mr. Sajid Zahid**  
*Director*

Mr. Sajid Zahid was appointed to the Board in 2000. He is a Barrister with over 41 years of experience in Corporate and Commercial Law and is an Advocate of the Supreme Court.

He is Joint Senior Partner at Orr, Dignam & Co. and has served on the boards of various companies.



**7. Mr. Nauman K. Dar**  
*President & CEO*

Mr. Nauman K. Dar, President & CEO of HBL, is a banker with over 34 years of banking experience.

He also serves as Chairman of Habib Allied Holding Limited, UK, Habib Finance International Limited, Hong Kong and Habib Bank Financial Services (Pvt.) Limited.

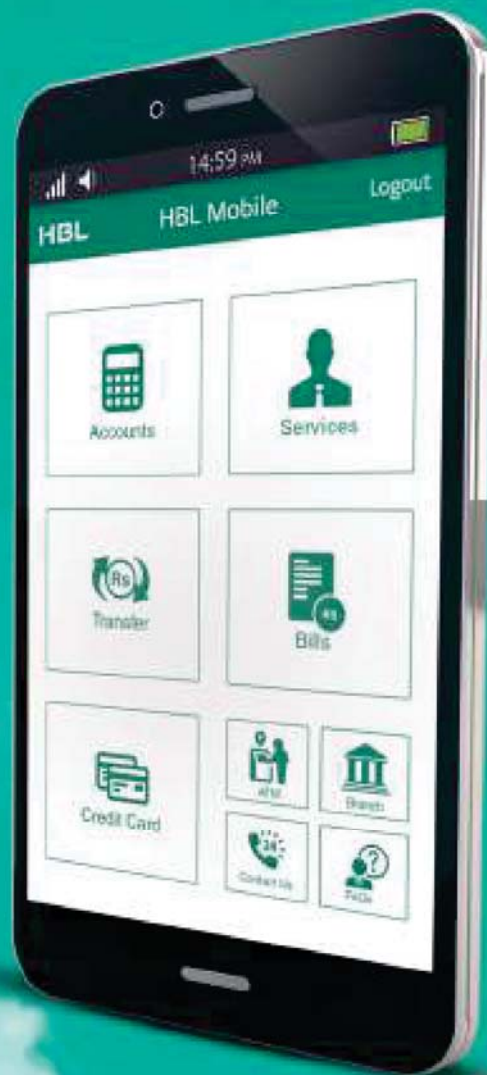
## Driving the future

Financial technology has emerged as the banking of tomorrow. This year HBL launched its in-house developed mobile banking application, literally bringing banking to our customer's fingertips. HBL Mobile was the first of its kind in Pakistan to provide biometric authentication based sign in to our customers, providing them with additional comfort from advanced security.

At HBL, we are conscious that as the nation's bank of choice we cater to a wide spectrum of customers. For those who prefer to bank with us at one of our branches, we are modernizing our network to improve efficiencies and shorten transaction time, thereby enhancing our customers' banking experience.

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## Chairman's Message



### Celebrating the past, embracing the future

We celebrated HBL's 75th anniversary in 2016 and recognised the contributions of our high achievers. This year, once again, we exceeded the targets we had set for ourselves, and our management team delivered outstanding results. HBL's revenues were over Rs.100 billion (over \$ 1 billion), including fee income of Rs.18.7 billion (\$ 178 million); the bank registered pre-tax profit of Rs.56.5 billion (\$ 540 million) and post-tax profit of Rs.34.2 billion (\$ 327 million). During the year, over Rs.250 billion (\$ 2.4 billion) were added to the bank's deposit base, resulting in a 15% increase. Loan growth was also an impressive Rs.111 billion (\$ 1.1 billion) with strong performance from all business segments, especially from consumer and retail loans. The overall balance sheet recorded a 13% increase and crossed Rs.2.5 trillion (\$ 24.0 billion), making HBL by far the largest bank in the country.

With the acquisition of PICIC Asset Management Company, HBL Asset Management doubled in size and realigned itself to push forward with a wide range of products in the market.

This was a particularly good year for the Corporate, Investment and Islamic Banking businesses who closed on some key transactions during the year, amounting to over Rs.200 billion (\$ 1.9 billion). Home Remittance initiatives resulted in inflows of over \$ 5 billion, thereby registering a record 27% market share for the bank; new products and services resulted in a record throughput of over Rs.1.7 trillion (\$ 16.3 billion) in our Cash Management business. HBL's core strategy of pursuing financial inclusion has started taking root with the bank processing over 560 million transactions for more than 9.5 million customers through its strong domestic network of 1,677 branches, 2,000 ATMs and nearly 15,000 POS terminals.

HBL's standing in the marketplace and its all-round performance won us several accolades, notably, 'Bank of the Year in Pakistan' by The Banker and 'Safest Bank in Pakistan' by Global Finance as well as the 'Best Retail Bank in Pakistan' by the Asian Banker, amongst

others. Our brand, of which we are extremely proud, outstripped the competition in an independently administered survey and was named 'Brand of the Year, Banking - Pakistan' at the World Branding Awards. The combination of solid profitability and a prudent dividend policy resulted in an equity base of Rs.196 billion (\$ 1.9 billion) with our capital adequacy ratios being well ahead of requirements. Having achieved a coveted AAA rating, Al Humdullilah we continue to maintain this as a matter of course, year after year after year.

## A bank for everyone

We remain firm in our promise to expand our outreach to every corner of the country and to provide access to financial services to every member of society. During the year, HBL established branches in areas where there was a need and enhanced its footprint by adding ATMs and POS machines wherever it could. New and innovative products were added to HBL's offering and priority was placed on efforts to deliver quality service. Management introduced a car loan product that was aimed at providing the bank's customers with a unique offering, which was greatly appreciated by all those who availed it. The bank launched new and innovative incentives through its card programs, which were also highly popular with and widely used by cardholders.

Agriculture continues to remain an area of high priority for the country and for the bank. The management worked hard to not only improve the product offering in this area but also enhanced HBL's loan base in this segment by almost Rs.3.5 billion (\$ 33.5 million). With alternate delivery channels now in play, the management expects the growth momentum to continue in the future. SME and Retail businesses are the backbone of the country's economy and, for the bank, an area of huge potential. Loans in this segment saw an impressive 18% growth and touched nearly Rs.57 billion (\$ 545 million). Introduction of faster and more efficient services through process re-engineering gained momentum and with further enhancements in technology, the future Masha'Allah looks extremely promising.

In 2016, the bank launched HBL Nisa, a first of its kind platform for women, dedicated to providing women entrepreneurs with access to financial services. HBL enrolled over 130,000 new customers through this program and the bank now serves over 2.4 million women customers. HBL Asaan, an account with no minimum balance requirement and a simple account opening process, provides universal access to banking. In just over 12 months, the bank has achieved a market share of over 25% in this category with nearly 300,000 accounts.

HBL acquired a majority stake in the First MicroFinanceBank (FMFB) to take a leading role in driving its agenda of financial inclusion. With greater emphasis on product innovation and design, FMFB will be able to introduce banking services in segments of our economy and remote areas of our country that traditional banks generally do not serve. Solutions aimed at micro and small loan customers will greatly enhance the quality of life of the lower income segments of society.

## Technology for tomorrow

We continue to remain absolutely obsessed with technology. We have already invested heavily in technology and we intend to keep investing more and more. Systems and networks were upgraded during the year and early results are encouraging. ATM uptime improved to 94% in 2016, while the internet banking platform was strengthened with new features. The HBL Mobile application was introduced as the bank launched Pakistan's first biometric authentication based banking application. We are proud to report that this was an in-house development and we are very impressed with its huge success in the marketplace.

The first phase of the human resource management system was implemented, and aims to improve transparency in performance measurement throughout the bank's staff base of over 15,000. Supply chain management was introduced to achieve better control over the bank's costs. The bank is in the process of creating an "innovation centre" where the management intends to test ideas and conduct research-based analysis for future product designs and launches. We are genuinely excited about this and we hope that this and other such far-sighted measures will "up the game".



## Pakistan's worldwide bank

HLB is strategically positioned in key markets where there are trade opportunities and where the bank can offer its clients a wide access to its network and product offerings. While HBL intends to strengthen its global franchise by investing in capital, technology and people, it will also seek to consolidate where necessary. While processes are being strengthened, much more will have to be done. It is our absolute intent to follow industry best practice and ensure a strong compliance culture throughout every single location in which we operate. The management has worked hard to strengthen the governance and reporting structures across the entire global network and has invested heavily in areas of need. This emphasis will continue into the future and it is the Board's intent to make Compliance part of the bank's DNA.

During the year, HBL established its second branch in the Maldives and upgraded its branches in the UAE to respond to customer requirements. Remittance products were added to the bank's offering in the UAE, Bangladesh and Sri Lanka. Cash management was introduced in Oman and HBL@Work was launched in Sri Lanka. Results of realignment and efforts to reposition the bank in overseas markets are encouraging. Earnings from this business segment of the bank are beginning to show an upturn in almost all key markets and we expect the bank's return on the capital deployed abroad to improve over the coming years.

We are extremely honoured to be the first bank in South Asia to receive a license for a branch in China, which will be live by the end of the first quarter of 2017. This addition to our international network will greatly enhance our position in the regional as well as the global market. HBL is now well positioned to be a leading player in the China Pakistan Economic Corridor (CPEC) program and is determined to contribute in areas that will have a long-term, positive impact on the economy of Pakistan.

## Our people, our high performers, our assets


We take great pride in our staff and we are particularly appreciative of the work done by our high performers. They have our highest admiration.

On our part, we remain committed to building human capacity and are fully aligned to invest as much as required in training our people to assist them in becoming the best of the best. As we progress, we remind ourselves that quality begins with meritocracy. Merit has been and will remain a core value for us. The bank is vigorously pursuing processes that allow fair and transparent recruitment practices. There is growing emphasis on achieving the highest level of best practices in undertaking staff assessments, in staff promotions and in job placements. With our vision set to create higher and higher benchmarks, we are committed to Insha'Allah transforming HBL to take its place as a leading bank in industry best practices, globally.

As a tribute to our people, on the occasion of HBL's 75th anniversary, we ensured that we celebrated the bank's achievements and its successes with everyone. Countrywide programs were organised to recognise high performers and strengthen teamwork. "Khwaab75" was launched wherein the bank enabled the dreams of 75 employees. The bank also selected 5 staff members in a totally transparent manner, who received what were termed as life altering rewards. The bank's management has been tasked to develop and implement more programs and better schemes for the staff which, over time, will not only make HBL a lifetime employer but also genuinely improve the quality of life for those who show commitment and dedication.

## Improving lives, enabling dreams

HLB is committed to playing its role in improving education, strengthening healthcare, assisting in disaster relief efforts, imparting vocational training and in promoting cultural conservation in Pakistan. This resolve is fully backed by the bank's Corporate Social Responsibility efforts, which are carried out primarily under the aegis of the HBL Foundation. In 2016, the Foundation supported private and public initiatives in the large urban centres as well as the remotest parts of Pakistan in Sindh, Punjab, Balochistan, KPK and Gilgit-Baltistan.



HBL has also had a long tradition of supporting sports in Pakistan. Cricket is a national passion and the bank has done an excellent job in stepping forward to become the title sponsors of the Pakistan Super League (HBL PSL). This initiative has gained wide recognition and reinforced Pakistan's ability to remain extremely relevant in the cricketing world. This event, now in its second year of running, has brought the entire nation together and opened doors for new talent to showcase their abilities. HBL has also been an ardent supporter of the street children football team, which enables the Pakistani youth to channel their energy in a positive manner and has won laurels for the nation worldwide.

### To the next 75

HBL has a rich legacy and has been an indelible part of the nation's fabric having served Pakistan and its people with pride and passion for the past 75 years. There is every reason to look forward to the next 75 years, Insha'Allah, with more confidence and greater zeal than ever before as HBL resolves to outperform all others, to challenge the impossible, to do what is right and to embrace the future with enthusiasm.

We thank our customers who have patronised HBL through all these years and who continue to do so today. They are the reason for our existence and we will do our best to ensure that HBL performs to the highest possible standards and delivers products and solutions to suit their entire life cycle needs. We welcome new customers as they join hands with HBL to participate in the excitement that our teams are creating and we hope to become a lifetime bank for them, as we have been for so many.

We express our sincere appreciation to our shareholders who have invested in HBL and who have supported and encouraged this institution to do better and better.

We also wish to express our gratitude to our Regulators for their support and for their guidance in all aspects of our workings. We will be pleased to present before our shareholders at the forthcoming AGM, a final cash dividend of Rs. 3.50 per share, thus maintaining our total yearly dividend at its highest ever level of Rs. 14 per share.

**Sultan Ali Allana**  
Chairman

# Directors' Report 2016

**On behalf of the Board of Directors, I am pleased to present the Consolidated Financial Statements for the year ended December 31, 2016.**

## Macroeconomic Review

Pakistan's economic progress continued to gain momentum in 2016, with GDP growth for FY16 reaching 4.7% on the back of a 6.8% expansion in the industrial sector and a 5.7% growth in services. Private sector credit for 1H FY17 has increased by 33% over the same period last year, while Large Scale Manufacturing has increased by 3.2% during 5M FY17. Consumer confidence has continued to improve and economic activity has picked up, driven by the high visibility China Pakistan Economic Corridor (CPEC) project.

Average inflation for 1H FY17 increased to 3.9%, compared to 2.1% in 1H FY16. While headline inflation has remained stable at under 4% in the last few months, inflationary expectations have risen on the back of seasonal adjustments in house rent, as well as a potential rise in oil prices following OPEC's agreement to curtail excess supply. However, with food inflation projected to remain stable, overall inflation for FY17 should remain well within the SBP's forecast of 4.5% – 5.5%.

The government managed to restrict the fiscal deficit to 4.6% of GDP in FY16, a significant improvement compared to the 5.3% deficit in FY15. This was achieved through fiscal consolidation as well as improved tax collection, which met its budgeted level of Rs. 3.1 trillion. Tax collection for 1H FY17 has reportedly fallen 8% short, making the full year tax revenue target of Rs. 3.6 trillion challenging. The FY17 fiscal deficit target of 3.8% thus remains ambitious as it will require reduction of government expenditure.

The current account deficit has continued to increase and was US\$ 3.6 billion for 1H FY17, almost double that in 1H FY16. This is mainly due to a 16% increase in the trade deficit for the period. Exports, which have been on a declining trend, reduced by 2% over last year, while imports rose by 6%, mainly due to CPEC related activity. Workers' remittances, which have consistently supported the external account, fell by 2% over 1H FY16, as oil-price driven economic pressures in the GCC countries continued to impact flows. However, after a period of decline, FDI improved by 10% during 1H FY17, due to acquisition related inflows.

Pakistan achieved a landmark in September with the successful conclusion of the IMF's Extended Fund Facility (EFF), the country's first ever completion of a medium term program. Disbursements through the EFF, a US\$ 1 billion Sukuk issue, and inflows from bilateral and multilateral partners have helped foreign exchange reserves reach all-time highs, closing the year at US\$ 23.2 billion. The improved reserves position has provided an extended period of stability to the Rupee. In November, S&P upgraded Pakistan's country rating from B- to B with a Stable Outlook, providing affirmation of the country's positive economic trends.

The MSCI decision to reclassify Pakistan from its Frontier to its Emerging Markets index from May 2017 lifted investor sentiment, triggering a strong rally on the stock exchange. The divestment of the Pakistan Stock Exchange (PSX) to a consortium led by Chinese investors has brought with it anticipation of consequent improvements in governance and a broader retail investor base. The bull-run has accelerated, with the PSX index increasing by 47% in 2016. While there has been a net outflow of US\$ 254 million in portfolio investment for 1H FY17, the MSCI upgrade is expected to bring significant foreign inflows.

The SBP's Target rate has remained unchanged at 5.75% since a 25 bps cut in May 2016. A cautious approach has been adopted, based on rising inflationary trends and pressure on the external account. Loan/deposit spreads for the banking sector saw further contraction this year, to 5.2%, and margin compression was exacerbated by the large PIB maturity of Rs. 1.5 trillion in 3Q 16. After a period of slow growth, banking sector advances increased by 14.7% during 2016 as market deposits continued their momentum, rising by 15.8% to Rs. 11.2 trillion.



## Financial Performance

HBL has delivered a pre-tax profit of Rs. 56.5 billion for the year 2016. Profit after tax is Rs. 34.2 billion, compared to a post-tax profit of Rs. 35.1 billion declared in 2015, which included exceptional capital gains. Consequently, earnings per share for 2016 are at Rs. 23.23 compared to Rs. 23.93 for 2015. Excluding capital gains, pre-tax profit for 2016 is 4% higher than in 2015, while profit after tax is 10% higher.

HBL's balance sheet has increased by 13% over December 2015 to Rs. 2.5 trillion. The Bank added Rs. 251 billion in deposits while maintaining its CASA ratio at over 82%. Current accounts grew by more than 16% to reach nearly Rs. 700 billion and the ratio of current accounts has now risen from 36.7% in December 2015 to 37.0% in December 2016. After a period of sluggish growth, loans increased by more than 17% with strong contributions from higher yielding consumer, SME and agriculture lending. The Bank was thus able to contain the decline in its overall margins to just 30 bps despite the compression caused by lower interest rates, competition driven spread pressures and the impact of PIB maturities. Consequently, net interest income for 2016 increased by 5% to Rs. 82.0 billion.

Non mark-up income for 2016 was Rs. 31.1 billion. Fees and commissions increased by 8% over 2015, to Rs. 18.7 billion, further cementing HBL's industry leadership in this area. The growth in fees was again due to new highs being set in Bancassurance sales, investment banking, consumer finance and account and card operations related fees. General banking charges, trade income and home remittances continued to form a significant portion of total fee income.

Growth in administrative expenses was contained at 12% over 2015. The increase was a result of investments in IT and brand building, costs related to strengthening the Bank's compliance systems and programs and the impact of the acquisition of the First MicroFinanceBank. The Bank remains focused on running its business in a cost conscious and efficient manner.

Non-performing loans reduced by Rs. 1.3 billion over 2015 levels, as a result of focused recovery and restructuring efforts. With the strong growth in the loan book, the asset quality ratio improved to 9.2%, from 10.9% in December 2015. Total provisions decreased by 81% to under the Rs. 1 billion mark for the first time in a decade. Consequently, the coverage has increased to over 91% from the already healthy level of 90% in December 2015.

## Movement in Reserves

	2016	2015
	Rupees in Million	
<b>Profit after tax</b>	<b>34,206</b>	35,102
Un-appropriated profit brought forward	96,495	88,715
Profit attributable to equity holders of the Bank	34,070	35,109
Other Comprehensive Income - net	(624)	(282)
Transferred from surplus on revaluation of assets - net of tax	38	54
	<b>33,484</b>	34,881
Profit available for appropriation	<b>129,979</b>	123,596

## Appropriations:

Transferred to statutory reserves
Transferred to statutory funds of associates
Cash dividend – Final
1st interim cash dividend
2nd interim cash dividend
3rd interim cash dividend
Total appropriations
Unappropriated Profit carried forward

Earnings per share (Rupees)

2016 2015  
Rupees in Million

(3,289)	(3,594)
(12)	(37)
(5,134)	(8,068)
(5,134)	(5,134)
(5,134)	(5,134)
(5,134)	(5,134)
(23,837)	(27,101)
106,142	96,495
23.23	23.93

## Capital Ratios

The consolidated Capital Adequacy Ratio (CAR) as at December 2016 was 15.5% with the Tier 1 CAR at 12.0%. Both ratios remain well above regulatory requirements.

HBL's return on assets in 2016 was 1.4%, while the return on equity was at 18.1%.

## Business Developments

HBL continues to maintain its leadership position with a deposit market share of over 14%. This sustained growth is underpinned by a robust KPI mechanism for branch performance monitoring, and by the continual improvement in service levels across the network. This year also saw a record number of new to bank relationships, thus significantly expanding the customer base. HBL is also the first bank to have a fully operational branch in the Gwadar Free Zone.

In 2016, HBL launched HBL Nisa, a first of its kind platform dedicated for women to provide them access to financial services, demonstrating the Bank's commitment to inclusion and diversity. HBL enrolled over 130,000 new women customers through this program and now serves over 2.4 million women customers. HBL Nisa has been globally recognised as a best-in-class initiative at several forums.

A key financial inclusion driver was HBL Asaan, a universal account with no minimum balance requirement and the simplest account opening process. In just over 12 months, the Bank has achieved a market share of over 25% with nearly 300,000 accounts. In 2017, avenues will be explored to extend this product to remote and rural areas through biometric authentication.

HBL continues to be the dominant player in Bancassurance with a market share of almost 50% and widened its menu in 2016 by adding a general insurance product. During the year several initiatives were taken to improve the quality of sales, including comprehensive product training, improving sales compliance and 100% customer call back on policies. Banca-Takaful, the Islamic variant of Bancassurance, was launched to cater to this previously untapped segment.

HBL's Consumer business continues to grow at over 30%, consistently and rapidly increasing its market share across core products. Usage of HBL's flagship credit card increased by 40%, leading to a 25% growth in volumes. Auto loans were the success story of 2016, as the Bank launched a landmark 75th anniversary themed campaign which set new industry benchmarks. The business also introduced its first Islamic product with Ijarah financing for autos. HBL's focus on debit card services helped to increase the delivery success rate to nearly 80% and usage at ATMs and POS terminals is 30% higher. Merchant acquiring, a relatively new business, has seen very high growth with monthly volumes leading the industry.

HBL maintains its leadership in SME financing and in Rural Banking and lending to the agriculture segment. As Pakistan's leading financial institution, these are key focus areas for the Bank as they are critical drivers of economic growth. In 2016, HBL was recognised for its efforts in these areas by being awarded the best bank for SME & Agriculture by the Institute of Bankers Pakistan.

HBL's Islamic Banking business allows faith based customers access to Shariah-compliant financial products through one of the largest distribution networks in the industry. In 2016, Islamic Banking continued to widen its asset base, maintaining its strong position in syndicated transactions, particularly in the energy and infrastructure sectors. A fully functional Shariah Compliance department was established to ensure a higher level of Shariah governance and support functions were segregated to provide dedicated support to the Islamic banking business. HBL has also initiated work on launching a separate Islamic banking subsidiary.

Cash Management continues to perform well and HBL retains market leadership with a 27% market share and over Rs. 1.7 trillion in volume. During the year, 90 new accounts have been solicited, bringing the total number of customers to 734. Cash management was successfully rolled out in Oman and the HBL@Work product for employee banking was launched in Sri Lanka during the year.

HBL's strategic thrust has been on positioning itself as the primary bank for large transactions, especially those related to CPEC. During the year HBL broadened its engagement with Chinese financial institutions in multiple capacities. One was the financial close for mining and power generation companies in Thar, in which there is participation from Chinese investors and where HBL is an equity investor, local lender and also an advisor for offshore debt.

The Investment Banking team had another exceptional year with the financial close of major infrastructure projects and energy related financing, winning 10 globally acclaimed awards. Syndication and project finance for Islamic transactions was also proactively sought and the team managed to close a number of transactions totalling over Rs. 200 billion during the year. In 2016, HBL successfully completed the largest ever local currency syndication transaction for a greenfield power project and was the buy-side advisor to a Turkish company for the acquisition of a white goods company in Pakistan.

HBL's Treasury continued to receive accolades, retaining its rating as the top Primary Dealer in rankings announced by the SBP, and achieving the No. 1 ranking for Overall FX Trading in Pakistan by Euromoney. The Bank's outright foreign exchange volume grew 4.4% while secondary market volume in government securities trading rose by 19.0% over 2015. New products were added to the Islamic product suite over the course of the year.

Various initiatives were rolled out towards achieving the digitization and innovation objectives of the Bank and a robust governance structure was established. The internet banking platform was strengthened, key customer issues were addressed and a bill payments module was developed and deployed. Given the pivotal role that data is expected to play in HBL's digital evolution, work was also initiated towards developing the data strategy of the Bank.

In-house capability for software development has been enhanced and the signature success in 2016 was the launch of HBL Mobile, initially with an Android version, followed by an IOS version in August. This was especially significant as it was Pakistan's first biometric authentication based Banking App. The mobile app will be rolled out to all international locations in 2017.

Despite the slower growth in overall home remittances, HBL has been successful in increasing its market share to 27%. This achievement has been duly recognised by the SBP as a significant contribution to the foreign exchange reserves of the country. The Fast Transfer remittance platform was introduced to facilitate remittances from the UAE to Sri Lanka and Bangladesh. In 2017, new corridors both for sourcing and destination countries will be added for routing remittances and will result in additional business opportunities for branches in these locations.

The international business is receiving greater focus on improved governance, and products and services are being rolled out as appropriate in overseas locations. The IT platform continues to be strengthened and new products have been rolled out with internet banking and ATM services made available across all core markets. During the year, HBL opened its second branch in the Maldives to tap into the expanding tourism market.



For the international business, the most significant development of 2016 was HBL being granted a license to open a branch in Urumqi in Western China. The branch is expected to go-live in the first quarter of 2017. The China Pakistan Economic Corridor provides excellent opportunities for Pakistan as well as HBL to play a significant role in capturing business and investment opportunities.

There has been a concerted focus on improving service quality and efficiency across all aspects of HBL's operations including conducting extensive branch health checks and surprise visits by senior management. ATM deployment was increased in a cost conscious manner by rationalizing low traffic offsite locations. A biometric authentication functionality was implemented at over 600 ATMs providing 'banking at your fingertips'. The Bank has taken steps to improve customer security at ATM vestibules and is also working towards achieving EMV compliance which will benefit customers by serving as an additional safeguard against fraud.

In 2016, various initiatives were taken by the Service Quality team to improve the customer grievance handling mechanism. Complaint registration through SMS was introduced to make it convenient for customers to raise their issues. Additionally, different levels of escalation were defined to improve ownership and turnaround time. The scope of the Complaint Resolution Unit was expanded to include problem prevention as well as resolution. One of the key achievements of this unit was a significant reduction in BISP and Debit Cards delivery complaints during the year. In 2016, 135,021 complaints were received directly by the Bank. On average, 4 days were taken to resolve the complaints.

HBL has consistently focused on brand building and in 2016, in an independently conducted survey, the Bank achieved the highest brand equity score in the financial sector. The quality of the Bank's campaigns was also recognised through numerous awards, such as Brand of the Year, Banking - Pakistan and the Passion for Pakistan Award.

The signature event of the year was HBL's title sponsorship of the Pakistan Super League (PSL), the country's first international sports league. HBL PSL rapidly became a buzzword, capturing the hearts and minds of millions across Pakistan. Through this, the Bank enabled the dreams and aspirations of young players by giving them a platform at par with international events. To further its objective of showcasing women empowerment, HBL's corporate positioning campaign featured another woman dreamer – Pakistan's first female scuba diving instructor. In 2016, HBL celebrated its 75th anniversary and marked this memorable occasion through initiatives for its employees and attractive program offerings for its customers.

## Human Resources

As Pakistan's leading Bank with an extensive international footprint, HBL takes pride in its experienced workforce of over 15,000 which has been instrumental in helping the Bank achieve its leadership position. HBL's commitment to human resource development is reflected in the investments made during the year in the recruitment, development and retention of staff. A new Talent and Diversity function was created to encourage increased participation of women in the workforce, particularly at senior management levels. To build the talent pipeline across the organization, a number of initiatives were implemented to ensure the intake of high calibre individuals – at entry level for fresh graduates, as well as for mid-career and senior hiring. The first phase of an integrated Human Resource Management System was launched for Pakistan based employees and also in the UAE. This will enable HBL to deliver a technology driven service excellence model for people management. This will also lay the foundation for delivering a talent management strategy focused towards identifying, nurturing and developing talent by providing career paths and learning opportunities.

HBL's strong emphasis on training and development was evidenced by a 35% increase in learning man-days. The focus was to leverage the Bank's technology investment by providing e-learning solutions for staff to develop their technical skills and also to offer personal effectiveness programs. The Bank continued to have its in-house training programs accredited by the best international institutes to ensure that employees have access to world-class learning opportunities. HBL will continue to strengthen its workforce and build their capabilities, enabling them to deliver high quality service to customers. The relationship with the unions also remained very cordial and cooperative throughout the year.

## Risk Management Framework

The Board of Directors provides the strategic direction for effective risk management and ensures that a robust risk management framework remains in place. It is supported in this task by the Board Risk Management Committee (BRMC) and at the senior management level, the governance framework includes a number of risk committees.

The risk management framework encompasses multi-tier management supervision, efficient systems and clearly articulated risk appetite, policies and procedures. The Bank continuously evaluates and evolves its risk architecture and governance framework in line with international best practices, new regulatory requirements and changes in its business needs and focus.

During 2016, the Bank realigned its risk organization to cater to the evolving needs of its domestic and international operations. Investment in technology continued to be at the forefront of enhancement in risk management practices at HBL. An integrated credit risk management software was rolled out in Corporate, Commercial and Islamic branches. This software will automate the entire credit process from loan origination to disbursement and subsequent periodic monitoring and management, thereby improving efficiency of the overall credit management process while significantly enhancing reporting capabilities. The Operational Risk Framework was strengthened for international locations and a fraud risk assessment dashboard was rolled out for senior management and the BRMC.

HBL has adopted the Alternate Standardised Approach for operational risk, while credit and market risks are measured using the Standardised Approach. As Pakistan's largest bank, HBL aims to embed Basel related processes and methodologies in its risk practices.

The security of HBL's information and technology infrastructure is vital to maintain the integrity of banking applications and protect customers. The Bank has a 24x7 Information Security Operations Center and has established a formal incident reporting process. Continuous efforts are made to strengthen the ability to prevent, detect and respond to cyber-attacks by improving governance and cyber-security controls as well as by educating staff through formal information security awareness programs.

HBL strives to achieve the highest standards of compliance in its operations. The Bank has invested in systems and controls to comply with anti-money laundering laws and regulations. To strengthen the compliance culture in branches, a quarterly compliance risk assessment tool was launched to quantify the completion of key compliance processes. International compliance outreach was enhanced with the introduction of Key Risk Indicators for all international locations.

## Corporate Social Responsibility (CSR)

HBL, with its vision of enabling people to advance with confidence and success and an aim to enriching lives, has always been a socially responsible organization. As the largest financial institution in the country, HBL's CSR activities are based on efforts to integrate responsible practices, products and services into its core business activities. HBL is committed to responsible Environment, Social and Governance (ESG) practices and this year was recognised as the Best Bank in Pakistan in this area by the Institute of Bankers Pakistan. HBL has also maintained close follow up on ESG activities in Thar where HBL is an active investor and also worked with the Amir Khan Trust to provide clean drinking water through the digging of wells in the Thar area.

HBL is committed to fulfilling its role as a responsible corporate citizen through its support for charitable causes that promote education, health and community welfare. The HBL Foundation was established in 2009 to promote the development and well-being of the underprivileged, and improve their quality of life. The Bank contributes 1% of its profits annually to the HBL Foundation in its endeavour to promote a more egalitarian society. During 2016, the Bank donated Rs. 380 million, both to the HBL Foundation and also directly to deserving causes.

In 2016, the HBL Foundation donated Rs. 144 million to strengthen the endowment funds of 14 Government and NGO-run hospitals across the country. The Foundation also collaborated with the Marie Adelaide Leprosy Center, Karachi to conduct 5 eye surgical camps in Balochistan and provided financial support to the Abdul Sattar Edhi Foundation for the purchase of 20 large ambulances. HBL has taken several steps in making medical services more easily accessible in far flung areas, partnering with the Shahid Afridi Foundation to help establish a maternity hospital for women in remote areas of KPK.

The Bank also strongly believes in promoting education and in 2016, the Foundation has provided financial support of Rs. 104 million to 21 educational institutions throughout Pakistan. This includes HBL Platinum Scholarships which were established as part of HBL's 75th anniversary activities, by contributing Rs. 5 million each towards the endowment funds of 15 higher education institutions across the country. In addition to established colleges and universities, the Foundation had prioritized institutions providing technical training and women's education.

HBL has always been associated with the promotion of sports at the grass roots level. In furtherance of this, HBL partnered with the Azad Foundation to help uplift street children through their engagement with sports by promoting them at a global level.

Donations to the HBL Foundation and others are disclosed in Note 26.3 to the financial statements.

## Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long-term and short-term respectively with the rating of its subordinated debt at AAA. Moody's also reaffirmed HBL's baseline credit assessment at b3 and its local and foreign currency ratings at B3 and Caa1 respectively.

Capital Intelligence, an international ratings agency also maintained HBL's short-term and long-term foreign currency credit rating at B and B- respectively, in line with its assessment of sovereign ratings. HBL's Financial Strength rating was also maintained at BB and both ratings carry a Stable Outlook.

## Awards

During 2016, HBL was conferred with several awards, the most significant of which were:

- Bank of the Year in Pakistan, by The Banker, a publication of the Financial Times, UK
- Best Domestic Bank – Pakistan, Asiamoney
- Best Retail Bank – Pakistan, Asian Banker International Awards
- Safest Bank in Pakistan, Global Finance
- Best Trade Finance Provider in Pakistan, Global Finance
- Best FX Provider in Pakistan, Global Finance
- Best Bank for Small Business & Agriculture, Pakistan Banking Awards
- Best Environmental, Social and Governance Bank, Pakistan Banking Awards
- Brand of the Year, Banking – Pakistan, World Branding Awards
- Best Local Trade Finance Bank in Pakistan, Global Trade Review



## Future Outlook

Increasing credit expansion in 1H FY17, higher crop production, visible progress on reducing energy shortages and improving business confidence, all bode well for continued positive developments. The economic reforms undertaken under the EFF program, coupled with an improved security situation will further support growth prospects. Large scale manufacturing should increase, buoyed by increasing infrastructure spending and recent initiatives to boost exports, with GDP growth widely expected to cross 5% in FY17.

The first half of FY17 has indications that the economy may be wavering from its nascent stability. It therefore becomes ever more critical to ensure that reform gains made under the IMF program are consolidated and embedded, as post-program monitoring by the IMF will continue. This is particularly urgent in the area of tax reform where bold and determined initiatives will be needed to ensure that deficits are contained without sacrificing development spending and that the tax/GDP ratio increases sustainably. The external position, after a long period of stability, is a source of concern as falling remittances no longer alleviate trade and current account deficits. The promise of CPEC must be crystallized and projects brought to fruition with utmost priority.

The Pakistan banking sector will face continued headwinds as interest rates are not expected to increase in the backdrop of contained inflation. This spread compression will be compounded by the reinvestment risk of the second round of maturing PIB investments at the start of FY18. However, CPEC driven loan growth, along with an offtake in export led manufacturing and private sector credit will present opportunities for which HBL, with its strong liquidity and capital is ideally positioned. The Bank is committed to maintaining high compliance and risk management standards while growing its presence and business. Customer centricity remains a priority which will see renewed focus in the coming year with product and service innovations.

## Dividend

The Board has recommended a final cash dividend of Rs. 3.50 per share for the year ended December 31, 2016, bringing the total cash dividend for the year to Rs. 14 per share. The Board had earlier declared and paid interim cash dividends totalling Rs. 10.50 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	10	10	N/A	N/A	N/A	N/A	6	6
Mr. Shaffiq Dharamshi	10	10	N/A	N/A	5	5	N/A	N/A
Mr. Moez Ahamed Jamal	10	10	7	7	N/A	N/A	6	6
Dr. Najeeb Samie	10	10	7	7	N/A	N/A	N/A	N/A
Mr. Agha Sher Shah	10	10	N/A	N/A	5	5	N/A	N/A
Mr. Sajid Zahid	10	9	7	7	N/A	N/A	6	6
Mr. Nauman K. Dar	10	10	N/A	N/A	5	5	6	6

## Auditors

The current auditors, Messrs A. F. Ferguson & Co, Chartered Accountants, retire and, being eligible, offer themselves for reappointment at the Annual General Meeting. Accordingly, the Board of Directors, on the recommendation of the Board Audit Committee, recommends the appointment of Messrs A. F. Ferguson & Co, Chartered Accountants, as the auditors of the Bank for the financial year 2017.

## Statement under Regulation 5.19.11 of the Code of Corporate Governance contained in Chapter 5 of the Pakistan Stock Exchange Limited Regulations (the Code):

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

- a) The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- b) Proper books of accounts of the Bank have been maintained.
- c) Other than the change as disclosed in note 4.1 to the financial statements, accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The Bank has followed international accounting standards (as applicable to Banks in Pakistan) in the preparation of its financial statements 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 follows the SBP Internal Control Guidelines, including the roadmap and the guidelines for Internal Controls over Financial Reporting (ICFR). The Bank has evaluated its ICFR process and developed a Framework document for the management for ICFR, including a Management Testing and Reporting Framework.
- 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 Code.
- h) Key operating and financial data for the last ten years is presented in the financial statements under the section "Progress 2007 to 2016 – 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 ten meetings in the year, including at least once in every quarter.

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

## Value of investments in employee retirement benefits funds

The following is the value of the investments of the provident, gratuity, pension and benevolent funds maintained by the Bank, based on their audited financial statements as at December 31, 2016.

	Rupees in Million
Employees' Provident Fund	12,418
Employees' Pension Fund	4,760
Employees' Gratuity Fund	2,377
Employees' Benevolent Fund – Executives and Officers	1,369
Employees' Benevolent Fund – Clerical and Non-Clerical	643

## Pattern of Shareholding

The pattern of shareholding as at December 31, 2016 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 programs attended by Directors

Details have been provided in the Statement of Compliance with the Code.

## Appreciation and Acknowledgement

On behalf of the Board and management, I would like to place on record our appreciation for the efforts of our Regulators and the Government of Pakistan, in particular the Ministry of Finance, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, for developing and strengthening the banking and financial industry through continuous improvements in the regulatory and governance framework.

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. I 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 14, 2017

کی جانب سے حاصل ہونی والی قوم کے نتیجے میں ملکی زرمبادلہ کے ذخائر سال کے اختتام پر 23.2 ارب امریکی ڈالر کی بلند ترین سطح تک جا پہنچے۔ زرمبادلہ کی مستحکم حیثیت سے روپے کی قدر میں مزید استحکام کو یقینی بنادیا ہے۔ نومبر میں، ایس اینڈ پی (S&P) نے پاکستان کو مستحکم معیشت قرار دیتے ہوئے B سے B کی رینٹنگ سے نوازا ہے اور پاکستان میں اقتصادی ترقی کے فروغ کی تصدیق کر دی ہے۔

ایم ایس سی آئی کی جانب سے مئی 2017 میں ایمرجنگ مارکیٹس کی انڈیکس میں پاکستان کی درجہ بندی پر نظر ثانی کی فیصلے سے سرمایہ کاروں کا اعتماد بڑھ گیا ہے، جس کے اسٹاک ایکسچینج پر مثبت اثرات پڑے ہیں۔ چینی سرمایہ کاروں کے ساتھ پاکستان اسٹاک ایکسچینج (PSX) کے کنسورشیم سے اس کے انتظامی حالات میں بہتری کے آثار نمایاں ہیں اور چھوٹے سرمایہ کاروں کی تعداد میں اضافہ ہو گیا ہے۔ اس طرح تجارتی سرگرمیوں میں تیزی آگئی ہے اور 2016 میں پی ایس ایکس (PSX) انڈیکس میں 47% تک اضافہ ریکارڈ کیا گیا ہے، جبکہ مالی سال 2017 کی پہلی ششماہی کے دوران سرمایہ کاری کا حجم 254 ملین امریکی ڈالر تک رہا، ایم ایس سی آئی (MSCI) کی درجہ بندی میں اضافے میں غیر ملکی سرمایہ کاری میں خاطر خواہ اضافے کی توقع ہے۔

بینک دولت پاکستان کی جانب سے مئی 2016 میں 25 bps کی کمی کے بعد ہدف کی شرح 5.75% میں کوئی تبدیلی نہیں کی گئی ہے۔ افراط زر میں اضافے کے رجحان اور بیرونی اکاؤنٹ پر دباؤ کی بنیاد پر ایک محتاط رویہ اختیار کیا گیا ہے۔ امسال، بینکاری کے شعبے میں قرضہ / ڈپازٹ کی مد میں مزید 5.2% کی کمی دیکھی گئی ہے، اور تیسری سہ ماہی (3Q) میں بڑے پیمانے پر PIB کی 1.5 کھرب روپے کی میچورٹی کے باعث نفع کی شرح میں کمی کا رجحان ہے۔ ایک عرصے تک ترقی میں سست روی کے بعد، 2016 کے دوران بینکاری کے شعبے میں ایڈوانسز کی شرح میں 14.7% تک اضافہ ہوا ہے، جس کے باعث مارکیٹ ڈپازٹس 15.8% اضافے کے ساتھ 11.2 کھرب روپے تک پہنچ گئے ہیں۔

## مالیاتی کارکردگی

ایچ بی ایل نے 2016 میں 56.5 ارب روپے کا قبل از ٹیکس منافع فراہم کیا ہے۔ بعد از ٹیکس منافع 34.2 ارب روپے ہے، جبکہ 2015 میں بعد از ٹیکس منافع 35.1 ارب روپے قرار دیا گیا، جس میں غیر معمولی کمپنیل گین منافع کا حصول بھی شامل ہے۔ اس طرح 2016 میں فی شیئر قیمت 23.23 روپے ہے جبکہ اس کے مقابلے میں 2015 میں 23.93 روپے تھی۔ منافع جات کے حصول کے علاوہ 2015 کے مقابلے میں 2016 کے لیے قبل از ٹیکس منافع کی شرح 4% زیادہ ہے، جبکہ بعد از ٹیکس منافع کی شرح 10% زیادہ رہی۔

ایچ بی ایل کی بیلنس شیٹ دسمبر 2015 کے مقابلے میں 13% فیصد اضافے کے ساتھ 2.5 کھرب روپے تک پہنچ گئی ہے۔ بینک ڈپازٹس میں 251 ارب روپے کا اضافہ ہوا ہے جبکہ CASA کی شرح 82% سے بھی زیادہ سطح تک برقرار رہی۔ کرنٹ اکاؤنٹس 16% فیصد اضافے کے ساتھ 700 ارب روپے کے قریب جا پہنچے ہیں اور کرنٹ اکاؤنٹس کی شرح دسمبر 2015 میں 36.7% کے مقابلے میں اب دسمبر 2016 میں 37.0% تک بڑھ گئے ہیں۔ ایک عرصے تک سست روی کے بعد اب قرضوں میں 17% سے زائد اضافہ ہو گیا ہے جس میں اعلیٰ منافع کے حامل صارفین، ایس ایم ای اور زرعی قرضہ جات کی فراہمی میں وسعت اہم سبب ہیں۔ بینک کی مارک اپ کی کم شرح، اسپرڈ مقابلے کے رجحان کے بڑھتے ہوئے دباؤ اور PIB میچورٹیز کے باوجود اپنے مجموعی منافع جات میں کمی کو صرف 30 bps تک برقرار رکھ سکا ہے۔ اس طرح 2016 میں مارک اپ کی خالص آمدنی 5% اضافے کے ساتھ 82.0 ارب روپے تک پہنچ گئی ہے۔

2016 کے لیے غیر مارک اپ آمدن 31.1 ارب روپے تھی۔ 2015 تک فیس اور کمیشن 8% اضافے سے 18.7 ارب روپے تک جا پہنچی ہے، اس طرح صنعتی شعبے میں یہاں پر بھی ایچ بی ایل کی سربراہی کو مزید استحکام ملا ہے۔ فیس کی مد میں اضافے کی وجہ بینک کا ایٹورنس پریسلز، سرمایہ کاری بینکاری، کنزیومر فنانس کے علاوہ اکاؤنٹ اور کارڈ آپریشن سے متعلق فیس، عمومی بینکنگ چارجز، تجارتی آمدنی اور ترسیلات زر کا مسلسل حصول ہے، جو کہ فیس کی مجموعی آمدنی کا اہم حصہ ہے۔



## ڈائریکٹر رپورٹ 2016

بورڈ آف ڈائریکٹرز کی جانب سے، 31 دسمبر، 2016 کو ختم شدہ سال کے لیے مجموعی مالی تفصیلات پیش کرتے ہوئے میں خوشی محسوس کرتا ہوں۔

### مجموعی اقتصادی جائزہ

پاکستان میں اقتصادی ترقی کا تسلسل 2016 میں بھی برقرار رہا، 2016 کے دوران مجموعی ملکی پیداوار (GDP) میں اضافے کی شرح 4.7% تک جا پہنچی ہے جبکہ صنعتی شعبے میں توسیع کے اعتبار سے یہ شرح 6.8% اور خدمات میں یہ شرح 5.7% ہے۔ مالی سال 2017 کے پہلی ششماہی کے دوران نجی شعبے کے لیے قرضوں کا تناسب گزشتہ سال اسی عرصے کے مقابلے میں 33% تک بڑھ گیا ہے، جبکہ مالی سال 2017 کے 5 مہینوں کے دوران بڑے پیمانے پر صنعتی پیداوار میں 3.2% اضافہ ہوا ہے۔ پاک چین معاشی راہداری (CPEC) پروجیکٹ کی بدولت صارفین کا اعتماد بڑھ گیا ہے اور اقتصادی سرگرمیوں میں بھی اضافہ ہوا ہے۔

مالی سال 2017 کی پہلی ششماہی کے دوران افراط زر کی شرح میں 3.9% اضافہ ہوا، جبکہ مالی سال 2016 کی پہلی ششماہی میں افراط زر کی شرح 2.1% تھی۔ تاہم گزشتہ چند مہینوں میں مجموعی طور پر افراط زر کی شرح 4% سے کم سطح پر برقرار رہی، افراط زر کی شرح میں اضافہ متوقع تھا، جس کی وجوہات میں مقامی ترسیلات زر میں اتار چڑھاؤ کا موسمی رجحان، اوپیک کی جانب سے تیل کی اضافی فراہمی میں کمی کے معاہدے کے باعث پٹرولیم مصنوعات کی قیمتوں میں بہت زیادہ اضافہ شامل ہے۔ البتہ اشیائے خورد و نوش کی قیمتوں میں اضافہ مجوزہ سطح تک برقرار رہا، مالی سال 2017 کے دوران بینک دولت پاکستان کی پیش گوئی کے مطابق افراط زر کی شرح میں مجموعی طور پر 4.5% تا 5.5% اضافہ ہوگا۔

حکومت مالی سال 2015 کے دوران مجموعی ملکی پیداوار میں خسارے کی شرح 5.3% کے مقابلے میں مالی سال 2016 کے دوران مجموعی ملکی پیداوار میں خسارے کی شرح کو 4.6% کی سطح تک کم کرنے میں کامیاب ہو گئی ہے۔ یہ کامیابی مالی استحکام اور ٹیکس وصولی میں اضافے کے باعث حاصل ہوئی ہے اور بجٹ میں رکھے گئے ہدف 3.1 کھرب روپے کی سطح کو عبور کر لیا ہے۔ مالی سال 2017 کی پہلی ششماہی کے دوران ٹیکس وصولی کی شرح میں 8% کمی آئی ہے، اس طرح پورے سال کے لیے ٹیکس وصولی کا ہدف 3.6 کھرب روپے حاصل کرنا مشکل بن گیا ہے۔ مالی سال 2017 میں مجموعی خسارے کی شرح 3.8% کو برقرار رکھنے کے لیے حکومت کو اپنے اخراجات میں کمی لانے کی ضرورت ہوگی۔

کرنٹ اکاؤنٹ خسارے میں اضافے کا رجحان برقرار ہے اور مالی سال 2017 کی پہلی ششماہی کے لیے یہ خسارہ 3.6 ارب امریکی ڈالر تک پہنچ چکا ہے، جو کہ مالی سال 2016 کی پہلی ششماہی کے خسارے سے تقریباً دو گنا ہے۔ کرنٹ اکاؤنٹ خسارے میں اضافے کی بڑی وجہ اس عرصے کے دوران تجارتی خسارے میں 16% اضافے کو قرار دیا گیا ہے۔ گزشتہ سال کے مقابلے میں امسال برآمدات میں مزید 2% کمی رہی، جبکہ سی پیک (CPEC) سے وابستہ سرگرمیوں کے باعث درآمدات میں 6% اضافہ ہوا ہے۔ بیرون ممالک محنت کشوں کی جانب سے غیر ملکی ترسیلات زر بیرونی اکاؤنٹ کو ہمیشہ استحکام بخشتا ہے، لیکن مالی سال 2016 کی پہلی ششماہی کے مقابلے میں امسال ترسیلات زر کی شرح میں بھی 2% کمی واقع ہو گئی، اس کے علاوہ پٹرولیم مصنوعات کی قیمتوں میں اضافے سے جی سی سی (GCC) ممالک کی معیشتوں پر مسلسل دباؤ کے اثرات ہیں۔ حالانکہ، کافی عرصے کی کمی کے بعد، مالی سال 2017 کی پہلی ششماہی کے دوران رقم کی آمد سے ایف ڈی آئی (FDI) میں 10% بہتری آئی ہے۔

پاکستان نے ستمبر میں آئی ایم ایف کے ایکسٹینڈیڈ فنانسینسلی (EFF) پروگرام کی تکمیل سے بہت بڑی کامیابی حاصل کر لی ہے، اس وسط مدتی پروگرام میں ملک نے پہلی مرتبہ کامیاب تکمیل کا سنگ میل عبور کیا ہے۔ EFF کے ذریعے 1 ارب امریکی ڈالر کے سلوک جاری کیے گئے، اس کے علاوہ باہمی اور کثیرالجہتی فریقین

## کاروباری ترقی

ایچ بی ایل نے ڈپازٹ مارکیٹ میں 14% حصے کے ساتھ اپنی سربراہانہ حیثیت برقرار رکھی ہے۔ یہ مستقل ترقی برانچوں کی کارکردگی کو جانچنے کے لیے ایک بہترین KPI کا نظام، اور پورے نیٹ ورک میں خدمات کی سطح پر مسلسل بہتری کے مہم جوئہ منت ہے۔ اس سال بینک میں بہت زیادہ تعداد میں نئے اکاؤنٹس کھولے گئے ہیں، جس سے کسٹمرز کی بنیاد میں توسیع نظر آئی ہے۔ ایچ بی ایل پہلا بینک ہے جس کی گوارد فری زون میں ایک مکمل طور پر فعال برانچ ہے۔

2016 میں، ایچ بی ایل نے خواتین کو مالی خدمات کی فراہمی کے لیے اپنی نوعیت پہلا پلیٹ فارم ایچ بی ایل نساء کا آغاز کیا، جس سے بینک کی جدید اور انفرادی عوامل میں شمولیت کے عزم کا اظہار ہوتا ہے۔ اس پروگرام کے تحت ایچ بی ایل نے 130,000 نئی خواتین کسٹمرز کو شامل کر لیا ہے اور اب ہم 2.4 ملین خواتین کسٹمرز کی خدمت میں مصروف عمل ہیں۔ ایچ بی ایل نساء کی دنیا بھر میں مختلف فورمز پر اس کی بہترین کارکردگی پر توثیق کی گئی ہے۔

مالی استحکام کے لیے انتہائی اہم محرک ایچ بی ایل آسان تھا، اس منفرد اکاؤنٹ میں کم سے کم بیلنس کی کوئی ضرورت نہیں اور یہ اکاؤنٹ کھولنے کا طریقہ کار بھی انتہائی آسان ہے۔ اس کی بدولت بینک نے صرف 12 ماہ کے عرصے میں تقریباً 300,000 اکاؤنٹس کے ساتھ مارکیٹ کا 25% سے زائد حصہ حاصل کر لیا۔ 2017 میں اس پروڈکٹ کو دور دراز اور دیہاتی علاقوں میں بائیومیٹرک تصدیق کے ساتھ وسعت کی بلندیوں تک پہنچائیں گے۔

ایچ بی ایل نے بینک انشورنس میں بھی 50% حصے کے ساتھ مارکیٹ میں اپنے غلبے کو برقرار رکھا ہوا ہے اور 2016 میں ایک جنرل انشورنس پروڈکٹ کے اضافے سے اپنے دائرہ کار کو وسیع بنا دیا ہے۔ اس سال کے دوران سیلز کے معیار کی بہتری کے لیے متعدد اقدامات اٹھائے گئے ہیں، جن میں پروڈکٹ سے متعلق اعلیٰ طرز کی تربیت، سیلز کمپلائنس کا فروغ اور پالیسیز پر کسٹمرز سے رابطہ کرنے کے عمل کو 100% یقینی بنانا شامل ہیں۔ بینک انشورنس کی اسلامی قسم بینک تکفل کو بھی متعارف کرا دیا گیا ہے۔

ایچ بی ایل کے کزن بومرز بنس میں 30% سے زائد اضافہ ہوا ہے، اس تسلسل اور تیزی کے ساتھ اضافے سے تمام اہم پروڈکٹس میں ہمارا مارکیٹ شیئر بڑھتا جا رہا ہے۔ ایچ بی ایل کے کریڈٹ کارڈز کے استعمال میں 40% تک اضافہ ہو گیا ہے اور حجم کے اعتبار سے 25% اضافہ ریکارڈ کیا گیا ہے۔ گاڑیوں کے لیے قرضہ جات کے حوالے سے 2016 کا میاب سال رہا، جیسا کہ بینک نے اپنی 75 ویں سالگرہ کے تصور سے بھرپور مہم چلائی، جس نے گاڑیوں کی صنعت میں نئے سنگ میل عبور کر لیے۔ گاڑیوں کے لیے فنانسنگ کی فراہمی کے لیے پہلی اسلامی پروڈکٹ ”اجارہ“ کو متعارف کرا دیا گیا ہے۔ ایچ بی ایل نے ڈیپٹ کارڈ کی سروس فراہم کرنے پر خصوصی توجہ دی ہے جس سے ڈیپٹ کارڈ کی کامیاب فراہمی کا تناسب تقریباً 80% ہو گیا ہے اے ٹی ایمز اور پی او ایس ٹرمینلز پر استعمال بھی 30% زیادہ ہو گیا ہے۔ مرچنٹس کا حصول، ایک نیا کاروبار ہے، اس شعبے میں بھی ماہانہ حجم میں بہت زیادہ اضافے کے ساتھ ہماری سرکردگی برقرار ہے۔

ایچ بی ایل نے ایس ایم ای فنانسنگ اور دیہاتی علاقوں میں بینکاری کے علاوہ زرعی شعبے میں بھی اپنی سربراہی کو قائم رکھا ہوا ہے۔ پاکستان کے سب سے بڑے مالیاتی ادارے کی حیثیت سے، بینک کے لیے ان عوامل پر توجہ دینا بہت ضروری ہے کیونکہ معاشی ترقی میں ان کا کردار بہت اہم ہوتا ہے۔ 2016 میں ایچ بی ایل کو ان شعبوں کی بہتری کے لیے کوششوں کے عوض انسٹی ٹیوٹ آف بینکرز پاکستان کی جانب سے ایس ایم ای اینڈ زراعت کے لیے بہترین بینک کے اعزاز سے نوازا گیا ہے۔

ایچ بی ایل کی اسلامی بینکاری اپنے عقائد کے مطابق بینکاری کو ترجیح دینے والے کسٹمرز کو بہت بڑے ڈسٹری بیوشن نیٹ ورکس کے ذریعے شریعت پر عمل پیرا مالیاتی پروڈکٹس تک رسائی فراہم کرتی ہے۔ 2016 میں اسلامی بینکاری نے اپنے اثاثوں میں توسیع کے عمل کو جاری رکھا، اس کے لیے تجارتی ٹرانزیکشنز، خاص طور پر توانائی اور انفراسٹرکچر کے شعبوں میں اپنی مستحکم حیثیت کو قائم رکھا۔ شریعت کے مطابق اعلیٰ سطح کی بینکاری کو یقینی بنانے اور اسلامی بینکاری کو مکمل معاونت فراہم کرنے کے لیے شریعہ کمپلائنس کا مکمل فعال شعبہ قائم کیا گیا ہے۔ ایچ بی ایل نے ایک الگ ضمنی اسلامک بینکاری کے آغاز پر کام شروع کر دیا ہے۔

2015 کے مقابلے میں انتظامی اخراجات میں اضافے کی شرح صرف 12% تھی۔ اس اضافے کی وجوہات میں آئی ٹی اور برانڈ کو مستحکم بنانے کے لیے سرمایہ کاریاں اور بینک کے کمپلائنس سسٹم اور پروگراموں کی بہتری پر آنے والے اخراجات اور فرسٹ مائیکروفنانس بینک کا حصول شامل ہیں۔ بینک نے اپنے کاروبار پر توجہ مرکوز کر رکھی ہے اور اخراجات کے سلسلے میں انتہائی احتیاط سے کام لیا جاتا ہے۔ 2015 کے مقابلے میں ریکوری پر غیر معمولی توجہ اور اسیر نو بہتر کوششوں کے نتیجے میں غیر فعال قرضے کم ہو کر 1.3 ارب روپے کی سطح پر آ گئے ہیں۔ قرضے کے کھاتے میں مستحکم اضافے کے ساتھ دسمبر 2015 کے مقابلے میں اثاثہ جات کی معیاری شرح 9.2% سے بڑھ کر 10.9% ہو گئی ہے۔ پروویزن کی مجموعی فراہمی میں 81% کمی ہوئی ہے اور اس عشرے میں پہلی مرتبہ 1 ارب روپے سے کم ہے۔ اسی طرح کوریج کی شرح دسمبر 2015 کے مقابلے میں 90% کی مستحکم سطح سے بڑھ کر 91% تک پہنچ گئی ہے۔

## ذخائر میں اتار چڑھاؤ

2016	2015
ملین (روپے)	
34,206	35,102
96,495	88,715
34,070	35,109
(624)	(282)
38	54
33,484	34,881
129,979	123,596
(3,289)	(3,594)
(12)	(37)
(5,134)	(8,068)
(5,134)	(5,134)
(5,134)	(5,134)
(5,134)	(5,134)
(23,837)	(27,101)
106,142	96,495
23.23	23.93

### بعد از ٹیکس منافع

افتتاحی غیر تخصیص شدہ منافع

بینک ایکویٹی کے حامل افراد کے لیے قابل ادائیگی منافع

دیگر بڑی آمدنی۔ خالص

اثاثہ جات کی دوبارہ قیمت طے کرنے پر سربلس سے منتقل رقم۔ ٹیکس کے بعد خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقم:

قانونی ذخائر میں منتقلی

ایسوسی ایٹس کے قانونی فنڈز میں منتقلی

نقد منافع منقسمہ۔ حتمی

پہلا نقد عبوری منافع منقسمہ

دوسرا نقد عبوری منافع منقسمہ

تیسرا نقد عبوری منافع منقسمہ

مجموعی مناسب کارروائیاں

انتظامی غیر تخصیص شدہ منافع

فی شیئر آمدنی (روپے)

## سرمائے کا تناسب

دسمبر 2016 تک مجموعی کیپیٹل ایڈویکس ریشو (CAR) 15.5% تھا، جس میں ٹیڈون کیپیٹل ایڈویکس ریشو 12% رہا۔ یہ دونوں تناسب قواعد و ضوابط کی ضروریات سے بہت زیادہ رہے ہیں۔

ایچ بی ایل نے 2016 میں اثاثہ جات پر منافع 1.4% رہا، جبکہ ایکویٹی پر منافع کی شرح 18.1% رہی۔

بین الاقوامی کاروبار کے لیے بہتر انتظامات، اور بیرون ممالک مقامات پر مناسب طریقے سے پروڈکٹس اور سروسز کی دستیابی پر توجہ مرکوز کی جارہی ہے۔ آئی ٹی کے پلیٹ فارم کو مسلسل مضبوط بنانے پر توجہ دی جارہی ہے اور انٹرنیٹ بینکنگ اور ای ٹی ایم سروسز کے ساتھ ٹی پروڈکٹس کو متعارف کرا دیا گیا ہے تاکہ تمام اہم مارکیٹوں میں یہ سہولیات دستیاب ہو سکیں۔ سال کے دوران، ایچ بی ایل نے مالدیپ میں سیاحت کی توسیع پذیر مارکیٹ میں شامل ہونے کے لیے اپنی دوسری برانچ کا آغاز کر دیا ہے۔

بین الاقوامی کاروبار کے لیے، 2016 کی سب سے اہم کامیابی یہ ہے کہ ایچ بی ایل کو مغربی چین کے شہر ارومچی (Urumqi) میں برانچ کھولنے کا لائسنس مل گیا ہے۔ 2017 کی پہلی سہ ماہی میں برانچ کے آغاز کا قوی امکان ہے۔ پاک چین اقتصادی راہداری سے پاکستان کے ساتھ ایچ بی ایل کو بھی کاروبار کے حصول اور سرمایہ کے بہترین مواقع کی فراہمی یقینی ہے۔

ایچ بی ایل کے آپریشنز کی معیاری خدمات میں ہر اعتبار سے بہتری لانے کے لیے اجتماعی طور پر توجہ دی جارہی ہے، جس میں برانچوں کی کارکردگی جانچنے کے لیے اعلیٰ انتظامیہ کے اچانک دورے شامل ہیں۔ ایسی جگہوں پر ای ٹی ایم کی تنصیب میں اضافہ کیا گیا جہاں پر لوگوں کی رسائی عام ہے تاکہ اخراجات پر قابو پایا جاسکے۔ بینکاری کو آپ کے لیے آسان ترین بنانے کے لیے 600 سے زائد ای ٹی ایمز پر بائیومیٹرک تصدیق کا نظام نصب کر دیا گیا ہے۔ بینک نے ای ٹی ایم سے متصل برآمدے پر کسٹمر کی سیکورٹی کو مزید بہتر بنانے کے لیے بھی اقدامات اٹھائے ہیں اور EMV پر عملدرآمد کے لیے بھی کوششیں جاری ہیں جس سے کسٹمرز کو فراڈ سے بچانے کے لیے اضافی حفاظتی فائدہ میسر ہوگا۔

2016 میں، سروس کوالٹی ٹیم نے نظام میں خرابیوں سے متعلق کسٹمرز کی شکایات کا ازالہ کرنے کے لیے مختلف اقدامات اٹھائے ہیں۔ ایس ایم ایس کے ذریعے شکایات درج کرانے کی سہولت متعارف کرائی گئی ہے تاکہ کسٹمرز کو اپنے مسائل حل کرانے میں آسانی میسر آسکے۔ اس کے علاوہ، کمپلین ریزولوشن یونٹ کے کردار کو بھی توسیع دی گئی ہے، جس میں مسائل سے بچاؤ اور ان کا حل شامل ہے۔ اس یونٹ کی اہم کامیابیوں میں سے ایک یہ ہے کہ سال کے دوران اس کی وجہ سے BISP اور ڈی بیٹ کارڈ کی فراہمی سے متعلق شکایات میں کمی آئی ہے۔ 2016 میں بینک کو براہ راست موصول ہونے والی شکایات 135,021 ہیں۔ شکایات کو حل کرنے کے لیے زیادہ سے زیادہ 4 دن لگتے ہیں۔

ایچ بی ایل نے 2016 میں تسلسل کے ساتھ برانڈ کو مستحکم بنانے پر توجہ دی ہے، ایک غیر جانبدار سروے کے مطابق، بینک نے مالیاتی شعبے میں برانڈ ایکویٹی سے متعلق سب سے زیادہ پذیرائی حاصل کی ہے۔ بینک کی مہموں کو معیار کے اعتبار سے متعدد ایوارڈز سے نوازا گیا ہے، جن میں برانڈ آف دی ایئر، بینکنگ۔ پاکستان اور دی پیش فار پاکستان ایوارڈ شامل ہیں۔

ایچ بی ایل کے لیے سال کا سب سے بڑا پروگرام پاکستان کی پہلی اسپورٹس لیگ، پاکستان سپر لیگ (PSL) کے ٹائٹل کی اسپانسر شپ پر دستخط کی تقریب تھی۔ ایچ بی ایل اور پی ایس ایل تیزی کے ساتھ زبان عام ہو گئے اور لاکھوں پاکستانیوں کے دلوں پر راج کرنے لگے ہیں۔ اس طرح بینک نے نوجوان کھلاڑیوں کے بین الاقوامی سطح پر کھیلنے کے خواہوں اور خواہشات کو شرمندہ تعبیر کرنے کے لیے انہیں پلیٹ فارم مہیا کر دیا۔ اس کے علاوہ خواتین کو بااختیار بنانے کے مقصد کے لیے ایچ بی ایل کارپوریٹ نے ایک مہم چلائی جس میں ایک اور خاتون کے خواہوں کو اجاگر کیا گیا ہے۔ پاکستان کی پہلی خاتون اسکواڈ انیونگ انٹرکٹر کو خراج تحسین پیش کیا گیا ہے۔ ایچ بی ایل نے اپنی 75 ویں سالگرہ منائی اور اس تاریخ ساز موقع پر ملازمین اور کسٹمرز کے لیے پرکشش پروگرام پیش کیے گئے۔

## ہیومن ریسورسز

پاکستان کے سب سے بڑے بینک ایچ بی ایل کو بین الاقوامی سطح پر بھی کاروبار پھیلانے میں 15,000 سے زائد تجربہ کار ملازمین پرفخر ہے جن کی انتھک محنت کی بدولت بینک نے اعلیٰ مقام حاصل کیا ہے۔ ایچ بی ایل کی ہیومن ریسورسز کے فروغ کے لیے جذبے کا اندازہ اس بات سے لگایا جاسکتا ہے کہ سال کے دوران



ایچ بی ایل نے نقد رقم کے انتظام کو برقرار رکھتے ہوئے بہتر کارکردگی سے 27% مارکیٹ شیئر حاصل کر کے 1.7 کھرب روپے سے زائد مالی حجم کے ساتھ مارکیٹ پر اپنی حکمرانی کو قائم رکھا ہوا ہے۔ سال کے دوران 90 نئے اکاؤنٹس کھولے گئے، اس طرح کسٹمرز کی مجموعی تعداد 734 ہو گئی ہے۔ اس سال کے دوران نقد رقم کے کامیاب انتظام کو عمان میں بھی برقرار رکھا گیا اور سری لنکا میں HBL@Work کے نام سے بینک ملازمین کے لیے پروڈکٹ متعارف کرائی گئی۔

ایچ بی ایل اپنی بہتر حکمت عملی کے نتیجے میں بڑی ٹرانزیکشنز خاص طور پر سی پیک (CPEC) سے وابستہ ٹرانزیکشنز کے لیے خود کو ترجیحی بینک کی حیثیت سے منوالیا ہے۔ اس سال کے دوران ایچ بی ایل نے چین کے مالیاتی اداروں کے ساتھ مختلف شعبوں میں اپنے کاروباری تعلقات کو وسعت دی ہے۔ ان میں سے ایک مثال تھر میں مانینگ اور پاور جزییشن کمپنیوں کے ساتھ قریبی مالیاتی کاروباری تعلقات ہیں، اس میں چینی سرمایہ کاروں کی شرکت بھی شامل ہے اور ایچ بی ایل یہاں پر بنیادی سرمایہ کار، مقامی قرض خواہ اور غیر ملکی قرضوں کے حصول کے لیے مشیر کی حیثیت سے مصروف عمل ہے۔

سرمایہ کاری بینکنگ ٹیم کے لیے ایک اور اچھا سال رہا جس میں بڑے انفراسٹرکچر پروجیکٹس اور توانائی سے منسلک فنانسنگ کی تکمیل ہوئی اور ٹیم نے 10 گلوبل انعامات جیت لیے۔ اسلامی ٹرانزیکشنز کے لیے تنظیم سازی اور پروجیکٹ فنانس سے متعلق بھی سرگرمی کے کوششیں کی گئی ہیں اور سال کے دوران ٹیم نے متعدد ٹرانزیکشنز کی تکمیل کو کامیاب بنایا جن کا مجموعی مالی حجم 200 ارب روپے سے زائد رہا۔ 2016 میں، ایچ بی ایل نے گرین فیلڈ پاور پروجیکٹ کے لیے مقامی کرنسی میں سب سے بڑی ٹرانزیکشن کو کامیابی کے ساتھ مکمل کیا اور ہم نے پاکستان میں وائٹ گڈ کمپنی کو حاصل کرنے کے لیے ترک کمپنی کے ساتھ مشیر کے طور پر بھرپور کردار ادا کیا۔

ایچ بی ایل کی ٹریڈری نے اعزازات حاصل کرنے کے تسلسل کو برقرار رکھا، بینک دولت پاکستان کی جانب سے درجہ بندی کی سرفہرست میں پرائمری ڈیلر کی حیثیت سے سرفہرست قرار دیا گیا، اور یورومنی کی جانب سے پاکستان میں ایف ایکس ٹریڈنگ (FX Trading) کی درجہ بندی میں مجموعی طور پر نمبر 1 کا اعزاز حاصل کیا ہے۔ بینک کے غیر ملکی زرمبادلہ کے ذخائر میں 4.4% اضافہ ہوا ہے، جبکہ 2015 تک ثانوی مارکیٹ کے حجم میں سرکاری سیکورٹیز کی تجارت 19% بڑھ گئی۔ اس سال کے دوران اسلامی پروڈکٹس کے کاروبار میں نئی پروڈکٹس کو بھی شامل کیا گیا ہے۔

بینک کے عددی اور اختراعی مقاصد حاصل کرنے کے لیے مختلف اقدامات اٹھائے گئے ہیں اور ان پر عملدرآمد کے لیے مضبوط ڈھانچہ تشکیل دیا گیا ہے۔ انٹرنیٹ بینکنگ پلیٹ فارم کو مضبوط بنایا گیا ہے، کسٹمرز کے اہم مسائل کی نشاندہی کی گئی ہے اور بلوں کی ادائیگی کا ماڈیول تشکیل دے کر رائج کر دیا گیا ہے۔ ایچ بی ایل کی ڈیجیٹل ارتقاء میں ڈیٹا کا اہم کردار متوقع ہے، بینک کے ڈیٹا سے متعلق حکمت عملی تشکیل دینے کے لیے بھی کام کا آغاز کر دیا گیا ہے۔

سوفٹ ویئر کی تیاری کے لیے ذاتی اہلیت میں توسیع کی گئی ہے اور اس سلسلے میں 2016 کے دوران ایچ بی ایل موبائل متعارف کرانے کی اہم کامیابی نصیب ہوئی، ابتدائی طور پر اینڈرائڈ (Andriod) ورژن سے آغاز کیا گیا اور اگست میں IOS ورژن بھی متعارف کیا گیا۔ یہ کامیابی اس لیے اہم ہے کہ یہ پاکستان میں بائیومیٹرک تصدیق کے ساتھ پہلی بینکنگ ایپ ہے۔ یہ موبائل ایپ 2017 میں تمام بین الاقوامی مقامات میں متعارف کرا دی جائے گی۔

ترسیلات زر میں اضافے کی مجموعی طور پر سست صورتحال کے باوجود، ایچ بی ایل نے اپنے مارکیٹ شیئر میں 27% تک اضافے کی کامیابی حاصل کر لی ہے۔ اس کامیابی پر بینک دولت پاکستان نے فوری طور پر سراہا اور اس کو ملک کے غیر ملکی زرمبادلہ کے ذخائر میں بہت بڑا حصہ قرار دیا ہے۔ غیر ملکی زرمبادلہ کی منتقلی کے لیے ”دی فاسٹ ٹرانسفر“ کے نام سے پلیٹ فارم متعارف کرایا ہے تاکہ متحدہ عرب امارات، سری لنکا اور بنگلہ دیش سے رقوم کی منتقلی میں آسانی میسر آ سکے۔ 2017 میں رقوم کی ترسیل کے لیے نئے اقدامات کے تحت اصل اور ذریعہ بننے والے دیگر ممالک کو بھی شامل کیا جائے گا اور اس کے نتیجے میں ان ممالک میں برانچز کے لیے مزید کاروباری مواقع میسر آ سکیں گے۔

ایچ بی ایل کے انفارمیشن اور ٹیکنالوجی ڈھانچے کی حفاظت بینکاری سرگرمیوں اور کسٹمرز کی حفاظت کے لیے ناگزیر ہے۔ بینک کے پاس اپنا 24x7 انفارمیشن سکیورٹی آپریشنز سینٹر ہے اور باقاعدہ طور پر حادثے کی رپورٹنگ کا نظام قائم کیا گیا ہے۔ سائبر حملوں کے مقابلہ، نشاندہی اور حفاظت کے لیے گورننس میں بہتری اور سائبر سکیورٹی کنٹرولز کی مسلسل کوششیں جاری ہیں جبکہ باقاعدہ طور پر انفارمیشن سکیورٹی سے متعلق آگہی پروگرامز کے ذریعے ملازمین کی تربیت بھی کی جاتی رہتی ہے۔

ایچ بی ایل اپنے آپریشنز میں اعلیٰ معیاروں کی پاسداری کے لیے پرعزم ہے، بینک نے ایٹمی منی لانڈرنگ قوانین و ضوابط پر عمل درآمد کے لیے سسٹم اور کنٹرولز پر بھاری سرمایہ کاری کی ہے۔ برانچز میں عمل درآمد کا نظام بڑھانے کے لیے، سہ ماہی بنیادوں پر کمپلائنس رسک اسیسمنٹ ٹول متعارف کرایا گیا ہے تاکہ عمل درآمد کی اہم سرگرمیوں کی تکمیل کا جائزہ لیا جاسکے۔ تمام انٹرنیشنل مقامات کے لیے اہم رسک انڈیکسز کا آغاز عالمی عمل درآمد کی وسعت کو بڑھایا گیا ہے۔

## کارپوریٹ سوشل ریسپانسیبلٹی (CSR)

ایچ بی ایل نے لوگوں کو اعتماد اور کامیابی کے ساتھ آگے بڑھانے کے نظریے اور ان کی زندگیوں میں بہتری لانے کی سوچ کے ساتھ ہمیشہ سے ہی سماجی طور پر ایک ذمہ دار ادارے کے طور پر خود کو منوایا ہے۔ ملک کے سب سے بڑے مالیاتی ادارے کے طور پر، ایچ بی ایل اپنی اہم کاروباری سرگرمیوں مثلاً خدمات، پروڈکٹس اور تجربات میں سی ایس ایل آر پر بھرپور عمل درآمد کو یقینی بنانے کے لئے سرگرم عمل ہے۔ ایچ بی ایل، انوائرنمنٹ، سوشل اور گورننس (ESG) سرگرمیوں پر ذمہ داری کے ساتھ عمل پیرا ہے اور اس کے اعتراف میں امسال انسٹیٹیوٹ آف بینکرز پاکستان کی جانب سے پاکستان کے بہترین بینک کا اعزاز بھی اپنے نام کر چکا ہے۔ ایچ بی ایل نے ESG سرگرمیوں پر تھر میں بھی بھرپور عمل درآمد کو یقینی بنایا ہے جہاں بینک ایک اہم سرمایہ کار کے طور پر شامل ہے اور بینک نے تھر کے علاقے میں عامر خان ٹرسٹ کے ساتھ مل کر پینے کے صاف پانی کی فراہمی کے لئے کنوین بنانے میں بھی حصہ لیا۔

ایچ بی ایل ایک کارپوریٹ ذمہ دار شہری کا کردار ادا کرنے کے لیے پرعزم ہے، اس مقصد کے لیے ایچ بی ایل تعلیم، صحت اور کمیونٹی ویلفیئر کی ترقی کے لیے تعاون کرتا رہتا ہے۔ ایچ بی ایل فاؤنڈیشن کا قیام 2009 میں غریبوں کی فلاح و بہبود اور ان کے معیار زندگی میں بہتری لانے کے لیے عمل میں لایا گیا۔ بینک اپنے منافع کا ایک فیصد سالانہ فاؤنڈیشن سے تعاون کرتا ہے تاکہ معاشی برابری کو تقویت دی جاسکے۔ 2016 کے دوران بینک نے HBL فاؤنڈیشن کے ساتھ اور بلاواسطہ طور پر 380 ملین روپے کے عطیات دیئے۔

2016 میں ایچ بی ایل فاؤنڈیشن نے ملک بھر کے حکومت اور این جی اوز کے تحت چلنے والے 14 اسپتالوں کے ساتھ 144 ملین روپے کے عطیات دیئے۔ فاؤنڈیشن نے میری ایڈیلڈ پروسس سینٹر، کراچی کے ساتھ اشتراک عمل سے بلوچستان میں امراض چشم کے لیے آپریشنز کے 5 کمپ بھی منعقد کرائے۔ اس کے ساتھ ساتھ عبدالستار ایدھی فاؤنڈیشن کو 20 بڑی ایمبولینس خریدنے کے لئے عطیات دیئے۔ ایچ بی ایل نے دور دراز علاقوں میں بھی طبی سہولیات کی آسان رسائی کے لئے کئی اقدامات اٹھائے ہیں، خیبر پختونخواہ کے پسماندہ علاقے میں خواتین کے لئے میٹرنیٹی ہسپتال کے قیام میں شاہد آفریدی فاؤنڈیشن کے ساتھ معاونت کی ہے۔

بینک تعلیم کی ترقی پر یقین رکھتا ہے اور فاؤنڈیشن نے 2016 میں پاکستان بھر میں 21 تعلیمی اداروں کو 104 ملین روپے کا مالی تعاون فراہم کیا۔ اس میں ایچ بی ایل کے پلانٹیم اسکالرشپ بھی شامل ہیں جو بینک کی 75 ویں سالگرہ کے جشن کے حصے کے طور پر جاری کئے گئے اور اس طرح ملک بھر کے 15 اعلیٰ تعلیمی اداروں کو 5 ملین روپے فی ادارہ کے حساب سے تعاون کیا گیا۔ مزید برآں، کالج اور یونیورسٹیز کے قیام کے لئے، فاؤنڈیشن نے تکنیکی تربیت اور خواتین کی تعلیم فراہم کرنے والے اداروں کو ترجیحی طور پر منتخب کیا ہے۔

ملازمین کی بھرتیوں، ترقی اور ان کی برقراری پر سرمایہ کاری کی گئی۔ ملازمین میں خواتین کو شمولیت کو فروغ دینے کے لیے ایک نئے جذبے اور توانائی کے ساتھ کام کیا گیا ہے، خاص طور پر اعلیٰ انتظامی عہدوں پر ان کی تعیناتی پر خصوصی توجہ دی گئی ہے۔ پورے ادارے میں قابلیت کی درجہ بندی کے لیے اور اعلیٰ قابلیت کے افراد کی حوصلہ افزائی کو یقینی بنانے کے لیے متعدد اقدامات پر عملدرآمد کیا گیا ہے۔ اس سلسلے میں تازہ گریجویٹس کو ابتدائی سطح پر، جبکہ اسی طرح درمیانی قابلیت کے حامل افراد اور اعلیٰ انتظامی عہدوں کے لیے سینئر افراد کی تقرری کی گئی ہے۔ پہلے مرحلے میں، پاکستان میں کام کرنے والے ملازمین کے لیے ایک جدید ہیومن ریسورس مینجمنٹ سسٹم متعارف کرایا گیا اور بعد میں متحدہ عرب امارات میں بھی اس کا آغاز کیا گیا ہے۔ اس طرح ایچ بی ایل اس بات کو یقینی بنائے گا کہ افراد کے انتظام کے لیے ٹیکنالوجی کے ذریعے خدمات حاصل کرنے کا خاص ماڈل متعارف کرایا جاسکے۔ اس سے قابل افراد کی فراہمی کے لیے حکمت عملی کا بھی سنگ بنیاد رکھا جائے گا جس میں قابل افراد کی نشاندہی، حوصلہ افزائی اور انھیں مستقبل میں سیکھنے اور ترقی پانے کے لیے مواقع کی فراہمی شامل ہے۔

ایچ بی ایل کی جانب سے ملازمین کی تربیت اور ترقی پر زیادہ توجہ کا ثبوت یہ ہے کہ ملازمین کی تربیت کے دورانیے میں 35% اضافہ کر دیا گیا ہے۔ اس کی وجوہات میں بینک کی جانب سے ٹیکنالوجی پر سرمایہ کاری سے ملازمین کے اندر ٹیکنالوجی کی مہارتوں کو فروغ دینے کے لیے ای لرننگ اور اس کے علاوہ ملازمین کو ذاتی بہتری کے پروگراموں کی پیشکش شامل ہے۔ بینک نے اپنے ادارے کے اندر ایک تربیتی پروگرام کے تسلسل کو بھی برقرار رکھا ہے جس میں بین الاقوامی سطح کے بہترین انیٹیویٹ کی معاونت سے تربیت دی جاتی ہے تاکہ ملازمین کو عالمی معیار کی تربیت کے مواقع میسر آسکیں۔ ایچ بی ایل اپنے ملازمین کو ان کی قابلیت کے مطابق مستحکم کرنے کا عزم رکھتا ہے، اور انہیں اس قابل بنانے کے لیے کوشاں رہتا ہے کہ وہ کسٹمر کو اعلیٰ معیاری خدمات فراہم کر سکیں۔ پورے سال کے دوران یونینز کے ساتھ بھی انتہائی خوشگوار اور معاونت سے بھرپور تعلقات رہے۔

## رسک مینجمنٹ فریم ورک

بورڈ آف ڈائریکٹرز نے خطرات سے منوثر طریقے سے نمٹنے کے لیے حکمت عملی فراہم کی ہے اور اس بات کو یقینی بنایا ہے کہ انتظامیہ اس سلسلے میں مستحکم منصوبہ بندی پر عملدرآمد کرے۔ اس میں بورڈ کی رسک مینجمنٹ کمیٹی (BRMC) کا تعاون اور اعلیٰ انتظامی سطح پر بھی معاونت فراہم کی جاتی ہے تاکہ منصوبہ بندی پر منوثر عملدرآمد کو یقینی بنایا جاسکے، اس کے علاوہ دیگر متعدد کمیٹیاں بھی اپنا فعال کردار ادا کرتی ہیں۔

خطرات پر قابو پانے کے لیے منصوبہ بندی میں مختلف انتظامیہ کی جانب سے نگرانی، منوثر نظام اور خطرے سے نمٹنے کے لیے بالکل واضح منوثر، پالیسیاں اور طریقہ کار شامل ہیں۔ بینک نے خطرات سے نمٹنے کے لیے تسلسل کے ساتھ جانچ پڑتال اور انتظامی طور پر تشکیل دی گئی منصوبہ بندی کی تیاری میں ہمیشہ بین الاقوامی اعلیٰ معیاری روایات، نئے قوانین کی پاسداری اور اپنی کاروباری ضروریات کے مطابق تبدیلیوں پر توجہ دی ہے۔

2016 کے دوران، بینک نے خطرات سے نمٹنے والے اپنے شعبے کو از سر نو تشکیل دیا ہے تاکہ مقامی اور بین الاقوامی آپریشنز کی ضروریات کو پورا کیا جائے۔ ایچ بی ایل میں ٹیکنالوجی کی مدد میں سرمایہ کاری کے تسلسل میں خطرات سے نمٹنے کی روایات کو اولین ترجیح دی جاتی ہے۔ کارپوریٹ، کمرشل اور اسلامی برانچوں میں ایک جدید کریڈٹ رسک مینجمنٹ سوفٹ ویئر کو متعارف کرایا گیا ہے۔ اس سوفٹ ویئر کی بدولت قرض کے اجراء سے لے کر قرض کی واپسی اور میعاد بنیادوں پر نگرانی اور انتظام سمیت کریڈٹ کا مجموعی نظام خود کار ہوگا، اس طرح کریڈٹ مینجمنٹ کے نظام کو مجموعی طور پر منوثر بنانے میں مدد ملے گی جبکہ رپورٹنگ کے معیار میں بھی خاطر خواہ اضافہ ہوگا۔ بین الاقوامی مقامات پر آپریشنل رسک فریم ورک کو مستحکم بنایا گیا ہے اور فراڈ کے خطرے کی جانچ پڑتال کے لیے ڈیش بورڈ کو سینئر انتظامیہ اور بی آر ایم سی کے لیے تیار کر لیا گیا ہے۔

ایچ بی ایل نے آپریشنل رسک کے لیے الٹرنیٹ اسٹینڈرڈز اپروچ اپنائی ہے جبکہ کریڈٹ اور مارکیٹ رسک اسٹینڈرڈز اپروچ کے استعمال سے جانچے جاتے ہیں۔ پاکستان کا سب سے بڑا بینک ایچ بی ایل رسک سے متعلق Basel کے تحت عمل درآمد اور طریقہ کار اپنانے کا مقصد رکھتا ہے۔

مالیاتی سال 17 کی پہلی ششماہی کی صورتحال معاشی عدم استحکام کی طرف اشارہ کرتی ہے جس میں IMF پروگرام کے تحت ریفارمز کے حصول میں استحکام اور مضبوطی کا مرحلہ کچھ مشکل دکھائی دے رہا ہے کیونکہ IMF کی جانب سے پوسٹ پروگرام مانیٹرنگ جاری رہے گی۔ اس حوالے سے خاص کر ٹیکس ریفارمز کے شعبے میں فوری طور مضبوط اور دیر پا اقدامات ناگزیر ہیں تاکہ اس بات کو یقینی بنایا جاسکے کہ ترقیاتی اخراجات متاثر کئے بغیر خسارہ برقرار رہے اور ٹیکس/GDP کا تناسب مستحکم انداز میں بڑھتا رہے۔ استحکام کے بہتر عرصہ بعد بھی گرتی ہوئی تریلات زر میں اضافہ کے نہ ہونا، ٹریڈ اور کرنٹ اکاؤنٹ خسارے کی صورتحال تشویش کا باعث ہیں۔ سی پیک کا وعدہ وفا کرتے ہوئے اس کے پروڈیکٹس کی تکمیل سے اس کے فوائد جلد سے جلد آنے کی ترجیحات ہونی چاہئے۔

پاکستان کا بینکنگ سیکٹر مہنگائی کی مستحکم پوزیشن کے پیش نظر مارک اپ کی شرح میں اضافہ نہ ہونے کی وجہ سے مسلسل دباؤ کا شکار رہے گا۔ اس دباؤ میں مالیاتی سال 18 کی ابتدا میں PIB سرمایہ کاریوں کے دوسرے راؤنڈ کی تکمیل کے وقت ری انویسٹمنٹ رسک بھی شامل ہو جائے گا۔ جبکہ CPEC سے بڑے قرضے میں اضافے، ایکسپورٹ سے منسلک مینوفیکچرنگ میں اٹھاؤ اور نجی شعبے کے کریڈٹ میں موجود مواقع سے فائدہ اٹھانے کے لئے HBL اپنے مضبوط لیکویڈٹی اور کیپٹل کی بدولت بہترین پوزیشن رکھتا ہے۔ بینک اپنی موجودگی اور کاروبار میں وسعت کے پیش نظر کمپلائنس اور رسک مینجمنٹ کے اعلیٰ معیاروں پر عمل پیرا رہنے کے لئے تیار ہے۔ کسٹمر پر اپنی توجہ مرکوز رکھنا ہماری ترجیح ہے اور اس حوالے سے آنے والے سال میں پروڈکٹ اور سروس میں جدت سے اس توجہ میں مزید ترقی نظر آئے گی۔

## منافع منقسمہ (ڈیویڈنڈ)

بورڈ نے 31 دسمبر 2016 کو ختم شدہ سال کے لئے ہر ایک شیئر پر 3.50 روپے کا حتمی نقد منافع منقسمہ (ڈیویڈنڈ) تجویز کیا ہے، اس طرح سال بھر میں ہر ایک شیئر پر ٹوٹل نقد منافع منقسمہ 14 روپے بنتا ہے۔ بورڈ نے اعلان کردہ تمام عبوری کیش ڈیویڈنڈز جو ہر ایک شیئر پر 10.50 روپے بنے، پہلے ہی ادا کر دیے ہیں۔

## بورڈ کے اجلاس

بورڈ میٹنگ		آؤٹ کمیٹی میٹنگ		رسک مینجمنٹ کمیٹی میٹنگ		ہیومن ریسورس اینڈ ریگولیشن کمیٹی میٹنگ	
دوران عرصہ	حاضر	دوران عرصہ	حاضر	دوران عرصہ	حاضر	دوران عرصہ	حاضر
10	10	N/A	N/A	N/A	N/A	6	6
10	10	N/A	N/A	5	5	N/A	N/A
10	10	7	7	N/A	N/A	6	6
10	10	7	7	N/A	N/A	N/A	N/A
10	10	N/A	N/A	5	5	N/A	N/A
10	9	7	7	N/A	N/A	6	6
10	10	N/A	N/A	5	5	6	6



ایچ بی ایل نے ہمیشہ کھیلوں کی چٹائی سے ترقی کے لئے اپنا کردار ادا کیا ہے۔ اس ضمن میں بینک نے اسٹریٹ چلڈرین کی اسپورٹس کی سرگرمیوں کو عالمی سطح کی ترقی دینے کے لئے آزاد فاؤنڈیشن سے شراکت داری قائم کر رکھی ہے۔

ایچ بی ایل فاؤنڈیشن اور دیگر کوڈی جانی والی مالی معاونت سے متعلق وضاحت مالیاتی گوشواروں کے نوٹ نمبر 26.3 میں کی گئی ہے۔

## کریڈٹ ریٹنگ

JCR-VIS کی جانب سے بینک کو بالترتیب طویل مدتی اور قلیل مدتی کریڈٹ ریٹنگ میں AAA/A-1+ سے نوازا گیا ہے اور اس کے ذیلی قرض (Subordinated Debt) کو AAA کی ریٹنگ ملی ہے۔ Moody's نے بھی ایچ بی ایل کی بیس لائن کریڈٹ اسسمنٹ B3 کو ایک بار پھر برقرار رکھا ہے اور اس کی لوکل اور فارن کرنسی ریٹنگ کو بالترتیب Baa1 اور B3 پر رکھا گیا ہے۔

ایک انٹرنیشنل ریٹنگ ایجنسی بنام کپٹل انٹیلی جنس نے بھی ایچ بی ایل کے ساورن ریٹنگ میں جائزے کے پیش نظر قلیل مدتی اور طویل مدتی فارن کرنسی کریڈٹ ریٹنگ کو B اور B پر برقرار رکھا۔ ایچ بی ایل کی مالیاتی طاقت کی ریٹنگ بھی BB کو برقرار رکھا گیا ہے، اور دونوں ریٹنگ کے دوران جائزے میں ادارے کو مستحکم قرار دیا گیا ہے۔

## ایوارڈز

2016 کے دوران ایچ بی ایل کو کئی ایوارڈز سے نوازا گیا، ان میں سے زیادہ ممتاز یہ ہیں:

- بینک آف دی ایمران پاکستان، برطانیہ کے فنانشل ٹائمز کی اشاعت دی بینکر کی جانب سے
- بیسٹ ڈومیسٹک بینک، پاکستان، ایشیائی
- بیسٹ ریٹیل بینک، پاکستان، ایشین بینکر انٹرنیشنل ایوارڈز
- سیفیٹ بینک ان پاکستان، گلوبل فنانس
- بیسٹ ٹریڈ فنانس پرووائیڈر ان پاکستان، گلوبل فنانس
- بیسٹ فارن ایکسیجنگ پرووائیڈر ان پاکستان، گلوبل فنانس
- بیسٹ بینک فار سال بزنس اینڈ ایگریگٹور، پاکستان بینکنگ ایوارڈز
- بیسٹ انوائرنمنٹل، سوشل اینڈ گورننس بینک، پاکستان بینکنگ ایوارڈز
- برانڈ آف دی ایمر، بینکنگ، پاکستان، ورلڈ برانڈنگ ایوارڈز
- بیسٹ لوکل ٹریڈ فنانس بینک ان پاکستان، گلوبل ٹریڈ ریویو

## مستقبل پر نظر

مالیاتی سال 17 کی پہلی ششماہی میں کریڈٹ کی وسعت میں اضافے، فصلوں کی بہتر پیداوار، بجلی کی لوڈ شیڈنگ میں نمایاں کمی اور کاروباری اعتماد میں بہتری کے پیش نظر ترقی کے تسلسل کی امید ہے۔ EFF پروگرام کے تحت اٹھائے جانے والے اقتصادی بحالی کے اقدامات کے ساتھ بہتر ہوتی امن کی صورتحال مزید ترقی کو فروغ دے گی۔ انفراسٹرکچر کو بہتر بنانے اور ایکسپورٹس کی ترقی کے اقدامات کی بدولت لارج اسکیل مینیفیکچرنگ بڑھنے کی توقع کی جاسکتی ہے اور امید ہے کہ GDP کی ترقی کا تناسب مالیاتی سال 17 میں 5 فیصد سے آگے جائے گا۔

## ایمپلائری ریٹائرمنٹ بینیفٹ فنڈز میں سرمایہ کاریوں کی قدر

بینک کی جانب سے برقرار رکھے جانے والے پروویڈنٹ، گریجویٹ، پینشن اور بینولنٹ فنڈز میں سرمایہ کاریوں کی قدر، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر 31 دسمبر 2016 کے مطابق درج ذیل ہیں:

ملین (روپے)

12,418

ایمپلائری پروویڈنٹ فنڈ

4,760

ایمپلائری پینشن فنڈ

2,377

ایمپلائری گریجویٹ فنڈ

1,369

ایمپلائری بینولنٹ فنڈ، ایگزیکٹو اور آفیسرز

643

ایمپلائری بینولنٹ فنڈ، کلریکل اور نان کلریکل

## پیٹرن آف شیئر ہولڈنگ

31 دسمبر 2016 کے مطابق پیٹرن آف شیئر ہولڈنگ اور ایگزیکٹوز کی جانب سے بینک کے شیئرز میں کاروبار جس کی بورڈ آف ڈائریکٹرز نے کوڈ کے تحت وضاحت کی ہے، کوڈ پر عمل درآمد کرتے ہوئے سالانہ رپورٹ میں دی گئی ہے۔

## ڈائریکٹرز کی جانب سے تربیتی پروگرامز میں شرکت

اس کی تفصیلات کوڈ پر عمل درآمد کے اسٹیٹمنٹ میں فراہم کر دی گئی ہے۔

## اظہار تشکر اور توثیقی بیان

بورڈ اور انتظامیہ کی طرف سے، میں اپنے ریگولیٹرز اور حکومت پاکستان، خاص طور پر فنانس کی وزارت، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا تہہ دل سے اور ریکارڈ پر شکریہ ادا کرنا چاہتا ہوں کہ ان کی کوششوں سے ریگولیٹری اور گورننس فریم ورک میں مسلسل ترقی کی بدولت بینکنگ اور فنانشل انڈسٹری مضبوط ہوئی اور ترقی کر رہی ہے۔

اس موقع کو غنیمت سمجھتے ہوئے میں اپنے کسٹمرز اور شیئر ہولڈرز کے ہم پر اعتماد کا بھی شکریہ ادا کرنا چاہوں گا۔ ہم آپ کو یقین دلاتے ہیں کہ ہم اپنے تمام امور میں بہتر کارپوریٹ گورننس اور عمل درآمد کے ذریعے اعلیٰ معیاری خدمات کی فراہمی کے لئے پرعزم ہیں۔ میں اپنے ملازمین کی انتھک کوششوں اور HBL کی ترقی میں بھرپور لگن کا معترف ہوں۔

بورڈ کی جانب سے

نعمان کے۔ ڈار

پریزیڈنٹ اور چیف ایگزیکٹو آفیسر

14 فروری، 2017

## آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور سالانہ اجلاس عام میں اہلیت کی بنیاد پر خود کو دوبارہ انتخاب کے لئے پیش کیا ہے۔ اسی طرح بورڈ آف ڈائریکٹرز نے، بورڈ آڈٹ کمیٹی کی تجویز پر، میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو مالی سال 2017 کے لئے بینک کے آڈیٹرز کے طور پر انتخاب کی تجویز دی ہے۔

پاکستان اسٹاک ایکسچینج لمیٹڈ ریگولیشنز (دی کوڈ) کے چپٹر 5 میں مذکور کوڈ آف کارپوریٹ گورننس کے ریگولیشن 5.19.11 کے تحت اسٹیٹمنٹ:

بورڈ اس بات کے لئے پر عزم ہے کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مرتب کردہ کارپوریٹ گورننس کی ضروریات کو پورا کیا جائے اور ڈائریکٹرز رپورٹ پیش کرتے ہوئے خوش ہیں کہ:

- (ا) بینک کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے (فنانشل اسٹیٹمنٹ) بینک کے معاملات کی صورتحال، انتظامی نتائج، کیش فلو اور ایکٹیوٹی میں تبدیلیوں کے حوالے سے درست اور بہتر انداز میں تیار کئے گئے ہیں۔
  - (ب) بینک کے اکاؤنٹس کی بکس باقاعدہ طور پر برقرار رکھی گئی ہیں۔
  - (ج) مالیاتی گوشواروں کے نوٹ 4.1 میں بیان کی گئی تبدیلی کے علاوہ، مالیاتی گوشواروں کی تیاری میں متعلقہ اکاؤنٹنگ پالیسیوں پر مستقل بنیادوں پر عمل کیا گیا ہے اور اکاؤنٹنگ کے تعینے مناسب اور محتاط انداز کی بنیاد پر لگائے جاتے ہیں۔
  - (د) بینک نے مالیاتی گوشواروں کی تیاری میں انٹرئل اکاؤنٹنگ اسٹینڈرڈز (جو پاکستان میں بینکوں پر لاگو ہوتے ہیں) کی پاسداری کر رکھی ہے اور کہیں پر بھی ان معیارات کی خلاف ورزی نہیں کی گئی۔
  - (ر) ایک مستقل کام کے طور پر انٹرئل کنٹرول سسٹم پر موثر انداز میں عمل درآمد کرنے کی کوششیں جاری رہتی ہیں۔ ایچ بی ایل بینک دولت پاکستان کی انٹرئل کنٹرول سے متعلق ہدایات اور انٹرئل کنٹرولز اور فنانشل رپورٹنگ (ICFR) کی ہدایات اور روڈ میپ پر عمل درآمد کرتا ہے۔ بینک نے اپنی ICFR پریسیس کا جائزہ لیا ہے اور ICFR کی مینجمنٹ کی فریم ورک دستاویز تیار کی ہے اور اس کے ساتھ مینجمنٹ ٹیسٹنگ اینڈ رپورٹنگ فریم ورک بھی تیار کیا ہے۔
  - (س) بینک کی اپنے امور جاری رکھنے کی صلاحیت پر کسی طرح کے بھی شکوک و شبہات نہیں ہیں۔
  - (ص) کوڈ میں مذکور کارپوریٹ گورننس پر بہترین عمل درآمد کی اہم خلاف ورزی نہیں کی گئی۔
  - (ط) مالیاتی گوشواروں کے سیکشن "پروگریس 2007 سے 2016 مجموعی" میں گزشتہ دس سالوں کے اہم آپریٹنگ اور فنانشل اعداد و شمار پیش کئے گئے ہیں۔
  - (ع) ڈائریکٹرز، سی ای او، سی ایف او اور کمپنی سیکریٹری نے تصدیق کی ہے کہ وہ اور ان کی زوجہ کسی طرح کے بھی اسٹاک بروکریج میں شامل نہیں ہیں۔
  - (ف) بورڈ کی طرف سے قائم کردہ رسک مینجمنٹ، آڈٹ اینڈ ہیومن ریسورس اینڈ ریویژنیشن کمیٹیاں اپنے اختیارات کے تحت موثر انداز میں کام کر رہی ہیں۔ سال بھر کے دوران بورڈ کے اجلاس مستقل طور پر ہوتے رہے ہیں اور اس اجلاس کرچکا ہے اور کم از کم ہر سال میں ایک بار تو لازمی ملے ہیں۔
- انٹرئل کنٹرول کا اسٹیٹمنٹ، کوڈ پر عمل درآمد کا اسٹیٹمنٹ، کوڈ پر عمل درآمد کا اسٹیٹمنٹ برائے جائزہ رپورٹ اور آڈیٹرز کی رپورٹس فنانشل اسٹیٹمنٹ سے منسلک ہیں۔

## Progress at a Glance 2007 to 2016 - Consolidated

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(Rs. in Millions)									
Balance Sheet										
Total Equity	60,239	66,309	84,370	96,251	109,414	132,730	142,209	169,595	182,620	196,269
Total Assets	689,001	749,807	863,925	924,699	1,139,647	1,610,474	1,715,271	1,864,618	2,218,433	2,507,182
Total Deposits	531,298	597,091	682,750	747,375	933,632	1,214,964	1,401,230	1,524,645	1,634,944	1,885,959
Advances (net of provision)	382,173	456,356	454,662	459,750	457,368	499,818	563,701	600,020	637,384	748,466
Investments (net of provision)	175,197	129,833	216,468	254,909	418,604	797,095	826,062	922,691	1,270,824	1,344,405
Operating Results										
Total Revenue	39,875	48,133	53,830	59,757	71,181	73,720	74,339	92,008	114,753	113,013
Total Expenditure	18,382	21,814	23,149	24,953	30,380	31,114	36,854	42,227	49,713	55,596
Operating Profit	21,493	26,320	30,682	34,804	40,801	42,607	37,485	49,781	65,040	57,417
Provision against advances & others	7,823	9,388	9,300	7,764	6,745	7,045	1,351	1,531	4,754	892
Profit before taxation	13,670	16,932	21,382	27,040	34,056	35,562	36,133	48,250	60,286	56,525
Profit after taxation	9,921	10,864	13,401	17,034	22,161	22,792	23,027	31,483	35,102	34,206
Others										
Home Remittances	79,322	94,530	128,970	158,693	226,536	271,090	307,630	386,197	474,068	545,651
Imports	263,089	410,073	349,650	412,127	417,646	393,047	476,574	401,464	385,846	390,224
Exports	208,208	273,711	321,733	388,585	419,969	404,019	427,845	442,093	450,522	359,214
Number of Branches	1,489	1,508	1,494	1,501	1,506	1,540	1,594	1,644	1,716	1,731
Financial Ratios										
Return on average assets (RoA)	1.5%	1.5%	1.7%	1.9%	2.1%	1.7%	1.4%	1.8%	1.7%	1.4%
Return on average equity (RoE)	17.5%	17.2%	17.8%	18.9%	21.6%	18.8%	16.8%	20.2%	19.9%	18.1%
Non-interest income to total revenue	25.1%	23.4%	20.7%	21.4%	20.8%	21.6%	26.0%	25.5%	31.9%	27.5%
Net NPL to net advances ratio	1.9%	2.8%	3.3%	2.7%	2.7%	2.1%	2.3%	2.7%	1.7%	1.4%
Asset quality ratio (NPL ratio)	6.9%	8.3%	10.0%	10.7%	10.4%	10.3%	9.1%	12.0%	10.9%	9.2%
Coverage ratio	76.9%	70.1%	71.5%	79.6%	81.5%	85.7%	80.2%	83.2%	90.1%	91.2%
Advances to deposits - gross	75.9%	80.6%	72.5%	66.9%	58.5%	45.1%	43.4%	43.4%	43.2%	43.3%
Capital adequacy ratio (CAR)	13.6%	11.4%	13.3%	14.6%	15.6%	15.3%	15.4%	16.2%	17.0%	15.5%



# Annual Statement on Internal Controls 2016

An internal control system is a set of procedures and activities designed to identify, evaluate and mitigate the risk in processes and operations in order to support the overall business objectives of the Bank. The internal control system comprises of various inter-related components including the Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. It is the responsibility of the Bank's management to establish an internal control system to maintain an adequate and effective internal control environment on an ongoing basis.

The management of the Bank has formulated, implemented and maintained a sound system of internal controls approved by the Board of Directors for achieving effectiveness and efficiency of operations, compliance to laws and regulations and reliability of financial reporting. However, any system of internal controls can only be designed to manage rather than eliminate the risk of failure to achieve objectives. It can therefore only provide reasonable assurance and not absolute assurance against material misstatement and loss.

The Bank endeavours to follow the State Bank of Pakistan's (SBP) Guidelines on Internal Controls to evaluate the effectiveness of the overall set of internal controls including financial reporting controls. The Bank's internal control structure comprises of different levels of monitoring activities.

Line Management's role is to monitor day to day operations and ensure that the business risks are properly mitigated, control breaches are identified on a timely basis and prompt corrective actions are implemented. Further, in order to enhance governance and monitoring, the management has also constituted an Internal Control Unit (ICU) for the conduct of on-site and off-site reviews of the processes in branches as well as in the Head Office. ICU monitors and identifies gaps in the processes and operations and ensures that timely remedial actions are undertaken.

Global Compliance continuously strives to ensure an improved compliance environment and minimise compliance risk for the institution through effective compliance of laws, regulations, guidelines, the Bank's own policies and procedures, as well as local and international standards. In this regard, Global Compliance advises and assists in strengthening controls and minimising compliance risk across the Bank through review of policies, procedures and products.

Internal Audit continued to perform audit and review activities to evaluate the implementation of controls and ensure the existence of an effective control environment throughout the Bank. During the year, significant and material findings of Internal Audit and of the External Auditors and regulators were addressed on a priority basis by the management and the status was regularly reported to the Board Audit Committee (BAC).

The Bank follows the SBP's instructions on Internal Controls over Financial Reporting (ICFR) and is complying with the SBP's stage wise implementation roadmap. As part of this exercise, the Bank has documented a comprehensive ICFR Framework which has been approved by the Board of Directors. In accordance with this framework, the Bank is engaged in the effective remediation of the gaps previously identified, to further strengthen the Bank's control environment. As required under the SBP's directives, the Bank's external auditors were engaged to provide their Long Form Report on ICFR for 2015, which was submitted to the SBP within the required timelines. A quarterly progress report on ICFR is submitted to the SBP, duly approved by the BAC. During the year, the Bank conducted testing of financial reporting controls for ensuring the effectiveness of ICFR prevalent throughout the year. None of the deficiencies identified are expected to have a material impact on financial reporting.

The Bank monitors its processes and operations on an ongoing basis to ensure that an effective and efficient internal control system remains active and implemented. Management will continue to enhance its coverage and compliance with the SBP's Guidelines on Internal Controls and strive for continuous strengthening of its control environment.

Based upon the results achieved from reviews, ongoing testing of financial reporting controls and audits conducted during the year 2016, management considers that the existing system of internal controls, including ICFR, is adequate and has been effectively implemented and monitored.

**Rayomond Kotwal**  
Chief Financial Officer

**Tariq M Akbar**  
Head – Global Operations

**Salim Amlani**  
Chief Compliance Officer

**Faiq Sadiq**  
Chief Internal Auditor

## Auditors' Review Report

### To the members on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Habib Bank Limited ('the Bank') for the year ended December 31, 2016 to comply with the requirements of Rule 5.19 of the Rule Book issued by the Pakistan Stock Exchange Limited where the Bank is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2016.

**A. F. Ferguson & Co.**  
Chartered Accountants

Engagement Partner: Salman Hussain

Date: February 24, 2017  
Karachi

# Statement of Compliance

**With the best practices of the Code of Corporate Governance  
For the year ended December 31, 2016**

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Chapter 5 of the Pakistan Stock Exchange Limited Regulations. The Code establishes 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. At present the Board includes 7 elected Directors :

Categories	Names
Independent Directors	Mr. Agha Sher Shah Mr. Moez Ahamed Jamal Dr. Najeeb Samie
Non-Executive Directors	Mr. Sultan Ali Allana Mr. Sajid Zahid Mr. Shaffiq Dharamshi
Executive Director	Mr. Nauman K. Dar

The Independent Directors meet the criteria of independence under clause 5.19.1.(b) of the Code.

- 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 finance institution, or a non-banking finance company.
- The Board of Directors of Habib Bank Limited was elected on March 27, 2015 for a three year term which will expire on March 26, 2018.
- 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 powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
- The Board of Directors has approved the appointment, remuneration and terms and conditions of employment of the Chief Executive Officer.
- The remuneration of the non-executive Directors has been approved by the Shareholders at the Annual General Meeting.

- All meetings of the Board of Directors were chaired by Mr. Sultan A. Allana, Chairman of the Board. The Board met ten times during the year, including at least once in every quarter, 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 the agenda and working papers were circulated at least seven days before the meeting except in the case of emergency meetings where the notice period was waived by the Directors. 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.
- During the year, all Directors attended the SECP approved Directors' Training Program offered by the Institute of Business Administration, Karachi and are certified as Directors in accordance with the Code.
- The Board has approved the appointments of the Chief Financial Officer, the Head of Internal Audit and the Company Secretary, including their remuneration and terms and conditions of employment.
- The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 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 disseminated a 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 their 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 program of the Institute of Chartered Accountants of Pakistan (ICAP) 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 ICAP. The Auditors have also confirmed that neither they nor any of the partners of the firm, nor their spouses and minor children hold any shares of the Bank.
- The Statutory Auditors or the persons associated with them have not been appointed to provide services other than approved services and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
- The Board Audit Committee comprises of three members, all of whom are non-executive Directors 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, including the Chairman of the Committee, are non-executive Directors.
- An effective Internal Audit Group is in place. The Head of Internal Audit reports directly to the Board Audit Committee.



- The Board Audit Committee met seven times during the year, including at least once in every quarter prior to the approval of the interim and final results of the Bank as required by the Code. The Terms of Reference of the Audit Committee have been formulated and approved by the Board. The Board approves the financial statements of the Bank on the recommendation of the Audit Committee.
- The Board Risk Management Committee met five times during the year and the Board Human Resource and Remuneration Committee met six times during the year.
- The Bank confirms that all other material principles contained in the Code have been complied with.
- The Closed Period, prior to the announcement of interim/final results and business decisions which may materially affect the market price of the Bank's securities, was determined and intimated to Directors, employees and the Pakistan Stock Exchange.
- Material / price sensitive information has been disseminated among all market participants at once through the Pakistan Stock Exchange.
- The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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 14, 2017

# Report of Shariah Board

(For the Period ended December 2016)

By the Grace of Allah, Habib Bank Limited-Islamic Banking (HBL-IB) has completed another year of successful operations. While the Board of Directors and Executive Management are solely responsible to ensure that Operations of HBL Islamic Banking are conducted in a manner that comply with Shariah principles at all times, we are required to submit a report on the overall Shariah Compliance environment of HBL-IB.

During 2016, HBL-IB has developed new products and structures. Consumer Ijarah, Bai-Muajjal and FX product, which allows HBL-IB to increase its current portfolio and ultimately serve a larger customer base were launched. Amongst the products approved by Shariah Board, the major were Consumer Car Ijarah, Murabaha, Istisna, Salam and Diminishing Musharaka. Further, policies relating to Equity Investment and investment by treasury were also approved.

The bank structured and participated in several large and unique transactions. Amongst these were transactions for Sui Southern Gas Company, Sui Northern Gas Pipeline Limited, National Transmission and Dispatch Company, and Sindh Engro Coal Mining Company. Bank also syndicated one of the largest transactions of the year for Dasu Dam for WAPDA.

Management has shown commitment to strengthen the Islamic banking environment and has segregated CAD and treasury department during the year. The bank is also making serious endeavours to enhance the awareness of its workforce with regards to processes, documentation and operations. During the year, training sessions were held all over the country with the active involvement of Shariah Board Members. Management also arranged a full day session on awareness of Islamic Banking for the Board of Directors and senior executives of the bank. The management enhanced its oversight and control of Shariah Compliance. The Bank has established an Internal Shariah Audit Unit. The unit along with a fully functional Shariah Compliance Department will considerably enhance the ability of the Bank to conduct business in conformity with the guidelines issued by the Shariah Board and SBP.

During the year, the Bank's Shariah Compliance Department (SCD) under guidance of the Shariah board conducted Shariah reviews of branches and windows, business units and centralised departments to determine compliance to policies and Shariah guidelines issued by the Shariah Board.

To form our opinion as expressed in this report, we have reviewed the reports of Shariah Compliance Department and Internal Shariah Audit Unit. Shariah board has also carried out reviews, on test check basis, the relevant documentation and process flows. Based on above, we are of the view that:

- i. As of December 2016, HBL-IB has overall complied with the rulings and principles as advised by Shariah Board Members.
- ii. HBL-IB has overall complied with the directives, regulations, instructions and guidelines related to Shariah Compliance issued by SBP.
- iii. HBL-IB has a mechanism in place to ensure Shariah Compliance in their overall operations.
- iv. During the year an amount of Rs. 525,673/- has been realised from sources prohibited by Shariah and credited to charity account. Further, Shariah Board has reviewed the asset transactions and advised the management to transfer income to charity accounts for the transactions identified as result of Shariah non-compliance.
- v. HBL-IB overall complies with profit and loss and pool management instructions of SBP.
- vi. The level of awareness of staff and management regarding the basics of Islamic banking and importance of Shariah compliance in products and processes of the bank is overall satisfactory. The management has arranged a number of training sessions during this year. More than 800 staff were trained with principles and knowledge of Islamic Banking.

- vii. It is recommended that in addition to staff of Islamic Branches and windows, the staff from asset business, treasury and support departments be provided relevant trainings.
- viii. Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.

Following are the significant Shariah related issues of the bank which have been taken up with its management:

**Inaccurate usage of Account Opening Form:** It was observed that in some windows, staff still used incorrect account opening forms. The problem remains despite training and other corrective actions. Management needs to look at other solutions to address this.

**Staff Financing:** HBL-IB has provided staff financings in the form of Car Ijarah to its employees. However, this needs to be extended to include home financing.

**Salary Account:** Significant work has been done to provide Islamic salary account facility to staff. However, it is recommended that this be made available at the earliest.

**Lockers of Islamic Branches:** HBL-IB has implemented separate locker opening forms moreover substitution of conventional forms is in process. It is recommended that Shariah compliant risk coverage of Takaful on lockers facility be arranged.

**Pool Management:** It is recommended that pool management should be automated to avoid human interventions.

**Customised Process Flow:** It is advised to implement the practice of customised process flow on immediate basis in order to ensure more clarity in deviations and documentation in Islamic Banking facility.

**Customised Training:** Trained HR is an essential requirement for successful Islamic operations. Islamic Banking should arrange customised training for assets team, trade team and support teams like CAD and Treasury.

**Dr. Muhammad Zubair Usmani**  
Chairman Shariah Board

**Dr. Ejaz Ahmed Samadani**  
Member Shariah Board

**Mufti Muhammad Yahya Asim**  
Resident Shariah Board Member

Date of Report: December 31, 2016

ہم نے بحیثیت شریعہ بورڈ شریعہ کمپلائنس ڈپارٹمنٹ کی مختلف رپورٹس اور انٹرنل شریعہ آڈٹ کی رپورٹ کا بھی جائزہ لیا اور ہمارا یہ جائزہ بعض ٹرانزیکشن کی براہ راست چیکنگ، متعلقہ دستاویزات اور پراسس فلووز کی جانچ پڑتال کی بنیاد پر ہے۔

اوپر ذکر کردہ تفصیل کی روشنی میں ہماری اس رپورٹ کا خلاصہ مندرجہ ذیل نقاط کی صورت میں ہے:

- (۱) دسمبر 2016 میں ختم ہونے والے سال میں حبیب بینک اسلامک بینکنگ نے مجموعی طور پر شریعہ بورڈ کی ہدایات کے مطابق عمل کیا ہے۔
- (۲) اسی طرح حبیب بینک کی اسلامک بینکنگ عمومی طور پر ان اصول، ہدایات، تعلیمات اور قواعد و ضوابط پر بھی عمل پیرا رہا جو اسٹیٹ بینک آف پاکستان نے شریعہ کمپلائنس کے سلسلہ میں جاری کیں۔
- (۳) اسی طرح حبیب بینک اسلامک بینکنگ کے پاس اپنے تمام آپریشن کے لئے ایک مربوط اچھا نظام موجود ہے جو شریعہ کے مطابق عمل کی یقین دہانی کراتا ہے۔
- (۴) دوران سال حبیب بینک اسلامک کے پاس مختلف ذرائع سے غیر حلال کے زمرے میں جمع ہونے والی رقم ۵۲۵۶۷۳ روپے رہی جو چیریٹی اکاؤنٹ میں منتقل کی گئی۔ مزید یہ کہ شریعہ بورڈ نے تجارتی لین دین کے معاملات بھی دیکھے اور بینک انتظامیہ کو ہدایت کی کہ ایسی ٹرانزیکشن جو شرعی تقاضوں کے مطابق انجام نہ پاسکی ان سے حاصل شدہ منافع کی رقم بھی چیریٹی اکاؤنٹ میں منتقل کی جائیں۔
- (۵) حبیب بینک اسلامک مجموعی طور پر نفع و نقصان کی تقسیم کے طریقہ کار اور پول پیئمنٹ کی ہدایات پر عمل پیرا رہا ہے۔
- (۶) مجموعی طور پر حبیب بینک اسلامک کے اسٹاف اور انتظامیہ کا اسلامی بینکنگ کی بنیادی معلومات سے آگاہی کا درجہ اور اسی طرح بینک کی مصنوعات اور طریقہ کار میں شریعہ کے اصولوں سے مطابقت کی اہمیت کا درجہ اطمینان بخش رہا۔

بینک کی انتظامیہ نے دوران سال متعدد ڈرائیونگ سیشن منعقد کئے اور ۸۰۰ سے زائد اسٹاف نے اسلامک بینکنگ کے بنیادی اصول اور معلومات سے آگاہی حاصل کی۔

- (۷) شریعہ بورڈ نے یہ سفارشات کیں کہ اسلامی برانچز اور ونڈوز کے اسٹاف کی ٹریننگ کے ساتھ اسلامک فنانشنگ ڈپارٹمنٹ، ٹریڈری اور متعلقہ معاون (Support) ڈپارٹمنٹ کے افراد کی ٹریننگ کے لئے بھی سیشن منعقد کرے۔
- (۸) شریعہ بورڈ کو اپنی ذمہ داریاں انجام دینے کے لئے بینک کی انتظامیہ نے مناسب افراد کا رہنما کئے ہیں جو ان ذمہ داریوں کی ادائیگی کے لئے مؤثر ہیں۔

ذیل میں چند اہم ایٹوز ذکر کئے جا رہے ہیں جن کا تعلق بینک کے معاملات میں شرعی تقاضوں کو پورا کرنے سے ہے اور ان کے حل کرنے کے سلسلے میں بینک انتظامیہ سے رجوع کیا ہے:

## (۱).....درست اکاؤنٹ اوپننگ فارم کا استعمال

یہ تجزیہ کیا گیا ہے کہ بعض اسلامک بینکنگ ونڈوز کا اسٹاف اب بھی اسلامی اکاؤنٹ کے لئے کنوینشنل اکاؤنٹ اوپننگ فارم استعمال کر رہا ہے۔ مسلسل ٹریننگ کے علاوہ انتظامیہ کو اس حوالہ سے بعض دوسرے اقدامات کرنے کی ضرورت ہے۔

## (۲).....اسٹاف فنانشنگ

حبیب بینک اسلامک نے اپنے اسٹاف کے لئے اسلامی فنانشنگ کا اجراء کارا جارہ کی صورت میں کر دیا ہے تاہم ضرورت ہے کہ ہوم فنانشنگ کی سہولت بھی اسٹاف کے لئے انہی خطوط پر جاری کی جائے۔

## (۳).....تنخواہ اکاؤنٹ

اسلامک بینکنگ اسٹاف کو اسلامی بنیادوں پر تنخواہ اکاؤنٹ کھلوانے کی سہولت دینے کے لئے اگرچہ خاصی حد تک کام کر لیا گیا ہے تاہم شریعہ بورڈ کی ہدایت ہے کہ یہ سہولت جلد از جلد اسٹاف کو فراہم کی جائے۔

## شریعہ بورڈ رپورٹ

جنوری ۲۰۱۶ء تا دسمبر ۲۰۱۶ء

اللہ تعالیٰ کے فضل و کرم سے حبیب بینک لمیٹڈ کی اسلامی بینکنگ نے کامیابی سے اپنا ایک اور سال مکمل کر لیا ہے۔ بینک کے بورڈ آف ڈائریکٹرز اور ایگزیکٹو مینجمنٹ کی یہ ذمہ داری ہے کہ وہ حبیب بینک اسلامی بینکنگ کے تمام معاملات کو شرعی تقاضوں کے مطابق چلانے کا اہتمام کریں، اور شریعہ بورڈ کی ذمہ داری ہے کہ وہ ہر سال کے اختتام پر حبیب بینک اسلامک بینکنگ کی مجموعی شرعی صورتحال کے حوالے سے اپنی جامع رپورٹ پیش کرے۔

سال ۲۰۱۶ء کے دوران حبیب بینک اسلامک بینکنگ نے نئی مصنوعات (پراڈکٹس) اور مختلف طریقہ ہائے کار (اسٹریکچرز) بنائے، کنزیومر اجارہ، بیج موجد اور فارن کرنسی مصنوعات کی منظوری دی گئی جن کے نتیجے میں حبیب بینک اسلامک بینکنگ کے موجودہ کاروبار میں اضافہ ہوا اور اس طرح یہ مصنوعات بڑی تعداد میں کسٹمرز (صارفین) کی ضروریات کو پورا کر سکیں گی۔

شریعی بورڈ نے اس سال جن مصنوعات کا تفصیل سے جائزہ لے کر منظوری دی ان میں خاص پراڈکٹ کنزیومر (صارف) کار اجارہ، مرابحہ، استھناع، سلم اور شرکت متناقصہ وغیرہ ہیں۔ نیز ایکویٹی انویسٹمنٹ اور ٹریڈری (خرانہ) سرمایہ کاری کی پالیسیاں بھی منظور کی گئیں۔

حبیب بینک اسلامک بینکنگ نے اس سال بہت سی اہم اور منفرد ٹرانزیکشن کی اسٹریکچرنگ کی اور شراکت بھی کی، ان میں سوئی سدرن گیس کمپنی لمیٹڈ (SSGCL)، سوئی نادرن گیس پائپ لائن لمیٹڈ (SNGPL)، نیشنل ٹرانسمیشن اینڈ ڈسٹریбуٹن کمپنی (NTDC) اور سندھ اینگروکول مینٹنگ کمپنی (SECMC) کی ٹرانزیکشنز شامل ہیں۔ اسی طرح حبیب بینک اسلامک بینکنگ نے ایک اتحاد (سند کیٹ) ٹرانزیکشن داسو ڈیم بھی کی جو اس سال کی سب سے بڑی ٹرانزیکشن تھی۔

یہ بات باعث مسرت ہے کہ الحمد للہ بینک کی انتظامیہ نے اسلامک بینکنگ کے مجموعی ماحول کو بہتر اور مضبوط کرنے کا عزم کر رکھا ہے اور اسی کا اظہار بینک مینجمنٹ نے اسلامک CAD پارٹمنٹ اور اسلامک ٹریڈری ڈپارٹمنٹ کو مستقل علیحدہ کر کے کیا ہے۔ حبیب بینک اسلامک بینکنگ اپنے افراد کار میں اضافہ اور ان کی اسلامک بینکنگ سے آگاہی کے لئے سنجیدہ کوششیں کر رہا ہے، نیز بینک نے اس حوالہ سے اپنے طریقہ کار، کاغذات (ڈاکومنٹس) کی صحیح ترتیب اور بینک کے مالی معاملات کی انجام دہی سے متعلق آگاہی کے لئے سال بھر کے دوران پورے ملک میں مختلف ٹریننگ سیشن منعقد کئے جس میں شریعہ بورڈ کے حضرات نے بنفس نفیس شریک ہو کر لیکچرز کے فرائض انجام دیئے، اسی طرح اسلامک بینکنگ سے آگاہی کے لئے ایک فل ڈے سیشن کا بھی انعقاد کیا جس میں بورڈ آف ڈائریکٹرز اور سینئر مینجمنٹ نے شرکت کی۔

بینک انتظامیہ نے اپنے عمومی نظام میں شریعہ کنٹرولز کو مزید بہتر بھی کیا اور اسی کے ساتھ ساتھ انٹرنل شریعہ آڈٹ یونٹ (ISAU) بھی قائم کیا جو اپنی مکمل ذمہ داریوں کے ساتھ بینک کی استعداد میں مزید اضافہ کرے گا تاکہ بینک شریعہ بورڈ اور اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق بہتر طریقہ سے کام کر سکے۔

دوران سال بینک کے شریعہ کمپلائنس ڈپارٹمنٹ نے شریعہ بورڈ کی راہنمائی اور معیت میں اسلامک برانچز، اسلامک ونڈوز، بزنس یونٹس اور سینٹر لائزڈ (مرکزی) ڈپارٹمنٹ کا شرعی اعتبار سے جائزہ لیا تاکہ اس بات کا تعین کیا جاسکے کہ یہ منظور شدہ پالیسیوں اور شریعہ بورڈ کی جاری کردہ ہدایات سے کتنی مطابقت رکھتے ہیں اور اس کی روشنی میں شریعہ بورڈ اپنی کوئی حتمی رائے وضع کر سکے اور اسی کا اظہار اس رپورٹ میں کیا گیا ہے۔



(۴).....حبیب بینک اسلامک نے لاکرز کھولنے کے لئے علیحدہ فارم نافذ کر دیا ہے، مزید یہ کہ کنونینشل فارم کا متبادل بھی رو بہ عمل ہے۔ شریعہ بورڈ کی ہدایت ہے کہ شرعی اصولوں کے مطابق لاکرز کو نقصان سے محفوظ رکھنے کے لئے تکافل کی سہولت مہیا کی جائے۔

(۵)..... پول مینجمنٹ

اس سلسلہ میں شریعہ بورڈ کی ہدایت ہے کہ پول مینجمنٹ خود کا نظام کے تحت کام کرے اور اس میں انسانی عمل دخل سے مکمل طور پر احتیاط برتی جائے۔

(۶).....کسٹمرز کی ضروریات اور تجارت کے طریقہ کار کے مطابق پراسس فلووز

شریعیہ بورڈ یہ بھی ہدایت کرتا ہے کہ فوری طور پر کسٹمر کی ضروریات اور تجارت کے طریقہ کو پیش نظر رکھتے ہوئے پراسس فلووز بنانے کی مشق جاری کی جائے تاکہ اسلامک بینکنگ دستاویزات (Documents) کی تیاری اور کاروبار کی نوعیت کی تبدیلی کی صورت میں ٹرانزیکشن میں مزید شفافیت پیدا ہو جائے۔

(۷)..... ڈیپارٹمنٹل ٹریننگ

ترتیب یافتہ افراد کا اسلامک بینکنگ آپریشن کے لئے بنیادی ضرورت کی حیثیت رکھتے ہیں۔ چنانچہ شریعہ بورڈ نے HBL-IB انتظامیہ کو ہدایت کی ہے کہ وہ ضرورت کے مطابق ٹریننگ سیشن منعقد کرے جس میں ایسٹ (Asset)، ٹریڈ، بزنس کے اسٹاف اور اسی طرح متعلقہ معاون شعبے جیسے کیڈ (CAD) اور ٹریڈری وغیرہ کے اسٹاف شامل ہوں۔

ڈاکٹر محمد زبیر عثمانی

چیئر مین شریعہ بورڈ

ڈاکٹر اعجاز احمد صدیقی

ممبر شریعہ بورڈ

(مفتی) محمد یحییٰ عاصم

ریزیڈنٹ ممبر شریعہ بورڈ

31 دسمبر 2016ء

The background of the slide is a solid teal color. In the top left corner, there is a soft, white, cloud-like shape. Along the bottom edge, there is a horizontal band of white, textured clouds that appear to be rising or billowing.

# Consolidated Financial Statements

## Auditors' Report to the Members

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 December 31, 2016 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 the remaining subsidiary companies Habib Allied Holding Limited, Habib Finance International Limited and The First MicroFinanceBank Limited were audited by other firms of auditors 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 the Bank and its subsidiary companies as at December 31, 2016 and the results of their operations for the year then ended.

The consolidated financial statements for the year ended December 31, 2015 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 23, 2016.

**A. F. Ferguson & Co.**  
Chartered Accountants

Engagement Partner: Salman Hussain

Date: February 24, 2017  
Karachi

# Consolidated Statement of Financial Position

As at December 31, 2016

2016	2015	2014		Note	2016	2015	2014
(US \$ in '000)						(Rupees in '000)	
<b>ASSETS</b>							
2,279,557	1,598,981	1,293,297	Cash and balances with treasury banks	5	238,438,283	167,250,988	135,276,934
439,386	386,906	643,266	Balances with other banks	6	45,959,095	40,469,761	67,284,700
325,511	175,735	328,050	Lendings to financial institutions	7	34,047,931	18,381,633	34,313,560
12,853,002	12,149,541	8,821,265	Investments	8	1,344,404,771	1,270,823,786	922,691,101
7,155,612	6,093,623	5,736,408	Advances	9	748,466,297	637,383,859	600,019,661
345,010	299,636	261,092	Operating fixed assets	10	36,087,509	31,341,509	27,309,803
-	-	-	Deferred tax asset		-	-	-
571,504	504,610	743,050	Other assets	11	59,778,445	52,781,447	77,721,937
<u>23,969,582</u>	<u>21,209,032</u>	<u>17,826,428</u>			<u>2,507,182,331</u>	<u>2,218,432,983</u>	<u>1,864,617,696</u>
<b>LIABILITIES</b>							
298,244	268,470	210,229	Bills payable	12	31,195,900	28,081,548	21,989,658
3,181,908	3,005,006	988,648	Borrowings	13	332,822,846	314,319,099	103,411,114
18,030,460	15,630,668	14,576,163	Deposits and other accounts	14	1,885,959,026	1,634,944,470	1,524,644,784
95,585	95,604	-	Subordinated loan	15	9,998,000	10,000,000	-
-	-	-	Liabilities against assets subject to finance lease		-	-	-
58,232	54,218	27,402	Deferred tax liability	16	6,090,983	5,671,128	2,866,169
428,751	409,151	402,596	Other liabilities	17	44,846,706	42,796,687	42,110,871
<u>22,093,180</u>	<u>19,463,117</u>	<u>16,205,038</u>			<u>2,310,913,461</u>	<u>2,035,812,932</u>	<u>1,695,022,596</u>
<u>1,876,402</u>	<u>1,745,915</u>	<u>1,621,390</u>			<u>196,268,870</u>	<u>182,620,051</u>	<u>169,595,100</u>
<b>NET ASSETS</b>							
<b>REPRESENTED BY:</b>							
<b>Shareholders' equity</b>							
140,236	140,236	140,236	Share capital	18	14,668,525	14,668,525	14,668,525
458,500	451,136	416,356	Reserves		47,958,414	47,188,150	43,550,188
1,014,760	922,532	848,148	Unappropriated profit		106,142,374	96,495,448	88,715,056
<u>1,613,496</u>	<u>1,513,904</u>	<u>1,404,740</u>	Total equity attributable to the equity holders of the Bank		<u>168,769,313</u>	<u>158,352,123</u>	<u>146,933,769</u>
32,847	16,238	11,323	Non-controlling interest		3,435,710	1,698,442	1,184,393
<u>230,059</u>	<u>215,773</u>	<u>205,327</u>	Surplus on revaluation of assets - net of deferred tax	19	<u>24,063,847</u>	<u>22,569,486</u>	<u>21,476,938</u>
<u>1,876,402</u>	<u>1,745,915</u>	<u>1,621,390</u>			<u>196,268,870</u>	<u>182,620,051</u>	<u>169,595,100</u>
<b>CONTINGENCIES AND COMMITMENTS</b>							
				20			

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

## Consolidated Profit and Loss Account

For the year ended December 31, 2016

2016 (US \$ in '000)	2015		Note	2016 (Rupees in '000)	2015
1,348,865	1,348,980	Mark-up / return / profit / interest earned	22	141,089,244	141,101,285
565,380	601,658	Mark-up / return / profit / interest expensed	23	59,137,882	62,932,509
783,485	747,322	Net mark-up / return / profit / interest income		81,951,362	78,168,776
4,696	46,402	Provision against advances	9.4	491,155	4,853,555
(212)	351	(Reversal) / provision against off-balance sheet obligations	17.1	(22,208)	36,744
2,377	(3,656)	Provision for / (reversal of) diminution in the value of investments	8.5	248,616	(382,393)
-	-	Bad debts written off directly		-	-
6,861	43,097			717,563	4,507,906
776,624	704,225	Net mark-up / return / profit / interest income after provisions		81,233,799	73,660,870
<b>Non mark-up / interest income</b>					
178,329	164,380	Fee, commission and brokerage income		18,652,985	17,193,896
12,299	14,751	Dividend income		1,286,488	1,542,947
36,024	32,496	Share of profit of associates and joint venture		3,768,085	3,399,078
13,378	26,284	Income from dealing in foreign currencies		1,399,329	2,749,276
51,069	105,565	Gain on sale of securities - net	24	5,341,724	11,041,929
(115)	175	Unrealised (loss) / gain on held-for-trading securities	8.6	(12,057)	18,326
5,977	6,104	Other income	25	625,212	638,513
296,961	349,755	Total non mark-up / interest income		31,061,766	36,583,965
1,073,585	1,053,980			112,295,565	110,244,835
<b>Non mark-up / interest expense</b>					
520,243	462,725	Administrative expenses	26	54,416,640	48,400,384
1,665	2,351	Other provisions / write offs - net	11.2	174,161	245,920
1,017	1,232	Other charges	27	106,332	128,831
10,263	11,314	Workers' Welfare Fund	28	1,073,521	1,183,462
533,188	477,622	Total non mark-up / interest expenses		55,770,654	49,958,597
540,397	576,358			56,524,911	60,286,238
<b>Profit before taxation</b>					
<b>Taxation</b>					
184,787	182,150	- Current	29	19,328,416	19,052,573
21,253	21,618	- Prior years		2,223,030	2,261,220
7,335	37,007	- Deferred		767,211	3,870,854
213,375	240,775			22,318,657	25,184,647
327,022	335,583	Profit after taxation		34,206,254	35,101,591
<b>Attributable to:</b>					
325,721	335,651	Equity holders of the Bank		34,070,145	35,108,659
1,301	(68)	Non-controlling interest		136,109	(7,068)
327,022	335,583			34,206,254	35,101,591
<b>Basic and diluted earnings per share</b>					
				-----Rupees-----	
				30	23.23 23.93

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director



# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2016

2016 (US \$ in '000)	2015 (US \$ in '000)		2016 (Rupees in '000)	2015 (Rupees in '000)
325,721	335,651	<b>Profit after taxation for the year attributable to:</b>	34,070,145	35,108,659
1,301	(68)	Equity holders of the Bank	136,109	(7,068)
327,022	335,583	Non-controlling interest	34,206,254	35,101,591
		<b>Other comprehensive income / (loss)</b>		
		<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>		
		Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates attributable to:		
(22,579)	(4,808)	Equity holders of the Bank	(2,361,719)	(502,945)
(1,959)	(105)	Non-controlling interest	(204,863)	(10,970)
(24,538)	(4,913)		(2,566,582)	(513,915)
		<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>		
(5,970)	(2,692)	Remeasurement loss on defined benefit obligations- net	(624,497)	(281,560)
(117)	(354)	Capital contribution to statutory funds of associates	(12,190)	(37,050)
296,397	327,624	<b>Comprehensive income transferred to equity</b>	31,002,985	34,269,066
		<b>Comprehensive income transferred to equity attributable to:</b>		
297,057	327,796	Equity holders of the Bank	31,071,739	34,287,104
(660)	(172)	Non-controlling interest	(68,754)	(18,038)
296,397	327,624		31,002,985	34,269,066
		<b>Components of comprehensive income / (loss) not reflected in equity</b>		
		<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>		
		Movement in surplus / (deficit) on revaluation of investments - net of tax attributable to:		
5,390	(3,588)	Equity holders of the Bank	563,825	(375,300)
189	(80)	Non-controlling interest	19,726	(8,242)
5,579	(3,668)		583,551	(383,542)
		<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>		
		Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax		
17	14,626	Transferred from surplus on revaluation of non-banking assets	1,772	1,529,866
2,512	-		262,797	-
2,529	14,626		264,569	1,529,866
		Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax		
9,055	-	Transferred to surplus on revaluation of operating fixed assets	947,131	-
(2,512)	-		(262,797)	-
6,543	-		684,334	-
311,048	338,582	<b>Total comprehensive income</b>	32,535,439	35,415,390
		<b>Total comprehensive income attributable to:</b>		
311,517	338,833	Equity holders of the Bank	32,584,467	35,441,670
(469)	(251)	Non-controlling interest	(49,028)	(26,280)
311,048	338,582		32,535,439	35,415,390

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

	Attributable to shareholders of the Bank								Non-controlling interest	Total	
	Share capital	Exchange translation reserve	Reserves				Sub Total				
			Capital		Revenue						
			Associates, Joint venture and subsidiary	Bank	Non-distributable capital reserve	Capital reserve on acquisition of common control entity		General reserve			Unappropriated profit
(Rupees in '000)											
Balance as at December 31, 2014	14,668,525	13,704,392	428,968	23,343,016	-	-	6,073,812	88,715,056	146,933,769	1,184,393	148,118,162
Comprehensive income for the year											
Profit after taxation for the year ended December 31, 2015	-	-	-	-	-	-	-	35,108,659	35,108,659	(7,068)	35,101,591
Other comprehensive income / (loss)											
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(502,945)	-	-	-	-	-	-	(502,945)	(10,970)	(513,915)
-Remeasurement loss on defined benefit obligations- net	-	-	-	-	-	-	-	(281,560)	(281,560)	-	(281,560)
-Capital contribution to statutory funds of associates	-	-	-	-	-	-	-	(37,050)	(37,050)	-	(37,050)
	-	(502,945)	-	-	-	-	-	34,790,049	34,287,104	(18,038)	34,269,066
Transactions with owners, recorded directly in equity											
Final cash dividend - Rs. 5.5 per share declared subsequent to the year ended December 31, 2014	-	-	-	-	-	-	-	(8,067,689)	(8,067,689)	-	(8,067,689)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
3rd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
	-	-	-	-	-	-	-	(23,469,641)	(23,469,641)	-	(23,469,641)
Gain on bargain purchase on acquisition of Barclays	-	-	-	-	547,115	-	-	-	547,115	-	547,115
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	53,776	53,776	-	53,776
Transferred to statutory reserves	-	-	46,746	3,547,046	-	-	-	(3,593,792)	-	-	-
Acquisition of additional interest in HABL by minority shareholders	-	-	-	-	-	-	-	-	-	532,087	532,087
Balance as at December 31, 2015	14,668,525	13,201,447	475,714	26,890,062	547,115	-	6,073,812	96,495,448	158,352,123	1,698,442	160,050,565
Comprehensive income for the year											
Profit after taxation for the year ended December 31, 2016	-	-	-	-	-	-	-	34,070,145	34,070,145	136,109	34,206,254
Other comprehensive income / (loss)											
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(2,361,719)	-	-	-	-	-	-	(2,361,719)	(204,863)	(2,566,582)
-Remeasurement loss on defined benefit obligations- net	-	-	-	-	-	-	-	(624,497)	(624,497)	-	(624,497)
-Capital contribution to statutory funds of associates	-	-	-	-	-	-	-	(12,190)	(12,190)	-	(12,190)
	-	(2,361,719)	-	-	-	-	-	33,433,458	31,071,739	(68,754)	31,002,985
Transactions with owners, recorded directly in equity											
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2015	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
3rd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
	-	-	-	-	-	-	-	(20,535,936)	(20,535,936)	-	(20,535,936)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	38,093	38,093	-	38,093
Transferred to statutory reserves	-	-	106,667	3,182,022	-	-	-	(3,288,689)	-	-	-
Non-controlling interest recognised on acquisition of FMFB	-	-	-	-	-	-	-	-	-	1,806,022	1,806,022
Excess of consideration paid over net assets of FMFB	-	-	-	-	-	(156,706)	-	-	(156,706)	-	(156,706)
Balance as at December 31, 2016	14,668,525	10,839,728	582,381	30,072,084	547,115	(156,706)	6,073,812	106,142,374	168,769,313	3,435,710	172,205,022

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

# Consolidated Cash Flow Statement

For the year ended December 31, 2016

2016 (US \$ in '000)	2015		Note	2016 (Rupees in '000)	2015
540,397	576,358	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		56,524,911	60,286,238
(12,299)	(14,751)	Profit before taxation		(1,286,488)	(1,542,947)
(36,024)	(32,496)	Dividend income		(3,768,085)	(3,399,078)
(48,323)	(47,247)	Share of profit of associates and joint venture		(5,054,573)	(4,942,025)
492,074	529,111			51,470,338	55,344,213
29,241	24,636	<b>Adjustment for:</b>		3,058,583	2,576,867
4,503	5,004	Depreciation		470,994	523,387
2,377	(3,656)	Amortisation		248,616	(382,393)
4,696	46,402	Provision for / (reversal of) diminution in the value of investments		491,155	4,853,555
(212)	351	Provision against advances		(22,208)	36,744
1,665	2,351	(Reversal) / provision against off-balance sheet obligations		174,161	245,920
115	(175)	Other provisions / write offs - net		12,057	(18,326)
3,150	153	Unrealised loss / (gain) on held-for-trading securities		329,478	15,978
(574)	(473)	Exchange loss on Goodwill		(60,028)	(49,432)
10,263	11,314	Gain on sale of operating fixed assets - net		1,073,521	1,183,462
55,224	85,907	Workers' Welfare Fund		5,776,329	8,985,762
547,298	615,018			57,246,667	64,329,975
(149,776)	152,315	<b>(Increase) / decrease in operating assets</b>		(15,666,298)	15,931,927
16,200	54,539	Lendings to financial institutions		1,694,543	5,704,745
(1,004,005)	(350,555)	Investments in held-for-trading securities		(105,017,431)	(36,667,510)
(8,398)	294,331	Advances		(878,409)	30,786,569
(1,145,979)	150,630	Other assets		(119,867,595)	15,755,731
29,774	38,483	<b>Increase / (decrease) in operating liabilities</b>		3,114,352	4,025,298
176,903	1,992,888	Bills payable		18,503,747	208,453,064
2,302,933	789,702	Borrowings		240,883,350	82,601,623
2,707	(16,846)	Deposits and other accounts		283,182	(1,762,020)
2,512,317	2,804,227	Other liabilities		262,784,631	293,317,965
1,913,636	3,569,875			200,163,703	373,403,671
(261,184)	(215,046)	Income tax paid		(27,319,492)	(22,493,474)
1,652,452	3,354,829	<b>Net cash flows from operating activities</b>		172,844,211	350,910,197
(336,192)	(2,084,375)	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		(35,165,407)	(218,022,536)
(294,749)	(1,052,649)	Net investments in available-for-sale securities		(30,830,267)	(110,105,545)
(5,546)	(5,163)	Net investments in held-to-maturity securities		(580,126)	(540,000)
11,768	15,871	Net investment in associates		1,230,935	1,660,111
(37,753)	-	Dividend income received		(3,948,939)	-
7,541	-	Net cash outflow on acquisition of PICIC AMC		788,814	-
-	2,259	Net cash inflow on acquisition of FMFB		-	236,259
(39,693)	(55,099)	Net cash inflow on acquisition of Barclays		(4,151,831)	(5,763,273)
710	675	Fixed capital expenditure		74,238	70,580
(22,579)	(4,808)	Proceeds from sale of operating fixed assets		(2,361,719)	(502,945)
(716,493)	(3,183,289)	Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates		(74,944,302)	(332,967,349)
		<b>Net cash flows used in investing activities</b>			
(1,959)	(105)	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		(204,863)	(10,970)
(19)	95,604	Effect of translation of net investment by non-controlling interest in subsidiary		(2,000)	10,000,000
(200,925)	(217,716)	(Repayment) / issuance of subordinated loans		(21,016,417)	(22,772,763)
(202,903)	(122,217)	Dividends paid		(21,223,280)	(12,783,733)
733,056	49,323	<b>Net cash flows used in financing activities</b>		76,676,629	5,159,115
2,034,007	1,901,133	Increase in cash and cash equivalents during the year		212,753,984	198,855,615
(48,120)	35,431	Cash and cash equivalents at the beginning of the year		(5,033,235)	3,706,019
1,985,887	1,936,564	Effect of exchange rate changes on cash and cash equivalents		207,720,749	202,561,634
2,718,943	1,985,887	<b>Cash and cash equivalents at the end of the year</b>	31	284,397,378	207,720,749

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

## 1 THE GROUP AND ITS OPERATIONS

### 1.1 Holding company

#### Habib Bank Limited, Pakistan

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,677 (2015: 1,663) branches inside Pakistan including 45 (2015: 44) Islamic Banking Branches and 54 (2015: 53) branches outside the country including Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

### 1.2 Subsidiaries

#### - Habib Allied Holding Limited – 89.40% shareholding

Habib Allied Holding Limited (HAHL), formerly known as Habib Allied International Bank Plc (HAIB) is a private company incorporated in the United Kingdom. HAHL is the holding company of Habibsons Bank Limited and its registered office is at 9 Portman Street, London W1H6DZ, UK.

During the year Bank has entered into an agreement with Krestal Anstalt for the purchase of 678,750 shares of HAHL. Subsequent to the transaction, the Bank's shareholding in HAHL is expected to increase to 90.50%.

#### - Habibsons Bank Limited – 89.40% effective shareholding

Habibsons Bank Limited (HSB) is a wholly owned subsidiary of HAHL and is incorporated in the United Kingdom. HSB provides a range of commercial banking services to individuals as well as business clients. The registered office of HSB is at 9 Portman Street, London W1H6DZ, UK. HSB operates a network of 9 branches in the UK and one each in the Netherlands and Switzerland.

#### - Habib Finance International Limited – 100% shareholding

The company is registered as a deposit taking company under the Hong Kong Banking Ordinance and its principal activities are the taking of deposits and the provision of loans and trade financing. The registered office of the company is at 602, 6th floor, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui Kowloon, Hong Kong.

#### - HBL Currency Exchange (Private) Limited – 100% shareholding

HBL Currency Exchange (Private) Limited (HCEL) was incorporated in Pakistan under the Companies Ordinance, 1984 on August 7, 2003 as a private limited company. HCEL is engaged in the business of dealing in foreign exchange and its registered office is at Plot No. 49-A, Block-6, PECHS Nursery, Main Shahrah-e-Faisal, Karachi, Pakistan.

#### - HBL Asset Management Limited– 100% shareholding

HBL Asset Management Limited (HBL AML) was incorporated in Karachi under the Companies Ordinance, 1984 on February 17, 2006 as an unquoted public limited company. HBL AML is licensed by the Securities and Exchange Commission of Pakistan (SECP) to carry out asset management and investment advisory services. The registered office of the company is at 2nd, 3rd and 4th floor, HBL Khayaban-e-Hafiz Branch Building, Plot No. 22-C and 24-C, Shahbaz Lane No. 1, Main Khayaban-e-Hafiz, Phase VI, Defence Housing Authority, Karachi, Pakistan.

#### - The First MicroFinanceBank Limited - 50.51% shareholding

The First MicroFinanceBank Limited (FMFB) was incorporated on November 5, 2001 as an unquoted public limited company under the Companies Ordinance, 1984. FMFB's principal business is to provide microfinance services to the poor and underserved segments of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The registered office of the company is at 16th and 17th floor, Habib Bank Tower, Blue Area, Islamabad, Pakistan. FMFB operates through a network of 159 business locations comprising of 120 branches/point of links/permanent booths and 39 Pakistan Post Office (PPO) sub offices.

#### - Habib Bank Financial Services Private Limited – 100% shareholding

Habib Bank Financial Services Private Limited is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984. It is registered as a Modaraba Management Company with the Registrar of the Modaraba Companies and Modarabas, Islamabad. The registered office of the company is at 1st floor, Bank House No-1, M.A. Jinnah Road, Karachi, Pakistan.

### 1.3 Business Combinations

#### 1.3.1 Acquisition of Barclays Bank PLC - Pakistan Branch Business (Barclays)

Last year, the Bank completed the acquisition of the Pakistan branch business of Barclays Bank PLC, a commercial bank. Subsequent to the acquisition, the Bank, under the scheme of amalgamation, incorporated the balances relating to Barclays at their carrying values as appearing in the audited financial statements of Barclays as at the close of business on June 14, 2015.

International Financial Reporting Standard 3 (IFRS 3), Business Combinations, requires that all identified assets and liabilities acquired in a business combination should be carried at their fair values in the acquirer's balance sheet and allows the acquirer a period of one year from the date of acquisition for this determination. The Bank has carried out an assessment and concluded that the fair values of the acquired assets and liabilities were not different from their carrying values at the time of acquisition and therefore no fair value adjustment is required.

#### 1.3.2 Acquisition of The First MicroFinanceBank Limited (FMFB)

During the year, the Bank has purchased 50.51% of the shares in The First MicroFinanceBank Limited (FMFB), a related entity, under a Share Subscription Agreement for a consideration of Rs. 2 billion. The transaction was completed in May, 2016.

The assets and liabilities of FMFB on the transaction date were as follows:

	(Rupees in '000)
<b>ASSETS</b>	
Cash and balances with treasury banks	569,855
Balances with other banks	2,218,959
Investments	3,712,741
Advances - net of provisions	6,556,162
Operating fixed assets	412,373
Other assets	688,716
Deferred tax assets	47,686
<b>TOTAL ASSETS</b>	<b>14,206,492</b>
<b>LIABILITIES</b>	
Deposits and other accounts	10,131,206
Other liabilities	425,922
<b>TOTAL LIABILITIES</b>	<b>10,557,128</b>
<b>NET ASSETS</b>	<b>3,649,364</b>
HBL's share in net assets (50.51%)	1,843,294
Purchase consideration	2,000,000
<b>Recognised as capital reserve</b>	<b>(156,706)</b>

Since FMFB is a group company under common control, the transaction has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of FMFB are included in the consolidated financial statements at the same carrying values as recorded in FMFB's own financial statements as on the acquisition date. The results and statement of financial position of FMFB are consolidated prospectively from the date of acquisition. The difference between the purchase consideration and the net assets acquired is recognised in equity as a capital reserve.

#### 1.3.3 Acquisition of PICIC Asset Management Company Limited (PICIC AMC)

During the year, HBL Asset Management Limited (HBL AML) the Bank's wholly owned subsidiary, has purchased 100% of the shares of PICIC AMC for a consideration of Rs. 4.063 billion. The acquisition is effective from the close of business as on March 2, 2016 under a Share Purchase Agreement dated February 17, 2016. PICIC AMC has been merged with HBL AML effective from August 31, 2016.

Subsequent to the acquisition, the Group has incorporated the balances relating to PICIC AMC at their carrying values as appearing in the audited financial statements of PICIC AMC as at the close of business on March 2, 2016. These balances are detailed below:

	(Rupees in '000)
<b>ASSETS</b>	
Cash and bank balances	114,661
Investments	1,280,616
Deferred tax asset	12,273
Operating fixed assets	29,094
Other assets	37,268
<b>TOTAL ASSETS</b>	<b>1,473,912</b>
<b>LIABILITIES</b>	
Other liabilities	133,396
<b>NET ASSETS</b>	<b>1,340,516</b>



IFRS 3, Business Combinations, requires that all identified assets (including intangible assets) and liabilities acquired in a business combination should be carried at their fair values on the acquirer's balance sheet and any intangible assets acquired in the business combination should be separately recognised and carried at their fair values. IFRS - 3 allows the acquirer a period of one year from the date of acquisition to finalize the determination of the fair values of the assets and liabilities and to determine the value of any intangibles separately identified. The fair valuation exercise of the recorded assets and liabilities will be completed within the period specified under IFRS - 3. However, management does not expect the fair values of the assets and liabilities transferred to be materially different from their carrying values.

In accordance with IFRS 3, the Group has initially recognised Goodwill of Rs. 2.723 billion representing the excess of the consideration paid over the carrying values of the net identifiable assets acquired. The Group has identified Brand Value and Management Rights as separate intangible assets, currently recorded as part of Goodwill. The valuation of these intangible assets is currently in progress and will be completed within the period specified under IFRS - 3, subsequent to which they will be recognised separately from Goodwill.

(Rupees in '000)

Consideration paid	4,063,600
Carrying value of net identifiable assets acquired	(1,340,516)
<b>Goodwill</b>	<b>2,723,084</b>

## 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 these consolidated financial statements are stated solely for information convenience. The statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement as at and for the years ended December 31, 2016 and 2015 have all been converted using an exchange rate of Rupees 104.5985 per US Dollar.

### 2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the financial statements of subsidiary companies from the date that control of the subsidiary by the Group commences until the date that control ceases. The financial statements of the subsidiary companies are incorporated on a line-by-line basis and the investment held by the Bank is eliminated against the corresponding share capital and pre-acquisition reserve of subsidiaries in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company. However;

- Non-banking subsidiaries in Pakistan follow the requirements of International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement, IAS 40, Investment Property and IFRS 7, Financial Instruments: Disclosures, and
- Overseas subsidiaries comply with local regulations enforced within the respective jurisdictions.

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.

### 2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for:

- Certain classes of fixed assets and non-banking assets acquired in satisfaction of claims which are stated at revalued amounts less accumulated depreciation.
- Investments classified as held-for-trading and available-for-sale and derivative financial instruments, including forward foreign exchange contracts, which are measured at fair value.
- Net obligations in respect of defined benefit schemes which are carried at their present values.

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

## 2.3 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with 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 (note 4.4)
- ii) Valuation and impairment of available-for-sale, equity investments and associates (note 4.4.4)
- iii) Provision against non-performing advances (note 4.5)
- iv) Fixed assets valuation, depreciation and amortisation (note 4.6)
- v) Defined benefit plans and other retirement benefits (note 4.10)
- vi) Taxation (note 4.13)
- vii) Fair value of derivatives (note 4.20)

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. These comprise of

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984
- 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 Banking Companies Ordinance, 1962
- Provisions of and directives issued under the Companies Ordinance, 1984
- Directives issued by the SBP and the SECP from time to time

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the Banking Companies Ordinance, 1962, the requirements of the Companies Ordinance, 1984 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, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

IFRS 10, Consolidated Financial Statements, was notified by the SECP as applicable for accounting periods beginning from January 1, 2015. However, the SECP, through SRO 56(I)/2016 dated January 28, 2016, has directed that the requirement of consolidation under this standard and under Section 237 of the Companies Ordinance, 1984 is not applicable in the case of investments by a bank in its mutual funds managed by its own asset management company and established under the trust structure. Therefore, direct investments by the Group in mutual funds managed by HBL AML are not consolidated as would otherwise be required under the definition of control specified in IFRS 10.

## 3.2 Amendments to approved accounting standards that are effective in the current year.

The Group has adopted the following amendments to approved accounting standards which became effective for the current year:

### ***IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)***

These amendments aim to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

### ***IAS 27 - Separate financial statements on the equity method (Amendment)***

IAS 27, Separate Financial Statements, only allowed entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendment made to IAS 27 introduces the equity method as a third option in addition to these two treatments. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates).

Adoption of the above amendments have not had any material impact on the Group's financial statements in the period of initial application.

### 3.3 Standards, interpretations of and amendments to approved accounting standards that are not yet effective.

There are certain other new standards, interpretations of and amendments to approved accounting standards that are effective for accounting periods beginning on or after January 1, 2017. The Group considers that these are either not relevant or have no significant effect on the Group's operations and are therefore not detailed in these financial statements.

The following new standards have been issued by the IASB but have not yet been notified by the SECP for the purpose of applicability in Pakistan.

	IASB Effective date (annual periods beginning on or after)
- IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2018
- IFRS 15 – Revenue from Contracts with Customers	January 1, 2018
- IFRS 16 – Leases	January 1, 2019

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as described in note 4.1. In addition, the Group has adopted predecessor accounting for entities under common control as discussed in note 1.3.2 above.

### 4.1 Change in accounting policy

In line with the requirements of the Debt Property Swap Regulations issued by the SBP on January 1, 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims. These were previously recorded at the lower of cost or market value. These are now initially recorded at cost and subsequently stated at revalued amount less accumulated depreciation / impairment. Increase in market value over the acquisition cost is recorded as surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account. Had there been no change in accounting policy, other assets, surplus on revaluation of assets (net of tax) and deferred tax liability would have been lower by Rs. 688.529 million, Rs. 684.178 million and Rs. 6.203 million respectively.

The impact of this change in policy on profit for the year and earnings per share is not material.

### 4.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks.

### 4.3 Lending / borrowing transactions with financial institutions

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

#### 4.3.1 Purchase under resale agreements (reverse repo)

Securities purchased under agreement to resell are not recognised in these consolidated financial statements as investments and the amount extended to the counterparty is included in lendings to financial institutions. The difference between the purchase price and the contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

#### 4.3.2 Sale under repurchase agreement (repo)

Securities sold subject to a repurchase agreement are retained in these consolidated financial statements as investments and the liability to the counterparty is included in borrowings. The difference between the sale price and the contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as expense.

#### 4.3.3 Bai Muajjal

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are reflected as investments. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

### 4.4 Investments

The Group classifies its investment portfolio, other than its investments in associates and joint ventures, into the following categories:

#### **Held-for-trading**

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

#### **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, other than investments in associates and joint ventures, that do not fall under the held-for-trading or held-to-maturity categories.

#### **4.4.1 Initial measurement**

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

In the case of investments classified as held-for-trading, transaction costs are expensed through the profit and loss account. Transaction costs associated with investments other than those classified as held-for-trading are included in the cost of the investments.

#### **4.4.2 Subsequent measurement**

##### **Held-for-trading**

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the profit and loss account.

##### **Held-to-maturity**

Investments classified as held-to-maturity are measured at amortised cost using the effective interest rate method, less any impairment recognized to reflect irrecoverable amounts.

##### **Available-for-sale**

Quoted securities classified as available-for-sale are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is recorded in the surplus / deficit on revaluation of securities account shown below equity in the statement of financial position and is taken to the profit and loss account either when realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per its latest available audited financial statements. Other unquoted securities are valued at cost less impairment, if any.

#### **4.4.3 Investment in associates / joint ventures**

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

#### **4.4.4 Impairment**

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The 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 the case of listed equity securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired quoted equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal.

A decline in the carrying value of unquoted equity securities is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account.

Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the SBP. When a debt security is considered to be impaired, the balance in the surplus/deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the profit and loss account.

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

The Group considers that a decline in the recoverable value of its investments in associates and joint ventures 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. Any subsequent reversal of an impairment loss, up to the cost of the investment in associates and joint ventures, is credited to the profit and loss account.

## 4.5 Advances

Advances are stated net of specific and general provisions. Provision against advances of Pakistan operations is made in accordance with the requirements of the Prudential Regulations. Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes. Advances are written off in line with the Bank's policy when there are no realistic prospects of recovery.

### 4.5.1 Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to the 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. The net investment in finance lease is included in advances to customers.

### 4.5.2 Ijarah

Assets given on Ijarah are stated at cost less accumulated depreciation, after taking into account the estimated residual value. Ijarah assets are depreciated on reducing balance basis over the term of the Ijarah. Impairment of Ijarah assets is recognised in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

## 4.6 Operating fixed assets and depreciation

### 4.6.1 Tangible

Fixed assets are stated at cost, except for land and buildings which are carried at revalued amounts less accumulated depreciation, where applicable, and accumulated impairment losses, if any.

The cost and accumulated depreciation of fixed assets of foreign branches and subsidiary companies are adjusted for 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 their net carrying amount does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. A deficit arising on revaluation of fixed assets is adjusted against the balance in the above surplus account or, if no surplus exists, is charged to the profit and loss account as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the profit and loss account up to the extent of the original impairment.

Surplus on revaluation of fixed assets to the extent of the incremental depreciation (net of deferred tax) charged on the related assets is transferred by the Group to unappropriated profit.

Operating fixed assets other than land are depreciated over their expected useful lives using the straight-line method. Depreciation is calculated so as to write down the assets to their residual values over their expected useful lives at the rates specified in note 10.2 to these consolidated financial statements. Depreciation on additions is charged from the month in which the assets are available for use. No depreciation is charged in the month in which the assets are disposed off. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred. However, major repairs and renovations that increase the useful life of an asset are capitalized.



Gains or losses arising on the disposal of fixed assets are charged to the profit and loss account. Surplus on revaluation (net of deferred tax) realised on disposal of fixed assets is transferred directly to unappropriated profit.

#### 4.6.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised over their estimated useful lives using the straight-line method. Amortisation is calculated so as to write-down the assets to their residual values over their expected useful lives at the rates stated in note 10.3 to these consolidated financial statements. Amortisation on additions is charged from the month in which the assets are available for use. No amortisation is charged in the month in which the assets are disposed off. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Intangible assets having a finite useful life which arise from contractual or other legal rights on the acquisition of another entity and are deemed separable, are considered as part of the net identifiable assets acquired. These are initially measured at fair value, and are amortised over their expected useful lives.

Intangible assets having an indefinite useful life are stated at cost less impairment, if any.

#### 4.6.3 Goodwill

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

#### 4.7 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims are initially recorded at cost and revalued at each year-end date of the statement of financial position. An increase in market value over the acquisition cost is recorded as a surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the profit and loss account up to the extent of the original impairment. All direct costs of acquiring title to the asset are charged immediately to the profit and loss account.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with the depreciation charged on operating fixed assets.

Any reductions in non-performing loans and corresponding reductions in provisions held against non-performing loans, as a result of the recognition of such assets, are disclosed separately in the notes to these consolidated financial statements.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of operating fixed assets in the notes to these consolidated financial statements. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to operating fixed assets.

#### 4.8 Borrowings / deposits

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

#### 4.9 Subordinated loan

A subordinated loan is recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is charged to the profit and loss account.

#### 4.10 Employee benefits

The Bank operates a number of post-retirement benefit plans, which include both defined contribution plans and defined benefit plans.

For defined contribution plans, the Bank pays contributions to the fund on a periodic basis, and such amounts are charged to operating expenses when the payment obligation is established. The Bank has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the liability recognized in the statement of financial position is the present value of the defined benefit obligations less the fair value of plan assets as at the statement of financial position date. Contributions to the fund are made by the Bank on a periodic basis.

For non-funded defined benefit plans, the liability recognized in the statement of financial position is the present value of the defined benefit obligations as at the statement of financial position date.

The liability in respect of all obligations under defined benefit schemes is calculated annually by an independent actuary using the Projected Unit Credit Method.

## Actuarial gain and losses

Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the profit and loss account. Gains and losses on re-measurement of the liability for compensated absences are recognized in the profit and loss account immediately.

## 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 recognises past service cost as an expense when the plan amendment or curtailment occurs.

## 4.11 Foreign currency

### 4.11.1 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistan Rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the date of the statement of financial position. Forward transactions in foreign currencies and foreign bills purchased are valued at forward foreign exchange rates applicable to their respective maturities.

### 4.11.2 Foreign operations

The assets and liabilities of foreign operations are translated to Pakistan Rupees at exchange rates prevailing at the date of the statement of financial position. The income and expenses of foreign operations are translated to Pakistan Rupees at average rates of exchange prevailing during the year.

Exchange differences arising from the translation of the net investment in foreign branches and subsidiaries, and of instruments designated as hedges of such investments, are separately recorded within equity as an Exchange Translation Reserve. These are recognized through the profit and loss account only on disposal of the investment in the foreign branch or subsidiary.

### 4.11.3 Translation gains and losses

Translation gains and losses on assets and liabilities denominated in foreign currency are included in the profit and loss account.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at foreign exchange rates prevailing as at the date of the statement of financial position.

### 4.11.4 Contingencies and Commitments

Contingencies and commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the date of the statement of financial position.

## 4.12 Income recognition

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured.

### 4.12.1 Advances and investments

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled / restructured advances and investments is recognized as permitted by SBP regulations or by the regulatory authorities of the countries where the Group operates.

### 4.12.2 Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

#### 4.12.3 Fee, Commission and Brokerage Income

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

#### 4.12.4 Dividend income

Dividend income is recognized when the right to receive the dividend is established.

#### 4.13 Taxation

Income tax expense comprises of the charge for current and prior years 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.

##### 4.13.1 Current

The charge for current taxation is calculated on taxable income earned during the year from local as well as foreign operations using tax rates enacted as at the date of the statement of financial position.

##### 4.13.2 Prior years

The charge for prior years represents adjustments to the tax charge for prior years, arising from assessments, changes in estimates, and retrospectively applied changes to law, made during the current year.

##### 4.13.3 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 the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted as at the date of the statement of financial position.

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.

Where objective evidence exists that the carrying value of a deferred tax asset may not be recoverable, the deferred tax asset is reduced to its recoverable value with a corresponding charge to deferred tax expense recognized in the profit and loss account.

#### 4.14 Impairment on non-financial assets

The carrying amount of the Group's assets (other than deferred tax assets) are reviewed at each statement of financial position date 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 through the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount. A subsequent increase in the recoverable value of the asset results in a reversal of the impairment loss through the profit and loss account, up to the original carrying value of the asset, if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

#### 4.15 Provision for claims under guarantees

A provision for claims under guarantees is recognized when intimated and reasonable certainty exists that the Group will settle the obligation. The charge to the profit and loss account is stated net of expected recoveries and the obligation is recognized in other liabilities.

#### 4.16 Other provisions

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

#### 4.17 Contingent Liabilities

Contingent liabilities are not recognized in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic benefits, will arise. If the probability of an outflow of economic resources under a contingent liability is considered remote, it is not disclosed.

#### 4.18 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 realise the assets and to settle the liabilities simultaneously.

## 4.19 Financial Assets and Liabilities

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

## 4.20 Derivative Financial Instruments

Derivative financial assets and liabilities are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value using appropriate valuation techniques. Derivative financial instruments are carried as an asset when the fair value is positive and as a 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.

## 4.21 Dividends paid

Declarations of dividend to shareholders are recognized as a liability in the period in which they are approved.

## 4.22 Earnings per share

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

## 4.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing unique products or services (business segment), or in providing products or services within a particular geographic economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### 4.23.1 Business segments

The Group is managed along the following business lines for monitoring and reporting purposes:

#### i) Branch Banking

Consists of loans, deposits and other banking services to individuals, agriculture, consumer, SME and commercial customers.

#### ii) Corporate Banking

Consists of lending for project finance, trade finance and working capital to corporate customers. This segment also provides investment banking services including services provided in connection with mergers and acquisitions and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

#### iii) Treasury

Consists of proprietary trading, fixed income, equity, derivatives and foreign exchange businesses. Also includes credit, lending and funding activities with professional market counterparties.

#### iv) International Banking

International banking is considered as a separate segment for monitoring and reporting purposes and consists of the Group's operations outside of Pakistan.

#### v) Asset management

This represents HBL Asset Management Limited.

#### vi) Head Office / Others

This includes corporate items and business results not shown separately in one of the above segments.

### 4.23.2 Geographical segments

The Group is managed along the following geographic lines for monitoring and reporting purposes:

- i) Pakistan
- ii) Europe, Middle East and America
- iii) Asia and Africa (including KEPZ)

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>5. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		21,190,524	20,059,721
Foreign currency		<u>6,767,062</u>	<u>4,514,138</u>
		27,957,586	24,573,859
With State Bank of Pakistan in			
Local currency current accounts	5.1	<u>68,687,679</u>	<u>15,111,708</u>
Foreign currency current account	5.2	<u>5,277,831</u>	<u>5,061,523</u>
Foreign currency deposit accounts	5.3	<u>16,616,861</u>	<u>14,725,629</u>
		90,582,371	34,898,860
With other Central Banks in			
Foreign currency current accounts	5.4	<u>60,247,280</u>	<u>73,215,775</u>
Foreign currency deposit accounts	5.5	<u>17,745,558</u>	<u>5,622,375</u>
		77,992,838	78,838,150
With National Bank of Pakistan in local currency current accounts		41,833,942	28,895,538
National Prize Bonds		<u>71,546</u>	<u>44,581</u>
		<u>238,438,283</u>	<u>167,250,988</u>
5.1	This represents current accounts maintained under the Cash Reserve Requirement of the SBP.		
5.2	This represents a foreign currency current account maintained under the Cash Reserve Requirement of the SBP.		
5.3	This represents a deposit account maintained under the Special Cash Reserve Requirement of the SBP and a US Dollar Settlement account maintained with the SBP. These carry mark-up at the rate of 0% (2015: 0%).		
5.4	These represent balances held with the Central Banks of the countries in which the Group operates, in accordance with local statutory / regulatory requirements. These balances include remunerative accounts amounting to Rs. 11,969.165 million (2015: Rs. 25,452.728 million), which carry mark-up at rates ranging from 0.01% to 7.44% (2015: 0.25% to 1.50%).		
5.5	These represent balances held with the Central Banks of the countries in which the Group operates, in accordance with local statutory / regulatory requirements, and carry mark-up at rates ranging from 0.50% to 6.67% (2015: 0.01% to 6.70%).		
<b>6. BALANCES WITH OTHER BANKS</b>	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
In Pakistan			
In current accounts		911,956	416,273
Outside Pakistan			
In current accounts	6.1	<u>20,311,529</u>	<u>21,338,186</u>
In deposit accounts	6.2	<u>24,735,610</u>	<u>18,715,302</u>
		<u>45,047,139</u>	<u>40,053,488</u>
		<u>45,959,095</u>	<u>40,469,761</u>
6.1	These include remunerative current accounts amounting to Rs. 5,164.320 million (2015: Rs. 6,029.895 million), which carry mark-up at rates ranging from 0.01% to 8.00% (2015: 0.01% to 7.15%).		
6.2	Deposit accounts carry mark-up at rates ranging from 0.10% to 13.00% (2015: 0.03% to 13.00%).		
<b>7. LENDINGS TO FINANCIAL INSTITUTIONS</b>	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
Repurchase agreement lendings (reverse repo)	7.2 & 7.3	25,405,701	15,567,708
Call money lendings	7.4	1,184,128	2,813,925
Bai Muajjal receivables from Financial Institutions	7.5	<u>7,458,102</u>	<u>-</u>
		<u>34,047,931</u>	<u>18,381,633</u>
7.1	Lendings to financial institutions are all in local currency.		
7.2	Repurchase agreement lendings carry mark-up at rates ranging from 5.75% to 6.10% per annum (2015: 6.20% to 6.75% per annum) and are due to mature latest by March 17, 2017.		



## 7.3 Securities held as collateral against lendings to financial institutions

	2016			2015		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	22,840,760	-	22,840,760	2,467,708	-	2,467,708
Pakistan Investment Bonds	2,564,941	-	2,564,941	13,100,000	-	13,100,000
	<u>25,405,701</u>	<u>-</u>	<u>25,405,701</u>	<u>15,567,708</u>	<u>-</u>	<u>15,567,708</u>

7.3.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 25,420.039 million (2015: Rs. 16,959.497 million).

7.4 Call money lendings carry mark-up at rates ranging from 6.00% to 13.18% (2015: 5.85% to 10.05%) and are due to mature latest by August 15, 2019.

7.5 Bai Muajjal receivables from Financial Institutions carry mark-up at rates ranging from 5.50% to 5.65% and are due to mature latest by March 13, 2017.

## 8. INVESTMENTS

### 8.1 Investments by type

INVESTMENTS		Note	2016			2015		
			Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
Investments by type			(Rupees in '000)					
Held-for-trading (HFT)								
Federal Government securities								
-	Market Treasury Bills		32,635,003	-	32,635,003	29,966,313	-	29,966,313
-	Pakistan Investment Bonds		8,174,573	-	8,174,573	11,871,973	-	11,871,973
Fully paid-up ordinary shares								
-	Listed companies		131,436	-	131,436	36,602	-	36,602
Overseas Government securities			376,504	-	376,504	1,118,845	-	1,118,845
			41,317,516	-	41,317,516	42,993,733	-	42,993,733
Held-to-maturity (HTM)		8.3						
Federal Government securities								
-	Market Treasury Bills	8.7	29,295,870	-	29,295,870	29,802,535	-	29,802,535
-	Pakistan Investment Bonds	8.7 - 8.9	173,180,878	-	173,180,878	116,908,270	-	116,908,270
-	Government of Pakistan US Dollar Bonds		1,670,392	-	1,670,392	597,663	-	597,663
-	Other Federal Government securities	8.4	-	-	-	25,936,778	-	25,936,778
Debentures and corporate debt instruments								
-	Listed		13,426,523	-	13,426,523	24,773,658	-	24,773,658
-	Unlisted		12,449,379	-	12,449,379	6,873,761	-	6,873,761
Overseas Government securities			26,410,478	-	26,410,478	20,710,588	-	20,710,588
			256,433,520	-	256,433,520	225,603,253	-	225,603,253
Available-for-sale (AFS)								
Federal Government securities								
-	Market Treasury Bills	8.7	261,883,530	180,967,213	442,850,743	490,972,008	62,190,548	553,162,556
-	Pakistan Investment Bonds		326,030,937	58,708,656	384,739,593	125,598,086	171,679,360	297,277,446
-	Government of Pakistan US Dollar Bonds		22,197,008	-	22,197,008	24,145,198	-	24,145,198
-	Sukuks		77,911,455	-	77,911,455	29,672,145	-	29,672,145
Fully paid-up ordinary shares								
-	Listed companies		17,272,992	-	17,272,992	13,451,553	-	13,451,553
-	Unlisted companies		2,251,466	-	2,251,466	545,483	-	545,483
Debentures and corporate debt instruments								
-	Listed		44,234,671	-	44,234,671	30,940,658	-	30,940,658
-	Unlisted	8.11	9,893,378	-	9,893,378	12,760,770	-	12,760,770
Overseas Government securities			5,337,240	-	5,337,240	3,499,332	-	3,499,332
NIT units			11,113	-	11,113	11,113	-	11,113
Preference shares			100,000	-	100,000	250,000	-	250,000
			767,123,790	239,675,869	1,006,799,659	731,846,346	233,869,908	965,716,254
Investment in associates and joint venture		8.13	22,559,484	-	22,559,484	19,135,914	-	19,135,914
			1,087,434,310	239,675,869	1,327,110,179	1,019,579,246	233,869,908	1,253,449,154
Provision for diminution in the value of investments		8.5	(866,152)	-	(866,152)	(617,536)	-	(617,536)
			1,086,568,158	239,675,869	1,326,244,027	1,018,961,710	233,869,908	1,252,831,618
(Deficit) / surplus on revaluation of held-for-trading securities		8.6	(12,057)	-	(12,057)	18,326	-	18,326
Surplus on revaluation of available-for-sale securities		19.2	12,633,945	4,412,998	17,046,943	15,784,111	2,263,289	18,047,400
Surplus / (deficit) on revaluation of investments of associates			1,125,858	-	1,125,858	(73,558)	-	(73,558)
Total investments (net of provision)			1,100,315,904	244,088,867	1,344,404,771	1,034,690,589	236,133,197	1,270,823,786

8.2	Investments by segments	Note	2016 (Rupees in '000)	2015
	Federal Government securities			
	- Market Treasury Bills		504,781,616	612,931,404
	- Pakistan Investment Bonds		566,095,044	426,057,689
	- Government of Pakistan US Dollar Bonds		23,867,400	24,742,861
	- Sukuks		77,911,455	29,672,145
	- Other Federal Government securities	8.4	-	25,936,778
	Fully paid-up ordinary shares			
	- Listed companies		17,404,428	13,488,155
	- Unlisted companies		2,251,466	545,483
	Debentures and corporate debt instruments			
	- Listed		57,661,194	55,714,316
	- Unlisted		22,342,757	19,634,531
	Overseas Government securities		32,124,222	25,328,765
	NIT units		11,113	11,113
	Preference shares		100,000	250,000
	Investment in associates and joint venture	8.13	22,559,484	19,135,914
			<u>1,327,110,179</u>	<u>1,253,449,154</u>
	Less: Provision for diminution in the value of investments	8.5	(866,152)	(617,536)
	Net investments		<u>1,326,244,027</u>	<u>1,252,831,618</u>
	(Deficit) / surplus on revaluation of held-for-trading securities	8.6	(12,057)	18,326
	Surplus on revaluation of available-for-sale securities	19.2	17,046,943	18,047,400
	Surplus / (deficit) on revaluation of investments of associates		<u>1,125,858</u>	<u>(73,558)</u>
			<u>1,344,404,771</u>	<u>1,270,823,786</u>
8.3	The market value of securities classified as held-to-maturity as at December 31, 2016 amounted to Rs. 261,991.234 million (2015: Rs. 231,756.397 million).			
8.4	Bai-muajjal transactions with the Government of Pakistan amounting to Rs. 25,936.778 million as at December 31, 2015 have been reclassified from lendings to financial institutions to investments in line with the requirements of BPRD Circular no. 5 dated February 29, 2016 issued by the SBP.			
8.5	Particulars of provision held against diminution in the value of investments	Note	2016 (Rupees in '000)	2015
	Opening balance		617,536	953,764
	Charge		289,986	262,864
	Reversal		(21,999)	(577,378)
	Reversal on disposal		(19,371)	(67,879)
	Total charge / (reversal) - net		248,616	(382,393)
	Transfers in		-	46,165
	Closing balance	8.5.1	<u>866,152</u>	<u>617,536</u>
8.5.1	Particulars of provision in respect of type and segment			
	Available-for-sale securities			
	Fully paid-up ordinary shares			
	- Listed companies		459,981	224,612
	- Unlisted companies		102,784	121,261
	Total equity securities		562,765	345,873
	Debentures and corporate debt instruments		303,387	271,663
			<u>866,152</u>	<u>617,536</u>
8.6	Unrealized (loss) / gain on revaluation of held-for-trading securities			
	Market Treasury Bills		(6,406)	(4,862)
	Pakistan Investment Bonds		3,199	24,984
	Ordinary shares of listed companies		3,553	(1,796)
	Overseas Government securities		(12,403)	-
			<u>(12,057)</u>	<u>18,326</u>

- 8.7 Investments include securities amounting to Rs. 261,439 million (2015: Rs. 228,216 million) which are held to comply with the SBP's statutory liquidity requirements and are available for rediscounting with the SBP.
- 8.8 Investments include Rs. 235.608 million (2015: Rs. 225.979 million) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.
- 8.9 Investments include Rs. 10.356 million (2015: Rs. 9.933 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the Bank.
- 8.10 Information relating to investments required by the SBP to be disclosed as part of the consolidated financial statements, is given in Annexure "I" and is an integral part of these consolidated financial statements.
- 8.11 This includes privately placed TFCs amounting to Rs. 8,317.662 million (2015: Rs. 10,139.045 million) of Pakistan International Airlines Corporation Limited (PIACL) which are guaranteed by the Government of Pakistan.
- 8.12 **Summary of financial information of associates and joint venture**

2016						
	Based on the annual / interim financial statements as on	Assets	Liabilities	Equity / Net Assets	Revenue	Profit / (loss)
		(Rupees in '000)				
Diamond Trust Bank Kenya Limited	September 30, 2016	320,797,202	277,287,520	43,509,682	30,097,814	5,480,631
Himalayan Bank Limited, Nepal	October 17, 2016	102,882,865	93,483,144	9,399,721	1,634,627	427,499
Kyrgyz Investment and Credit Bank	December 31, 2016	37,470,012	31,492,956	5,977,056	2,492,584	300,798
Jubilee General Insurance Company Limited	September 30, 2016	19,114,603	12,889,467	6,225,136	4,141,723	789,327
Jubilee Life Insurance Company Limited	September 30, 2016	88,234,058	84,016,733	4,217,325	357,190	1,280,691
HBL Income Fund	December 31, 2016	5,375,870	98,889	5,276,980	469,125	201,690
HBL Islamic Allocation Fund	December 31, 2016	1,126,947	5,721	1,121,226	107,686	73,464
HBL Islamic Money Market Fund	December 31, 2016	745,771	10,603	735,167	29,445	21,110
HBL Islamic Pension Fund - Debt Sub Fund	December 31, 2016	89,441	2,647	86,794	5,203	3,233
HBL Islamic Pension Fund - Equity Sub Fund	December 31, 2016	212,610	1,760	210,850	29,126	25,460
HBL Islamic Pension Fund - Money Market Sub Fund	December 31, 2016	65,570	1,487	64,083	3,936	2,353
HBL Islamic Stock Fund	December 31, 2016	1,060,207	79,493	980,713	86,240	59,907
HBL Money Market Fund	December 31, 2016	5,332,850	404,969	4,927,881	249,862	109,465
HBL Multi Asset Fund	December 31, 2016	904,951	23,164	881,786	82,882	60,410
HBL Mustahekum Sarmaya Fund	December 31, 2016	2,003,167	13,680	1,989,486	172,745	132,976
HBL Pension Fund - Debt Sub Fund	December 31, 2016	175,478	2,637	172,841	13,627	10,377
HBL Pension Fund - Equity Sub Fund	December 31, 2016	198,087	3,887	194,200	27,941	24,450
HBL Pension Fund - Money Market Sub Fund	December 31, 2016	156,600	3,886	152,714	9,284	6,118
HBL Stock Fund	December 31, 2016	6,033,564	127,976	5,905,588	420,378	286,879
PICIC Energy Fund	December 31, 2016	912,415	68,775	843,640	319,998	284,759
PICIC Income Fund	December 31, 2016	2,009,995	39,105	1,970,890	118,491	2,777
PICIC Investment Fund	December 31, 2016	6,656,161	249,362	6,406,799	1,288,554	1,158,470
PICIC Islamic Stock Fund	December 31, 2016	502,950	12,168	490,782	160,966	127,749
PICIC Stock Fund	December 31, 2016	425,338	20,924	404,414	119,393	98,057
2015						
	Based on the annual / interim financial statements as on	Assets	Liabilities	Equity / Net Assets	Revenue	Profit / (loss)
		(Rupees in '000)				
Diamond Trust Bank Kenya Limited	September 30, 2015	249,545,447	213,037,895	36,507,552	19,233,365	4,987,904
Himalayan Bank Limited, Nepal	October 17, 2015	88,058,133	80,644,208	7,413,926	1,483,097	323,398
Kyrgyz Investment and Credit Bank	September 30, 2015	34,892,688	28,816,379	6,076,309	3,027,220	621,879
Jubilee General Insurance Company Limited	September 30, 2015	16,698,160	11,018,067	5,680,093	4,181,572	1,107,389
Jubilee Life Insurance Company Limited	September 30, 2015	62,997,454	59,632,948	3,364,506	259,532	1,025,829
HBL Income Fund	December 31, 2015	7,412,480	99,071	7,313,409	521,972	375,637
HBL Islamic Money Market Fund	December 31, 2015	472,532	6,795	465,737	32,998	22,210
HBL Islamic Pension Fund - Debt Sub Fund	December 31, 2015	84,769	1,312	83,457	4,814	3,015
HBL Islamic Pension Fund - Equity Sub Fund	December 31, 2015	156,337	2,781	153,556	53,396	46,915
HBL Islamic Pension Fund - Money Market Sub Fund	December 31, 2015	61,179	1,103	60,076	3,493	2,086
HBL Islamic Stock Fund	December 31, 2015	818,393	56,204	762,189	129,390	80,727
HBL Money Market Fund	December 31, 2015	4,330,696	164,014	4,166,682	605,761	(144,738)
HBL Multi Asset Fund	December 31, 2015	748,564	18,011	730,554	110,276	99,550
HBL Mustahekum Sarmaya Fund	December 31, 2015	1,970,875	29,485	1,941,390	108,542	73,121
HBL Pension Fund - Debt Sub Fund	December 31, 2015	153,208	2,146	151,062	16,113	12,797
HBL Pension Fund - Equity Sub Fund	December 31, 2015	135,634	3,832	131,802	39,989	34,362
HBL Pension Fund - Money Market Sub Fund	December 31, 2015	139,633	1,829	137,804	9,873	6,827
HBL Stock Fund	December 31, 2015	4,474,286	261,301	4,212,985	806,873	728,622

### 8.13 Investment in associates and joint venture

2016 2015  
(Rupees in '000)

#### Diamond Trust Bank Kenya Limited - Holding: 11.97% (2015: 11.97%) - Listed

Opening balance
Share of profit - before tax
Movement in share of surplus / (deficit) on investments / fixed assets
Exchange translation impact
Share of tax
Dividend received
Closing balance

4,934,477	4,588,114
1,290,899	1,150,731
(32,556)	(77,672)
(2,384)	(275,283)
(409,003)	(374,341)
(74,078)	(77,072)
5,707,355	4,934,477

#### Himalayan Bank Limited, Nepal - Holding: 20% (2015: 20%) - Listed

Opening balance
Share of profit - before tax
Exchange translation impact
Share of tax
Dividend received
Closing balance

1,608,874	1,425,497
568,349	307,032
(42,988)	(15,446)
(172,258)	(73,300)
(45,525)	(34,909)
1,916,452	1,608,874

#### Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding: 18% (2015: 18%) - Unlisted

Opening balance
Share of profit - before tax
Exchange translation impact
Share of tax
Share of other comprehensive income
Dividend received
Closing balance

1,022,754	960,962
45,267	92,837
(1,507)	43,814
(2,339)	(8,143)
(6,732)	-
(17,175)	(66,716)
1,040,268	1,022,754

#### Jubilee General Insurance Company Limited - Holding: 18.31% (2015: 17.84%) - Listed

Opening balance
Investment
Share of profit - before tax
Share of capital contribution to statutory reserve
Reversal of impairment
Share of tax
Share of other comprehensive income
Dividend received
Closing balance

2,249,611	1,574,077
77,325	-
284,511	322,387
(1,797)	(1,150)
-	577,378
(98,494)	(69,103)
(235)	-
(84,076)	(153,978)
2,426,845	2,249,611

#### Jubilee Life Insurance Company Limited - Holding: 18.52% (2015: 17.95%) - Listed

Opening balance
Investment
Share of profit - before tax
Share of capital contribution to statutory reserve
Share of tax
Dividend received
Closing balance

894,116	785,246
209,335	-
517,763	418,328
(10,393)	(35,900)
(171,876)	(144,125)
(177,386)	(129,433)
1,261,559	894,116

#### HBL Income Fund - Holding: 27.47% (2015: 19.03%) - Listed

Opening balance
Investment
Share of profit
Redemption
Movement in share of surplus / (deficit) on investment
Closing balance

1,419,177	1,423,904
85,000	381,416
89,188	177,586
(85,988)	(539,160)
(895)	(24,569)
1,506,482	1,419,177

#### HBL Islamic Asset Allocation Fund - Holding: 9.98% - Listed

Opening balance
Investment
Share of profit
Movement in share of surplus / (deficit) on investment
Closing balance

-	-
100,000	-
8,966	-
4,375	-
113,341	-

## HBL Islamic Money Market Fund - Holding: 51.48% (2015: 77.84%) - Listed

Opening balance  
Share of profit  
Closing balance

2016 2015  
(Rupees in '000)

368,782	345,871
18,221	22,911
387,003	368,782

## HBL Islamic Pension Fund - Debt Sub Fund - Holding: 46.82% (2015: 46.39%) - Unlisted

Opening balance  
Share of profit  
Movement in share of surplus / (deficit) on investment  
Closing balance

40,481	37,938
2,011	2,399
471	144
42,963	40,481

## HBL Islamic Pension Fund - Equity Sub Fund - Holding: 63.31% (2015: 63.47%) - Unlisted

Opening balance  
Share of profit  
Movement in share of surplus / (deficit) on investment  
Closing balance

82,801	73,705
18,025	23,888
20,206	(14,792)
121,032	82,801

## HBL Islamic Pension Fund - Money Market Sub Fund - Holding: 62.06% (2015: 63.76%) - Unlisted

Opening balance  
Share of profit  
Movement in share of surplus / (deficit) on investment  
Closing balance

40,340	37,705
2,023	2,272
(8)	363
42,355	40,340

## HBL Islamic Stock Fund - Holding: 83.22% (2015: 79.47%) - Listed

Opening balance  
Share of profit  
Movement in share of surplus / (deficit) on investment  
Closing balance

636,091	626,375
71,751	65,959
153,617	(56,243)
861,459	636,091

## HBL Money Market Fund - Holding: 4.35% (2015: 17.38%) - Listed

Opening balance  
Investment  
Share of profit  
Redemption  
Dividend received  
Movement in share of surplus / (deficit) on investment  
Closing balance

785,124	538,221
40,000	539,160
52,494	49,271
(568,921)	(341,416)
(24,626)	-
(15)	(112)
284,056	785,124

## HBL Multi Asset Fund - Holding: 86.81% (2015: 85.35%) - Listed

Opening balance  
Share of profit  
Movement in share of surplus / (deficit) on investment  
Closing balance

650,379	614,705
64,640	71,954
91,887	(36,280)
806,906	650,379

## HBL Mustahakum Sarmaya Fund - Holding: 28.35% (2015: 26.81) - Listed

Opening balance  
Investment  
Share of profit  
Movement in share of surplus / (deficit) on investment  
Closing balance

527,972	-
-	500,000
44,416	27,602
5,890	370
578,278	527,972

## HBL Pension Fund - Debt Sub Fund - Holding: 25.97% (2015: 28.14%) - Unlisted

Opening balance  
Share of profit  
Movement in share of surplus / (deficit) on investment  
Closing balance

45,176	41,165
3,374	4,006
(336)	5
48,214	45,176

## HBL Pension Fund - Equity Sub Fund - Holding: 62.39% (2015: 68.66%) - Unlisted

Opening balance  
Share of profit  
Movement in share of surplus / (deficit) on investment  
Closing balance

92,782	79,298
17,220	22,128
15,574	(8,644)
125,576	92,782



	2016	2015
	(Rupees in '000)	
<b>HBL Pension Fund - Money Market Sub Fund - Holding: 27.11% (2015: 28.26%) - Unlisted</b>		
Opening balance	42,608	39,805
Share of profit	2,226	2,804
Movement in share of surplus / (deficit) on investment	(10)	(1)
Closing balance	44,824	42,608
<b>HBL Stock Fund - Holding: 77.13% (2015: 82.29%) - Listed</b>		
Opening balance	3,620,811	3,537,576
Share of profit for the year	355,590	634,983
Movement in share of surplus / (deficit) on investment	812,915	(551,748)
Closing balance	4,789,316	3,620,811
<b>PICIC Cash Fund - Listed</b>		
Opening balance	-	-
Transfer in on acquisition of PICIC AMC	736,725	-
Share of profit	(24,958)	-
Redemption	(711,767)	-
Closing balance	-	-
<b>PICIC Energy Fund - Holding: 17.96% - Listed</b>		
Opening balance	-	-
Transfer in on acquisition of PICIC AMC	116,138	-
Share of profit	37,456	-
Closing balance	153,594	-
<b>PICIC Income Fund - Holding: 4.01% - Listed</b>		
Opening balance	-	-
Transfer in on acquisition of PICIC AMC	412,867	-
Share of profit	(2,013)	-
Redemption	(329,384)	-
Closing balance	81,470	-
<b>PICIC Investment Fund - Holding: 17.13% - Listed</b>		
Opening balance	-	-
Investment	637,387	-
Share of profit	214,002	-
Movement in share of surplus / (deficit) on investment	128,301	-
Dividend received	(20,438)	-
Closing balance	959,252	-
<b>PICIC Islamic Stock Fund - Holding: 57.13% - Listed</b>		
Opening balance	-	-
Transfer in on acquisition of PICIC AMC	224,494	-
Share of profit	65,715	-
Dividend received	(5,267)	-
Closing balance	284,942	-
<b>PICIC Islamic Income Fund - Listed</b>		
Opening Balance	-	-
Transfer in on acquisition of PICIC AMC	26,607	-
Share of profit	(1,310)	-
Redemption	(25,297)	-
Closing balance	-	-
<b>PICIC Stock Fund - Holding: 24.73% - Listed</b>		
Opening balance	-	-
Transfer in on acquisition of PICIC AMC	80,456	-
Share of profit	22,259	-
Dividend received	(915)	-
Closing balance	101,800	-
	<b>23,685,342</b>	<b>19,062,356</b>

8.14 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 AKFED's holding in these entities.

	Note	2016	2015
		(Rupees in '000)	
<b>9. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
- In Pakistan		563,574,263	478,285,479
- Outside Pakistan		119,767,792	130,921,333
		<u>683,342,055</u>	<u>609,206,812</u>
Net investment in finance lease - in Pakistan	9.1.3	16,571,941	10,478,123
Islamic financing and related assets	9.2	32,077,220	19,888,887
Bills discounted and purchased			
- Payable in Pakistan		16,985,715	16,024,711
- Payable outside Pakistan		68,273,107	50,964,538
		<u>85,258,822</u>	<u>66,989,249</u>
Provision against advances			
- Specific	9.4	(65,160,197)	(65,881,113)
- General		(3,623,544)	(3,298,099)
		<u>(68,783,741)</u>	<u>(69,179,212)</u>
Advances -net of provision		<u>748,466,297</u>	<u>637,383,859</u>

	2016	2015
	(Rupees in '000)	
<b>9.1 Particulars of advances</b>		
9.1.1 In local currency	539,266,324	456,959,567
In foreign currency {including foreign currency financing by domestic branches amounting to Rs. 21,159.074 million (2015: Rs. 17,412.151 million)}	209,199,973	180,424,292
	<u>748,466,297</u>	<u>637,383,859</u>
9.1.2 Short term (upto one year)	518,877,867	446,157,901
Long term (over one year)	229,588,430	191,225,958
	<u>748,466,297</u>	<u>637,383,859</u>

#### 9.1.3 Net investment in finance lease

	2016				2015			
	Not later than one year	Later than one and upto five years	More than five years	Total	Not later than one year	Later than one and upto five years	More than five years	Total
(Rupees in '000)								
Lease rentals receivable	56,276	16,259,097	3,609,895	19,925,268	81,991	10,824,333	2,583,814	13,490,138
Residual value	878	253,755	56,339	310,972	147	19,381	4,626	24,154
Gross investment in finance lease	57,154	16,512,852	3,666,234	20,236,240	82,138	10,843,714	2,588,440	13,514,292
Unearned finance income	(1,478)	(2,852,363)	(810,458)	(3,664,299)	(3,436)	(2,323,817)	(708,916)	(3,036,169)
Net investment in finance lease	<u>55,676</u>	<u>13,660,489</u>	<u>2,855,776</u>	<u>16,571,941</u>	<u>78,702</u>	<u>8,519,897</u>	<u>1,879,524</u>	<u>10,478,123</u>

- 9.2 In accordance with the SBP's BPRD Circular no 5 dated February 29, 2016, advances against Islamic financing and related assets aggregating to Rs. 4,001.235 million in 2015 (2014: Rs. 4,724.486 million) have been reclassified from Other Assets (note 11) to Advances.

- 9.3 Advances include Rs. 75,446.933 million (2015: Rs. 76,792.159 million) which have been placed under non-performing status as detailed below:

Category of classification	2016								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	832,359	121,924	954,283	-	-	-	832,359	121,924	954,283
Substandard	3,727,408	2,144,077	5,871,485	1,167,771	525,154	1,692,925	2,559,637	1,618,923	4,178,560
Doubtful	1,188,100	1,816,104	3,004,204	593,638	899,833	1,493,471	594,462	916,271	1,510,733
Loss	46,751,300	18,865,661	65,616,961	45,614,113	16,359,688	61,973,801	1,137,187	2,505,973	3,643,160
	52,499,167	22,947,766	75,446,933	47,375,522	17,784,675	65,160,197	5,123,645	5,163,091	10,286,736

Category of classification	2015								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	980,249	-	980,249	-	-	-	980,249	-	980,249
Substandard	4,820,645	1,272,322	6,092,967	1,289,094	300,990	1,590,084	3,531,551	971,332	4,502,883
Doubtful	541,414	1,746,311	2,287,725	270,707	931,250	1,201,957	270,707	815,061	1,085,768
Loss	48,515,203	18,916,015	67,431,218	47,308,381	15,780,691	63,089,072	1,206,822	3,135,324	4,342,146
	54,857,511	21,934,648	76,792,159	48,868,182	17,012,931	65,881,113	5,989,329	4,921,717	10,911,046

- 9.3.1 Exposure amounting to Rs. 1,931.586 million (2015: Rs. 1,990.079 million) relating to Pakistan International Airlines Corporation Limited (PIACL), 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 only recognized when received.

#### 9.4 Particulars of provision against advances

	Note	2016			2015		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		65,881,113	3,298,099	69,179,212	63,506,795	2,674,082	66,180,877
Exchange Adjustment		(815,785)	(38,618)	(854,403)	258,531	52,951	311,482
Charge		5,039,092	449,178	5,488,270	8,696,343	728,630	9,424,973
Reversal		(4,829,119)	(167,996)	(4,997,115)	(4,410,567)	(160,851)	(4,571,418)
Net charge against advances		209,973	281,182	491,155	4,285,776	567,779	4,853,555
Charged off during the year	9.6	(526,238)	-	(526,238)	(912,906)	-	(912,906)
Written off during the year	9.8	(262,906)	-	(262,906)	(2,180,691)	-	(2,180,691)
Transfer in due to acquisition of FMFB		21,601	91,399	113,000	-	-	-
Transfer in due to acquisition of Barclays		-	-	-	746,503	3,287	749,790
Transfer from / (to) other liabilities		173,486	(8,518)	164,968	-	-	-
Recoveries against write off		457,833	-	457,833	177,105	-	177,105
Other movements		21,120	-	21,120	-	-	-
Closing balance		65,160,197	3,623,544	68,783,741	65,881,113	3,298,099	69,179,212
In local currency		46,366,406	1,857,796	48,224,202	47,852,851	1,437,286	49,290,137
In foreign currency		18,793,791	1,765,748	20,559,539	18,028,262	1,860,813	19,889,075
		65,160,197	3,623,544	68,783,741	65,881,113	3,298,099	69,179,212

- 9.5 General provision represents provision amounting to Rs. 1,655.911 million (2015: Rs. 1,335.602 million) against consumer finance portfolio, Rs. 126.699 million (2015: Rs. 101.684 million) against advances to small enterprises and Rs. 75.186 million against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs. 1,765.748 million (2015: Rs. 1,860.813 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.
- 9.6 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.
- 9.7 The SBP, vide BPRD Circular 10 of 2016, has revised the Prudential Regulations for consumer financing, which previously required a general provision to be maintained at 1.5% of the outstanding balance for the secured portfolio and 5% of the outstanding balance for the unsecured portfolio.

In the revised Prudential Regulations, the SBP has specified that the general provision held by banks against consumer financing should be maintained at 1% to 2.5% of outstanding loans for the secured portfolio and 4% to 7% of outstanding loans for the unsecured portfolio. The percentages to be applied to each portfolio vary based on the bank's ratio of non-performing loans to total loans in each portfolio.

As a consequence of the above change, the Bank's general provisioning requirement against its consumer portfolio has reduced by Rs. 376.091 million. However, given the inherent risk in consumer financing and keeping in view the growing portfolio of the Bank's consumer assets, this amount has prudently not been reversed by the Bank.

	Note	2016 (Rupees in '000)	2015
9.8 <b>Particulars of write offs</b>			
9.8.1 Against provisions	9.4	262,906	2,180,691
Against charge-off		23,427	-
		<u>286,333</u>	<u>2,180,691</u>
9.8.2 <b>Analysis of write offs</b>			
Rs. 500,000 and above	9.9	151,503	1,375,200
Rs. 500,000 and above - Overseas	9.10	9,185	392,140
Below Rs. 500,000		125,645	413,351
		<u>286,333</u>	<u>2,180,691</u>

## 9.9 Details of written - off advances 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, 2016 is given in Annexure II of unconsolidated financial statements.

9.10 These relate to write-offs or financial relief of Rs. 500,000 or above allowed to borrowers in those countries where there are disclosure restrictions.

## 9.11 Particulars of advances to directors, associated companies, etc.

	2016			2015		
	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)	2,876,769	2,881,595	651,410	2,651,500	2,651,500	1,285,536
- In respect of Key Management Personnel	25,331	59,100	-	61,400	69,800	32,151
Debts due by companies or firms in which the Directors of the Group are interested as directors, partners, advisors or in the case of private companies as members	11,347,074	12,246,285	6,678,160	7,490,551	7,490,551	6,249,551

The disclosure of the balance outstanding, the maximum amount outstanding and limit sanctioned 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 advances given by the Group to its Executives as per their terms of employment.

\*\* This is the maximum amount outstanding at any month end during the year.

	Note	2016 (Rupees in '000)	2015
10. <b>OPERATING FIXED ASSETS</b>			
Capital work-in-progress	10.1	1,591,940	1,486,307
Tangible fixed assets	10.2	29,171,973	27,362,456
Intangible assets	10.3	5,323,596	2,492,746
		<u>36,087,509</u>	<u>31,341,509</u>
10.1 <b>Capital work-in-progress</b>			
Civil works		526,241	483,035
Advances to suppliers and contractors		1,065,699	1,003,272
		<u>1,591,940</u>	<u>1,486,307</u>

## 10.2 Tangible fixed assets

Description	2016									
	COST / REVALUATION				ACCUMULATED DEPRECIATION				Book value as at December 31, 2016	Rate of depreciation
	As at January 1, 2016	Additions / (deletions) / adjustment during the year	Movement in Surplus / (deficit) on revaluation during the year	As at December 31, 2016	As at January 1, 2016	Charge / (depreciation on deletions / adjustment) for the year	Movement in Surplus / (deficit) on revaluation reversed during the year	As at December 31, 2016		
	(Rupees in '000)									
Land	14,417,268	1,038,314 - 7,814	264,569	15,727,965	-	- - -	-	-	15,727,965	-
Building	6,358,393	810,120 (44,577) (340,722)	-	6,783,214	608,785	214,783 (43,577) (296,793)	-	483,198	6,300,016	1.67 - 5
Machinery	466,048	42,230 - -	-	508,278	20,229	62,728 - -	-	82,957	425,321	10
Leasehold improvements	3,962,262	584,427 (34,338) -	-	4,512,351	2,817,658	462,143 (31,962) -	-	3,247,839	1,264,512	20
Furniture, fixtures and office equipment	14,286,731	1,910,632 (505,031) 297,289	-	15,989,621	8,907,607	2,246,884 (498,100) 135,814	-	10,792,205	5,197,416	20-33
Vehicles	560,043	56,510 (39,400) 138,937	-	716,090	334,010	72,045 (35,497) 88,789	-	459,347	256,743	10 - 20
	40,050,745	4,442,233 (623,346) 103,318	264,569	44,237,519	12,688,289	3,058,583 (609,136) (72,190)	-	15,065,546	29,171,973	

Description	2015									
	COST / REVALUATION				ACCUMULATED DEPRECIATION				Book value as at December 31, 2015	Rate of depreciation
	As at January 1, 2015	Additions / (deletions) / adjustment during the year	Movement in Surplus / (deficit) on revaluation during the year	As at December 31, 2015	As at January 1, 2015	Charge / (depreciation on deletions) / adjustment for the year	Movement in Surplus / (deficit) on revaluation reversed during the year	As at December 31, 2015		
(Rupees in '000)										
Land	11,597,871	809,327 - -	2,010,070	14,417,268	-	- - -	-	-	14,417,268	-
Building	6,695,786	786,209 - (99,749)	(1,023,853)	6,358,393	950,189	203,564 - (57,752)	(487,216)	608,785	5,749,608	1.67 - 5
Machinery	716,592	149,095 - -	(399,639)	466,048	145,878	71,613 - -	(197,262)	20,229	445,819	10
Leasehold improvements	3,581,952	543,591 (163,281) -	-	3,962,262	2,509,786	469,935 (162,063) -	-	2,817,658	1,144,604	20
Furniture, fixtures and office equipment	11,871,584	2,877,114 (393,206) (68,761)	-	14,286,731	7,593,749	1,758,640 (376,056) (68,726)	-	8,907,607	5,379,124	20-33
Vehicles	438,388	152,608 (43,423) 12,470	-	560,043	289,374	73,115 (40,643) 12,164	-	334,010	226,033	20
	34,902,173	5,317,944 (599,910) (156,040)	586,578	40,050,745	11,488,976	2,576,867 (578,762) (114,314)	(684,478)	12,688,289	27,362,456	

## 10.3 Intangible assets

Note		2016							
		COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2016	Rate of amortization
Description		As at January 1, 2016	Additions / (deletions) / adjustments during the year	As at December 31, 2016	As at January 1, 2016	Charge / (amortisation on deletions) / adjustments during the year	As at December 31, 2016		
		(Rupees in '000)							%
Computer software		2,407,814	912,520	3,354,894	1,831,387	470,994	2,341,223	1,013,671	33.33
			-			-			
			34,560			38,842			
Goodwill	10.3.1	1,916,319	2,723,084	4,309,925	-	-	-	4,309,925	-
			(329,478)			-			
		4,324,133	3,635,604	7,664,819	1,831,387	470,994	2,341,223	5,323,596	
			-			-			
			(294,918)			38,842			
Description		2015							
		COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2015	Rate of amortization
	As at January 1, 2015	Additions / (deletions) / adjustments during the year	As at December 31, 2015	As at January 1, 2015	Charge / (amortisation on deletions) / adjustments during the year	As at December 31, 2015			
	(Rupees in '000)							%	
Computer software		2,867,300	254,899	2,407,814	2,022,385	523,387	1,831,387	576,427	33.33
			(714,385)			(714,385)			
			-			-			
Goodwill		1,932,297	(15,978)	1,916,319	-	-	-	1,916,319	-
			-			-			
		4,799,597	254,899	4,324,133	2,022,385	523,387	1,831,387	2,492,746	
			(730,363)			(714,385)			

	2016	2015
	(Rupees in '000)	
10.3.1 Goodwill arising on acquisition of		
- Habibsons Bank Limited	1,586,841	1,916,319
- PICIC AMC	2,723,084	-
	<u>4,309,925</u>	<u>1,916,319</u>

## 10.4 Details of revaluation

The details of the last revaluation of HBL's properties are as follows:

	Domestic	KEPZ	Lebanon	Singapore	Srilanka	UK
(Rupees in million)						
Year in which last revaluation conducted	2015	2015	2015	2014	2014	2015
Name of valuer	Iqbal A. Nanjee & Co. (Private) Limited	J & M Associates	Banking Control Commission of Lebanon	United Valuers (Pte) Limited	G.A.Gunasegarum	Shepherd, Chartered Surveyors and Property Link Professional Surveys
Increase / (decrease) in surplus	1,212.891	2.274	3.413	(8.014)	16.518	52.477

10.5 Had there been no revaluation, the carrying amounts of revalued assets would have been as follows:

	Domestic	KEPZ	Lebanon	Singapore	Srilanka	UK
(Rupees in '000)						
Land	5,515,208	-	-	89,623	20,135	-
Building	4,800,964	3,689	9,040	1	24,622	359,827

## 10.6 Details of disposal of fixed assets

The information relating to disposal of fixed assets, required by the SBP to be disclosed as part of the financial statements is given in Annexure III and is an integral part of these consolidated financial statements.

10.7 The cost / revalued amount of operating fixed assets held for disposal amounted to Rs. Nil (2015: Rs. Nil).

10.8 The cost of fully depreciated operating fixed assets that are still in the Group's use amounted to Rs. 7,279.639 million (2015: Rs. 6,076.268 million).



	Note	2016	2015
		(Rupees in '000)	
<b>11. OTHER ASSETS</b>			
Income / mark-up / profit accrued in local currency		27,135,835	26,000,315
Income / mark-up / profit accrued in foreign currency		2,713,569	3,281,510
Advances, deposits, advance rent and other prepayments		2,620,594	2,302,509
Advance taxation		20,254,444	14,486,398
Receivable against sale of securities		-	40,567
Advances for subscription of shares / TFCs		199,871	-
Stationery and stamps on hand		72,876	47,290
Accrued fees and commissions		595,060	684,898
Due from Government of Pakistan / SBP		477,899	260,158
Unrealised gain on forward foreign exchange contracts		268,141	498,908
Unrealised gain on derivative instruments	21.2	115,903	118,035
Non-banking assets acquired in satisfaction of claims	11.1	2,446,040	2,684,993
Clearing and settlement accounts		2,221,874	2,237,327
Claims against fraud and forgeries		102,206	75,733
Others		1,091,784	519,611
		<u>60,316,096</u>	<u>53,238,252</u>
Provision held against other assets	11.2	<u>(537,651)</u>	<u>(456,805)</u>
Other assets - net		<u>59,778,445</u>	<u>52,781,447</u>
<b>11.1</b>	The market value of non-banking assets acquired in satisfaction of claims is Rs. 2,383.392 million (2015: Rs. 3,145.620 million). During the year, the Bank acquired non-banking assets having a value of Rs. 111.528 million in settlement of claims.		
<b>11.2</b>	<b>Provision against other assets</b>	<b>2016</b>	<b>2015</b>
		(Rupees in '000)	
Opening balance		456,805	434,129
Exchange adjustment		(7,365)	3,150
Charge		200,229	271,029
Reversal		(26,068)	(25,109)
Net charge		174,161	245,920
Written off		(85,950)	(230,249)
Transfer in		-	3,855
Closing balance		<u>537,651</u>	<u>456,805</u>
<b>12. BILLS PAYABLE</b>			
In Pakistan		30,262,473	26,779,880
Outside Pakistan		933,427	1,301,668
		<u>31,195,900</u>	<u>28,081,548</u>
<b>13. BORROWINGS</b>			
In Pakistan		297,246,156	270,435,605
Outside Pakistan		35,576,690	43,883,494
		<u>332,822,846</u>	<u>314,319,099</u>
<b>13.1 Particulars of borrowings</b>			
In local currency		294,454,054	269,985,427
In foreign currency		38,368,792	44,333,672
		<u>332,822,846</u>	<u>314,319,099</u>
<b>13.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from the SBP under			
- Export refinance scheme	13.3	21,592,306	19,545,290
- Long term financing facility	13.4	5,250,535	3,434,406
- Long term finance - export oriented projects		-	7,024
- Refinance facility for modernization of SMEs	13.5	13,500	5,500
		26,856,341	22,992,220
Repurchase agreement borrowings	13.6	243,753,648	234,669,563
		<u>270,609,989</u>	<u>257,661,783</u>
<b>Unsecured</b>			
- Call money borrowing	13.7	19,172,398	10,609,263
- Overdrawn nostro accounts		7,463,769	2,164,559
- Borrowings of overseas branches and subsidiaries	13.8 & 13.9	35,576,690	43,883,494
		62,212,857	56,657,316
		<u>332,822,846</u>	<u>314,319,099</u>

- 13.3 The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These carry mark-up at rates ranging from 1.00% to 2.00% (2015: 1.50% to 3.50%) and are due to mature latest by June 26, 2017.
- 13.4 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These carry mark-up at rates ranging from 2.00% to 10.10% (2015: 2.00% to 10.10%) and are due to mature latest by September 30, 2026.
- 13.5 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises. These carry mark-up at rates ranging from 1.75% to 6.25% (2015: 6.25%) and are due to mature latest by March 31, 2021.
- 13.6 Repurchase agreement borrowings carry mark-up at rates ranging from 5.45% to 5.85% (2015: 6.10% to 6.50%) and are due to mature latest by March 22, 2017. The market value of securities given as collateral against these borrowings is given in note 8.1.
- 13.7 Call money borrowings carry mark-up at rates ranging from 1.10% to 7.75% (2015: 3.18% to 6.10% per annum) and are due to mature latest by August 15, 2019.
- 13.8 Borrowings by overseas branches and subsidiaries carry mark-up at rates ranging from 0.10% to 10.00% (2015: 0.10% to 7.00%).
- 13.9 This includes a loan from the International Finance Corporation amounting to US\$ 150 million (2015: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5% is payable bi-annually from June 2015.

#### 14. DEPOSITS AND OTHER ACCOUNTS

##### Customers

Current accounts - non-remunerative  
Savings accounts  
Fixed deposits

##### Financial institutions

Current accounts - non-remunerative  
Savings accounts  
Fixed deposits

2016 2015  
(Rupees in '000)

680,376,925	582,993,149
847,295,058	744,682,331
330,430,571	275,295,902
1,858,102,554	1,602,971,382
17,204,132	16,520,329
7,722,340	3,899,521
2,930,000	11,553,238
27,856,472	31,973,088
1,885,959,026	1,634,944,470
1,483,003,280	1,265,943,176
402,955,746	369,001,294
1,885,959,026	1,634,944,470

#### 14.1 Particulars of deposits

In local currency  
In foreign currency {including foreign currency deposits of domestic branches of Rs. 106,071.297 million (2015: Rs. 100,978.515 million)}

#### 15. SUBORDINATED LOAN

The Bank has issued OTC listed, Term Finance Certificates (TFCs) as instruments of redeemable capital under Section 120 of the Companies Ordinance, 1984 and the Basel III Guidelines set by the SBP. The key features of the issue are as follows:

Issue Date	February 19, 2016
Amount	Rupees 10 Billion
Rating	AAA (triple A)
Tenor	10 years from the Issue Date.
Security	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment frequency	Semi-annually in arrears
Redemption	The instrument has been structured to redeem 0.02% of the issue amount semi-annually during the first 108 months after the issue and 99.64% of the issue amount in two equal semi-annual installments in the 114th and 120th months.
Mark-up	Floating rate of return at Base Rate+0.5% (The Base Rate is defined as the average "Ask Side" rate of the six months Karachi Interbank Offered Rate (KIBOR)).
Call option	The Bank may call the TFCs, with the prior written approval of the SBP, on any profit payment date from the fifth anniversary of the Issue Date, subject to at least 60 days prior notice being given to the investors through the Trustee. The call option, once announced, will be irrevocable.
Lock-in clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".

## 16. DEFERRED TAX LIABILITY

Note 2016 2015  
(Rupees in '000)

### Deductible temporary differences on

- Recognised tax losses
- Provision against investments
- Provision against doubtful debts and off-balance sheet obligations
- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001
- Provision against other assets

(212,272)	(113,028)
(142,699)	(60,320)
(3,373,254)	(3,411,575)
(1,256,871)	(1,442,062)
(72,853)	(83,469)
(5,057,949)	(5,110,454)

### Taxable temporary differences on

- Accelerated tax depreciation
- Surplus on revaluation of fixed assets
- Revaluation of investments
- Revaluation of non-banking assets
- Share of profit of associates
- Others

19.1  
19.2  
19.3

137,409	313,199
551,346	571,774
5,922,655	6,307,247
6,203	-
4,420,572	3,589,362
110,747	-
11,148,932	10,781,582
6,090,983	5,671,128

### Net deferred tax liability

## 16.1 Movement in temporary differences during the year

	Balance as at January 1, 2015	Recognised in profit and loss	Recognised in equity	Other movement	Balance as at December 31, 2015	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2016
	(Rupees in '000)							
<b>Deductible temporary differences on</b>								
- Recognised tax losses	(153,740)	39,924	788	-	(113,028)	(130,193)	30,949	(212,272)
- Provision against investments	(290,333)	230,013	-	-	(60,320)	(82,379)	-	(142,699)
- Provision against doubtful debts and off-balance sheet obligations	(3,683,961)	272,386	-	-	(3,411,575)	38,321	-	(3,373,254)
- Liabilities written back under section 34(5) of the ITO 2001	(1,313,702)	(128,360)	-	-	(1,442,062)	185,191	-	(1,256,871)
- Provision against other assets	(115,627)	32,158	-	-	(83,469)	10,616	-	(72,853)
<b>Taxable temporary differences on</b>								
- Accelerated tax depreciation	298,923	14,276	-	-	313,199	(175,790)	-	137,409
- Surplus on revaluation of fixed assets	859,563	(28,979)	(258,810)	-	571,774	(20,428)	-	551,346
- Revaluation of investments	6,139,341	-	167,906	-	6,307,247	-	(384,592)	5,922,655
- Revaluation of non-banking assets	-	-	-	-	-	(84)	6,287	6,203
- Tax losses of Barclays Bank PLC - Pakistan branch business	-	975,779	(1,548)	(974,231)	-	-	-	-
- Share of profit of associates	1,125,705	2,463,657	-	-	3,589,362	831,210	-	4,420,572
- Others	-	-	-	-	-	110,747	-	110,747
<b>Net deferred tax liability</b>	<b>2,866,169</b>	<b>3,870,854</b>	<b>(91,664)</b>	<b>(974,231)</b>	<b>5,671,128</b>	<b>767,211</b>	<b>(347,356)</b>	<b>6,090,983</b>

## 17. OTHER LIABILITIES

Note 2016 2015  
(Rupees in '000)

Mark-up / return / interest / profit payable in local currency		10,058,743	12,670,934
Mark-up / return / interest / profit payable in foreign currency		1,357,611	1,490,904
Security deposits		1,011,789	532,215
Accrued expenses		7,223,303	6,811,357
Unrealised loss on forward foreign exchange contracts		1,302,366	929,999
Unrealised loss on derivative instruments	21.2	10,804	10,198
Unclaimed dividends		338,086	208,595
Dividend payable		132,974	742,946
Provision for employees' compensated absences	33.4.7	2,545,746	2,251,391
Provision for post retirement medical benefits	33.4.3	3,130,623	2,739,575
Provision against off-balance sheet obligations	17.1	928,634	946,073
Branch adjustment account		4,541,691	4,176,037
Provision for staff retirement benefits		1,003,355	836,863
Payable to defined benefit plans	33.4.3	200,388	484,934
Provision for Workers' Welfare Fund	28	3,295,002	2,148,773
Unearned income		653,931	131,969
Qarza-e-Hasna Fund		340,307	340,898
Levies and taxes payable		1,563,854	1,497,799
Insurance payable		466,505	369,366
Provision for rewards program expenses		670,178	299,016
Payable to HBL Foundation		296,678	541,446
Contingent consideration payable		500,000	500,000
Others		3,274,138	2,135,399
		<b>44,846,706</b>	<b>42,796,687</b>

## 17.1 Provision against off-balance sheet obligations

	2016 (Rupees in '000)	2015 (Rupees in '000)
Opening balance	946,073	927,648
Exchange adjustment	(775)	(217)
Charge	14,757	104,482
Reversal	(36,965)	(67,738)
Net (reversal) / charge	(22,208)	36,744
Written off	(34,325)	(5,378)
Other movement	39,869	(12,724)
Closing balance	928,634	946,073

## 18. SHARE CAPITAL

### 18.1 Authorised capital

2016	2015	
Number of shares in '000		
3,000,000	3,000,000	Ordinary shares of Rs. 10 each
30,000,000	30,000,000	

### 18.2 Issued, subscribed and paid-up capital

2016	2015	
Number of shares in '000		
690,000	690,000	Ordinary shares of Rs. 10 each
776,852	776,852	Fully paid in cash
1,466,852	1,466,852	Issued as bonus shares
14,668,525	14,668,525	

### 18.3 Major Shareholders (holding more than 5% of total paid-up capital)

	2016		2015	
Name of Shareholder	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Aga Khan Fund for Economic Development	748,094,778	51.00%	748,094,778	51.00%

### 18.4 Shares of the Bank held by associated entities

	2016 (Number of shares)	2015 (Number of shares)
Jubilee General Insurance Company Limited	4,743,037	3,969,237
Jubilee Life Insurance Company Limited	12,344,492	12,344,492
HBL Stock Fund	1,812,219	1,270,319
HBL Multi Asset Fund	170,971	210,671
HBL Mustahekum Sarmaya Fund	34,000	25,000
PICIC Investment Fund	953,800	-
PICIC Stock Fund	109,000	-
PICIC Growth Fund	1,787,300	-

### 18.5 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of financial statements of foreign branches, associates, joint venture and subsidiaries.

### 18.6 Statutory reserves

Every banking company incorporated in Pakistan is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserve equals the paid-up share capital. Thereafter, 10% of the profit after tax of the Bank is required to be transferred to this reserve.

	Note	2016	2015
		(Rupees in '000)	
<b>19. SURPLUS ON REVALUATION OF ASSETS - net of deferred tax</b>			
Surplus arising on revaluation of assets - net of deferred tax, on			
- Operating fixed assets, attributable to			
- Equity holders		11,126,558	10,899,441
- Non-controlling interest		2,965	3,450
	19.1	11,129,523	10,902,891
- Investments, attributable to			
- Equity holders		12,239,970	11,676,145
- Non-controlling interest		10,176	(9,550)
	19.2	12,250,146	11,666,595
- Non-banking assets acquired in satisfaction of claims	19.3	684,178	-
Surplus on revaluation of assets - net of deferred tax		24,063,847	22,569,486
<b>19.1 Surplus on revaluation of operating fixed assets</b>			
Surplus as at the beginning of the year		11,474,665	10,286,364
Surplus recognised during the year		1,772	1,271,056
Transferred from surplus on revaluation of non-banking assets		262,797	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(37,937)	(53,776)
Related deferred tax liability on incremental depreciation charged during the year		(20,428)	(28,979)
		11,680,869	11,474,665
Less: related deferred tax liability on			
- Revaluation as at the beginning of the year		571,774	859,563
- Revaluation recognized during the year		-	(258,810)
- Incremental depreciation charged during the year		(20,428)	(28,979)
		551,346	571,774
		11,129,523	10,902,891
<b>19.2 Surplus / (deficit) on revaluation of investments</b>			
Market Treasury Bills		(79,920)	490,263
Pakistan Investment Bonds		11,777,817	16,666,315
Government of Pakistan US Dollar Bonds		1,089,485	(188,793)
Sukuks		1,691,234	306,153
Listed equity securities		2,466,653	1,006,484
NIT units		47,715	31,442
Overseas Government securities		(1,635)	(78,277)
Other investments		55,594	(186,187)
		17,046,943	18,047,400
Related deferred tax liability		(5,934,049)	(6,318,694)
		11,112,894	11,728,706
Surplus / (deficit) on revaluation of investments of associates		1,125,858	(73,558)
Related deferred tax asset		11,394	11,447
		1,137,252	(62,111)
		12,250,146	11,666,595
<b>19.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus as at the beginning of the year		-	-
Surplus recognised during the year		953,418	-
Transferred to surplus on revaluation of operating fixed assets		(262,797)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(156)	-
Related deferred tax liability on incremental depreciation charged during the year		(84)	-
		690,381	-
Less: related deferred tax liability on			
- Revaluation as at the beginning of the year		-	-
- Revaluation recognised during the year		6,287	-
- Incremental depreciation charged during the year		(84)	-
		6,203	-
		684,178	-

20.	<b>CONTINGENCIES AND COMMITMENTS</b>	<b>2016</b>	<b>2015</b>
		(Rupees in '000)	
20.1	<b>Direct credit substitutes - financial guarantees</b>		
	Guarantees in favour of		
	- Government	275,473	261,261
	- Financial institutions	295,000	295,000
	- Others	38,031,430	31,684,274
		<u>38,601,903</u>	<u>32,240,535</u>
20.2	<b>Transaction-related contingent liabilities</b>		
	Guarantees in favour of		
	- Government	683,908	718,148
	- Financial institutions	1,604,150	1,253,518
	- Others	105,514,189	93,410,699
		<u>107,802,247</u>	<u>95,382,365</u>
20.3	<b>Trade-related contingent liabilities</b>		
	Letters of credit in favour of		
	- Government	62,799,738	45,023,666
	- Financial institutions	2,734,895	20,924
	- Others	90,281,441	103,587,432
		<u>155,816,074</u>	<u>148,632,022</u>
20.4	<b>Other contingencies</b>		
	Claims against the Group not acknowledged as debts	<u>32,775,298</u>	<u>28,888,202</u>
	These mainly represent claims filed by former employees of the Group, counter claims by borrowers for damages and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Group's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these consolidated financial statements.		
20.5	<b>Commitments to extend credit</b>		
	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.		
20.6	<b>Commitments in respect of forward foreign exchange contracts</b>	<b>2016</b>	<b>2015</b>
		(Rupees in '000)	
	Purchase	163,676,454	155,889,749
	Sale	165,257,735	156,605,356
20.7	<b>Commitments in respect of forward Government Securities transactions</b>		
	Purchase	18,815,026	19,181,362
	Sale	9,067,465	1,858,663
20.8	<b>Commitments in respect of derivatives</b>		
	<b>Foreign currency options</b>		
	Purchase	216,840	-
	Sale	216,840	-
	<b>Cross Currency Swaps</b>		
	Purchase	1,084,128	1,918,607
	Sale	1,096,192	1,909,263
	<b>Interest rate swaps</b>		
	Purchase	34,866	104,741
	Sale	5,218,200	5,604,741
20.9	<b>Commitments for capital expenditure</b>	824,776	1,054,027
20.10	The income tax returns of the Bank have been submitted upto and including the accounting year 2015. The tax authorities have concluded the audit of the returns upto the accounting year 2014.		
	As per Rule 8(A) of the Seventh Schedule, any amounts which have been provided for doubtful debts in the Tax Year 2008 (Financial year 2007) and earlier, 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.		



## 21. 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 of the characteristics of forwards, futures, swaps and options.

The Bank, as an Authorized Derivative Dealer (ADD) is an active participant in the Pakistan derivatives market. The ADD license covers only the transactions mentioned below which are permitted under the Financial Derivatives Business Regulations issued by the SBP. However, the Bank also offers other derivatives products to satisfy customer requirements, 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 (BoD) on the recommendations of the Board Risk Management Committee (BRMC).

The responsibility for derivatives trading activity lies with Treasury. Measurement and monitoring of market and credit risk exposure and limits and reporting to 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 is responsible for reporting to the SBP.

### Derivatives Risk Management

#### Credit Risk

Credit risk is the risk of non-performance by a counterparty which could result in an adverse impact on the Bank's profitability. Credit risk associated with derivative transactions is categorized into settlement risk and pre-settlement risk. A pre-settlement risk limit for derivative transactions is recommended by TMO for approval to the appropriate Credit Approval Authority. The exposure of each counterparty is estimated and monitored by TMO on a daily basis.

#### Market Risk

The Bank, as a policy, hedges back-to-back all Options transactions. The Bank minimizes the exchange rate risk on its Cross Currency Swaps portfolio by hedging the exposure in the interbank market. The Bank also manages the interest rate risk of Interest Rate Derivatives and Cross Currency Swaps through PVB limits which are monitored and reported by TMO on a daily basis.

#### Liquidity Risk

Derivative transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk. The liquidity risk would arise only when the Bank has a payable resulting from a transaction. 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. Adequate systems and controls are in place to carry out derivative 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 TMO and the Global Compliance Group are assigned the responsibility of monitoring any deviation from policies and procedures. The Bank's Internal Audit also reviews this function, which covers a 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, and carry out stress tests and sensitivity analyses. TMO produces various reports for senior management on a periodic basis. These reports provide details of outstanding positions, profitability, risk exposures and the status of compliance with limits.

## 21.1 Product Analysis

Counterparties	2016					
	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)
<b>With Banks for</b>						
Hedging	1	34,866	4	216,840	-	-
Market Making	-	-	-	-	4	2,180,320
<b>With other entities for</b>						
Hedging	-	-	-	-	-	-
Market Making	5	5,218,200	4	216,840	-	-
<b>Total</b>						
Hedging	1	34,866	4	216,840	-	-
Market Making	5	5,218,200	4	216,840	4	2,180,320

Counterparties	2015					
	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)
<b>With Banks for</b>						
Hedging	1	104,741	-	-	-	-
Market Making	-	-	-	-	3	2,623,188
<b>With other entities for</b>						
Hedging	-	-	-	-	-	-
Market Making	3	5,604,741	-	-	1	1,204,682
<b>Total</b>						
Hedging	1	104,741	-	-	-	-
Market Making	3	5,604,741	-	-	4	3,827,870

## 21.2 Maturity Analysis

		2016			
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
		(Rupees in '000)			
Upto 1 Month	2	113,932	(50)	50	-
1 to 3 Months	4	213,164	(349)	349	-
3 Months to 6 Months	4	176,316	(568)	580	12
6 Months to 1 Year	1	513,671	(9,837)	-	(9,837)
1 to 2 Years	2	624,157	-	7,139	7,139
2 to 3 Years	4	5,725,826	-	107,269	107,269
3 to 5 Years	-	-	-	-	-
5 to 7 Years	1	500,000	-	516	516
	18	7,867,066	(10,804)	115,903	105,099

		2015			
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
		(Rupees in '000)			
Upto 1 Month	-	-	-	-	-
1 to 3 Months	1	1,204,681	-	796	796
3 Months to 6 Months	-	-	-	-	-
6 Months to 1 Year	1	1,065,954	-	23,971	23,971
1 to 2 Years	3	723,509	(10,198)	1,821	(8,377)
2 to 3 Years	-	-	-	-	-
3 to 5 Years	3	6,543,208	-	91,447	91,447
5 to 7 Years	-	-	-	-	-
	8	9,537,352	(10,198)	118,035	107,837

	Note	2016 (Rupees in '000)	2015
22. <b>MARK-UP / RETURN / PROFIT / INTEREST EARNED</b>			
On advances to			
- Customers		49,070,120	45,668,454
- Financial institutions		5,864	8,393
On investments in			
- Held-for-trading securities		3,764,081	3,562,233
- Held-to-maturity securities		19,079,767	14,099,560
- Available-for-sale securities		66,773,467	73,852,858
On deposits with financial institutions		883,526	2,141,048
On lendings to financial institutions	23.1	1,512,419	1,768,739
		<u>141,089,244</u>	<u>141,101,285</u>
23. <b>MARK-UP / RETURN / PROFIT / INTEREST EXPENSED</b>			
On			
Deposits		40,729,028	47,832,205
Securities sold under repurchase agreements		14,902,826	12,393,804
Other short term borrowings	23.1	1,733,620	1,748,999
Long term borrowings		1,772,408	957,501
		<u>59,137,882</u>	<u>62,932,509</u>
23.1	Intersegment mark-up earned / expensed amounting to Rs. 3,131.190 million has been eliminated in the comparative year.		
24. <b>GAIN / (LOSS) ON SALE OF SECURITIES - NET</b>		2016 (Rupees in '000)	2015
Federal Government Securities			
- Market treasury bills		284,972	594,214
- Pakistan Investment Bonds		3,115,312	7,568,150
Units of mutual funds and listed shares		1,283,099	2,117,298
Unlisted shares		-	663,645
Others		658,341	98,622
		<u>5,341,724</u>	<u>11,041,929</u>
25. <b>OTHER INCOME</b>			
Incidental charges		280,933	397,783
Gain on sale of operating fixed assets - net		60,028	49,432
Rent on properties		113,949	64,420
Liabilities no longer required written back		-	3,004
Income from dealing in derivatives		170,302	123,874
		<u>625,212</u>	<u>638,513</u>

## 26. ADMINISTRATIVE EXPENSES

	Note	2016 (Rupees in '000)	2015
Salaries, allowances, etc.	26.1	24,082,293	22,100,791
Charge for defined benefit / contribution plan and other benefits		1,654,786	1,484,961
Non-executive directors' fees		37,200	31,400
Outsourced service charges		835,033	844,727
Brokerage and commission		142,843	425,652
Rent, taxes, insurance, electricity, etc		6,054,151	5,476,774
Legal and professional charges		2,168,533	1,035,008
Consultancy charges		749,681	795,365
Communications		1,996,740	1,595,408
Repairs and maintenance		3,682,488	3,317,253
Stationery and printing		1,290,470	943,865
Auditors' remuneration	26.2	182,284	174,975
Advertisement and publicity		2,548,671	2,332,967
Amortisation	10.3	470,994	523,387
Depreciation	10.2	3,058,583	2,576,867
Entertainment		237,986	232,322
Travelling		560,627	526,769
Conveyance		173,485	166,401
Training		344,566	316,331
Security charges		2,255,496	1,834,465
Remittance charges		269,399	229,138
Donations	26.3	380,231	386,720
Documentation and processing charges		976,554	777,958
Subscription		76,601	83,839
Others		186,945	187,041
		<u>54,416,640</u>	<u>48,400,384</u>

- 26.1 The Bank operates a short term employee benefit scheme which includes cash awards / 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. 2,238.483 million (2015: Rs. 1,600.723 million) and Rs. 651.753 million (2015: Rs. 508.760 million) respectively.

## 26.2 Auditors' remuneration

	2016 (Rupees in '000)	2015
Audit fee	22,459	22,459
Special certifications / examinations and sundry advisory services	19,841	20,766
Tax services	15,672	-
Out of pocket expenses	4,803	5,573
Sales tax on audit fee	1,797	1,348
	<u>64,572</u>	<u>50,146</u>
Subsidiaries and overseas branches	117,712	124,829
	<u>182,284</u>	<u>174,975</u>

## 26.3 Details of Donations

Details of donations individually exceeding Rs. 100,000.

HBL Foundation	363,518	354,521
Sindh Madressatul Islam University	10,812	-
CSR activities during countrywide heat wave	4,781	2,869
Lahore Businessmen Association for Rehabilitation of the Disabled	1,000	-
Karachi High School	120	-
Earthquake Affectees Relief Fund - Nepal	-	20,530
Alamgir Haque	-	4,000
Layton Rahmatulla Benevolent Trust	-	2,800
Sindh High Court Bar Association, Karachi	-	2,000
	<u>380,231</u>	<u>386,720</u>

Mr. Moez Ahamed Jamal, Director, Mr. Sajid Zahid, Director, Mr. Nauman K. Dar, President and Chief Executive Officer, Ms. Nausheen Ahmad, Company Secretary and Mr. Raymond Kotwal, CFO, are Trustees of the HBL Foundation.

## 27. OTHER CHARGES

	2016 (Rupees in '000)	2015
Penalties imposed by the State Bank of Pakistan	<u>106,332</u>	<u>128,831</u>

## 28. WORKERS' WELFARE FUND

The Bank has made provision for Workers' Welfare Fund (WWF) based on profit for the respective years.

During the current year, the Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of WWF were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Bank maintains its provision in respect of WWF.

	Note	2016 (Rupees in '000)	2015
29. TAXATION			
Pakistan - for the current year - current		16,534,523	16,954,266
- deferred		767,211	3,870,854
Pakistan - for prior years - current	29.2	2,223,030	2,261,220
Overseas - for the current year - current		<u>2,793,893</u>	<u>2,098,307</u>
		<u>22,318,657</u>	<u>25,184,647</u>

The Bank's branches in Azad Jammu & Kashmir and Gilgit-Baltistan regions are included in overseas for taxation purpose.

	Note	2016 (Rupees in '000)	2015
29.1 Relationship between tax expense and accounting profit			
Accounting profit for the current year		<u>56,524,911</u>	<u>60,286,238</u>
Tax on income @ 35% (2015: 35%)		<u>19,783,719</u>	<u>21,100,183</u>
- Penalty imposed by the SBP		37,216	45,091
- Tax losses		(130,193)	(501,859)
- Prior year charge	29.2	2,223,030	2,261,220
- Share of profit		831,210	2,463,657
- Others		<u>(426,325)</u>	<u>(183,645)</u>
Tax charge for the current year		<u>22,318,657</u>	<u>25,184,647</u>

29.2 The Federal Government, vide the Finance Act 2016, has re-imposed a tax at the rate of 4% on the income of banks for the year ended December 31, 2015. This tax has been levied for financing the rehabilitation of internally displaced persons.

	2016 (Rupees in '000)	2015
30. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year attributable to equity holders of the Bank	<u>34,070,145</u>	<u>35,108,659</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>23.23</u>	<u>23.93</u>

	Note	2016 (Rupees in '000)	2015
31. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	238,438,283	167,250,988
Balances with other banks	6	<u>45,959,095</u>	<u>40,469,761</u>
		<u>284,397,378</u>	<u>207,720,749</u>
32. STAFF STRENGTH		(Number)	
Permanent		17,220	15,042
Others		83	18
Total staff strength		<u>17,303</u>	<u>15,060</u>

## 33. DEFINED BENEFIT PLANS AND OTHER BENEFITS

### 33.1 General Information

The Bank operates the following schemes for its employees:

#### 33.1.1 Pension Fund (defined benefit scheme)

The Bank operates an approved pension scheme for those of its employees who opted for this scheme when it was introduced in 1977. This scheme is applicable to:

- All clerical employees
- Executives and officers who joined the Bank on or before December 31, 2001

For clerical employees, the benefit is based on their actual years of service as of the statement of financial position date and their current salary. For executives and officers, the benefit is based on their years of service upto March 31, 2005 and their salary as on March 31, 2014. For service subsequent to this date (i.e. from April 1, 2005), they are entitled to the contributory gratuity fund (refer 33.1.3 below) and the provident fund (refer 33.1.4 below).

#### 33.1.2 Gratuity Fund (defined benefit scheme)

For those who did not opt for the pension scheme introduced in 1977 and instead opted to remain in the gratuity scheme existing at the time the Bank operates an approved funded gratuity scheme. This benefit has vested for all employees currently covered by this scheme.

#### 33.1.3 Contributory Gratuity Fund (defined contribution scheme)

The Bank operates an approved funded contributory gratuity scheme for:

- employees hired on or after January 1, 2002
- employees who were on the pension scheme (refer 33.1.1 above) for their services subsequent to March 31, 2005.

The Bank contributes an amount equal to one half of the employees' monthly basic salary for each completed year of service and on a pro-rata basis for partially completed years of service. Contributions to the Fund are made on a monthly basis. This benefit vests on the earlier of completion of 10 years of service or retirement.

#### 33.1.4 Provident Fund (defined contribution scheme)

For employees hired on or after January 1, 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 the employees make monthly contributions.

Executives and officers who are covered by the Bank's pension scheme (refer 33.1.1 above) also became eligible for provident fund benefits effective from April 1, 2005. Payments under the fund are made to the employees as specified in the rules of the fund.

#### 33.1.5 Benevolent Fund (defined benefit scheme)

The Bank operates an approved funded benevolent scheme for all employees who retire from the Bank. Under this scheme, a fixed amount is contributed by employees by way of a salary deduction and a matching amount is contributed by the Bank. All employees of the Bank are entitled to receive a fixed monthly amount post retirement as per the rules of the fund. Clerical employees are additionally entitled to certain grants during the period of their service subject to the fulfillment of certain conditions as specified rules of the Fund.

#### 33.1.6 Post-Retirement Medical Benefits (defined benefit scheme)

The Bank provides a non-funded scheme for post-retirement medical benefits to:

- All executives and officers
- All clerical employees, regardless of retirement date.

Executives who have retired from January 1, 2006 onwards receive lump sum payments as a full and final settlement in lieu of post-retirement medical benefits.

#### 33.1.7 Compensated Absences (defined benefit scheme)

The Bank provides a non-funded scheme for compensated absences. This is applicable to those employees who were in the service of the Bank as of December 31, 2008 and who had accumulated leave balances upto a maximum of 365 days as at that date. Employees are entitled to proceed on leave prior to retirement (LPR) upto the amount of their accrued leave while availing basic salary and certain benefits. This benefit vests on retirement or, in the case of premature retirement, on the completion of 30 years of service.



Employees may be required by the Bank to continue working during the whole or a part of their LPR period. Such employees are entitled to normal salary during the period they are required to work and additionally to leave encashment amounting to 50% of this period.

Clerical employees have the option of not proceeding on LPR and instead encashing 50% of their accumulated leave balance upto a maximum of 180 days.

### 33.1.8 Other Post-Retirement Benefits (defined benefit scheme)

The Bank offers an additional benefit to all executives on retirement. Under this scheme, a lump sum amount equal to six months of house rent allowance, utilities allowance, car benefit allowance and conveyance allowance is paid to the executive on retirement. However in case of the death of an executive prior to retirement, the lump sum amount includes an additional six months of house rent allowance.

### 33.1.9 Other schemes

Employee benefit schemes offered by the Bank's overseas branches are governed by the laws of the respective countries in which the branches operate.

### 33.2 Principal actuarial assumptions

The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2016 using the Projected Unit Credit Method and assuming that no indexation of pension will take place. The following significant assumptions were used for the valuation of these schemes:

	2016	2015
	-----Per annum-----	
Valuation discount rate	8.00%	10.00%
Expected rate of increase in salary level	8.00%	9.00%
Expected rate of return on funds invested	8.00%	10.00%

### 33.3 Number of employees under the scheme

	2016	2015
	-----Number-----	
- Pension fund	2,743	3,044
- Gratuity fund	37	66
- Benevolent fund	14,754	14,169
- Post retirement medical benefit scheme	14,754	14,169
- Compensated absences	7,090	7,920
- Other Post-Retirement Benefits	1,612	1,485

### 33.4 Pension, gratuity, benevolent fund schemes and other benefits

33.4.1 The fair value of plan assets and the present value of defined benefit obligations of these schemes as at December 31, 2016 are as follows:

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)							
Fair value of plan assets	4,781,748	3,641,812	46,221	95,321	1,796,055	1,796,901	-	-
Present value of defined benefit obligations	(4,969,585)	(4,127,198)	(58,772)	(94,869)	(1,316,849)	(985,726)	(3,130,623)	(2,739,575)
(Payable to) / receivable from the fund	(187,837)	(485,386)	(12,551)	452	479,206	811,175	(3,130,623)	(2,739,575)

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

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)							
Current service cost	74,688	58,633	3,255	4,172	39,678	38,619	78,757	70,396
Net mark up	48,538	60,466	(45)	1,210	(85,000)	(89,000)	255,701	289,563
Past service cost	-	-	2,123	-	1,538	36,126	-	-
Settlement loss	-	27,591	-	-	-	-	-	-
Contributions - employees	-	-	-	-	(43,132)	(41,256)	-	-
Charge / (reversal) for the year	123,226	146,690	5,333	5,382	(86,916)	(55,511)	334,458	359,959

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

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)							
Opening balance	485,386	493,607	(452)	46,338	(811,175)	(667,437)	2,739,575	2,521,535
Charge / (reversal) for the year	123,226	146,690	5,333	5,382	(86,916)	(55,511)	334,458	359,959
Contributions during the year	(485,386)	(171,654)	-	(71,637)	(43,127)	(41,253)	-	-
Remeasurement losses / (gains) - net	64,611	16,743	7,670	19,465	462,012	(46,974)	421,722	173,585
Benefits paid	-	-	-	-	-	-	(365,132)	(315,504)
Closing balance	187,837	485,386	12,551	(452)	(479,206)	(811,175)	3,130,623	2,739,575

## 33.4.4 Movement in the present value of defined benefit obligations

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)							
Opening balance	4,127,198	4,009,651	94,869	165,107	985,726	1,174,230	2,739,575	2,521,535
Current service cost	74,688	58,633	3,255	4,172	39,678	38,619	78,757	70,396
Mark-up cost	393,137	451,618	6,705	13,810	92,000	133,000	255,701	289,563
Benefits paid	(391,653)	(645,922)	(55,638)	(90,042)	(137,662)	(141,233)	(365,132)	(315,504)
Past Service Cost	-	-	2,123	-	1,538	36,126	-	-
Settlement loss	-	27,591	-	-	-	-	-	-
Remeasurement loss / (gain)	766,215	225,627	7,458	1,822	335,569	(255,016)	421,722	173,585
Closing balance	4,969,585	4,127,198	58,772	94,869	1,316,849	985,726	3,130,623	2,739,575

## 33.4.5 Movement in fair value of plan assets

	Pension		Gratuity		Benevolent	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Opening balance	3,641,812	3,516,044	95,321	118,769	1,796,901	1,841,667
Expected return on plan assets	344,599	391,153	6,750	12,600	177,000	222,000
Employer contribution	485,386	171,654	-	71,637	43,127	41,253
Employee contributions	-	-	-	-	43,132	41,256
Benefits paid	(391,653)	(645,922)	(55,638)	(90,042)	(137,662)	(141,233)
Remeasurement gains / (losses)	701,604	208,883	(212)	(17,643)	(126,443)	(208,042)
Closing balance	4,781,748	3,641,812	46,221	95,321	1,796,055	1,796,901

## 33.4.6 Actual return on plan assets

	Pension		Gratuity		Benevolent	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Expected return on plan assets	344,599	391,153	6,750	12,600	177,000	222,000
Remeasurement gain / (loss) on plan assets	701,604	208,883	(212)	(17,643)	(126,443)	(208,042)
Actual return on plan assets	1,046,203	600,036	6,538	(5,043)	50,557	13,958

## 33.4.7 Other long term benefits - Employee compensated absences

The liability of the Bank in respect of employee compensated absences as at December 31, 2016, amounted to Rs. 2,545.746 million (2015: Rs. 2,251.391 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 409.706 million (2015: Rs. 278.082 million) is included in administrative expenses (note 26) under 'Charge for defined benefit plans and other benefits.

## 33.4.8 Other Post-Retirement Benefits (defined benefit scheme)

The liability of the Bank in respect of other post-retirement benefits as at December 31, 2016 amounted to Rs. 475.701 million (2015: Rs. 400.113 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 62.350 million (2015: Rs. 63.680 million) is included in administrative expenses (note 26) under Charge for defined benefit plans and other benefits.

### 33.4.9 Composition of fair value of plan assets

	2016		2015	
	Fair value		Fair value	
	(Rupees in '000)	%	(Rupees in '000)	%
<b>Pension Fund</b>				
Market Treasury Bills	638,984	13.36	-	-
Pakistan Investment Bonds	1,329,607	27.81	1,767,311	48.53
Fully paid-up ordinary shares of listed companies	2,776,853	58.07	2,053,441	56.39
Units of mutual funds	33,348	0.70	24,650	0.68
Others (including bank balances)	2,956	0.06	(203,590)	(5.60)
	<u>4,781,748</u>	<u>100.00</u>	<u>3,641,812</u>	<u>100.00</u>
<b>Gratuity Fund</b>				
Market Treasury Bills	19,256	41.66	57,307	60.12
Pakistan Investment Bonds	24,795	53.64	23,448	24.60
Others (including bank balances)	2,170	4.70	14,566	15.28
	<u>46,221</u>	<u>100.00</u>	<u>95,321</u>	<u>100.00</u>
<b>Benevolent Fund</b>				
Market Treasury Bills	65,807	3.66	136,773	7.61
Pakistan Investment Bonds	297,658	16.57	235,229	13.09
Special savings certificates	1,427,911	79.50	1,419,617	79.00
Others (including bank balances)	4,679	0.27	5,282	0.30
	<u>1,796,055</u>	<u>100.00</u>	<u>1,796,901</u>	<u>100.00</u>

The funds primarily invests in government securities and special savings certificates and accordingly do not carry any significant credit risk. These are subject to interest rate risk based on market movements. While equity securities and units of mutual funds are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

### 33.4.10 Sensitivity analysis of defined benefit obligations

	+1% discount rate	-1% discount rate	+1% salary increase rate	-1% salary increase rate	+1% future increment in medical benefit	-1% future increment in medical benefit
	(Rupees in '000)					
Pension Fund	4,615,171	5,374,861	5,141,925	4,809,727	-	-
Gratuity Fund	58,237	59,338	59,479	58,091	-	-
Benevolent Fund	1,236,612	1,407,118	1,316,849	1,316,849	-	-
Post retirement medical benefit	2,918,354	3,375,324	-	-	3,465,246	2,856,377
Employee compensated absences	2,420,133	2,686,448	2,698,081	2,407,441	-	-
Other Post-Retirement Benefits	454,149	500,078	495,581	457,965	-	-

### 33.4.11 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.

	2017					
	Pension	Gratuity	Benevolent	Post retirement medical benefit	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Expected charge / (reversal) for the year	<u>82,580</u>	<u>2,005</u>	<u>(78,980)</u>	<u>275,732</u>	<u>397,457</u>	<u>73,301</u>

### 33.4.12 Maturity profile

	2016					
	Pension	Gratuity	Benevolent	Post retirement medical benefit	Employee compensated absences	Other Post-Retirement Benefits
The weighted average duration of the obligation (in years)	<u>7.64</u>	<u>0.62</u>	<u>6.47</u>	<u>7.30</u>	<u>5.23</u>	<u>4.83</u>

## 33.4.13 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

## 34. DEFINED CONTRIBUTION PLANS

### 34.1 Provident Fund

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

### 34.2 Contributory Gratuity Fund

Payments are made to the employees on retirement, death, resignation after completion of 10 years or more continuous service and discharge as specified in the rules of the Fund.

### 34.3 Subsidiary companies

#### 34.3.1 General information

Employee benefits offered by subsidiary companies are as follows:

##### - Habib Allied Holding Limited (HAHL)

##### Pension Fund (defined contribution scheme)

HAHL operates a defined pension contribution arrangement and the cost is recognised as and when the contributions are made. Pension benefits are provided through a defined contribution scheme to which HAHL contributes a percentage based on each member's earnings.

##### - Habibsons Bank Limited

##### Pension Fund (defined contribution scheme)

Habibsons operates a defined pension contribution arrangement and the cost is recognised as and when the contributions are made. Pension benefits are provided through a defined contribution scheme to which Habibsons contributes a percentage based on each member's earnings.

##### - Habib Finance International Limited

##### Mandatory Provident Fund (defined contribution scheme)

The company operates a funded mandatory provident fund scheme for all employees. The contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance the rules of the scheme. The company's contributions vest fully with those of the employees when contributed into the scheme.

##### - HBL Asset Management Limited (HBL AML)

##### Gratuity Fund (defined benefit scheme)

HBL AML operates a funded gratuity scheme for its eligible employees.

##### Provident Fund (defined contribution scheme)

HBL AML also operates a funded provident fund scheme for its eligible employees. Equal monthly contributions are made by HBL AML and its employees in accordance with the rules of the fund.

##### - First MicroFinanceBank Limited (FMFB)

##### Gratuity Fund (defined benefit scheme)

FMFB operates a funded gratuity scheme for its eligible employees.

##### Provident Fund (defined contribution scheme)

FMFB also operates a defined contribution provident fund scheme for its eligible employees. Equal monthly contributions are made by FMFB and its employees in accordance with the rules of the fund.

- HBL Currency Exchange (Private) Limited (HCEL)

#### Gratuity Fund (defined contribution scheme)

The permanent employees of HCEL are entitled to receive lump sum payments on account of gratuity equivalent to 50% of basic salary for each completed year of service. This benefit vests on the completion of five years of service.

#### Provident Fund (defined contribution scheme)

HCEL also operates a defined contribution provident fund scheme for its eligible employees. Equal monthly contributions are made by HCEL and its employees in accordance with the rules of the fund.

#### 34.3.2 Habib Finance International Limited, Hong Kong

Habib Finance International Limited, Hong Kong maintains the following 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 not 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.

#### 34.3.3 Habib Allied Holding Limited, United Kingdom

Habib Allied Holding Limited (HAHL) maintains a defined contribution pension scheme for its employees. The employer's contribution is 6% of basic salary, whereas contribution from the employee is 1% of basic salary. HAHL also makes defined contribution towards personal pension plans of some of the staff members as per their terms of employment.

#### 34.3.4 Habibsons Bank Limited

Habibsons Bank Limited maintains a defined contribution pension scheme for its employees. The employer's contribution for employees of Habibsons Bank Limited is upto 5% of basic salary. Minimum employee contribution is 1% of basic salary.

### 35. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Fees of non executive directors	-	-	37,200	31,400	-	-
Managerial remuneration (including allowances)	72,900	63,900	-	-	8,170,943	7,772,385
Contribution to retirement funds	4,230	3,690	-	-	471,387	343,875
Medical	235	311	-	-	674,216	583,976
House-rent, maintenance, furnishing, others	1,956	2,921	-	-	1,633,980	1,578,036
Utilities	1,258	1,186	-	-	377,746	361,010
Conveyance	731	3,143	-	-	1,000,302	975,716
	<u>81,310</u>	<u>75,151</u>	<u>37,200</u>	<u>31,400</u>	<u>12,328,574</u>	<u>11,614,998</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>6</u>	<u>3,949</u>	<u>3,972</u>

The Chief Executive Officer (CEO) and certain Executives are provided with free club memberships and the CEO is also provided with free use of Bank maintained cars in accordance with his entitlement.

In addition to the above, the President / CEO was paid Rs. 30 million in lieu of certain long term benefits to which he is entitled as per the terms of his contract.

In addition to the above, all Executives, including the CEO of the Bank, are entitled to certain short term employee benefits which are disclosed in note 26.1 to these consolidated financial statements.

### 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in associates and joint ventures, are estimated using the break-up value of the investee company.

The fair value of fixed term loans, other assets and other liabilities can not be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

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 they are either short-term in nature or, in the case of customer advances and deposits, are frequently repriced.

## Fair Value Measurement

The following table provides the fair value measurement hierarchy of those of the Group's assets and liabilities that are recognised at fair value in the financial statements:

	2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Items carried at Fair Value				
Financial assets and liabilities				
- Fully paid up ordinary shares	19,414,662	-	-	19,414,662
- NIT units	-	58,828	-	58,828
- Federal Government securities	-	982,983,784	-	982,983,784
- Overseas Government securities	-	8,012,226	-	8,012,226
- Debentures and corporate debt instruments	-	51,567,738	-	51,567,738
- Unrealised gain on forward foreign exchange contracts	-	268,141	-	268,141
- Unrealised gain on derivative instruments	-	115,903	-	115,903
- Unrealised loss on forward foreign exchange contracts	-	1,302,366	-	1,302,366
- Unrealised loss on derivative instruments	-	10,804	-	10,804
Non-financial assets				
- Operating fixed assets	-	-	22,027,981	22,027,981
- Non-banking assets acquired in satisfaction of claims	-	-	2,383,392	2,383,392
Items for which Fair Value is disclosed				
- Federal Government securities	-	208,244,009	-	208,244,009
- Overseas Government securities	-	26,519,875	-	26,519,875
- Debentures and corporate debt instruments	-	27,227,350	-	27,227,350
	19,414,662	1,306,311,024	24,411,373	1,350,137,059

	2015			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Items carried at Fair Value				
Financial assets and liabilities				
- Fully paid up ordinary shares	14,524,283	-	-	14,524,283
- NIT units	-	42,555	-	42,555
- Federal Government securities	-	963,389,692	-	963,389,692
- Overseas Government securities	-	4,045,632	-	4,045,632
- Debentures and corporate debt instruments	-	33,455,817	-	33,455,817
- Unrealised gain on forward foreign exchange contracts	-	498,908	-	498,908
- Unrealised gain on derivative instruments	-	115,903	-	115,903
- Unrealised loss on forward foreign exchange contracts	-	929,999	-	929,999
- Unrealised loss on derivative instruments	-	10,198	-	10,198
Non-financial assets				
- Operating fixed assets	-	-	20,166,876	20,166,876
- Non-banking assets acquired in satisfaction of claims	-	-	3,145,620	3,145,620
Items for which Fair Value is disclosed				
- Federal Government securities	-	178,653,267	-	178,653,267
- Overseas Government securities	-	43,092,067	-	43,092,067
- Debentures and corporate debt instruments	-	10,011,063	-	10,011,063
	14,524,283	1,234,245,101	23,312,496	1,272,081,880



All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### Valuation techniques used in determination of fair values within level 2 and level 3

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Debentures and corporate debt instruments	Investment in debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in debt securities in other currencies are revalued on the basis of rates taken from Bloomberg / Reuters.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
Overseas Government securities	The fair values of overseas Government securities are determined on the basis of rates taken from Reuters / Bloomberg.
Derivatives	The Group enters into derivatives contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

#### 37. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	For the year ended December 31, 2016						Total
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	
	(Rupees in million)						
Net markup income - external	(8,666)	16,825	64,246	9,423	(261)	384	81,951
Inter-segment revenue / (expense) - net	51,977	(11,513)	(44,921)	-	261	4,196	-
Non-funded income	11,288	3,757	4,588	4,968	901	5,560	31,062
Total income	54,599	9,069	23,913	14,391	901	10,140	113,013
Total expenses including provision	25,155	(486)	708	12,358	395	18,358	56,488
Inter-segment administrative cost	12,008	1,760	341	1,257	-	(15,366)	-
Total expenses including provision	37,163	1,274	1,049	13,615	395	2,992	56,488
Profit before tax	17,436	7,795	22,864	776	506	7,148	56,525
Segment return on assets %	0.80%	1.44%	1.17%	0.13%	7.78%	1.77%	-
Segment cost of funds %	2.84%	5.20%	5.14%	0.68%	5.93%	0.64%	-
	As at December 31, 2016						Total
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	
	(Rupees in million)						
Segment assets (gross of provision)	400,558	417,371	1,237,983	437,408	4,412	79,638	2,577,370
Segment non-performing advances	7,363	44,923	-	22,948	-	213	75,447
Segment provision held including general provision	7,224	42,272	285	19,805	-	602	70,188
Inter-segment assets / (liabilities)	1,028,724	(145,871)	(931,818)	(14,794)	(2,564)	66,323	-
Segment liabilities and equity	1,422,058	229,228	305,880	402,809	1,848	145,359	2,507,182

For the year ended December 31, 2015							
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	Total
	(Rupees in million)						
Net markup income - external	(17,313)	18,955	69,926	8,301	-	(1,700)	78,169
Inter-segment revenue / (expense) - net	58,683	(12,899)	(54,174)	-	-	8,390	-
Non-funded income	10,304	3,762	11,688	5,582	382	4,866	36,584
Total income	51,674	9,818	27,440	13,883	382	11,556	114,753
Total expenses including provision	22,545	1,673	390	13,854	263	15,742	54,467
Inter-segment administrative cost	11,029	1,616	313	1,155	-	(14,113)	-
Total expenses including provision	33,574	3,289	703	15,009	263	1,629	54,467
Profit before tax	18,100	6,529	26,737	(1,126)	119	9,927	60,286
Segment return on assets %	0.87%	1.26%	1.45%	-0.15%	9.22%	2.97%	-
Segment cost of funds %	3.70%	5.74%	6.56%	1.04%	0.00%	0.32%	-
	As at December 31, 2015						
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	Total
	(Rupees in million)						
Segment assets (gross of provision)	305,655	358,611	1,144,691	422,902	934	55,894	2,288,687
Segment non-performing advances	8,365	46,392	-	21,930	-	105	76,792
Segment provision held including general provision	7,474	42,764	52	19,431	-	533	70,254
Inter-segment assets / (liabilities)	962,198	(147,665)	(849,220)	(16,572)	-	51,259	-
Segment liabilities and equity	1,260,379	168,183	295,419	386,899	934	106,619	2,218,433

### 38. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities.

### 39. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its subsidiaries, associated undertakings, joint venture company, associates of AKFED Group entities, employee benefit schemes of the Group / related party, and members of the Key Management Personnel of the Group / related party, including both Executive and Non-Executive Directors.

Transactions with the related parties, other than those under terms of employment, are executed on an 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. Details of advances to related parties are given in note 9.11 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 valuations / terms of the schemes.

Details of transactions and balances with related parties, other than those disclosed elsewhere in these consolidated financial statements, are as follows

	2016			
	Parent Group Entities	Associates	Joint venture	Other related parties
	(Rs. in 000)			
<b>Statement of financial position</b>				
Deposits	6,620,343	5,801,458	48,893	426,558
Maximum Deposits during the year	9,593,529	6,378,540	217,386	591,097
Borrowings	1,114,878	-	1,202,883	-
Investments	-	21,768,890	1,916,452	-
Nostro balances	115,914	365,426	-	-
Advances	-	-	-	1,251,229
Mark-up receivable	18,872	2,269	-	20,289
Other receivable	-	207,923	128,468	-
Mark-up payable	10,305	2,297	5,837	13
Other payable	-	217,937	-	497,066
<b>Others</b>				
Other contingencies	277,530	58,185	-	-
Securities held as custodian	15,537,400	34,717,265	-	4,398,055

#### Profit and Loss Account

Mark-up income

Share of profit

Fee and commission income

Mark-up expense

Other expense

#### Statement of financial position

Deposits

Maximum Deposits during the year

Borrowings

Investments

Nostro balances

Advances

Lendings

Mark-up receivable

Other receivable

Mark-up payable

Other payable

#### Others

Other contingencies

Securities held as custodian

For the year ended December 31, 2016			
Parent Group Entities	Associates	Joint venture	Other related parties
(Rs. in 000)			

107,045	8,839	-	67,726
-	3,199,736	568,349	-
-	2,584,815	-	-
55,311	102,789	15,233	12,378
-	929,442	-	1,019,727

2015			
Parent Group Entities	Associates	Joint venture	Other related parties
(Rs. in 000)			

5,018,930	3,262,854	193,692	135,788
5,018,930	5,003,911	193,692	250,352

-	-	-	-
-	17,453,482	1,608,874	-
128,540	-	-	-
-	-	-	715,262
350,000	-	-	-
15,899	2,331	-	6,930
-	128,252	-	-
12,434	3,259	-	11
-	203,913	-	1,026,380

472,408	5,275	-	-
13,679,505	33,261,760	-	4,513,760

For the year ended December 31, 2015			
Parent Group Entities	Associates	Joint venture	Other related parties
(Rs. in 000)			

50,879	2,432	-	90,196
-	3,092,046	307,032	-
-	2,444,479	-	-
70,932	143,018	152	7,633
-	486,761	-	1,040,051

- 39.1. The donations disclosed in note 26.3 include donations to HBL Foundation. The Foundation was established for promoting development and advancing the welfare and well-being of the people of Pakistan and improving their quality of life. The Bank's liability to the HBL Foundation is shown in note 17 to these consolidated financial statements.

#### 39.2 Key Management Personnel

Key Management Personnel includes the President / Chief Executive Officer, direct reports to the President, and Chief Executives of the Bank's subsidiaries.

	2016 (Rupees in '000)	2015 (Rupees in '000)
Managerial remuneration (including allowances)	793,180	743,852
Contribution to provident and benevolent fund	19,320	18,587
Medical	24,906	25,381
	<u>837,406</u>	<u>787,820</u>
Number of persons	<u>27</u>	<u>26</u>

In addition Key Management Personnel are paid short-term employee benefits as disclosed in note 26.1.

## 40 CAPITAL ADEQUACY

### 40.1 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2016	2015	2016	2015
----- (Rupees in '000) -----				
Credit Risk				
On-balance sheet				
Other sovereigns, GOP, PG, SBP other than PKR	8,594,663	7,971,732	80,701,060	77,772,999
PSEs	548,489	934,936	5,150,129	9,121,330
Banks	6,812,140	3,981,539	63,963,757	38,844,281
Corporates	41,780,135	36,354,860	392,301,739	354,681,565
Retail portfolio	10,181,993	7,523,530	95,605,572	73,400,296
Secured by residential property	239,220	296,294	2,246,198	2,890,674
Past due loans	952,355	945,534	8,942,298	9,224,724
Commercial entities exceeding 10%	-	-	-	-
Listed equity investments	2,498,204	874,550	23,457,313	8,532,193
Unlisted equity investments	620,224	222,473	5,823,698	2,170,465
Operating fixed assets	3,196,144	2,909,819	30,010,739	28,388,476
Other assets	1,363,733	1,657,573	12,805,011	16,171,445
	76,787,300	63,672,840	721,007,514	621,198,448
Off-balance sheet				
Non-market related	10,040,957	9,362,267	94,281,290	91,339,189
Market related	134,015	97,429	1,258,360	950,531
	10,174,972	9,459,696	95,539,650	92,289,720
Market Risk				
Interest Rate Risk	9,900,112	9,036,189	123,751,398	112,952,362
Equity Position Risk	3,530,076	2,542,290	44,125,950	31,778,625
Foreign Exchange Risk	5,752,156	5,548,906	71,901,950	69,361,325
	19,182,344	17,127,385	239,779,298	214,092,312
Operational Risk				
	12,362,939	10,618,092	154,536,742	132,726,149
	118,507,555	100,878,013	1,210,863,204	1,060,306,629
Capital Adequacy Ratio				
Total eligible regulatory capital held	188,074,159	180,079,337		
Total risk weighted assets	1,210,863,204	1,060,306,629		
Capital adequacy ratio	15.53%	16.98%		

### 40.2 Capital management

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

The Group's lead regulator, the SBP, sets and monitors capital requirements for the Bank and the Group. The Group's branches and subsidiaries outside Pakistan are also required to follow capital requirements applicable in their respective jurisdictions.

The SBP, through BSD Circular No. 07 dated April 15, 2009 has required that Banks should maintain a minimum paid-up capital of Rs. 10 billion (net of accumulated losses). The paid-up capital of the Bank as at December 31, 2016 stood at Rs. 14.669 billion (2015: Rs. 14.669 billion) and is in compliance with the SBP requirements. The Bank is also required to maintain the following minimum Capital Adequacy Ratios (CAR) as at December 31, 2016:

- Common Equity Tier 1 (CET1) ratio of 6.00%
- Tier 1 ratio of 8.15% including Capital Conversation Buffer (CCB) of 0.65%
- Total Capital Adequacy Ratio (CAR) of 10.65% including CCB of 0.65%

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

The Group's regulatory capital is classified as follows:

- 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, reserves (excluding foreign exchange translation reserves), 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. The Group has no instruments qualifying for AT 1 capital.
  - Tier 2 capital includes general provisions for loan losses, surplus on revaluation of fixed assets and investments, foreign exchange translation reserves and subordinated debts (meeting the eligibility criteria).
- 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 on and off-balance sheet exposures.
- On and off-balance sheet exposures in the banking book are segregated into various asset classes for the calculation of credit risk. Ratings for assets are applied using various ECAs and aligned with appropriate risk buckets. Collateral if any, is used as an outflow adjustment. Risk weights notified, are applied to arrive at net adjusted exposure. Eligible collateral used includes Government of Pakistan guarantees for advances, investments in GOP / PSE, deposits / margins, lien on deposits, and saving certificates.
  - The Group calculates capital requirements for market risk in its trading portfolios based on the methodology provided by the 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.

#### 40.3 Capital structure

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

	Note	2016 (Rupees in '000)	2015
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
Fully Paid-up Capital		14,668,525	14,668,525
Balance in Share Premium Account		-	-
Reserve for issue of Bonus Shares		-	-
Discount on Issue of shares		-	-
General/ Statutory Reserves		37,118,686	33,986,703
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		106,142,374	96,495,448
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)		2,099,174	1,249,421
<b>CET 1 before Regulatory Adjustments</b>		<b>160,028,759</b>	<b>146,400,097</b>
Total regulatory adjustments applied to CET1	40.4.1	14,524,938	7,086,366
<b>Common Equity Tier 1</b>		<b>145,503,821</b>	<b>139,313,731</b>
<b>Additional Tier 1 (AT 1) Capital</b>			
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		-	-
<b>AT1 before regulatory adjustments</b>		<b>-</b>	<b>-</b>
Total of Regulatory Adjustment applied to AT1 capital	40.4.2	-	-
<b>Additional Tier 1 capital after regulatory adjustments</b>		<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital recognized for capital adequacy</b>		<b>-</b>	<b>-</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		<b>145,503,821</b>	<b>139,313,731</b>

	Note	2016 (Rupees in '000)	2015
<b>Tier 2 Capital</b>			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		9,998,000	10,000,000
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel 3 rules		-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		5,911	-
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		3,623,544	3,298,099
Revaluation Reserves (net of taxes)			
of which: Revaluation reserves on fixed assets		8,681,028	7,304,937
of which: Unrealized gains/losses on AFS		9,555,114	7,820,704
		18,236,142	15,125,641
Foreign Exchange Translation Reserves		10,839,728	13,201,447
Undisclosed/Other Reserves (if any)		-	-
<b>Tier 2 before regulatory adjustments</b>		<b>42,703,325</b>	<b>41,625,187</b>
Total regulatory adjustment applied to T2 capital	40.4.3	132,987	859,581
Tier 2 capital recognized for capital adequacy		42,570,338	40,765,606
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy		42,570,338	40,765,606
<b>TOTAL CAPITAL (Tier 1 + admissible Tier 2)</b>		<b>188,074,159</b>	<b>180,079,337</b>
<b>Total Risk Weighted Assets</b>		<b>1,210,863,204</b>	<b>1,060,306,629</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
CET1 to total RWA		12.02%	13.14%
Tier-1 capital to total RWA		12.02%	13.14%
Total capital to RWA		15.53%	16.98%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		6.65%	6.25%
of which: capital conservation buffer requirement		0.65%	0.25%
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)		5.37%	6.89%
<b>National minimum capital requirements prescribed by SBP</b>			
CET1 minimum ratio		6.65%	6.25%
Tier 1 minimum ratio		7.50%	7.50%
Total capital minimum ratio		10.65%	10.25%



#### 40.4 Regulatory Adjustments and Additional Information

	2016		2015	
	Basel III Transit	Pre- Basel III treatment	Basel III Transit	Pre- Basel III treatment
----- (Rupees in '000) -----				
<b>40.4.1 Common Equity Tier 1 capital: Regulatory adjustments</b>				
Goodwill (net of related deferred tax liability)	4,309,925	-	1,916,319	-
All other intangibles (net of any associated deferred tax liability)	1,766,845	-	1,036,714	-
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	3,573,211	-	293,869	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	870,652	-	15,060	-
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	4,004,305	-	3,824,404	-
Total regulatory adjustments applied to CET1	<u>14,524,938</u>	-	<u>7,086,366</u>	-
<b>40.4.2 Additional Tier-1 Capital: regulatory adjustments</b>				
Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	4,132,227	-	3,061,264	-
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	-	-	804,437	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Adjustment in AT1 in respect of NCI share of excess capital held by subsidiaries	(127,922)	-	(41,297)	-
Transfer to CET1 due to insufficient AT1 to cover deductions	<u>(4,004,305)</u>	-	<u>(3,824,404)</u>	-
Total regulatory adjustment applied to AT1 capital	<u>-</u>	-	<u>-</u>	-
<b>40.4.3 Tier 2 Capital: regulatory adjustments</b>				
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	-	-	804,437	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	132,987	-	55,144	-
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	<u>132,987</u>	-	<u>859,581</u>	-

	2016	2015
	(Rupees in '000)	
40.4.4 <b>Additional Information</b>		
<b>Risk Weighted Assets subject to pre-Basel III treatment</b>		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	1,210,863,204	1,060,306,629
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	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financial entities	2,276,811	3,477,567
Significant investments in the common stock of financial entities	10,378,713	10,169,506
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	3,623,544	3,298,099
Cap on inclusion of provisions in Tier 2 under standardized approach	10,206,840	8,918,602
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	-	-
40.5 <b>Capital structure reconciliation</b>		
	<b>As per published financial statements</b>	<b>Under regulatory scope of consolidation</b>
	(Rupees in '000)	
<b>Assets</b>		
Cash and balances with treasury banks	238,438,283	238,438,283
Balances with other banks	45,959,095	45,959,095
Lendings to financial institutions	34,047,931	34,047,931
Investments	1,344,404,771	1,335,828,681
Advances	748,466,297	752,089,841
Operating fixed assets	36,087,509	30,010,739
Deferred tax asset	-	-
Other assets	59,778,445	59,778,445
<b>Total assets</b>	<b>2,507,182,331</b>	<b>2,496,153,015</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	31,195,900	31,195,900
Borrowings	332,822,846	332,822,846
Deposits and other accounts	1,885,959,026	1,885,959,026
Subordinated loan	9,998,000	9,998,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	6,090,983	6,090,983
Other liabilities	44,846,706	44,846,706
<b>Total liabilities</b>	<b>2,310,913,461</b>	<b>2,310,913,461</b>
Share capital	14,668,525	14,668,525
Reserves	47,958,414	47,958,414
Unappropriated profit	106,142,374	95,113,058
Non-controlling interest	3,435,710	3,435,710
Surplus on revaluation of assets	24,063,847	24,063,847
<b>Total liabilities &amp; equity</b>	<b>2,507,182,331</b>	<b>2,496,153,015</b>

## 40.5.1 Detail of capital structure reconciliation

	As per published financial statements	Under regulatory scope of consolidation	Reference
(Rupees in '000)			
<b>Assets</b>			
Cash and balances with treasury banks	238,438,283	238,438,283	
Balances with other banks	45,959,095	45,959,095	
Lendings to financial institutions	34,047,931	34,047,931	
Investments	1,344,404,771	1,335,828,681	
<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>	-	4,132,227	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	3,573,211	d
<i>of which: investment in own shares</i>	-	870,652	e
Advances	748,466,297	752,089,841	
<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>	-	3,623,544	g
Operating fixed assets	36,087,509	30,010,739	
<i>of which: Goodwill</i>	-	4,309,925	h
<i>of which: Intangibles</i>	-	1,766,845	i
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	j
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	k
Other assets	59,778,445	59,778,445	
<i>of which: Goodwill</i>	-	-	
<i>of which: Intangibles</i>	-	-	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
<b>Total assets</b>	<b>2,507,182,331</b>	<b>2,496,153,015</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	31,195,900	31,195,900	
Borrowings	332,822,846	332,822,846	
Deposits and other accounts	1,885,959,026	1,885,959,026	
Subordinated loans	9,998,000	9,998,000	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	9,998,000	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	6,090,983	6,090,983	
<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	44,846,706	44,846,706	
<b>Total liabilities</b>	<b>2,310,913,461</b>	<b>2,310,913,461</b>	
Share capital	14,668,525	14,668,525	
<i>of which: amount eligible for CET1</i>	14,668,525	14,668,525	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	47,958,414	47,958,414	
<i>of which: portion eligible for inclusion in CET1</i>	-	37,118,686	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	10,839,728	v
Unappropriated profit	106,142,374	95,113,058	w
Non-controlling interest	3,435,710	3,435,710	
<i>of which: portion eligible for inclusion in CET1</i>	-	2,099,174	x
<i>of which: portion eligible for inclusion in AT1</i>	-	127,922	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	5,911	z
Surplus on revaluation of assets	24,063,847	24,063,847	
<i>of which: Revaluation reserves on Property</i>	-	11,813,701	
<i>of which: Unrealized Gains/Losses on AFS</i>	-	12,250,146	aa
<b>Total liabilities &amp; Equity</b>	<b>2,507,182,331</b>	<b>2,496,153,015</b>	

## 40.5.2 Component of capital reported by the Group

	Rupees in '000	Source based on reference number
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
Fully Paid-up Capital	14,668,525	(s)
Balance in Share Premium Account	-	
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	37,118,686	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	106,142,374	(w)
Non-controlling interest	2,099,174	(x)
<b>CET 1 before Regulatory Adjustments</b>	<b>160,028,759</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
Goodwill	4,309,925	(h) - (o)
All other intangibles	1,766,845	(i) - (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)	-	{(j) - (r)} * x%
Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
Reciprocal cross holdings	3,573,211	(d)
Cash flow hedge reserve	-	
Investment in own shares	870,652	
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	4,004,305	
Total regulatory adjustments applied to CET1	14,524,938	
<b>Common Equity Tier 1</b>	<b>145,503,821</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
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	-	
<b>AT1 before regulatory adjustments</b>	<b>-</b>	

	Rupees in '000	Source based on reference number
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	4,132,227	
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	-	
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Adjustment in AT1 in respect of NCI share of excess capital held by subsidiaries	(127,922)	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	(4,004,305)	
Total of Regulatory Adjustment applied to AT1 capital	-	
Additional Tier 1 capital	-	
<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>145,503,821</b>	
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III	9,998,000	(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)	5,911	(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	3,623,544	(g)
Revaluation Reserves eligible for Tier 2		
of which: portion pertaining to Property	8,681,028	portion of (aa)
of which: portion pertaining to AFS securities	9,555,114	
	18,236,142	
Foreign Exchange Translation Reserves	10,839,728	(v)
Undisclosed/Other Reserves (if any)	-	
<b>Tier 2 before regulatory adjustments</b>	<b>42,703,325</b>	
<b>Tier 2 Capital: regulatory adjustments</b>		
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	132,987	
Investment in own Tier 2 capital instrument	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
Amount of Regulatory Adjustment applied to Tier 2 capital	132,987	
Tier 2 capital	42,570,338	
Tier 2 capital recognized for capital adequacy	42,570,338	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	42,570,338	
<b>TOTAL CAPITAL (Tier 1 + admissible Tier 2)</b>	<b>188,074,159</b>	

## 40.6 Main Features of Regulatory Capital Instruments

	Common Shares	Debt Instruments
Issuer	Habib Bank Limited	Habib Bank Limited
Unique identifier	HBL	HBL
Governing law(s) of the instrument	Relevant Capital Market Laws	Laws applicable in Pakistan
<b>Regulatory treatment</b>		
Transitional Basel III rules	Common Equity Tier 1	Tier II Capital
Post-transitional Basel III rules	Common Equity Tier 1	Tier II Capital
Eligible at solo / group / group & solo	Group and Standalone	Group and Standalone
Instrument type	Ordinary shares	Term Finance Certificates
Amount recognized in regulatory capital (Currency in PKR thousands)	14,668,525	9,998,000
Par value of instrument	Rs. 10 per share	PKR 100,000 and in multiples thereof
Accounting classification	Shareholders' equity	Subordinated loan
Original date of issuance	1947	2015
Perpetual or dated	Perpetual	Dated
Original maturity date	No maturity	February 2026
Issuer call subject to prior supervisory approval	Not applicable	Yes
Optional call date, contingent call dates and redemption amount	Not applicable	Anytime after the first call date in 2021
Subsequent call dates, if applicable	Not applicable	Not applicable
<b>Coupons/dividends</b>		
Fixed or floating dividend/coupon	Not applicable	Floating
Coupon rate and any related index/benchmark	Not applicable	6 months KIBOR + 0.50% per annum
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	No	No
Noncumulative or cumulative	Not applicable	Not applicable
<b>Convertible or non-convertible</b>	Not applicable	Convertible
If convertible, conversion trigger (s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may, at its option, fully and permanently convert the TFCs into common shares of the Bank.
If convertible, fully or partially	Not applicable	Fully
If convertible, conversion rate	Not applicable	To be determined in case of trigger event(s)
If convertible, mandatory or optional conversion	Not applicable	Mandatory
If convertible, specify instrument type convertible into	Not applicable	Common Shares
If convertible, specify issuer of instrument it converts into	Not applicable	Habib Bank Limited
<b>Write-down feature</b>		
If write-down, write-down trigger (s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may, at its option, have them immediately written down.
If write-down, full or partial	Not applicable	May be written down fully or partially
If write-down, permanent or temporary	Not applicable	Permanent
If temporary write-down, description of write-up mechanism	Not applicable	Not Applicable
<b>Position in subordination hierarchy in liquidation</b>	Subordinated	Subordinated to all other indebtedness to the Bank including deposits
Non-compliant transitioned features	Not applicable	None
If yes, specify non-compliant features	Not applicable	Not applicable

## 40.7 Leverage Ratio

The leverage ratio is the ratio of Tier 1 capital to total exposure, including off-balance sheet exposures adjusted by regulatory credit conversion factors. The Group's current leverage ratio of 4.67% is above the current minimum requirement of 3.00% set by the SBP.

## 41 RISK MANAGEMENT FRAMEWORK

HBL'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 a 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 is based on strong board oversight, multi-tier management supervision, efficient systems, documented risk appetite, and clearly articulated policies and procedures.



The Board of Directors provides the strategic direction for effective risk management and ensures 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 committee's i.e. Board Risk Management Committee (BRMC) and Board Audit Committee (BAC) as well as various management committees.

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

Risk Management function comprises the following areas:

- Credit Policy & Analytics
- Credit Approvals
- Credit Administration
- Program Based Lending
- Market & Liquidity Risk Management
- Operational Risk Management
- Information Security Risk

The Operational Risk Management Division operates within the Global Compliance Group, independent from business units and other support functions. The Head of this division has a dotted reporting line to the CRO.

#### **Risk Management alignment with Basel framework**

The Bank has adopted the Alternate Standardized Approach for operational risk and Standardised Approach for credit and market risk. In addition, the Bank has adopted simple approach for credit risk mitigation. The Bank is continuing efforts to adopt the Foundation Internal Ratings Based Approach for certain credit portfolios and the Internal Models Approach for Market Risk. As the largest Bank in Pakistan with a strong risk culture and focus, HBL's goal is to develop resources internally to embed Basel related processes and methodologies in its risk practices and a program is in place to augment the skill set of staff. The Bank expects to achieve significant benefits from its Basel program with a more robust risk management and internal control environment in line with best practices.

The Bank has also rolled out an integrated credit risk management software to automate loan origination, disbursement and subsequent periodic monitoring and management. In addition, a Capital calculator and an ALM system is under development which is expected to improve stress testing.

#### **Scope of application of Basel III framework**

State Bank of Pakistan, through BPRD circular no. 06 dated August 15, 2013, requires Banks to report the Capital Adequacy Ratio (CAR) under the Basel III framework with CAR requirements increasing in a transitory manner through 2019.

#### **41.1 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 including separate policies for consumer loans, rural banking and SME financing. 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 is defined through a Risk Appetite document that is 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 delegated to individuals based on their qualifications and experience. Disbursement authorization, collateral and security management, documentation and monitoring are managed by the Credit Administration Department. Proactive monitoring is ensured through an early warning mechanism for assets under stress. This enables the bank to put in place viable solutions to prevent further deterioration in credit quality. A special Structured Credits function is in place to handle stressed assets and ensure a focused remedial strategy.

Stress testing on the credit portfolio is performed according to SBP's guidelines.

Business Risk Review, which is part of the Internal Audit function, performs an independent review of the credit portfolio. It provides an independent assessment of portfolio quality, efficacy of processes for acquisition of risk assets, regulatory/policy compliance and appropriateness of classification and risk rating of assets.

## 41.1.1 Credit risk - General disclosures

The Bank follows the Standardized Approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit ratings or type of exposure, whichever is applicable.

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Bank selects particular ECAIs for each type of exposure. The Bank utilizes the credit ratings assigned by Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company Limited – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard & Poors (S&P). The Bank also utilizes rating scores of Export Credit Agencies (ECAs).

### Types of exposure and ECAIs used

	FITCH	Moody's	S&P	PACRA	JCR-VIS	ECA scores
Corporates	-	✓	-	✓	✓	-
Banks	✓	✓	✓	✓	✓	-
Sovereigns	-	✓	-	-	-	✓
Public sector enterprises	-	-	-	✓	✓	-

### Mapping to SBP Rating Grades

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

#### Long Term Rating Grades mapping

SBP Rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

#### Short Term Rating Grades mapping

SBP Rating Grade	Fitch	Moody's	S&P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

#### 41.1.2 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2016		
		(Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	28,029,132	-	28,029,132
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	559,515,606	230,347,911	329,167,695
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	21,894,692	-	21,894,692
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1	64,560,282	-	64,560,282
	2	2,091,965	-	2,091,965
	3	9,023,638	-	9,023,638
	4,5	21,071,769	-	21,071,769
	6	31,839,795	-	31,839,795
	Unrated	6,939,386	-	6,939,386
		135,526,835	-	135,526,835
Corporates	1	95,615,780	3,640,128	91,975,652
	2	24,252,952	500,746	23,752,206
	3,4	2,473,861	-	2,473,861
	5,6	-	-	-
	Unrated-1	280,340,817	17,242,453	263,098,364
	Unrated-2	145,171,120	11,375,263	133,795,857
		547,854,530	32,758,590	515,095,940
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3	24,948,850	-	24,948,850
	4,5	3,278,596	-	3,278,596
	6	-	-	-
	Unrated	6,221,648	-	6,221,648
		34,449,094	-	34,449,094
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	20%	151,616,211	94,316,952	57,299,259
Banks - others	1	57,782,394	97,469	57,684,925
	2,3	61,969,217	-	61,969,217
	4,5	8,008,646	-	8,008,646
	6	3,600,375	-	3,600,375
	Unrated	3,093,973	-	3,093,973
		134,454,605	97,469	134,357,136
Public sector enterprises	1	27,994,148	7,718,693	20,275,455
	2,3	9,329,998	3,515,625	5,814,373
	4,5	-	-	-
	6	-	-	-
	Unrated	81,573,145	63,675,919	17,897,226
		118,897,291	74,910,237	43,987,054
Retail portfolio	75%	139,021,376	10,020,528	129,000,848
Claims Fully Secured by Residential Mortgages	35%	6,417,708	-	6,417,708
Past due loans secured against mortgage	50% - 150%	10,286,736	-	10,286,736
Equity investments	100% - 150%	2,259,887	-	2,259,887
Significant investments	250%	10,378,713	-	10,378,713
Fixed assets	100%	30,010,739	-	30,010,739
Others	100%	13,535,248	-	13,535,248
		1,944,148,403	442,451,687	1,501,696,716

#### 41.1.3 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Simple Approach for Credit Risk Mitigation in the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. The Bank has in place detailed guidelines with respect to the valuation and management of each of these types of collateral. Where the Bank's exposure to an obligor is secured by eligible collateral, the risk weighting of the collateral instrument collateralizing or partially collateralizing the exposure is substituted for the risk weighting of the counterparty.

No credit risk mitigation benefit is taken in the Trading Book.

For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of Risk Weighted Assets.

#### 41.1.4 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 international rating agencies. CBTR arises from exposure to counterparties in countries other than the jurisdiction of the lender. Transfer risk arises 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. The limit utilization is controlled at Head Office level and country risk exposures are reported to BRMC at defined frequencies.

## 41.2 Segmental information

### 41.2.1 Segment by class of business

	2016					
	Advances		Deposits		Contingencies	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemicals and pharmaceuticals	35,617,626	4.36	17,426,313	0.92	10,489,109	3.47
Agribusiness	114,526,177	14.01	15,213,157	0.81	1,179,569	0.39
Textile	86,471,903	10.58	8,209,883	0.44	11,770,307	3.89
Cement	12,893,120	1.58	5,434,122	0.29	3,534,631	1.17
Defence	1,312,388	0.16	12,731,680	0.68	55,404,811	18.33
Sugar	7,294,329	0.89	3,783,063	0.20	124,655	0.04
Shoes and leather garments	2,411,725	0.30	357,922	0.02	341,980	0.11
Automobile and transportation equipment	6,427,552	0.79	24,788,555	1.31	9,015,551	2.98
Financial	81,386,115	9.96	27,856,472	1.48	85,297,654	28.22
Hotel and tourism	3,901,276	0.48	2,099,095	0.11	708,313	0.23
Research and development	-	-	190,922	0.01	-	-
Insurance	613,327	0.08	17,146,310	0.91	46,164	0.02
Electronics and electrical appliances	9,991,136	1.22	32,200,465	1.71	-	-
Oil and gas	37,291,479	4.56	22,433,605	1.19	8,495,045	2.81
Power and energy	95,609,668	11.70	40,703,579	2.16	51,444,060	17.02
Education and medical	1,765,486	0.22	59,597,944	3.16	983,911	0.33
Telecommunication	16,803,551	2.06	14,647,526	0.78	2,584,870	0.86
Printing and publishing	4,437,673	0.54	487,102	0.03	517,304	0.17
Construction	12,084,255	1.48	15,780,104	0.84	1,412,739	0.47
Mining and quarrying	2,256,765	0.28	1,617,864	0.09	-	-
Food, tobacco and beverages	23,091,020	2.83	9,592,461	0.51	2,894,950	0.96
Wholesale and retail trade	60,056,466	7.35	33,784,046	1.79	1,242,906	0.41
Metal and allied	12,866,741	1.57	5,251,234	0.28	2,999,392	0.99
Individuals	60,810,622	7.44	917,394,318	48.64	706,549	0.23
Farming, cattle and dairy	4,538,117	0.56	388,976	0.02	490,882	0.16
Ports and shipping	-	-	6,614,467	0.35	53,001	0.02
Trust funds and non profit organizations	3,686,627	0.45	28,265,387	1.50	167,973	0.06
Others	119,104,894	14.55	561,962,454	29.77	50,313,898	16.66
	<b>817,250,038</b>	<b>100.00</b>	<b>1,885,959,026</b>	<b>100.00</b>	<b>302,220,224</b>	<b>100.00</b>

	2015					
	Advances		Deposits		Contingencies	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemicals and pharmaceuticals	36,429,160	5.16	5,476,327	0.33	9,620,297	3.48
Agribusiness	86,529,241	12.25	13,370,591	0.82	914,417	0.33
Textile	72,876,467	10.31	8,515,983	0.52	10,128,611	3.67
Cement	10,197,937	1.44	1,750,364	0.11	3,224,198	1.17
Defence	252,084	0.04	7,336,766	0.45	43,719,160	15.83
Sugar	6,007,415	0.85	1,731,369	0.11	138,819	0.05
Shoes and leather garments	2,063,954	0.29	934,986	0.06	30,262	0.01
Automobile and transportation equipment	61,611,504	8.72	16,521,798	1.01	5,897,025	2.13
Financial	54,276,535	7.68	31,973,088	1.96	79,017,071	28.60
Hotel and tourism	1,469,141	0.21	684,301	0.04	787,278	0.28
Research and development	-	-	-	-	-	-
Insurance	229,563	0.03	17,213,578	1.05	178,397	0.06
Electronics and electrical appliances	12,516,805	1.77	3,084,569	0.19	9,171,921	3.32
Oil and gas	43,761,405	6.19	15,432,016	0.94	23,433,237	8.48
Power and energy	83,326,876	11.79	54,936,752	3.36	31,915,091	11.55
Education and medical	2,128,568	0.30	44,937,731	2.75	887,453	0.32
Telecommunication	15,774,915	2.23	9,930,880	0.61	1,735,070	0.63
Printing and publishing	6,928,049	0.98	688,359	0.04	266,461	0.10
Construction	6,143,968	0.87	3,018,561	0.18	576,062	0.21
Mining and quarrying	333,474	0.05	258,641	0.02	-	-
Food, tobacco and beverages	20,191,746	2.86	6,205,856	0.38	1,731,222	0.63
Wholesale and retail trade	32,856,160	4.65	69,543,492	4.25	5,913,743	2.14
Metal and allied	10,791,416	1.53	5,247,102	0.32	2,555,161	0.92
Individuals	55,133,290	7.80	829,324,963	50.72	663,146	0.24
Farming, cattle and dairy	2,147,466	0.30	1,321,131	0.08	449,182	0.16
Ports and shipping	-	-	2,860,470	-	30,738	0.01
Trust funds and non profit organizations	8,762,959	1.24	26,880,643	1.64	2,137,000	0.77
Others	73,822,973	10.45	455,764,153	28.06	41,133,900	14.91
	<b>706,563,071</b>	<b>100.00</b>	<b>1,634,944,470</b>	<b>100.00</b>	<b>276,254,922</b>	<b>100.00</b>

#### 41.2.2 Segment by sector

Government / public sector  
Private sector

2016					
Advances		Deposits		Contingencies	
(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
129,648,325	15.86	173,596,573	9.20	62,147,185	20.56
687,601,713	84.14	1,712,362,453	90.80	240,073,039	79.44
817,250,038	100.00	1,885,959,026	100.00	302,220,224	100.00

Government / public sector  
Private sector

2015					
Advances		Deposits		Contingencies	
(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
107,988,423	15.28	143,422,271	8.77	88,381,871	31.99
598,574,648	84.72	1,491,522,199	91.23	187,873,051	68.01
706,563,071	100.00	1,634,944,470	100.00	276,254,922	100.00

#### 41.2.3 Details of non-performing advances and specific provisions by class of business

Chemicals and pharmaceuticals  
Agribusiness  
Textile  
Cement  
Sugar  
Shoes and leather garments  
Automobile and transportation equipment  
Financial  
Hotel and tourism  
Electronics and electrical appliances  
Oil and gas  
Power and energy  
Education and medical  
Telecommunication  
Printing and publishing  
Construction  
Food, tobacco and beverages  
Wholesale and retail trade  
Metal and allied  
Individual  
Farming, cattle and dairy  
Mining and quarrying  
Others

2016		2015	
Classified advances	Specific provisions held	Classified advances	Specific provisions held
(Rupees in '000)			
1,154,086	1,137,187	876,924	549,259
4,263,974	2,915,785	6,741,005	5,202,885
21,581,803	21,129,587	20,530,171	20,373,125
860,694	806,694	860,694	806,694
332,069	260,714	331,776	268,941
910,487	874,506	949,158	948,211
1,044,744	1,037,021	1,044,094	1,034,090
1,233,851	1,233,851	1,237,461	1,237,306
290,197	290,197	284,188	271,689
3,571,199	3,211,867	1,821,436	1,821,436
2,362,489	967,806	3,013,685	1,005,036
1,786,177	1,775,307	1,804,624	1,767,852
74,899	74,899	56,136	56,066
1,227,442	1,227,442	1,232,553	1,232,553
375,713	249,445	335,013	230,017
1,383,284	1,219,216	1,277,175	1,107,100
1,846,955	1,767,373	1,133,864	857,951
10,146,986	8,210,281	8,863,520	7,057,620
2,570,770	1,432,085	2,425,779	977,883
2,534,091	2,455,854	3,758,572	3,645,757
174,116	75,437	136,913	111,540
1,716	1,716	-	-
15,719,191	12,805,927	18,077,418	15,318,102
75,446,933	65,160,197	76,792,159	65,881,113

#### 41.2.4 Segment by sector

Government / public sector  
Private sector

2016		2015	
Classified advances	Specific provisions held	Classified advances	Specific provisions held
(Rupees in '000)			
2,708,553	1,642,856	2,684,220	1,618,523
72,738,380	63,517,341	74,107,939	64,262,590
75,446,933	65,160,197	76,792,159	65,881,113

## 41.2.5 GEOGRAPHICAL SEGMENT ANALYSIS

Pakistan  
Europe, Middle East and America  
Asia and Africa

For the year ended December 31, 2016			
Profit before taxation	Total assets employed	Net assets employed	Contingencies
(Rupees in '000)			
55,163,153	2,095,263,534	133,951,205	261,894,660
(48,261)	315,963,729	39,394,244	32,417,968
1,410,019	95,955,068	22,923,421	7,907,596
<b>56,524,911</b>	<b>2,507,182,331</b>	<b>196,268,870</b>	<b>302,220,224</b>

Pakistan  
Europe, Middle East and America  
Asia and Africa

For the year ended December 31, 2015			
Profit before taxation	Total assets employed	Net assets employed	Contingencies
(Rupees in '000)			
59,915,951	1,832,877,341	131,197,744	240,937,741
(246,559)	303,616,870	34,663,208	28,739,366
616,846	81,938,772	16,759,099	6,577,815
<b>60,286,238</b>	<b>2,218,432,983</b>	<b>182,620,051</b>	<b>276,254,922</b>

## 41.3 Market Risk Management

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

The bank is exposed to market risk through its trading activities which are carried out by Treasury and through investments/structural positions parked in the banking book. Market risk also arises from market making, facilitation of client business and proprietary positions. The Bank's Market risk is managed under the umbrella of Risk Management under the supervision of ALCO and supported by the Treasury Middle Office (TMO).

### 41.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's assets in a particular currency are typically funded in the same currency to minimize foreign currency exposure. However, the Bank does maintain a net open position in various currencies resulting from its transactions. Foreign exchange risk is controlled and monitored through the limits approved by ALCO within the overall limit advised by SBP. This regulatory limit is relatively small compared to the size of the Bank, thereby containing the risk generated through the foreign exchange activities of the Bank.

End of day positions are marked to market daily according to the guidelines of the SBP and a sensitivity analysis is conducted in line with the internal market risk policy of the Bank. Intra-day positions are managed by Treasury through stop loss/ dealer limits. International businesses manage their foreign exchange risk through ALCO approved limits, within the overall limit advised by the SBP.

	2016				2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure	Assets	Liabilities	Off-balance sheet items	Net currency exposure
(Rupees in '000)								
Pakistan Rupee	1,961,880,946	1,785,940,757	(46,135,259)	129,804,930	1,669,611,453	1,531,934,392	(32,910,300)	104,766,761
United States Dollar	281,189,597	287,520,848	13,811,477	7,480,226	239,950,242	257,107,907	12,499,038	(4,658,627)
Great Britain Pound	37,033,004	55,761,421	12,609,751	(6,118,666)	92,085,941	75,766,584	12,421,061	28,740,418
UAE Dirham	72,116,999	63,918,442	10,956,201	19,154,758	80,730,167	69,553,563	(7,129)	11,169,475
Japanese Yen	142,402	66,434	(65,446)	10,522	65,915	(62,792)	(45,691)	83,016
Euro	17,733,253	26,862,275	9,156,253	27,231	17,282,128	21,580,639	8,194,692	3,896,181
Other Currencies	137,086,130	90,843,284	(332,977)	45,909,869	118,707,137	79,932,639	(151,671)	38,622,827
	<b>2,507,182,331</b>	<b>2,310,913,461</b>	<b>-</b>	<b>196,268,870</b>	<b>2,218,432,983</b>	<b>2,035,812,932</b>	<b>-</b>	<b>182,620,051</b>

### 41.3.2 Equity Position Risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in the prices of individual stocks or the levels of equity indices. It is managed by the bank through Equity Investment Policy approved by the Board. The policy defines various position limits, portfolio limits and stop loss limits for the equity desk. The bank also applies stress tests on the equity portfolio which is part of the bank's overall market risk exposure limit on the banking book.



#### 41.4 Liquidity Risk Management

Liquidity risk is the risk that the Bank may be unable to meet its cash obligations as they become due, or to fund assets, at a reasonable cost, because of an inability to liquidate assets, or to obtain adequate funding.

The Bank's ALCO is responsible for the formulation of overall strategy and oversight of asset and 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 the Bank's liquidity under normal and crisis situations (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 contractual 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.

#### 41.4.1 MATURITIES OF ASSETS AND LIABILITIES

In accordance with BSD Circular 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 the ALCO.

		2016								
	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	238,438,283	85,254,280	25,205,508	31,393,933	9,746,779	1,801,044	2,292,710	3,535,098	39,757,591	39,451,340
Balances with other banks	45,959,095	43,689,601	2,124,278	-	145,216	-	-	-	-	-
Lendings to financial institutions	34,047,931	23,463,174	9,400,629	100,000	252,175	312,453	519,500	-	-	-
Investments	1,344,404,771	238,480,144	217,061,446	92,491,009	105,541,928	206,444,602	176,003,187	148,791,617	115,112,014	44,478,824
Advances	748,466,297	119,882,894	73,081,394	98,557,404	77,128,160	43,604,664	48,043,989	256,485,781	28,806,189	2,875,822
Operating fixed assets	36,087,509	1,886,000	588,121	882,182	1,764,364	3,528,729	3,528,729	2,193,742	737,662	20,977,980
Other assets	59,778,445	18,358,727	14,769,127	5,229,121	21,421,470	-	-	-	-	-
	2,507,182,331	531,014,820	342,230,503	228,653,649	216,000,092	255,691,492	230,388,115	411,006,238	184,413,456	107,783,966
Liabilities										
Bills payable	31,195,900	5,941,462	10,101,775	15,152,663	1,477,542	373,275	417,450	687,577	641,659	-
Borrowings from financial institutions	332,822,846	279,158,095	23,195,776	26,871,472	180,138,002	37,741,626	38,855,968	69,930,967	506,963,515	500,796,956
Deposits and other accounts	1,885,959,026	341,247,193	107,714,452	102,570,347	2,000	4,000	4,000	8,000	9,978,000	-
Subordinated loan	9,998,000	-	2,000	-	-	(509,791)	(1,410,312)	(560,541)	(4,926)	47,136
Deferred tax liability	6,090,983	5,745,426	1,444,140	1,449,212	1,966,356	1,049,694	1,049,694	1,852,743	2,025,690	1,079,690
Other liabilities	44,846,706	23,144,584	9,713,721	2,964,534	183,074,109	38,689,234	38,916,800	71,918,746	519,603,938	502,293,782
	2,310,913,461	655,236,760	152,171,864	149,008,228	183,074,109	38,689,234	38,916,800	71,918,746	519,603,938	502,293,782
Net gap	196,268,870	(124,221,940)	190,058,639	79,645,421	32,925,983	217,002,258	191,471,315	339,087,492	(335,190,482)	(394,509,816)
Share capital	14,668,525									
Reserves	47,958,414									
Unappropriated profit	106,142,374									
Non-controlling interest	3,435,710									
Surplus on revaluation of assets - net of tax	24,063,847									
	196,268,870									

2015										
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	
(Rupee in '000)										
Assets										
Cash and balances with treasury banks	167,250,988	83,341,097	11,072,076	16,842,788	12,422,276	2,191,050	2,269,746	1,801,296	11,898,010	36,592,649
Balances with other banks	40,469,761	35,727,410	3,763,775	905,866	72,710	-	-	-	-	-
Lendings to financial institutions	18,381,633	17,067,708	-	271,125	271,125	356,075	207,800	207,800	-	-
Investments	1,270,823,786	198,029,641	105,623,383	214,220,566	383,809,696	36,807,829	218,968,411	41,813,466	54,459,624	17,091,170
Advances	637,383,859	85,434,296	75,503,860	81,172,389	43,880,619	24,039,543	24,009,445	262,983,507	29,142,325	11,217,875
Operating fixed assets	31,341,509	1,701,976	431,343	647,015	1,294,030	2,588,059	2,588,059	2,169,508	703,033	19,218,486
Other assets	52,781,447	23,998,216	10,933,119	8,572,094	9,278,018	-	-	-	-	-
2,218,432,983	445,300,344	207,327,556	322,631,843	439,848,474	65,982,556	248,043,461	308,975,577	96,202,992	84,120,180	-
Liabilities										
Bills payable	28,081,548	5,488,410	9,037,255	13,555,883	-	-	-	-	-	-
Borrowings from financial institutions	314,319,099	268,720,151	12,320,129	28,794,257	83,266	237,045	327,145	1,884,488	1,951,192	1,426
Deposits and other accounts	1,634,944,470	283,944,816	97,450,122	95,796,811	154,445,861	36,660,704	31,599,028	57,487,700	440,883,939	436,675,489
Subordinated loan	10,000,000	-	-	-	2,000	4,000	4,000	8,000	5,000,000	4,982,000
Deferred tax liability	5,671,128	5,229,682	1,521,950	1,528,409	(554,684)	(515,933)	(1,377,814)	(688,505)	(3,171)	531,194
Other liabilities	42,796,687	25,856,301	6,106,559	3,927,627	2,413,333	531,838	531,838	3,429,191	-	-
2,035,812,932	589,239,360	126,436,015	143,602,987	156,389,776	36,977,654	31,084,197	62,120,874	447,831,960	442,190,109	-
182,620,051	(143,939,016)	80,891,541	179,028,856	283,458,698	29,064,902	216,959,264	246,854,703	(351,628,968)	(358,069,929)	-
Share capital										
Reserves	14,668,525	-	-	-	-	-	-	-	-	-
Unappropriated profit	47,188,150	-	-	-	-	-	-	-	-	-
Non-controlling interest	96,495,448	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	1,698,442	-	-	-	-	-	-	-	-	-
22,569,486	-	-	-	-	-	-	-	-	-	-
182,620,051	-	-	-	-	-	-	-	-	-	-

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

2016										
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	
(Rupee in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	238,438,283	233,067,447	2,910,643	95,322	2,364,871	-	-	-	-	-
Balances with other banks	45,959,095	43,075,076	2,738,803	-	145,216	-	-	-	-	-
Lendings to financial institutions	34,047,931	23,463,174	9,400,629	100,000	252,175	312,453	519,500	-	-	-
Investments	1,344,404,771	282,958,968	217,061,446	92,491,009	105,541,928	206,444,602	176,003,187	148,791,617	115,112,014	-
Advances	748,466,297	341,838,657	80,761,337	66,719,833	29,558,040	16,309,473	30,670,391	104,282,858	50,911,442	27,414,266
Operating fixed assets	36,087,509	1,886,000	588,121	882,182	1,764,364	3,528,729	3,528,729	2,193,742	737,662	20,977,980
Other assets	59,778,445	37,364,534	3,683,560	5,525,341	13,205,010	-	-	-	-	-
2,507,182,331	963,653,856	317,144,539	165,813,687	152,831,604	226,595,257	210,721,807	255,268,217	166,761,118	48,392,246	-
<b>Liabilities</b>										
Bills payable	31,195,900	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	332,822,846	279,158,095	26,871,472	1,477,542	373,275	417,450	687,577	641,659	-	-
Deposits and other accounts	1,885,959,026	1,670,926,917	46,676,125	68,353,006	6,804,802	7,919,144	8,149,872	6,360,340	286,332	-
Subordinated loan	9,998,000	2,000	-	2,000	4,000	4,000	8,000	9,978,000	-	-
Deferred tax liability	6,090,983	5,745,426	1,449,212	(509,791)	(479,361)	(1,410,312)	(560,541)	(4,926)	417,136	-
Other liabilities	44,846,706	-	-	-	-	-	-	-	-	-
2,310,913,461	2,031,873,044	95,124,404	74,996,809	69,322,757	6,702,716	6,930,282	8,284,908	16,975,073	703,468	-
196,268,870	1,068,219,188	222,020,135	90,816,878	83,508,847	219,892,541	203,791,525	246,983,309	149,786,045	47,688,778	-
<b>Net gap</b>										
Share capital	14,668,525	-	-	-	-	-	-	-	-	-
Reserves	47,958,414	-	-	-	-	-	-	-	-	-
Unappropriated profit	106,142,374	-	-	-	-	-	-	-	-	-
Non-controlling interest	3,435,770	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	24,063,847	-	-	-	-	-	-	-	-	-
196,268,870	-	-	-	-	-	-	-	-	-	-

		2015							
		(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
<b>Assets</b>									
Cash and balances with treasury banks	167,250,988	165,424,050	14,348	1,034,770	777,820	-	-	-	-
Balances with other banks	40,469,761	34,346,905	4,682,011	1,368,135	72,710	-	-	-	-
Lendings to financial institutions	18,381,633	17,067,708	-	271,125	271,125	356,075	207,800	-	-
Investments	1,270,823,786	215,394,494	112,774,501	234,753,482	275,107,865	40,915,375	164,768,889	132,640,027	91,487,041
Advances	637,383,859	304,813,056	43,361,672	57,476,169	40,507,004	18,466,051	24,599,676	101,677,200	32,845,969
Operating fixed assets	31,341,509	1,701,976	431,343	647,015	1,294,030	2,588,059	2,588,059	2,169,508	703,033
Other assets	52,781,447	27,789,858	4,207,835	6,311,752	14,472,002	-	-	-	-
	2,218,432,983	766,538,047	165,471,710	301,862,448	332,502,556	62,325,560	192,164,424	236,694,535	125,036,043
<b>Liabilities</b>									
Bills payable	28,081,548	28,081,548	-	-	-	-	-	-	-
Borrowings from financial institutions	314,319,099	290,322,872	3,968,416	16,509,845	312,207	370,050	464,342	1,088,806	1,282,561
Deposits and other accounts	1,634,944,470	1,438,876,336	65,575,333	47,849,310	58,434,601	10,233,584	5,155,336	4,548,726	4,247,870
Subordinated loan	10,000,000	-	-	-	2,000	4,000	4,000	8,000	5,000,000
Deferred tax liability	5,671,128	5,229,682	1,521,950	1,528,409	(554,684)	(515,933)	(1,377,814)	(688,505)	(3,171)
Other liabilities	42,796,687	42,796,687	-	-	-	-	-	-	-
	2,035,812,932	1,805,307,125	71,065,699	65,887,564	58,194,124	10,091,701	4,245,864	4,957,027	10,527,260
<b>Net gap</b>	<b>182,620,051</b>	<b>(1,038,769,078)</b>	<b>94,406,011</b>	<b>235,974,884</b>	<b>274,308,432</b>	<b>52,233,859</b>	<b>187,918,560</b>	<b>231,737,508</b>	<b>114,508,783</b>
Share capital	14,668,525								
Reserves	47,188,150								
Unappropriated profit	96,495,448								
Non-controlling interest	1,698,442								
Surplus on revaluation of assets - net of tax	22,569,486								
	<b>182,620,051</b>								

41.4.3 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.

#### 41.5 Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of the yield curve.

Interest rate risk is inherent in the Bank's business and arises due to the mismatches in the contractual maturities or repricing of on and off balance sheet assets and liabilities. The Bank is exposed to interest rate risk in both the trading and banking books. Government securities are marked to market on a daily basis. The overall potential impact of the mismatches on the earnings in short 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.

## 41.5.1 Yield / interest rate risk

### 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 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	Exposed to yield / interest risk										Not exposed to yield / interest risk
			2016										
			(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	Over ten years		
On-balance sheet assets													
Financial assets													
Cash and balances with treasury banks	1.29%	238,438,283	40,960,748	2,910,643	95,322	2,364,871	-	-	-	-	-	192,106,699	
Balances with other banks		45,959,095	27,361,464	2,306,085	87,165	145,216	-	-	-	-	-	16,059,165	
Lendings to financial institutions	6.06%	34,047,931	23,463,174	9,400,629	100,000	252,175	312,453	519,500	-	-	-	-	
Investments	7.01%	1,344,404,771	237,980,116	217,058,821	92,991,037	105,541,928	206,444,602	176,003,187	148,791,617	115,112,014	35,476	44,445,973	
Advances	7.73%	748,466,297	115,176,100	291,871,253	232,676,298	55,954,553	17,528,201	15,334,408	14,680,396	4,482,491	762,597	-	
Other assets		36,903,407	-	-	-	-	-	-	-	-	-	36,903,407	
		2,448,219,784	444,941,602	523,547,431	325,949,822	164,258,743	224,285,256	191,857,095	163,472,013	119,594,505	798,073	289,515,244	
Financial liabilities													
Bills payable		31,195,900	-	-	-	-	-	-	-	-	-	31,195,900	
Borrowings from financial institutions	5.31%	332,822,846	279,447,797	23,086,988	26,698,480	1,474,322	372,447	416,524	686,052	640,236	-	-	
Deposits and other accounts	2.47%	1,885,959,026	984,126,396	69,187,948	45,483,529	58,023,395	7,315,519	8,427,322	9,178,014	6,349,980	285,866	697,581,057	
Subordinated loan	6.78%	9,998,000	-	9,998,000	-	-	-	-	-	-	-	-	
Other liabilities		41,551,704	-	-	-	-	-	-	-	-	-	41,551,704	
		2,301,527,476	1,263,574,193	102,272,936	72,182,009	59,497,717	7,687,966	8,843,846	9,864,066	6,990,216	285,866	770,328,661	
On-balance sheet gap		146,692,308	(818,632,591)	421,274,495	253,767,813	104,761,026	216,597,290	183,013,249	153,607,947	112,604,289	512,207	(480,813,417)	
Net non - financial assets		49,576,562											
Total net assets		196,268,870											
Off-balance sheet financial instruments													
Foreign and local currency forward purchases		163,676,454	41,167,607	55,473,090	61,712,195	5,323,562	-	-	-	-	-	-	
Foreign and local currency forward sales		(165,257,735)	(65,348,462)	(49,384,376)	(50,322,335)	(202,562)	-	-	-	-	-	-	
Government Securities transactions forward purchases		18,815,026	18,815,026	-	-	-	-	-	-	-	-	-	
Government Securities transactions forward sales		(9,067,465)	(9,067,465)	-	-	-	-	-	-	-	-	-	
Foreign Currency Options purchases		216,840	56,966	106,582	53,292	-	-	-	-	-	-	-	
Foreign Currency Options sales		(216,840)	(56,966)	(106,582)	(53,292)	-	-	-	-	-	-	-	
Cross Currency Swaps- long position		1,084,128	-	-	-	252,175	312,453	519,500	-	-	-	-	
Cross Currency Swaps- short position		(1,096,192)	-	-	-	(261,496)	(311,704)	(522,992)	-	-	-	-	
Interest rate swaps - long position		34,866	-	-	34,866	-	-	-	-	-	-	-	
Interest rate swaps - short position		(5,218,200)	-	-	(34,866)	-	-	(4,683,334)	(500,000)	-	-	-	
Off-balance sheet gap		2,970,882	(14,433,294)	6,088,714	11,389,860	5,111,679	749	(4,686,826)	(500,000)	-	-	-	
Total yield / interest rate risk sensitivity gap													
		(833,065,885)	427,363,209	265,157,673	109,872,705	216,598,039	178,326,423	153,107,947	112,604,289	512,207	(480,813,417)		
Cumulative yield / interest rate risk sensitivity gap													
		(833,065,885)	(405,702,676)	(140,545,003)	(30,672,298)	185,925,741	364,252,164	517,360,111	629,964,400	630,476,607	149,663,190		

	Effective yield / interest rate	2015											Not exposed to yield / interest risk
		Exposed to yield / interest risk											
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years		
												(Rupees in '000)	
On-balance sheet assets													
Financial assets													
Cash and balances with Treasury banks	1.17%	167,250,988	40,973,794	3,014,348	1,034,770	777,820	-	-	-	-	-	121,450,256	
Balances with other banks		40,469,761	16,314,155	8,205,432	152,900	72,710	-	-	-	-	-	15,724,564	
Lendings to financial institutions	7.43%	18,381,633	15,631,633	1,250,000	-	1,500,000	-	-	-	-	-	-	
Investments	7.92%	1,270,823,786	149,713,771	128,685,953	260,571,877	368,887,992	34,670,674	135,205,979	107,866,421	50,725,917	487,692	34,007,510	
Advances	8.19%	637,383,859	85,288,242	258,567,370	200,838,880	44,158,170	15,439,464	13,661,861	12,397,097	6,277,331	755,444	-	
Other assets		35,992,540	-	-	-	-	-	-	-	-	-	35,992,540	
		2,170,302,567	307,921,595	399,723,103	462,598,427	415,396,692	50,110,138	148,867,840	120,263,518	57,003,248	1,243,136	207,174,870	
Financial liabilities													
Bills payable		28,081,548	-	-	-	-	-	-	-	-	-	28,081,548	
Borrowings from financial institutions	6.31%	314,319,099	266,588,781	11,910,597	28,693,267	2,722,611	237,241	327,417	1,886,054	1,953,131	-	-	
Deposits and other accounts	3.14%	1,634,944,470	846,009,140	64,512,164	45,460,113	55,554,579	10,074,014	5,098,364	4,498,628	4,200,875	23,115	599,513,478	
Subordinated loan	7.02%	10,000,000	-	10,000,000	-	-	-	-	-	-	-	-	
Other liabilities		40,647,914	-	-	-	-	-	-	-	-	-	40,647,914	
		2,027,993,031	1,112,597,921	86,422,761	74,153,380	58,277,190	10,311,255	5,425,781	6,384,682	6,154,006	23,115	668,242,940	
On-balance sheet gap		142,309,536	(804,676,326)	313,300,342	388,445,047	357,119,502	39,798,883	143,442,059	113,878,836	50,849,242	1,220,021	(461,068,070)	
Net non - financial assets		40,310,515	-	-	-	-	-	-	-	-	-	-	
Total net assets		182,620,051	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet financial instruments													
Foreign and local currency forward purchases		155,889,749	90,518,197	41,013,000	20,619,322	3,679,763	59,467	-	-	-	-	-	
Foreign and local currency forward sales		(156,605,356)	(86,385,324)	(56,320,669)	(10,611,568)	(3,287,795)	-	-	-	-	-	-	
Government Securities transactions forward purchases		19,181,362	19,181,362	-	-	-	-	-	-	-	-	-	
Government Securities transactions forward sales		(1,858,663)	(1,858,663)	-	-	-	-	-	-	-	-	-	
Forward currency options - long position		-	-	-	-	-	-	-	-	-	-	-	
Forward currency options - short position		-	-	-	-	-	-	-	-	-	-	-	
Cross Currency Swaps- long position		1,918,607	-	604,681	-	542,250	252,174	-	519,502	-	-	-	
Cross Currency Swaps- short position		(1,909,263)	-	(600,000)	-	(523,704)	(261,853)	-	(523,706)	-	-	-	
Interest rate swaps - long position		104,741	-	-	-	-	104,741	-	-	-	-	-	
Interest rate swaps - short position		(5,604,741)	-	-	-	-	(104,741)	-	(5,500,000)	-	-	-	
Off-balance sheet gap		11,116,436	21,455,572	(15,302,988)	10,007,754	410,514	49,788	-	(5,504,204)	-	-	-	
Total yield / Interest rate risk sensitivity gap		(783,220,754)	297,997,354	398,452,801	357,530,016	39,848,671	143,442,059	108,374,632	50,849,242	1,220,021	(461,068,070)		
Cumulative yield / Interest rate risk sensitivity gap		(783,220,754)	(485,223,400)	(86,770,599)	270,759,417	310,608,088	454,050,147	562,424,779	613,274,021	614,494,042	153,425,972		

## 41.6 Operational Risk Management (ORM)

In line with the approved Operational Risk Management Policy, the Bank has established an Operational Risk Management Department (ORMD). Operational Risk Management Policy and a detailed ORM framework has been prepared and implemented. Statistical Analysis Software – SAS for operational risk management has been deployed that facilitates loss data management, risk and control assessment, and tracking of key risk indicators (KRIs). Operational Risk Coordinators (ORCs) have been assigned from all the relevant departments of the bank, being responsible for implementation of the ORM Framework in coordination with ORMD. The Bank has been granted permission 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 3 years . 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.

## 42. ISLAMIC BANKING BUSINESS

### 42.1 STATEMENT OF FINANCIAL POSITION

	Note	2016 (Rupees in '000)	2015
<b>ASSETS</b>			
Cash and balances with treasury banks		6,183,359	5,320,895
Due from financial institutions		7,458,102	36,799,034
Investments		96,574,596	66,410,646
Islamic financing and related assets	42.1.1	31,972,463	19,778,998
Due from Head Office		-	6,916,001
Other assets		499,088	1,099,553
		<b>142,687,608</b>	<b>136,325,127</b>
<b>LIABILITIES</b>			
Bills payable		4,575	3,657
Due to financial institutions		5,754,000	102,500
Deposits and other accounts	42.1.4	124,292,123	130,640,043
Due to Head Office		3,815,481	-
Deferred tax liability		546,132	107,014
Other liabilities		969,169	1,168,029
		<b>135,381,480</b>	<b>132,021,243</b>
<b>NET ASSETS</b>		<b>7,306,128</b>	<b>4,303,884</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		250,000	250,000
Unappropriated profit		6,041,883	3,855,143
		<b>6,291,883</b>	<b>4,105,143</b>
Surplus on revaluation of investments - net of deferred tax		1,014,245	198,741
		<b>7,306,128</b>	<b>4,303,884</b>

Commitments in respect of financial guarantees and letters of credit of the Islamic Banking Business amounted to Rs. 281.916 million (2015: Rs. 78.476 million) and Rs. 382.059 million (2015: Rs. 172.040 million) respectively. Commitments in respect of forward purchase and sale transactions amounted to Rs. 3,227.835 million and Rs. 860.338 million respectively.

	Note	2016 (Rupees in '000)	2015
<b>42.1.1 Islamic financing and related assets - net</b>			
Ijarah	42.1.2	852,607	704,744
Murabaha	42.1.3	187,072	344,967
Diminishing Musharaka		21,211,872	14,831,762
Istisnah Financing		439,155	6,180
Advance for Murabaha		3,714,525	250,954
Advance for Ijarah		172,049	28,801
Advance for Diminishing Musharaka		98,006	1,577,770
Advance for Istisnah		3,949,781	305,612
Assets/Inventories		1,452,153	1,838,097
Provision against financings		(104,757)	(109,889)
		<b>31,972,463</b>	<b>19,778,998</b>

#### 42.1.2 Ijarah

	2016				2015			
	Not later than one year	Later than one and upto five years	More than five years	Total	Not later than one year	Later than one and upto five years	More than five years	Total
	(Rupees in '000)							
Ijarah rentals receivable	130,733	670,696	23,103	824,532	156,447	512,664	-	669,111
Residual value	30,149	154,674	5,328	190,151	32,117	105,244	-	137,361
Minimum Ijarah payments	160,882	825,370	28,431	1,014,683	188,564	617,908	-	806,472
Less: Profit for future periods	(51,181)	(102,601)	(8,294)	(162,076)	(45,886)	(55,842)	-	(101,728)
Present value of minimum Ijarah payments	109,701	722,769	20,137	852,607	142,678	562,066	-	704,744

This represents fixed assets given to customers under an Ijarah agreement.

#### 42.1.3 This represents assets sold under Murabaha agreement.

#### 42.1.4 Deposits and other accounts

	2016	2015
	(Rupees in '000)	
Current accounts	34,805,992	26,241,008
Savings accounts	67,581,654	59,594,852
Term deposits	16,307,798	29,357,389
Deposits from financial institutions - remunerative	5,530,268	15,156,844
Deposits from financial institutions - non - remunerative	66,411	289,950
	<u>124,292,123</u>	<u>130,640,043</u>

##### 42.1.4.1 Particulars of deposits

In local currency	120,680,480	124,848,054
In foreign currency	<u>3,611,643</u>	<u>5,791,989</u>
	<u>124,292,123</u>	<u>130,640,043</u>

#### 42.2 PROFIT AND LOSS ACCOUNT

Profit earned	8,135,293	8,795,407
Profit expensed	<u>4,181,616</u>	<u>5,631,742</u>
Net profit earned	<u>3,953,677</u>	<u>3,163,665</u>
Depreciation on assets given on Ijarah	176,199	257,821
Reversal against non-performing accounts	<u>(3,577)</u>	<u>-</u>
	<u>172,622</u>	<u>257,821</u>
Net profit after depreciation and provisions	<u>3,781,055</u>	<u>2,905,844</u>

##### Other income

Fee, commission and brokerage income	126,356	88,177
(Loss) / income from dealing in foreign currencies	<u>(59,997)</u>	<u>8,254</u>
Dividend income	-	283,513
Gain on sale of securities	159,395	482,373
Rent on Lockers	5,030	4,507
Others	692	676
Total other income	<u>231,476</u>	<u>867,500</u>
	<u>4,012,531</u>	<u>3,773,344</u>
Administrative expenses	<u>648,316</u>	<u>620,022</u>
Net Profit for the year	<u>3,364,215</u>	<u>3,153,322</u>



	2016 (Rupees in '000)	2015
<b>42.3 Charity Fund</b>		
Opening balance	14,650	1,032
Additions during the year		
-Income purification	102	14,516
-Penalty on delayed payment	424	137
Payments / Utilization during the year		
-Health sector	(14,650)	(1,035)
Closing balance	526	14,650
<b>42.4 Remuneration to Shariah Advisor / Board</b>	5,700	3,525
<b>42.5</b>	The Mudarib's share in profit is 30% (2015: 30%) and amounts to Rs. 1,783.99 million (2015: Rs. 2,164.67 million) after netting of Hiba to depositors from Mudarib's share amounting to Rs. Nil (2015: Rs. Nil).	
<b>42.6</b>	The following pools are maintained by the Islamic Banking Business	
	<b>General Pool PKR (Mudaraba)</b>	
	The deposits parked in the general pool are not based on special weightages. The risk of loss is minimal as the assets parked in the general pool carry a lower risk.	
	<b>Special Pool(s) PKR (Mudaraba)</b>	
	Separate pool(s) are created where the customers desire to invest in a special class of assets. These pool rates are higher / lower than the general pool depending on the special class of assets. In case of a loss in a special pool the loss will be borne by the members in that pool.	
	<b>Treasury Pool(s) (Mudaraba / Wakala / Musharaka)</b>	
	Treasury pool(s) are created where FIs desire to invest in a special class of assets. These pool rates are higher / lower than the general pool depending on the special class of assets. In case of a loss in the treasury pool the loss will be borne by the respective FIs.	
	<b>General Pool FCY (Mudaraba)</b>	
	All FCY deposits and Investments are parked in this pool and the return is shared among the FCY deposit holders. The weightages are also declared separately.	
	<b>Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)</b>	
	IERS pool is required by the SBP to facilitate exporters under the Islamic Export Refinance Scheme.	
<b>42.7</b>	The following parameters are used for profit distribution in the pool	
	<ul style="list-style-type: none"> <li>- Administrative and operating expenses are paid by the Mudarib and not charged to the pool except for salaries and allowances of branch staff.</li> <li>- The Bank first charges the proportionate profit to average equity allocated to the pools and then charges the Mudarib fee before distribution of profit among depositors.</li> <li>- The Bank gives priority to depositors' funds for placement in investing activities.</li> <li>- Provisions for non-performing accounts and provisions for impairment (if any) are borne by the Mudarib. However, write off of non-performing accounts is charged to the respective pool.</li> <li>- Income generated from non-financing activities are not considered as income of the pool.</li> <li>- A 2% Profit Equalization Reserve is charged for the year.</li> </ul>	

42.8 Average profit rates earned on the earning assets of Islamic Banking Business during the year is 6.06% (2015: 8.14%) as compared to a profit rate of 3.21% (2015: 4.91%) distributed to the depositors.

42.9 Deployment of Mudaraba based average deposits by economic sector

	2016	2015
	(Rupees in '000)	
Chemical and pharmaceuticals	2,197,775	41,635
Textile	3,387,106	3,752,622
Cement	505,050	660,450
Sugar	-	1,126
Financial	7,953,268	13,308,534
Power and energy	22,083,503	12,187,526
Education and medical	249,415	6,664
Telecommunication	3,000,000	1,034,592
Printing and publishing	131,250	-
Food, tobacco and beverages	4,084,529	3,379,932
Government / Public sector	77,983,700	56,455,211
Individual	137,606	13,916
Ports and shipping	301,064	900,360
Information Technology	1,345	-
Transportation	297,614	270,654
Services	5,743	-
Others	4,500,868	4,536,213
	<u>126,819,836</u>	<u>96,549,435</u>

#### 43. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 14, 2017 has proposed a cash dividend in respect of last quarter of 2016 of Rs.3.50 per share in addition to Rs. 10.50 already paid during the year (2015: Rs.14 per share). These appropriations will be approved in forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2016 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2017.

#### 44. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on February 14, 2017.

#### 45. GENERAL

45.1 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.

45.2 The comparative figures have been re-arranged and reclassified for comparison purposes. There are no material reclassifications to report other than as disclosed in note 8.4, 9.2 and 23.1 to these consolidated financial statements.

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

## Annexure 'I' as referred to in note 8.10 of the Consolidated Financial Statements

### 1) Particulars of Investments held in listed companies.

Investee	Number of shares / units held	Paid up value per share / unit	Total Paid-up value	Cost
		Rupees	Rupees '000	
<b>Investment in ordinary shares</b>				
<b>Held-for-trading</b>				
Bank of Punjab	500,000	10	50,000	8,937
Crescent Steel & Allied Products Limited	110,000	10	11,000	16,676
Glaxo SmithKline Pakistan Limited	45,000	10	4,500	10,940
JS Bank Limited	925,000	10	92,500	9,971
Pakistan Elektron Limited	200,000	10	20,000	13,649
Sui Northern Gas Pipe Line Limited	200,000	10	20,000	15,968
Thal Limited	62,100	5	12,420	28,176
TRG Pakistan Limited	600,000	10	60,000	27,119
				131,436
<b>Available-for-sale securities</b>				
Adamjee Insurance Company Limited	2,100,000	10	210,000	115,733
AgriTech Limited	6,400,678	10	640,068	224,083
Allied Bank Limited	3,926,000	10	392,600	386,602
Attock Petroleum Limited	87,900	10	8,790	45,735
Attock Refinery Limited	508,800	10	50,880	180,142
Bank Al-Habib Limited	600,000	10	60,000	24,660
Cherat Cement Company Limited	732,300	10	73,230	126,194
D G Khan Cement Company Limited	3,711,700	10	371,170	704,500
Dawood Hercules Corporation Limited	1,317,400	10	131,740	195,703
Engro Corporation Limited	2,249,100	10	224,910	732,172
Engro Fertilizers Limited	8,345,500	10	834,550	732,856
Engro Foods Limited	3,434,700	10	343,470	495,186
Fauji Cement Company Limited	3,910,000	10	391,000	155,408
Fauji Fertilizer Bin Qasim Limited	12,849,000	10	1,284,900	695,238
Fauji Fertilizer Company Limited	11,534,400	10	1,153,440	1,465,300
Habib Metropolitan Bank Limited	4,500,000	10	450,000	135,356
Hub Power Company Limited	18,691,200	10	1,869,120	1,465,105
K-Electric Limited	37,381,000	3.5	10,680,286	335,785
Kot Addu Power Company Limited	22,688,500	10	2,268,850	1,465,849
Lalpir Power Limited	16,584,000	10	1,658,400	444,492
Lucky Cement Limited	555,050	10	55,505	413,714
MCB Bank Limited	1,378,900	10	137,890	316,772
National Bank of Pakistan	6,517,000	10	651,700	478,644
National Refinery Limited	365,000	10	36,500	214,376
Nishat (Chunian) Limited	2,531,340	10	253,134	150,175
Nishat Chunian Power Limited	3,450,000	10	345,000	137,353
Nishat Mills Limited	1,750,300	10	175,030	260,409
Oil & Gas Development Company Limited	4,102,800	10	410,280	620,902
Pakgen Power Limited	15,129,500	10	1,512,950	404,457
Pakistan Petroleum Limited	493,600	10	49,360	89,569
Pakistan State Oil Limited	2,910,000	10	291,000	1,213,753
Pakistan Telecommunication Company Limited	63,930,500	10	6,393,050	1,247,599
Pioneer Cement Limited	1,220,000	10	122,000	152,275
Saif Power Limited	27,768,354	10	2,776,835	277,684
United Bank Limited	3,856,000	10	385,600	773,211
Carring value before Provision				16,876,992
<b>Investment in Real Estate Investment Trust</b>				
Dolmen City REIT	36,000,000	10	3,600,000	396,000
				17,272,992
Provision				(459,981)
Book Value				16,813,011
<b>Investments in preference shares</b>				
Masood Textile Mills Limited	10,000,000	10	1,000,000	100,000
<b>Investments in units</b>				
National Investment Trust Limited	673,546	10	67,355	11,113

## Annexure 'I' as referred to in note 8.10 of the Consolidated Financial Statements

### 2) Particulars of Investments held in unlisted companies

Investee	Percentage holding (%)	Number of shares held	Paid-up value per share	Total Paid-up value	Cost	Break-up Value	Based on accounts as at	Name of Chief Executive Officer
			Rupees	Rupees'000				
<b>Shareholding more than 10%</b>								
Central Depository company of Pakistan	17.46%	11,345,990	10	1,134,599	256,346	512,857	September 30, 2016	Aftab Ahmed Dewan
<b>Share holding upto 10%</b>								
Engro Powergen Thar (Private) Limited	6.94%	107,591,168	10	10,759,117	1,075,509	1,852,209	September 30, 2016	Shamsuddin A Shaikh
First Women Bank Limited*	7.98%	23,095,324	10	2,309,532	63,300	275,794	September 30, 2016	Ms. Tahira Raza
National Institutional Facilitation Technologies(Private) Limited	9.07%	2,266,609	10	226,661	1,526	74,932	June 30, 2016	Haider Wahab
National Investment Trust Limited	8.33%	79,200	100	792	100	902,292	December 31, 2015	Shahid Ghaffar
Pak agriculture storage Limited *	-	5,500	10	550	5,500	-----	Not available-----	-----
Sindh Engro Coal Mining company Limited	9.50%	48,346,369	10	4,834,637	716,493	719,474	September 30, 2016	Shamsuddin A Shaikh
SME Bank Limited	0.83%	1,987,501	10	198,750	13,475	562	September 30, 2016	Ihsan Ul Haq Khan
Speed (Private) Limited	9.95%	73,000	100	730	116,592	95,521	September 30, 2016	Adil Matcheswala
Benefit Company - Bahrain	1.00%	311	0.36	864	2,220	-----	Not available-----	Abdul Wahid Janahi
Credit Information Beuro - Srilanka	0.32%	800	70.00	11	56	-----	Not available-----	N. Vasantha Kumar
Lanka Clear (Private) Limited - Srilanka	0.33%	50,000	7.29	6,862	349	-----	Not available-----	Channa De Silva
					2,251,466			
Provision					(102,784)			
Book value					2,148,682			

\*Fully provided

### 3) Investments in unlisted securities

Investee	No. of Certificates	Paid up value per certificate	Total Paid up value	Outstanding Amount	Rate of Interest	Terms of Redemption	
		Rupees	Rupees '000			Principal	interest / Profit
<b>Available-for-Sale</b>							
<b>Term finance certificates</b>							
Bank Al Falah Limited	40,000	5,000	200,000	132,987	6MK + 2.50%	Semi Annually	Semi Annually
Faysal Bank Limited	50,000	5,000	250,000	124,750	6MK + 2.25%	Semi Annually	Semi Annually
Independent Media Corporation (Private) Limited	40,000	5,000	200,000	70,000	3MK + 3%	Quarterly	Quarterly
Pakistan International Airlines Corporation Limited	594,976	5,000	2,974,880	7,892,662	6MK + 1.25%	Quarterly	Quarterly
Azgard Nine Limited *	9,233	5,000	46,165	46,165	N/A	7 stepped up Semi Annual	Semi Annually
Worldcall Telecom Limited *	96,000	5,000	480,000	193,083	N/A	3 equal semi annual installments	Semi Annually
				8,459,647			
<b>Sukuks</b>							
Quetta Textile Mills Limited *	20,000	5,000	100,000	44,137	N/A	12 stepped up Semi Annual	Semi Annually
Arzoo Textile Mills Limited *	4,000	5,000	20,000	20,000	N/A	Semi Annually	Quarterly
Pakistan International Airlines Corporation Limited	85,000	5,000	425,000	425,000	6MK +1.75%	At maturity	Semi Annually
				489,137			
Provision				(303,387)			
Book Value				8,645,397			
<b>Bonds</b>							
Capitamalls Asia Treasury Limited	-	-	-	36,675	4.00%	At maturity	Semi Annually
City Developments Limited	-	-	-	182,798	3.00%	At maturity	Semi Annually
Housing & Development Board	-	-	-	290,170	2.00%	At maturity	Semi Annually
Mohamed Mustafa & Samsuddin Company Pte Limited	-	-	-	253,649	5.00%	At maturity	Semi Annually
Neptune Orient Lines Limited	-	-	-	181,302	6.00%	At maturity	Semi Annually
				944,594			
<b>Held-to-maturity</b>							
<b>Sukuks</b>							
K-Electric Limited	100,000	5,000	500,000	500,000	3MK + 2.25%	At maturity	Quarterly
K-Electric Limited	100,000	5,000	500,000	500,000	3MK + 2.75%	At maturity	Quarterly
Liberty Power Tech Limited	13,551,325	100	1,355,132	1,355,132	3MK + 3.00%	Quarterly	Quarterly
Neelam Jhelum Hydro Power Company Limited	16,500	100,000	1,650,000	1,650,000	6MK + 1.13%	Semi Annually	Semi Annually
Neelam Jhelum Hydro Power Company Limited	19,250	100,000	1,925,000	1,925,000	6MK + 1.13%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	81,981	5,000	409,905	409,907	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	88,092	5,000	440,460	440,461	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	62,553	5,000	312,765	312,766	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	40,973	5,000	204,865	204,866	6MK + 1.10%	Semi Annually	Semi Annually
Sui Southern Gas Company Limited	200,000	5,000	1,000,000	500,000	3MK + 0.7%	Quarterly	Quarterly
Water & Power Development Authority	398,400	5,000	1,992,000	1,427,805	6MK + 1.75%	14 equal semi annual installments	Semi annual
				9,225,937			

## Annexure 'I' as referred to in note 8.10 of the Consolidated Financial Statements

### 3) Investments in unlisted securities

Investee	Outstanding Amount	Rate of Interest	Terms of Redemption	
			Principal	interest / Profit
	Rupees '000			
<u>Bonds and Term deposits receipts</u>				
Khushhali Bank Limited	135,007	10.00%	At maturity	At maturity
Khushhali Bank Limited	365,578	9.00%	At maturity	At maturity
NIB Bank Limited	202,398	6.50%	At maturity	At maturity
Peoples Leasing Company Limited	549,929	13.00%	At maturity	At Maturity
Richard Peiris Company Plc	30,385	11.00%	At maturity	Semi Annually
Seylan Bank Plc	174,625	8.00%	At maturity	Semi Annually
Soneri Bank Limited	107,169	7.15%	At maturity	At maturity
Soneri Bank Limited	106,656	7.00%	At maturity	At maturity
Soneri Bank Limited	600,212	6.45%	At maturity	At maturity
State Trading Organization Plc	522,992	5.25%	Quarterly	Quarterly
Tameer MicroFinance Bank Limited	428,491	12.00%	At maturity	At maturity
	<u>3,223,442</u>			

### 4) Investments in Listed securities

Held-to-maturity	No. of Certificates	Paid up value per certificate	Total Paid up value	Outstanding Amount	Rate of Interest	Terms of Redemption	
						Principal	Interest / Profit
		Rupees	Rupees '000				
<b>Sukuks</b>							
Fatima Fertilizer Company Limited	203,025	5,000	1,015,125	1,015,125	6MK + 1.10%	Semi Annually	Semi Annually
K-Electric Limited	1,263,372	5,000	6,316,860	6,316,860	3MK + 1.00%	Quarterly	Quarterly
				<u>7,331,985</u>			

	Outstanding Amount	Rate of Interest	Terms of Redemption	
			Principal	interest / Profit
	Rupees '000			
<u>Bonds</u>				
ADCB Finance Cayman Limited	314,059	2.91%	At maturity	Semi Annually
Agricultural Bank China	125,271	2.33%	At maturity	Semi Annually
Agricultural Bank China	313,272	2.30%	At maturity	Semi Annually
AKCB Finance Limited	315,012	2.86%	At maturity	Semi Annually
Asian Development Bank	522,024	0.25%	At maturity	Quarterly
Bank of Ceylon	316,237	4.02%	At maturity	Semi Annually
Barclays Plc	522,037	3.25%	At maturity	Semi Annually
Bank of Ceylon	531,790	6.88%	At maturity	Semi Annually
European Investment Bank	521,422	1.83%	At maturity	Semi Annually
First Gulf Bank	316,986	2.62%	At maturity	Semi Annually
Horsepower Finance Limited	521,877	2.28%	At maturity	Semi Annually
IDB Trust Services Limited	470,384	1.10%	At maturity	Semi Annually
New Areva Holding	221,195	4.38%	At maturity	Annually
Perusahaan Penerbit SBSN	549,343	3.52%	At maturity	Semi Annually
Union Bank of India	533,629	2.42%	At maturity	Semi Annually
	<u>6,094,538</u>			

#### Available-for-sale

Bonds	Outstanding Amount	Rate of Interest	Terms of Redemption	
			Principal	Interest / Profit
Abu Dhabi Commercial Bank	1,058,768	3.27%	At maturity	Semi Annually
Abu Dhabi National Energy Company	106,898	3.05%	At maturity	Semi Annually
Agricultural Bank China	313,496	2.07%	At maturity	Semi Annually
Al Hilal Bank PJSC	534,235	3.27%	At maturity	Semi Annually
Bank of America Corporation	839,367	1.95%	At maturity	Annually
Bank of America Corporation	528,634	2.30%	At maturity	Quarterly
Bank of America Corporation	286,949	5.50%	At maturity	Semi Annually
Bank of Baroda	141,451	4.88%	At maturity	Semi Annually
Bank of Baroda	328,931	2.80%	At maturity	Semi Annually
Bank of Ceylon	353,830	4.62%	At maturity	Semi Annually
Bank of China	553,577	0.88%	At maturity	Quarterly
Bank of Tokyo-Mitsubishi UFJ Limited	524,244	1.65%	At maturity	Semi Annually
Barclays Plc	534,930	2.36%	At maturity	Quarterly
BPCE SA	642,802	1.08%	At maturity	Quarterly
Caisse D'Amortissement de la Dette Sociale	677,352	1.14%	At maturity	Annually
Citigroup Inc	212,321	2.07%	At maturity	Quarterly
Citigroup Inc	713,656	1.94%	At maturity	Annually
Citigroup Inc.	276,247	5.13%	At maturity	Semi Annually
Close Brothers Group Plc	712,567	1.37%	At maturity	Semi Annually
Commercial Bank of Dubai	1,061,607	3.38%	At maturity	Annually
Commerzbank AG	1,285,724	1.04%	At maturity	At maturity
Commonwealth Bank	522,181	1.58%	At maturity	Quarterly
Credit Suisse Group Funding (Guernsey) Limited	2,450,572	2.75%	At maturity	Semi Annually
<b>Balance carried forward</b>	<u>14,660,339</u>			

#### 4) Investments in Listed securities

##### Available-for-sale

##### Balance brought forward

	Outstanding	Rate of Interest	Terms of Redemption	
			Principal	interest / Profit
	Rupees '000			
Daily Mail & General Trust	14,660,339			
Deutsche Bank	681,017	2.52%	At maturity	Annually
DIB Sukuk Limited	1,285,724	0.70%	At maturity	At maturity
DIB Sukuk Limited	422,065	4.75%	At maturity	Semi Annually
DIB Sukuk Limited	528,949	4.75%	At maturity	Quarterly
Dubai Electricity & Water Authority	533,811	3.03%	At maturity	Semi Annually
Emirates NBD PJSC	609,937	7.38%	At maturity	Semi Annually
Emirates NBD PJSC	213,274	3.25%	At maturity	Semi Annually
Emirates NBD PJSC	315,853	2.43%	At maturity	Quarterly
Emirates NBD PJSC	1,423,845	1.88%	At maturity	Semi Annually
Emirates NBD PJSC	1,481,788	2.82%	At maturity	Semi Annually
Emirates Telecommunications Group Company	529,406	2.38%	At maturity	Quarterly
Export Development Canada	522,037	1.16%	At maturity	Quarterly
First Gulf Bank	1,423,845	1.83%	At maturity	Annually
Firstgroup Plc	549,686	2.59%	At maturity	Annually
FirstRand Bank Limited	168,370	4.25%	At maturity	Semi Annually
FirstRand Bank Limited	530,333	3.73%	At maturity	Semi Annually
GKN Holdings Plc	295,372	1.33%	At maturity	Annually
Goldman Sachs Group Inc	525,248	1.92%	At maturity	Quarterly
Goldman Sachs Group Inc	431,037	2.70%	At maturity	Quarterly
Goldman Sachs Group Inc	978,645	1.24%	At maturity	Annually
Goldman Sachs Group Inc	265,767	6.13%	At maturity	Semi Annually
HSBC Holdings Plc	536,497	2.69%	At maturity	Semi Annually
ICICI Bank Limited	346,111	2.85%	At maturity	Semi Annually
IDB Trust Services Limited	209,462	1.36%	At maturity	Semi Annually
Industrial and Commercial Bank of China	157,519	2.91%	At maturity	Semi Annually
International Petroleum Investment Company	349,919	5.00%	At maturity	Semi Annually
ITV Plc	385,808	1.70%	At maturity	Annually
Jaguar Land Rover Automotive Plc	534,542	3.37%	At maturity	Semi Annually
JPMorgan Chase & Company	531,282	2.05%	At maturity	Quarterly
Lloyds Bank	642,862	0.75%	At maturity	At maturity
Macquarie Group Limited	214,121	3.00%	At maturity	Semi Annually
Majid Al Futtaim Global Securities Limited	561,444	5.25%	At maturity	Semi Annually
Mitsubishi Corporation	1,046,944	1.88%	At maturity	Semi Annually
Mitsubishi UFJ Financial Group	104,162	1.89%	At maturity	Quarterly
Morgan Stanley	315,990	2.28%	At maturity	Quarterly
Morgan Stanley	211,897	2.03%	At maturity	Quarterly
Nedbank Limited	1,285,724	1.09%	At maturity	At maturity
Oesterreichische Kontrollbank AG	625,998	1.23%	At maturity	Annually
Ooredoo International Finance Limited	594,523	7.88%	At maturity	Semi Annually
Prudential Plc	192,496	1.85%	At maturity	Annually
Qatar Islamic Bank Limited	1,044,073	2.75%	At maturity	Semi Annually
Qatar Islamic Bank Limited	524,514	2.69%	At maturity	Semi Annually
Qatar National Bank	315,932	2.31%	At maturity	Quarterly
Qatar National Bank	524,174	2.13%	At maturity	Semi Annually
Qatar National Bank	522,037	2.04%	At maturity	Quarterly
SABIC Capital II BV	211,945	2.63%	At maturity	Semi Annually
Saudi Electricity Global Sukuk Company	733,739	2.67%	At maturity	Semi Annually
SoQ Sukuk AQSC	524,307	2.10%	At maturity	Semi Annually
Standard Chartered Bank	1,028,579	1.04%	At maturity	At maturity
Swedbank Limited	321,891	1.55%	At maturity	Annually
Tesco Plc	702,423	2.20%	At maturity	Annually
Türkiye Vakıflar Bankası TAO	158,972	5.00%	At maturity	Semi Annually
Vodafone Group Plc	398,434	1.70%	At maturity	Annually
	<u>44,234,671</u>			

## Annexure 'I' as referred to in note 8.10 of the Consolidated Financial Statements

### 5) Quality of Investments classified as available for sale (AFS)

Investee	Market Value Rupees '000	Credit Rating
<b>Ordinary shares</b>		
Adamjee Insurance Company Limited	155,694	Unrated
Agri-tech Limited	81,161	Unrated
Allied Bank Limited	468,018	A1+
Attock Petroleum Limited	60,178	Unrated
Attock Refinery Limited	216,393	A1+
Bank Al-Habib Limited	35,394	A1+
Cherat Cement Company Limited	127,449	A1
D.G Khan Cement Company Limited	822,995	Unrated
Dawood Hercules Corporation Limited	190,140	A1+
Engro Corporation Limited	710,918	A1+
Engro Fertilizers Limited	567,327	A1+
Engro Foods Limited	659,256	Unrated
Fauji Cement Co Limited	176,263	Unrated
Fauji Fertilizer Bin Qasim Limited	657,997	Unrated
Fauji Fertilizer Company Limited	1,203,845	A1+
Habib Metropolitan Bank Limited	166,500	A1+
Hub Power Company Limited	2,307,989	A1+
K-Electric Limited	350,260	A1+
Kot Addu Power Company	1,787,854	A-1+
LALPIR Power Limited	401,333	A1+
Lucky Cement Limited	480,818	Unrated
MCB Bank Limited	327,920	A1+
National Bank of Pakistan	488,058	A1+
National Refinery Limited	208,459	A1+
Nishat (Chunia) Limited	158,032	Unrated
Nishat Chunian Power Limited	191,406	Unrated
Nishat Mills Limited	266,518	A1+
Oil & Gas Development Company Limited	678,398	A1+
Pakgen Power Limited	405,017	A1+
Pakistan Petroleum Limited	92,886	Unrated
Pakistan State Oil Limited	1,263,551	A1+
Pakistan Telecommunication Company Limited	1,098,326	Unrated
Pioneer Cement Limited	173,350	A1
Saif Power Limited	987,443	A1
United Bank Limited	921,198	A-1+
	<u>18,888,344</u>	
<b>Investment in Real Estate Investment Trust</b>		
Dolmen City REIT	391,320	Unrated
	<u>19,279,664</u>	

Investee	Cost Rupees '000	Credit Rating
<b>Preference Shares</b>		
Masood Textile Mills Limited	100,000	Unrated
<b>Unlisted Shares</b>		
<b>Shareholding more than 10%</b>		
Central Depository company of Pakistan	256,346	Not Available
<b>Shareholding upto 10%</b>		
Engro Powergen Thar (Private) Limited	1,075,509	A1
First Women Bank Limited	63,300	A2
National Institutional Facilitation Technologies(Private) Limited	1,526	Not Available
National Investment Trust Limited	100	Not Available
Pak agriculture storage Limited	5,500	Not Available



## Investee

Sindh Engro Coal Mining company Limited  
SME Bank Limited  
Speed (Private) Limited  
Credit Information Bureau - Srilanka  
Lanka Clear (Private) Limited - Srilanka  
Benefit Company - Bahrain

Cost	Credit Rating
<b>Rupees '000</b>	
716,493	Not Available
13,475	B
116,592	Not Available
56	Not Available
349	Not Available
2,220	Not Available
<u>2,251,466</u>	

## Federal Government Securities

Market Treasury Bills  
Pakistan Investments Bonds

Market Value	Credit Rating
<b>Rupees '000</b>	
442,770,823	Score - 7
<u>396,517,410</u>	Score - 7
<u>839,288,233</u>	

## Government of Pakistan Islamic Ijara Sukuks

Government of Pakistan Ijara Sukuk - XV  
Government of Pakistan Ijara Sukuk - XVI  
Government of Pakistan Ijara Sukuk - XVII  
Government of Pakistan Ijara Sukuk - XVIII

2,011,906	Score - 7
26,634,400	Score - 7
40,783,750	Score - 7
10,172,633	Score - 7
<u>79,602,689</u>	

## Government of Pakistan Euro Bonds

<u>23,286,493</u>	Score - 7
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## Bonds

Abu Dhabi Commercial Bank  
Abu Dhabi National Energy company  
Agricultural Bank China  
Al Hilal Bank  
Bank of America Corporation  
Bank of America Corporation  
Bank of America Corporation  
Bank of Baroda  
Bank of Baroda  
Bank of Ceylon  
Bank of China  
Bank of Tokyo-Mitsubishi UFJ Limited  
Barclays Plc  
BPCE SA  
Caisse D'Amortissement de la Dette Sociale  
Citigroup Inc  
Citigroup Inc  
Citigroup Inc.  
Close Brothers Group Plc  
Commercial Bank of Dubai  
Commerzbank AG  
Commonwealth Bank  
Credit Suisse Group Funding (Guernsey ) Limited  
Daily Mail & General Trust  
Deutsche Bank  
DIB Sukuk Limited  
DIB Sukuk Limited  
DIB Sukuk Limited  
Dubai Electricity & Water Authority  
Emirates NBD PJSC  
Emirates NBD PJSC  
Emirates NBD PJSC  
Emirates Telecommunications Group Company  
Export Developmnt Canada  
First Gulf Bank  
Firstgroup Plc  
FirstRand Bank Limited  
Firstrand Bank Limited

1,050,428	A-1
105,414	A3
312,804	A1
533,699	A1
537,270	Baa1
855,419	Baa1
294,419	Baa1
141,730	Baa3
329,173	Baa3
354,398	B1
553,908	A1
521,842	A1
535,004	Baa2
643,897	A2
680,360	Aa2
211,624	Baa1
729,092	Baa1
280,572	Baa1
703,339	A3
1,056,939	Baa1
1,285,724	A2
528,567	Aa2
2,445,235	Baa2
694,098	BBB-
1,285,724	A3
530,666	Baa1
424,628	Baa1
527,282	Baa1
605,347	Baa1
525,398	A3
1,423,845	A3
1,484,489	A3
520,337	AA3
525,855	AAA
1,423,845	A2
562,869	BBB-
169,640	Baa2
530,523	Baa2
<u>25,925,403</u>	

Carrying value carried forward

## Carrying value brought forward

GKN Holdings Plc
Goldman Sachs Group Inc
Goldman Sachs Group Inc
Goldman Sachs Group Inc
HSBC Holdings Plc
ICICI Bank Limited
IDB Trust Services Limited
Industrial and Commercial Bank of China
International Petroleum Investment company
ITV Plc
Jaguar Land Rover Automotive Plc
JPMorgan Chase & company
Lloyds Bank
Macquarie Group Limited
Majid Al Futtaim Global Securities Limited
Mitsubishi Corporation
Mitsubishi UFJ Financial Group
Morgan Stanley
Nedbank Limited
Oesterreichische Kontrollbank AG
Ooredoo International Finance Limited
Prudential Plc
Qatar National Bank
Qatar Islamic Bank Limited
Qatar Islamic Bank Limited
Qatar National Bank
Qatar National Bank
SABIC Capital II BV
Saudi Electricity Global Sukuk Company
SoQ Sukuk AQSC
Standard Chartered Bank
Swedbank Limited
Tesco Plc
Turkiye Vakiflar Bankasi Tao
Vodafone Group Plc

## Market Value Credit Rating

### Rupees '000

25,925,403	
293,816	Baa3
975,764	A3
957,934	A3
267,601	A1
531,191	A1
341,008	Baa3
209,318	AAA
157,303	A1
339,470	AA2
385,717	Baa3
540,308	Ba1
530,471	A3
642,862	A1
212,460	A3
553,154	BBB
1,047,449	A2
104,466	A1
531,894	A3
1,285,724	Baa2
632,964	Aa1
589,109	A2
196,940	A2
522,351	AA3
1,049,625	A-2
524,457	A-2
314,674	Aa3
524,989	Aa3
210,509	A1
734,074	A2
524,614	Aa2
1,028,579	Aa3
328,742	Aa3
712,371	Ba1
158,452	Ba2
402,205	Baa1
44,287,968	

## Overseas Government Securities

Bank of Netherland	316,636	AAA
Government of Indonesia	20,973	Baa3
Government of Kenya	698,269	B1
Government of Oman	522,453	Baa1
Government of Saudi Arabia	1,016,565	A1
Government of Srilanka	1,560,627	B1
Government of Turkey	27,308	Ba1
Monetary Authority of Singapore	1,012,791	AAA
Perusahaan Penerbit SBSN Indonesia	159,983	Baa3
5,335,605		

## Term Finance Certificates

Faysal Bank Limited	125,761	unrated
Bank Al Falah Limited	134,383	AA -
Independent Media Corporation (Private) Limited	70,000	Unrated
Pakistan International Airlines Corporation Limited	7,892,662	Unrated
8,222,806		

## Sukuks

Pakistan International Airlines Corporation Limited	425,000	Unrated
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## NIT Units

58,828	Unrated
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## Details of Advances Written-Off

## ANNEXURE-II

Details of advances written-off for the year ended December 31, 2016 is disclosed Annexure II of Unconsolidated Financial Statements.

## Details of Disposal of Operating Fixed Assets - Consolidated

## ANNEXURE-III

For the year ended December 31, 2016

Description	Original cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Particulars of buyer
(Rupees in '000)						
<b>FURNITURE &amp; FIXTURES</b>						
	1,000	1,000	-	103	Sale	Pakistan International Airlines Corporation Limited
	1,054	527	527	450	Insurance claim	Jubilee General Insurance Company Limited
	1,103	790	313	350	Sale	} Spine Engineering Private Limited
	1,134	1,134	-	200	Sale	
	1,415	1,014	401	397	Sale	Passaggio Food
	1,606	1,566	40	403	Sale	Urm Enterprise
	19,562	19,512	50	74	Sale	Smart System Technology
	23,607	22,036	1,571	95	Sale	Mr. Umer Younis
	1,445	1,445	-	150	Sale	} Rayyanco Business System
	2,494	2,494	-	200	Sale	
	2,638	2,638	-	200	Sale	
	57,058	54,156	2,902	2,622		
<b>MOTOR VEHICLES</b>						
	1,239	1,239	-	990	Auction	} Mr. Muhammad Atif Essani
	1,269	1,269	-	870	Auction	
	1,269	1,269	-	890	Auction	
	1,114	1,114	-	224	Auction	Mr. Mustafa Niaz
	1,269	1,269	-	960	Auction	Mr. Iftikhar Ahmad
	1,269	1,269	-	760	Auction	Mr. Yasir Habib
	1,269	1,269	-	850	Auction	Mr. Rana Abdul Samad
	1,373	1,317	56	477	Auction	Mr. Saif ur Rahman
	1,399	1,399	-	1,140	Auction	Mr. Muhammad Farooq Khalsai
	1,399	1,399	-	1,110	Auction	Mr. Muhammad Fayun
	2,050	2,050	-	1,660	Auction	Mr. Muhammad Afzal
	2,159	2,159	-	934	Auction	Mr. Muhammad Aftab Uddin
	2,494	1,742	752	1,008	Auction	Matrix Car Company
	2,554	2,554	-	1,163	Auction	Mr. Muhammad Ejaz
	2,599	2,599	-	1,720	Auction	Mr. Muzaffar Gul
	3,679	1,012	2,667	2,298	Auction	Mr. Ata ur Rahman
	28,404	24,929	3,475	17,054		
Subtotal	85,462	79,085	6,377	19,676		
Assets individually having cost of less than Rs. 1 million and book value of less than Rs. 250,000						
Others	537,884	530,051	7,833	54,562		
	623,346	609,136	14,210	74,238		

## HBL Domestic Network

As at December 31, 2016

### Name of Region

Bahawalpur  
Faisalabad  
Gujranwala  
Gujrat  
Hyderabad  
Islamabad  
Jhelum  
Karachi  
Lahore  
Mardan  
Mirpur A.K.  
Multan  
Muzaffarabad  
Peshawar - D.I.Khan  
Quetta  
Sahiwal  
Sargodha  
Sialkot  
Sukkur  
Islamic Banking  
Commercial  
Corporate (Including KEPZ)

### Number of Branches

61  
99  
72  
72  
60  
141  
78  
169  
115  
95  
59  
109  
39  
104  
42  
80  
77  
79  
51  
45  
19  
12

**1,678**

### Subsidiaries

Habib Bank Financial Services (Private) Limited  
HBL Currency Exchange (Private) Limited  
HBL Asset Management Limited  
The First MicroFinanceBank Limited (FMFB)

### FMFB Branch Network

Sindh  
Punjab  
Gilgit Baltistan  
Azad Kashmir  
Khyber Pakhtunkhwa

### Number of Branches

33  
44  
16  
1  
6

**100**

### Associates

Jubilee General Insurance Company Limited  
Jubilee Life Insurance Company Limited

The background of the slide is a solid teal color. In the top left corner, there is a soft, white, cloud-like shape. Along the bottom edge, there is a horizontal band of white, textured clouds that appear to be rising or billowing. The text is centered in the middle of the slide.

# Unconsolidated Financial Statements

## Directors' Report 2016

**On behalf of the Board of Directors, I am pleased to present the Unconsolidated Financial Statements for the year ended December 31, 2016.**

### Macroeconomic Review

Pakistan's economic progress continued to gain momentum in 2016, with GDP growth for FY16 reaching 4.7% on the back of a 6.8% expansion in the industrial sector and a 5.7% growth in services. Private sector credit for 1H FY17 has increased by 33% over the same period last year, while Large Scale Manufacturing has increased by 3.2% during 5M FY17. Consumer confidence has continued to improve and economic activity has picked up, driven by the high visibility China Pakistan Economic Corridor (CPEC) project.

Average inflation for 1H FY17 increased to 3.9%, compared to 2.1% in 1HFY16. While headline inflation has remained stable at under 4% in the last few months, inflationary expectations have risen on the back of seasonal adjustments in house rent, as well as a potential rise in oil prices following OPEC's agreement to curtail excess supply. However, with food inflation projected to remain stable, overall inflation for FY17 should remain well within the SBP's forecast of 4.5% – 5.5%.

The government managed to restrict the fiscal deficit to 4.6% of GDP in FY16, a significant improvement compared to the 5.3% deficit in FY15. This was achieved through fiscal consolidation as well as improved tax collection, which met its budgeted level of Rs. 3.1 trillion. Tax collection for 1H FY17 has reportedly fallen 8% short, making the full year tax revenue target of Rs. 3.6 trillion challenging. The FY17 fiscal deficit target of 3.8% thus remains ambitious as it will require reduction of government expenditure.

The current account deficit has continued to increase and was US\$ 3.6 billion for 1H FY17, almost double that in 1H FY16. This is mainly due to a 16% increase in the trade deficit for the period. Exports, which have been on a declining trend, reduced by 2% over last year, while imports rose by 6%, mainly due to CPEC related activity. Workers' remittances, which have consistently supported the external account, fell by 2% over 1H FY16, as oil-price driven economic pressures in the GCC countries continued to impact flows. However, after a period of decline, FDI improved by 10% during 1H FY17, due to acquisition related inflows.

Pakistan achieved a landmark in September with the successful conclusion of the IMF's Extended Fund Facility (EFF), the country's first ever completion of a medium term program. Disbursements through the EFF, a US\$ 1 billion Sukuk issue, and inflows from bilateral and multilateral partners have helped foreign exchange reserves reach all-time highs, closing the year at US\$ 23.2 billion. The improved reserves position has provided an extended period of stability to the Rupee. In November, S&P upgraded Pakistan's country rating from B- to B with a Stable Outlook, providing affirmation of the country's positive economic trends.

The MSCI decision to reclassify Pakistan from its Frontier to its Emerging Markets index from May 2017 lifted investor sentiment, triggering a strong rally on the stock exchange. The divestment of the Pakistan Stock Exchange (PSX) to a consortium led by Chinese investors has brought with it anticipation of consequent improvements in governance and a broader retail investor base. The bull-run has accelerated, with the PSX index increasing by 47% in 2016. While there has been a net outflow of US\$ 254 million in portfolio investment for 1H FY17, the MSCI upgrade is expected to bring significant foreign inflows.

The SBP's Target rate has remained unchanged at 5.75% since a 25 bps cut in May 2016. A cautious approach has been adopted, based on rising inflationary trends and pressure on the external account. Loan/deposit spreads for the banking sector saw further contraction this year, to 5.2%, and margin compression was exacerbated by the large PIB maturity of Rs. 1.5 trillion in 3Q 16. After a period of slow growth, banking sector advances increased by 14.7% during 2016 as market deposits continued their momentum, rising by 15.8% to Rs. 11.2 trillion.

## Financial Performance

HBL has delivered a pre-tax profit of Rs. 52.2 billion for the year 2016. Profit after tax is Rs. 31.8 billion, compared to a post-tax profit of Rs. 35.5 billion declared in 2015, which included exceptional capital gains. Consequently, earnings per share for 2016 are at Rs 21.69 compared to Rs. 24.18 for 2015. Excluding capital gains, pre-tax profit for 2016 is 2% higher than in 2015, while profit after tax is 1% higher.

HBL's balance sheet has increased by 13% over December 2015 to Rs. 2.4 trillion. The Bank added Rs. 235 billion in deposits while maintaining its CASA ratio at over 83%. Current accounts grew by 16% to reach Rs. 650 billion and the ratio of current accounts has now risen from 36.0% in December 2015 to 36.2% in December 2016. After a period of sluggish growth, loans increased by 18% with strong contributions from higher yielding consumer, SME and agriculture lending. The Bank was thus able to contain the decline in its overall margins to just 38 bps despite the compression caused by lower interest rates, competition driven spread pressures and the impact of PIB maturities. Consequently, net interest income for 2016 increased by 3% to Rs. 79.3 billion.

Non mark-up income for 2016 was Rs. 25.5 billion. Fees and commissions increased by 5% over 2015, to Rs. 17.2 billion, further cementing HBL's industry leadership in this area. The growth in fees was again due to new highs being set in Bancassurance sales, investment banking, consumer finance and account and card operations related fees. General banking charges, trade income and home remittances continued to form a significant portion of total fee income.

Growth in administrative expenses was contained at 11% over 2015. The increase was a result of investments in IT, brand building and costs related to strengthening the Bank's compliance systems and programs. The Bank remains focused on running its business in a cost conscious and efficient manner. Non-performing loans reduced by Rs. 0.3 billion over 2015 levels, as a result of focused recovery and restructuring efforts. With the strong growth in the loan book, the asset quality ratio improved to 8.8%, from 10.3% in December 2015. Total provisions decreased by 82% to under the Rs. 1 billion mark for the first time in a decade. Consequently, the coverage has increased to 93% from the already healthy level of 92% in December 2015.

## Movement in Reserves

	2016	2015
	Rupees in Million	
<b>Profit after tax</b>	<b>31,820</b>	35,470
Un-appropriated profit brought forward	89,934	81,708
Profit after tax	31,820	35,470
Other Comprehensive Income - net	(623)	(282)
Transferred from surplus on revaluation of assets - net of tax	34	54
	<b>31,231</b>	35,242
Profit available for appropriation	<b>121,165</b>	116,950



## Appropriations:

Transferred to statutory reserves  
Cash dividend – Final  
1st interim cash dividend  
2nd interim cash dividend  
3rd interim cash dividend  
Total appropriations  
Unappropriated Profit carried forward

Earnings per share (Rupees)

2016 2015  
Rupees in Million

(3,182)	(3,547)
(5,134)	(8,068)
(5,134)	(5,134)
(5,134)	(5,134)
(5,134)	(5,134)
(23,718)	(27,017)
97,447	89,934
21.69	24.18

## Capital Ratios

The unconsolidated Capital Adequacy Ratio (CAR) as at December 2016 was 15.3% with the Tier 1 CAR at 12.1%. Both ratios remain well above regulatory requirements.

HBL's return on assets in 2016 was 1.4%, while the return on equity was at 18.0%.

## Business Developments

HBL continues to maintain its leadership position with a deposit market share of over 14%. This sustained growth is underpinned by a robust KPI mechanism for branch performance monitoring, and by the continual improvement in service levels across the network. This year also saw a record number of new to bank relationships, thus significantly expanding the customer base. HBL is also the first bank to have a fully operational branch in the Gwadar Free Zone.

In 2016, HBL launched HBL Nisa, a first of its kind platform dedicated for women to provide them access to financial services, demonstrating the Bank's commitment to inclusion and diversity. HBL enrolled over 130,000 new women customers through this program and now serves over 2.4 million women customers. HBL Nisa has been globally recognised as a best-in-class initiative at several forums.

A key financial inclusion driver was HBL Asaan, a universal account with no minimum balance requirement and the simplest account opening process. In just over 12 months, the Bank has achieved a market share of over 25% with nearly 300,000 accounts. In 2017, avenues will be explored to extend this product to remote and rural areas through biometric authentication.

HBL continues to be the dominant player in Bancassurance with a market share of almost 50% and widened its menu in 2016 by adding a general insurance product. During the year several initiatives were taken to improve the quality of sales, including comprehensive product training, improving sales compliance and 100% customer call back on policies. Banca-Takaful, the Islamic variant of Bancassurance, was launched to cater to this previously untapped segment.

HBL's Consumer business continues to grow at over 30%, consistently and rapidly increasing its market share across core products. Usage of HBL's flagship credit card increased by 40%, leading to a 25% growth in volumes. Auto loans were the success story of 2016, as the Bank launched a landmark 75th anniversary themed campaign which set new industry benchmarks. The business also introduced its first Islamic product with Ijarah financing for autos. HBL's focus on debit card services helped to increase the delivery success rate to nearly 80% and usage at ATMs and POS terminals is 30% higher. Merchant acquiring, a relatively new business, has seen very high growth with monthly volumes leading the industry.

HBL maintains its leadership in SME financing and in Rural Banking and lending to the agriculture segment. As Pakistan's leading financial institution, these are key focus areas for the Bank as they are critical drivers of economic growth. In 2016, HBL was recognised for its efforts in these areas by being awarded the best bank for SME & Agriculture by the Institute of Bankers Pakistan.

HBL's Islamic Banking business allows faith based customers access to Shariah-compliant financial products through one of the largest distribution networks in the industry. In 2016, Islamic Banking continued to widen its asset base, maintaining its strong position in syndicated transactions, particularly in the energy and infrastructure sectors. A fully functional Shariah Compliance department was established to ensure a higher level of Shariah governance and support functions were segregated to provide dedicated support to the Islamic banking business. HBL has also initiated work on launching a separate Islamic banking subsidiary.

Cash Management continues to perform well and HBL retains market leadership with a 27% market share and over Rs. 1.7 trillion in volume. During the year, 90 new accounts have been solicited, bringing the total number of customers to 734. Cash management was successfully rolled out in Oman and the HBL@Work product for employee banking was launched in Sri Lanka during the year.

HBL's strategic thrust has been on positioning itself as the primary bank for large transactions, especially those related to CPEC. During the year HBL broadened its engagement with Chinese financial institutions in multiple capacities. One was the financial close for mining and power generation companies in Thar, in which there is participation from Chinese investors and where HBL is an equity investor, local lender and also an advisor for offshore debt.

The Investment Banking team had another exceptional year with the financial close of major infrastructure projects and energy related financing, winning 10 globally acclaimed awards. Syndication and project finance for Islamic transactions was also proactively sought and the team managed to close a number of transactions totalling over Rs. 200 billion during the year. In 2016, HBL successfully completed the largest ever local currency syndication transaction for a greenfield power project and was the buy-side advisor to a Turkish company for the acquisition of a white goods company in Pakistan.

HBL's Treasury continued to receive accolades, retaining its rating as the top Primary Dealer in rankings announced by the SBP, and achieving the No. 1 ranking for Overall FX Trading in Pakistan by Euromoney. The Bank's outright foreign exchange volume grew 4.4% while secondary market volume in government securities trading rose by 19.0% over 2015. New products were added to the Islamic product suite over the course of the year.

Various initiatives were rolled out towards achieving the digitization and innovation objectives of the Bank and a robust governance structure was established. The internet banking platform was strengthened, key customer issues were addressed and a bill payments module was developed and deployed. Given the pivotal role that data is expected to play in HBL's digital evolution, work was also initiated towards developing the data strategy of the Bank.

In-house capability for software development has been enhanced and the signature success in 2016 was the launch of HBL Mobile, initially with an Android version, followed by an IOS version in August. This was especially significant as it was Pakistan's first biometric authentication based Banking App. The mobile app will be rolled out to all international locations in 2017.

Despite the slower growth in overall home remittances, HBL has been successful in increasing its market share to 27%. This achievement has been duly recognised by the SBP as a significant contribution to the foreign exchange reserves of the country. The Fast Transfer remittance platform was introduced to facilitate remittances from the UAE to Sri Lanka and Bangladesh. In 2017, new corridors both for sourcing and destination countries will be added for routing remittances and will result in additional business opportunities for branches in these locations.

The international business is receiving greater focus on improved governance, and products and services are being rolled out as appropriate in overseas locations. The IT platform continues to be strengthened and new products have been rolled out with internet banking and ATM services made available across all core markets. During the year, HBL opened its second branch in the Maldives to tap into the expanding tourism market.

For the international business, the most significant development of 2016 was HBL being granted a license to open a branch in Urumqi in Western China. The branch is expected to go-live in the first quarter of 2017. The China Pakistan Economic Corridor provides excellent opportunities for Pakistan as well as HBL to play a significant role in capturing business and investment opportunities.

There has been a concerted focus on improving service quality and efficiency across all aspects of HBL's operations including conducting extensive branch health checks and surprise visits by senior management. ATM deployment was increased in a cost conscious manner by rationalizing low traffic offsite locations. A biometric authentication functionality was implemented at over 600 ATMs providing 'banking at your fingertips'. The Bank has taken steps to improve customer security at ATM vestibules and is also working towards achieving EMV compliance which will benefit customers by serving as an additional safeguard against fraud.

In 2016, various initiatives were taken by the Service Quality team to improve the customer grievance handling mechanism. Complaint registration through SMS was introduced to make it convenient for customers to raise their issues. Additionally, different levels of escalation were defined to improve ownership and turnaround time. The scope of the Complaint Resolution Unit was expanded to include problem prevention as well as resolution. One of the key achievements of this unit was a significant reduction in BISP and Debit Cards delivery complaints during the year. In 2016, 135,021 complaints were received directly by the Bank. On average, 4 days were taken to resolve the complaints.

HBL has consistently focused on brand building and in 2016, in an independently conducted survey, the Bank achieved the highest brand equity score in the financial sector. The quality of the Bank's campaigns was also recognised through numerous awards, such as Brand of the Year, Banking - Pakistan and the Passion for Pakistan Award.

The signature event of the year was HBL's title sponsorship of the Pakistan Super League (PSL), the country's first international sports league. HBL PSL rapidly became a buzzword, capturing the hearts and minds of millions across Pakistan. Through this, the Bank enabled the dreams and aspirations of young players by giving them a platform at par with international events. To further its objective of showcasing women empowerment, HBL's corporate positioning campaign featured another woman dreamer – Pakistan's first female scuba diving instructor. In 2016, HBL celebrated its 75th anniversary and marked this memorable occasion through initiatives for its employees and attractive program offerings for its customers.

## Human Resources

As Pakistan's leading Bank with an extensive international footprint, HBL takes pride in its experienced workforce of over 15,000 which has been instrumental in helping the Bank achieve its leadership position. HBL's commitment to human resource development is reflected in the investments made during the year in the recruitment, development and retention of staff. A new Talent and Diversity function was created to encourage increased participation of women in the workforce, particularly at senior management levels. To build the talent pipeline across the organization, a number of initiatives were implemented to ensure the intake of high calibre individuals – at entry level for fresh graduates, as well as for mid-career and senior hiring. The first phase of an integrated Human Resource Management System was launched for Pakistan based employees and also in the UAE. This will enable HBL to deliver a technology driven service excellence model for people management. This will also lay the foundation for delivering a talent management strategy focused towards identifying, nurturing and developing talent by providing career paths and learning opportunities.

HBL's strong emphasis on training and development was evidenced by a 35% increase in learning man-days. The focus was to leverage the Bank's technology investment by providing e-learning solutions for staff to develop their technical skills and also to offer personal effectiveness programs. The Bank continued to have its in-house training programs accredited by the best international institutes to ensure that employees have access to world-class learning opportunities. HBL will continue to strengthen its workforce and build their capabilities, enabling them to deliver high quality service to customers. The relationship with the unions also remained very cordial and cooperative throughout the year.

## Risk Management Framework

The Board of Directors provides the strategic direction for effective risk management and ensures that a robust risk management framework remains in place. It is supported in this task by the Board Risk Management Committee (BRMC) and at the senior management level, the governance framework includes a number of risk committees.

The risk management framework encompasses multi-tier management supervision, efficient systems and clearly articulated risk appetite, policies and procedures. The Bank continuously evaluates and evolves its risk architecture and governance framework in line with international best practices, new regulatory requirements and changes in its business needs and focus.

During 2016, the Bank realigned its risk organization to cater to the evolving needs of its domestic and international operations. Investment in technology continued to be at the forefront of enhancement in risk management practices at HBL. An integrated credit risk management software was rolled out in Corporate, Commercial and Islamic branches. This software will automate the entire credit process from loan origination to disbursement and subsequent periodic monitoring and management, thereby improving efficiency of the overall credit management process while significantly enhancing reporting capabilities. The Operational Risk Framework was strengthened for international locations and a fraud risk assessment dashboard was rolled out for senior management and the BRMC.

HBL has adopted the Alternate Standardised Approach for operational risk, while credit and market risks are measured using the Standardised Approach. As Pakistan's largest bank, HBL aims to embed Basel related processes and methodologies in its risk practices.

The security of HBL's information and technology infrastructure is vital to maintain the integrity of banking applications and protect customers. The Bank has a 24x7 Information Security Operations Center and has established a formal incident reporting process. Continuous efforts are made to strengthen the ability to prevent, detect and respond to cyber-attacks by improving governance and cyber-security controls as well as by educating staff through formal information security awareness programs.

HBL strives to achieve the highest standards of compliance in its operations. The Bank has invested in systems and controls to comply with anti-money laundering laws and regulations. To strengthen the compliance culture in branches, a quarterly compliance risk assessment tool was launched to quantify the completion of key compliance processes. International compliance outreach was enhanced with the introduction of Key Risk Indicators for all international locations.

## Corporate Social Responsibility (CSR)

HBL, with its vision of enabling people to advance with confidence and success and an aim to enriching lives, has always been a socially responsible organization. As the largest financial institution in the country, HBL's CSR activities are based on efforts to integrate responsible practices, products and services into its core business activities. HBL is committed to responsible Environment, Social and Governance (ESG) practices and this year was recognised as the Best Bank in Pakistan in this area by the Institute of Bankers Pakistan. HBL has also maintained close follow up on ESG activities in Thar where HBL is an active investor and also worked with the Amir Khan Trust to provide clean drinking water through the digging of wells in the Thar area.

HBL is committed to fulfilling its role as a responsible corporate citizen through its support for charitable causes that promote education, health and community welfare. The HBL Foundation was established in 2009 to promote the development and well-being of the underprivileged, and improve their quality of life. The Bank contributes 1% of its profits annually to the HBL Foundation in its endeavour to promote a more egalitarian society. During 2016, the Bank donated Rs. 380 million, both to the HBL Foundation and also directly to deserving causes.

In 2016, the HBL Foundation donated Rs. 144 million to strengthen the endowment funds of 14 Government and NGO-run hospitals across the country. The Foundation also collaborated with the Marie Adelaide Leprosy Center, Karachi to conduct 5 eye surgical camps in Balochistan and provided financial support to the Abdul Sattar Edhi Foundation for the purchase of 20 large ambulances. HBL has taken several steps in making medical services more easily accessible in far flung areas, partnering with the Shahid Afridi Foundation to help establish a maternity hospital for women in remote areas of KPK.

The Bank also strongly believes in promoting education and in 2016, the Foundation has provided financial support of Rs. 104 million to 21 educational institutions throughout Pakistan. This includes HBL Platinum Scholarships which were established as part of HBL's 75th anniversary activities, by contributing Rs. 5 million each towards the endowment funds of 15 higher education institutions across the country. In addition to established colleges and universities, the Foundation had prioritized institutions providing technical training and women's education.

HBL has always been associated with the promotion of sports at the grass roots level. In furtherance of this, HBL partnered with the Azad Foundation to help uplift street children through their engagement with sports by promoting them at a global level.

Donations to the HBL Foundation and others are disclosed in Note 26.3 to the financial statements.

## Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long-term and short-term respectively with the rating of its subordinated debt at AAA. Moody's also reaffirmed HBL's baseline credit assessment at b3 and its local and foreign currency ratings at B3 and Caa1 respectively.

Capital Intelligence, an international ratings agency also maintained HBL's short-term and long-term foreign currency credit rating at B and B- respectively, in line with its assessment of sovereign ratings. HBL's Financial Strength rating was also maintained at BB and both ratings carry a Stable Outlook.

## Awards

During 2016, HBL was conferred with several awards, the most significant of which were:

- Bank of the Year in Pakistan, by The Banker, a publication of the Financial Times, UK
- Best Domestic Bank – Pakistan, Asiamoney
- Best Retail Bank – Pakistan, Asian Banker International Awards
- Safest Bank in Pakistan, Global Finance
- Best Trade Finance Provider in Pakistan, Global Finance
- Best FX Provider in Pakistan, Global Finance
- Best Bank for Small Business & Agriculture, Pakistan Banking Awards
- Best Environmental, Social and Governance Bank, Pakistan Banking Awards
- Brand of the Year, Banking – Pakistan, World Branding Awards
- Best Local Trade Finance Bank in Pakistan, Global Trade Review

## Future Outlook

Increasing credit expansion in 1H FY17, higher crop production, visible progress on reducing energy shortages and improving business confidence, all bode well for continued positive developments. The economic reforms undertaken under the EFF program, coupled with an improved security situation will further support growth prospects. Large scale manufacturing should increase, buoyed by increasing infrastructure spending and recent initiatives to boost exports, with GDP growth widely expected to cross 5% in FY17.

The first half of FY17 has indications that the economy may be wavering from its nascent stability. It therefore becomes ever more critical to ensure that reform gains made under the IMF program are consolidated and embedded, as post-program monitoring by the IMF will continue. This is particularly urgent in the area of tax reform where bold and determined initiatives will be needed to ensure that deficits are contained without sacrificing development spending and that the tax/GDP ratio increases sustainably. The external position, after a long period of stability, is a source of concern as falling remittances no longer alleviate trade and current account deficits. The promise of CPEC must be crystallized and projects brought to fruition with utmost priority.

The Pakistan banking sector will face continued headwinds as interest rates are not expected to increase in the backdrop of contained inflation. This spread compression will be compounded by the reinvestment risk of the second round of maturing PIB investments at the start of FY18. However, CPEC driven loan growth, along with an offtake in export led manufacturing and private sector credit will present opportunities for which HBL, with its strong liquidity and capital is ideally positioned. The Bank is committed to maintaining high compliance and risk management standards while growing its presence and business. Customer centricity remains a priority which will see renewed focus in the coming year with product and service innovations.

## Dividend

The Board has recommended a final cash dividend of Rs. 3.50 per share for the year ended December 31, 2016, bringing the total cash dividend for the year to Rs. 14 per share. The Board had earlier declared and paid interim cash dividends totalling Rs. 10.50 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	10	10	N/A	N/A	N/A	N/A	6	6
Mr. Shaffiq Dharamshi	10	10	N/A	N/A	5	5	N/A	N/A
Mr. Moez Ahamed Jamal	10	10	7	7	N/A	N/A	6	6
Dr. Najeeb Samie	10	10	7	7	N/A	N/A	N/A	N/A
Mr. Agha Sher Shah	10	10	N/A	N/A	5	5	N/A	N/A
Mr. Sajid Zahid	10	9	7	7	N/A	N/A	6	6
Mr. Nauman K. Dar	10	10	N/A	N/A	5	5	6	6

## Auditors

The current auditors, Messrs A. F. Ferguson & Co, Chartered Accountants, retire and, being eligible, offer themselves for reappointment at the Annual General Meeting. Accordingly, the Board of Directors, on the recommendation of the Board Audit Committee, recommends the appointment of Messrs A. F. Ferguson & Co, Chartered Accountants, as the auditors of the Bank for the financial year 2017.

## Statement under Regulation 5.19.11 of the Code of Corporate Governance contained in Chapter 5 of the Pakistan Stock Exchange Limited Regulations (the Code):

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

- a) The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- b) Proper books of accounts of the Bank have been maintained.
- c) Other than the change as disclosed in note 4.1 to the financial statements, accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The Bank has followed international accounting standards (as applicable to Banks in Pakistan) in the preparation of its financial statements 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 follows the SBP Internal Control Guidelines, including the roadmap and the guidelines for Internal Controls over Financial Reporting (ICFR). The Bank has evaluated its ICFR process and developed a Framework document for the management for ICFR, including a Management Testing and Reporting Framework.
- 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 Code.
- h) Key operating and financial data for the last ten years is presented in the financial statements under the section "Progress 2007 to 2016 – 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 ten meetings in the year, including at least once in every quarter.

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



## Value of investments in employee retirement benefits funds

The following is the value of the investments of the provident, gratuity, pension and benevolent funds maintained by the Bank, based on their audited financial statements as at December 31, 2016.

	Rupees in Million
Employees' Provident Fund	12,418
Employees' Pension Fund	4,760
Employees' Gratuity Fund	2,377
Employees' Benevolent Fund – Executives and Officers	1,369
Employees' Benevolent Fund – Clerical and Non-Clerical	643

## Pattern of Shareholding

The pattern of shareholding as at December 31, 2016 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 programs attended by Directors

Details have been provided in the Statement of Compliance with the Code.

## Appreciation and Acknowledgement

On behalf of the Board and management, I would like to place on record our appreciation for the efforts of our Regulators and the Government of Pakistan, in particular the Ministry of Finance, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, for developing and strengthening the banking and financial industry through continuous improvements in the regulatory and governance framework.

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. I 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 14, 2017

کی جانب سے حاصل ہونی والی رقوم کے نتیجے میں ملکی زرمبادلہ کے ذخائر سال کے اختتام پر 23.2 ارب امریکی ڈالر کی بلند ترین سطح تک جا پہنچے۔ زرمبادلہ کی مستحکم حیثیت سے روپے کی قدر میں مزید استحکام کو یقینی بنادیا ہے۔ نومبر میں، ایس اینڈ پی (S&P) نے پاکستان کو مستحکم معیشت قرار دیتے ہوئے B سے B کی ریٹنگ سے نوازا ہے اور پاکستان میں اقتصادی ترقی کے فروغ کی تصدیق کر دی ہے۔

ایم ایس سی آئی کی جانب سے مئی 2017 میں ایمر جنگ مارکیٹس کی انڈیکس میں پاکستان کی درجہ بندی پر نظر ثانی کی فیصلے سے سرمایہ کاروں کا اعتماد بڑھ گیا ہے، جس کے اسٹاک ایکسچینج پر مثبت اثرات پڑے ہیں۔ چینی سرمایہ کاروں کے ساتھ پاکستان اسٹاک ایکسچینج (PSX) کے کنسورشیم سے اس کے انتظامی حالات میں بہتری کے آثار نمایاں ہیں اور چھوٹے سرمایہ کاروں کی تعداد میں اضافہ ہو گیا ہے۔ اس طرح تجارتی سرگرمیوں میں تیزی آگئی ہے اور 2016 میں پی ایس ایکس (PSX) انڈیکس میں 47% تک اضافہ ریکارڈ کیا گیا ہے، جبکہ مالی سال 2017 کی پہلی ششماہی کے دوران سرمایہ کاری کا حجم 254 ملین امریکی ڈالر تک رہا، ایم ایس سی آئی (MSCI) کی درجہ بندی میں اضافے میں غیر ملکی سرمایہ کاری میں خاطر خواہ اضافے کی توقع ہے۔

بینک دولت پاکستان کی جانب سے مئی 2016 میں 25 bps کی کمی کے بعد ہدف کی شرح 5.75% میں کوئی تبدیلی نہیں کی گئی ہے۔ افراط زر میں اضافے کے رجحان اور بیرونی اکاؤنٹ پر دباؤ کی بنیاد پر ایک محتاط رویہ اختیار کیا گیا ہے۔ امسال، بینکاری کے شعبے میں قرضہ / ڈپازٹ کی مد میں مزید 5.2% کی کمی دیکھی گئی ہے، اور تیسری سہ ماہی (3Q) میں بڑے پیمانے پر PIB کی مپجورٹی 1.5 کرب کے باعث نفع کی شرح میں کمی کا رجحان ہے۔ ایک عرصے تک ترقی میں سست روی کے بعد، 2016 کے دوران بینکاری کے شعبے میں ایڈوانسز کی شرح میں 14.7% تک اضافہ ہوا ہے، جس کے باعث مارکیٹ ڈپازٹس 15.8% اضافے کے ساتھ 11.2 کرب روپے تک پہنچ گئے ہیں۔

## مالیاتی کارکردگی

ایچ بی ایل نے 2016 میں 52.2 ارب روپے کا قبل از ٹیکس منافع فراہم کیا ہے۔ بعد از ٹیکس منافع 31.8 ارب روپے ہے، جبکہ 2015 میں بعد از ٹیکس منافع 35.5 ارب روپے قرار دیا گیا، جس میں غیر معمولی کمپیٹل گین منافع کا حصول بھی شامل ہے۔ اس طرح 2016 میں فی شیئر قیمت 21.69 روپے ہے جبکہ اس کے مقابلے میں 2015 میں 24.18 روپے تھی۔ کمپیٹل گین منافع جات کے حصول کے علاوہ 2015 کے مقابلے میں 2016 کے لیے قبل از ٹیکس منافع کی شرح 2% زیادہ ہے، جبکہ بعد از ٹیکس منافع کی شرح 1% زیادہ رہی۔

ایچ بی ایل کی بیلنس شیٹ دسمبر 2015 کے مقابلے میں 13% اضافے کے ساتھ 2.4 کرب روپے تک پہنچ گئی ہے۔ بینک ڈپازٹس میں 235 ارب روپے کا اضافہ ہوا ہے جبکہ CASA کی شرح 83% سے بھی زیادہ سطح تک برقرار رہی۔ کرنٹ اکاؤنٹس 16% اضافے کے ساتھ 650 ارب روپے کے ہو گئے ہیں اور کرنٹ اکاؤنٹس کی شرح دسمبر 2015 میں 36.0% کے مقابلے میں اب دسمبر 2016 میں 36.2% تک بڑھ گئے ہیں۔ ایک عرصے تک سست روی کے بعد اب قرضوں میں 18% سے زائد اضافہ ہو گیا ہے جس میں اعلیٰ منافع کے حامل صارفین، ایم ای اور زرعی قرضہ جات کی فراہمی میں وسعت اہم سبب ہیں۔ بینک کی مارک اپ کی کم شرح، اسپرڈ مقابلے کے رجحان کے بڑھتے ہوئے دباؤ اور PIB مپجورٹیز کے باوجود اپنے مجموعی منافع جات میں کمی کو صرف 38 bps تک برقرار رکھ سکا ہے۔ اس طرح 2016 میں مارک اپ کی خالص آمدنی 3% اضافے کے ساتھ 79.3 ارب روپے تک پہنچ گئی ہے۔

2016 کے لیے غیر مارک اپ آمدن 25.5 ارب روپے تھی۔ 2015 تک فیس اور کمیشن 5% اضافے سے 17.2 ارب روپے تک جا پہنچی ہے، اس طرح صنعتی شعبے میں یہاں پر بھی ایچ بی ایل کی سربراہی کو مزید استحکام ملا ہے۔ فیس کی مد میں اضافے کی وجہ بینک کا الیشورنس پریکٹس، سرمایہ کاری، بینکاری، کنزیومر فنانس کے علاوہ اکاؤنٹ اور کارڈ آپریشن سے متعلق فیس، عمومی بینکنگ چارجز، تجارتی آمدنی اور ترسیلات زر کا مسلسل حصول ہے، جو کہ فیس کی مجموعی آمدنی کا اہم حصہ ہے۔

## ڈائریکٹر رپورٹ 2016

بورڈ آف ڈائریکٹرز کی جانب سے، 31 دسمبر، 2016 کو ختم شدہ سال کے لیے غیر مجموعی مالی تفصیلات پیش کرتے ہوئے میں خوشی محسوس کرتا ہوں۔

### مجموعی اقتصادی جائزہ

پاکستان میں اقتصادی ترقی کا تسلسل 2016 میں بھی برقرار رہا، 2016 کے دوران مجموعی ملکی پیداوار (GDP) میں اضافے کی شرح 4.7% تک جا پہنچی ہے جبکہ صنعتی شعبے میں توسیع کے اعتبار سے یہ شرح 6.8% اور خدمات میں یہ شرح 5.7% ہے۔ مالی سال 2017 کے پہلی ششماہی کے دوران نجی شعبے کے لیے قرضوں کا تناسب گزشتہ سال اسی عرصے کے مقابلے میں 33% تک بڑھ گیا ہے، جبکہ مالی سال 2017 کے 5 مہینوں کے دوران بڑے پیمانے پر صنعتی پیداوار میں 3.2% اضافہ ہوا ہے۔ پاک چین معاشی راہداری (CPEC) پروجیکٹ کی بدولت صارفین کا اعتماد بڑھ گیا ہے اور اقتصادی سرگرمیوں میں بھی اضافہ ہوا ہے۔

مالی سال 2017 کی پہلی ششماہی کے دوران افراط زر کی شرح میں 3.9% اضافہ ہوا، جبکہ مالی سال 2016 کی پہلی ششماہی میں افراط زر کی شرح 2.1% تھی۔ تاہم گزشتہ چند مہینوں میں مجموعی طور پر افراط زر کی شرح 4% سے سطح پر برقرار رہی، افراط زر کی شرح میں اضافہ متوقع تھا، جس کی وجوہات میں مقامی ترسیلات زر میں اتار چڑھاؤ کا موسمی رجحان، اوپیک کی جانب سے تیل کی اضافی فراہمی میں کمی کے معاہدے کے باعث پٹرولیم مصنوعات کی قیمتوں میں بہت زیادہ اضافہ شامل ہے۔ البتہ اشیائے خورد و نوش کی قیمتوں میں اضافہ مجوزہ سطح تک برقرار رہا، مالی سال 2017 کے دوران بینک دولت پاکستان کی پیش گوئی کے مطابق افراط زر کی شرح میں مجموعی طور پر 4.5% تا 5.5% اضافہ ہوگا۔

حکومت مالی سال 2015 کے دوران مجموعی ملکی پیداوار میں خسارے کی شرح 5.3% کے مقابلے میں مالی سال 2016 کے دوران مجموعی ملکی پیداوار میں خسارے کی شرح کو 4.6% کی سطح تک کم کرنے میں کامیاب ہو گئی ہے۔ یہ کامیابی مالی استحکام اور ٹیکس وصولی میں اضافے کے باعث حاصل ہوئی ہے اور بجٹ میں رکھے گئے ہدف 3.1 کھرب روپے کی سطح کو عبور کر لیا ہے۔ مالی سال 2017 کی پہلی ششماہی کے دوران ٹیکس وصولی کی شرح میں 8% کمی آئی ہے، اس طرح پورے سال کے لیے ٹیکس وصولی کا ہدف 3.6 کھرب روپے حاصل کرنا مشکل بن گیا ہے۔ مالی سال 2017 میں مجموعی خسارے کی شرح 3.8% کو برقرار رکھنے کے لیے حکومت کو اپنے اخراجات میں کمی لانے کی ضرورت ہوگی۔

کرنٹ اکاؤنٹ خسارے میں اضافے کا رجحان برقرار ہے اور مالی سال 2017 کی پہلی ششماہی کے لیے یہ خسارہ 3.6 ارب امریکی ڈالر تک پہنچ چکا ہے، جو کہ مالی سال 2016 کی پہلی ششماہی کے خسارے سے تقریباً دو گنا ہے۔ کرنٹ اکاؤنٹ خسارے میں اضافے کی بڑی وجہ اس عرصے کے دوران تجارتی خسارے میں 16% اضافے کو قرار دیا گیا ہے۔ گزشتہ سال کے مقابلے میں امسال برآمدات میں مزید 2% کمی رہی، جبکہ سی پیک (CPEC) سے وابستہ سرگرمیوں کے باعث درآمدات میں 6% اضافہ ہوا ہے۔ بیرون ممالک محنت کشوں کی جانب سے غیر ملکی ترسیلات زر بیرونی اکاؤنٹ کو ہمیشہ استحکام بخشتا ہے، لیکن مالی سال 2016 کی پہلی ششماہی کے مقابلے میں امسال ترسیلات زر کی شرح میں بھی 2% کمی واقع ہو گئی، اس کے علاوہ پٹرولیم مصنوعات کی قیمتوں میں اضافے سے جی سی سی (GCC) ممالک کی معیشتوں پر مسلسل دباؤ کے اثرات ہیں۔ حالانکہ، کافی عرصے کی کمی کے بعد، مالی سال 2017 کی پہلی ششماہی کے دوران رقوم کی آمد سے ایف ڈی آئی (FDI) میں 10% بہتری آئی ہے۔

پاکستان نے ستمبر میں آئی ایم ایف کے ایکسٹینڈیڈ فنڈ فیسیٹی (EFF) پروگرام کی تکمیل سے بہت بڑی کامیابی حاصل کر لی ہے، اس وسط مدتی پروگرام میں ملک نے پہلی مرتبہ کامیاب تکمیل کا سنگ میل عبور کیا ہے۔ EFF کے ذریعے 1 ارب امریکی ڈالر کے سکوک جاری کیے گئے، اس کے علاوہ باہمی اور کثیرالچلتی فریقین

## کاروباری ترقی

ایچ بی ایل نے ڈپازٹ مارکیٹ میں 14% حصے کے ساتھ اپنی سربراہانہ حیثیت برقرار رکھی ہے۔ یہ مستقل ترقی برانچوں کی کارکردگی کو جانچنے کے لیے ایک بہترین KPI کا نظام، اور پورے نیٹ ورک میں خدمات کی سطح پر مسلسل بہتری کے مہم جوئی منت ہے۔ امسال بینک میں بہت زیادہ تعداد میں نئے اکاؤنٹس کھولے گئے ہیں، جس سے کسٹمرز کی بنیاد میں توسیع نظر آئی ہے۔ ایچ بی ایل پہلا بینک ہے جس کی گواہی زون میں ایک مکمل طور پر فعال برانچ ہے۔

2016 میں، ایچ بی ایل نے خواتین کو مالی خدمات کی فراہمی کے لیے اپنی نوعیت پہلا پلیٹ فارم ایچ بی ایل نساء کا آغاز کیا، جس سے بینک کی جدید اور انفرادی عوامل میں شمولیت کے عزم کا اظہار ہوتا ہے۔ اس پروگرام کے تحت ایچ بی ایل نے 130,000 نئی خواتین کسٹمرز کو شامل کر لیا ہے اور اب ہم 2.4 ملین خواتین کسٹمرز کی خدمت میں مصروف عمل ہیں۔ ایچ بی ایل نساء کی دنیا بھر میں مختلف فورمز پر اس کی بہترین کارکردگی پر توثیق کی گئی ہے۔

مالی استحکام کے لیے انتہائی اہم محرک ایچ بی ایل آسان تھا، اس منفرد اکاؤنٹ میں کم سے کم بیلنس کی کوئی ضرورت نہیں اور یہ اکاؤنٹ کھولنے کا طریقہ کار بھی انتہائی آسان ہے۔ اس کی بدولت بینک نے صرف 12 ماہ کے عرصے میں تقریباً 300,000 اکاؤنٹس کے ساتھ مارکیٹ کا 25% سے زائد حصہ حاصل کر لیا۔ 2017 میں اس پروڈکٹ کو دور دراز اور دیہاتی علاقوں میں بائیومیٹرک تصدیق کے ساتھ وسعت کی بلندیوں تک پہنچائیں گے۔

ایچ بی ایل نے بینک انشورنس میں بھی 50% حصے کے ساتھ مارکیٹ میں اپنے غلبے کو برقرار رکھا ہوا ہے اور 2016 میں ایک جزل انشورنس پروڈکٹ کے اضافے سے اپنے دائرہ کار کو وسیع بنادیا ہے۔ اس سال کے دوران کیلئے کے معیار کی بہتری کے لیے متعدد اقدامات اٹھائے گئے ہیں، جن میں پروڈکٹ سے متعلق اعلیٰ طرز کی تربیت، سیلر کمپلائنس کا فروغ اور پالیسیز پر کسٹمرز سے رابطہ کرنے کے عمل کو 100% یقینی بنانا شامل ہیں۔ بینک انشورنس کی اسلامی قسم بینک تکافل کو بھی متعارف کرا دیا گیا ہے۔

ایچ بی ایل کے کنزیومر بزنس میں 30% سے زائد اضافہ ہوا ہے، اس تسلسل اور تیزی کے ساتھ اضافے سے تمام اہم پروڈکٹس میں ہمارا مارکیٹ شیئر بڑھتا جا رہا ہے۔ ایچ بی ایل کے کریڈٹ کارڈز کے استعمال میں 40% تک اضافہ ہو گیا ہے اور حجم کے اعتبار سے 25% اضافہ ریکارڈ کیا گیا ہے۔ گاڑیوں کے لیے قرضہ جات کے حوالے سے 2016 کا میاب سال رہا، جیسا کہ بینک نے اپنی 75 ویں سالگرہ کے تصور سے بھرپور مہم چلائی، جس نے گاڑیوں کی صنعت میں نئے سنگ میل عبور کر لیے۔ گاڑیوں کے لیے فنانسنگ کی فراہمی کے لیے پہلی اسلامی پروڈکٹ ”اجارہ“ کو متعارف کرا دیا گیا ہے۔ ایچ بی ایل نے ڈیپٹ کارڈ کی سروس فراہم کرنے پر خصوصی توجہ دی ہے جس سے ڈیپٹ کارڈ کی کامیاب فراہمی کا تناسب تقریباً 80% ہو گیا ہے اے ٹی ایمرز اور پی او ایس ٹرمینلز پر استعمال بھی 30% زیادہ ہو گیا ہے۔ مرچنٹس کا حصول، ایک نیا کاروبار ہے، اس شعبے میں بھی ماہانہ حجم میں بہت زیادہ اضافے کے ساتھ ہماری سرکردگی برقرار ہے۔

ایچ بی ایل نے ایس ایم ای فنانسنگ اور دیہاتی علاقوں میں بینکاری کے علاوہ زرعی شعبے میں بھی اپنی سربراہی کو قائم رکھا ہوا ہے۔ پاکستان کے سب سے بڑے مالیاتی ادارے کی حیثیت سے، بینک کے لیے ان عوامل پر توجہ دینا بہت ضروری ہے کیونکہ معاشی ترقی میں ان کا کردار بہت اہم ہوتا ہے۔ 2016 میں ایچ بی ایل کو ان شعبوں کی بہتری کے لیے کوششوں کے عوض انسٹی ٹیوٹ آف بینکرز پاکستان کی جانب سے ایس ایم ای اینڈ زراعت کے لیے بہترین بینک کے اعزاز سے نوازا گیا ہے۔

ایچ بی ایل کی اسلامی بینکاری اپنے عقائد کے مطابق بینکاری کو ترجیح دینے والے کسٹمرز کو بہت بڑے ڈسٹری بیوشن نیٹ ورکس کے ذریعے شریعت پر عمل پیرا مالیاتی پروڈکٹس تک رسائی فراہم کرتی ہے۔ 2016 میں اسلامی بینکاری نے اپنے اثاثوں میں توسیع کے عمل کو جاری رکھا، اس کے لیے تجارتی ٹرانزیکشنز، خاص طور پر توانائی اور انفراسٹرکچر کے شعبوں میں اپنی مستحکم حیثیت کو قائم رکھا۔ شریعت کے مطابق اعلیٰ سطح کی بینکاری کو یقینی بنانے اور اسلامی بینکاری کو مکمل معاونت فراہم کرنے کے لیے شریعہ کمپلائنس کا مکمل فعال شعبہ قائم کیا گیا ہے۔ ایچ بی ایل نے ایک الگ ضمنی اسلامک بینکاری کے آغاز پر کام شروع کر دیا ہے۔

ذخائر میں اتار چڑھاؤ

بعد از ٹیکس منافع

بعد از ٹیکس منافع

اثاثہ جات کی دوبارہ قیمت طے کرنے پر سرپرست سے منتقل رقم۔ ٹیکس کے بعد خالص

مختلف مدوں میں رکھی گئی رقوم:

## قانونی ذخائر میں منتقلی

نقد منافع منقسمہ - حتمی

پہلا نقد عبوری منافع منقسمہ

دوسرا نقد عبوری منافع منقسمہ

## تیسرا نقد عبوری منافع منقسمہ

## مجموعی مناسب کارروائیاں

اختتامی غیر تخصیص شده منافع

فی شیر آمدنی (روپے)

## سرمائے کا تناسب

ایچی پی ایل نے 2016 میں اثاثہ حیات برمنافع %1.4 رہا، جبکہ ایکوٹی برمنافع کی شرح %18.0 رہی۔

بین الاقوامی کاروبار کے لیے بہتر انتظامات، اور بیرون ممالک مقامات پر مناسب طریقے سے پروڈکٹس اور سروسز کی دستیابی پر توجہ مرکوز کی جارہی ہے۔ آئی ٹی کے پلیٹ فارم کو مسلسل مضبوط بنانے پر توجہ دی جارہی ہے اور انٹرنیٹ بینکنگ اور اے ٹی ایم سروسز کے ساتھ آئی ٹی پروڈکٹس کو متعارف کرا دیا گیا ہے تاکہ تمام اہم مارکیٹوں میں یہ سہولیات دستیاب ہو سکیں۔ سال کے دوران، ایچ بی ایل نے مال دیپ میں سیاحت کی توسیع پذیر مارکیٹ میں شامل ہونے کے لیے اپنی دوسری برانچ کا آغاز کر دیا ہے۔

بین الاقوامی کاروبار کے لیے، 2016 کی سب سے اہم کامیابی یہ ہے کہ ایچ بی ایل کو مغربی چین کے شہر ارومچی (Urumqi) میں برانچ کھولنے کا لائسنس مل گیا ہے۔ 2017 کی پہلی سہ ماہی میں برانچ کے آغاز کا قوی امکان ہے۔ پاک چین اقتصادی راہداری سے پاکستان کے ساتھ ایچ بی ایل کو بھی کاروبار کے حصول اور سرمایہ کے بہترین مواقع کی فراہمی یقینی ہے۔

ایچ بی ایل کے آپریشنز کی معیاری خدمات میں ہر اعتبار سے بہتری لانے کے لیے اجتماعی طور پر توجہ دی جارہی ہے، جس میں برانچوں کی کارکردگی کا جانچنے کے لیے اعلیٰ انتظامیہ کے اچانک دورے شامل ہیں۔ ایسی جگہوں پر اے ٹی ایم کی تنصیب میں اضافہ کیا گیا جہاں پر لوگوں کی رسائی عام ہے تاکہ اخراجات پر قابو پایا جاسکے۔ بینکاری کو آپ کے لیے آسان ترین بنانے کے لیے 600 سے زائد اے ٹی ایمز پر بائیومیٹرک تصدیق کا نظام نصب کر دیا گیا ہے۔ بینک نے اے ٹی ایم سے متصل برآمدے پر کسٹمر کی سیکورٹی کو مزید بہتر بنانے کے لیے بھی اقدامات اٹھائے ہیں اور EMV پر عملدرآمد کے لیے بھی کوششیں جاری ہیں جس سے کسٹمرز کو فراڈ سے بچانے کے لیے اضافی حفاظتی فائدہ میسر ہوگا۔

2016 میں، سروس کوالٹی ٹیم نے نظام میں خرابیوں سے متعلق کسٹمرز کی شکایات کا ازالہ کرنے کے لیے مختلف اقدامات اٹھائے ہیں۔ ایس ایم ایس کے ذریعے شکایات درج کرانے کی سہولت متعارف کرائی گئی ہے تاکہ کسٹمرز کو اپنے مسائل حل کرانے میں آسانی میسر آسکے۔ اس کے علاوہ، کمپلین ریزولوشن پونٹ کے کردار کو بھی توسیع دی گئی ہے، جس میں مسائل سے بچاؤ اور ان کا حل شامل ہے۔ اس پونٹ کی اہم کامیابیوں میں سے ایک یہ ہے کہ سال کے دوران اس کی وجہ سے BISP اور ڈی بیٹ کارڈ کی فراہمی سے متعلق شکایات میں کمی آئی ہے۔ 2016 میں بینک کو براہ راست موصول ہونے والی شکایات 135,021 ہیں۔ شکایات کو حل کرنے کے لیے زیادہ سے زیادہ 4 دن لگتے ہیں۔

ایچ بی ایل نے 2016 میں تسلسل کے ساتھ برانڈ کو مستحکم بنانے پر توجہ دی ہے، ایک غیر جانبدار سروے کے مطابق، بینک نے مالیاتی شعبے میں برانڈ ایکویٹی سے متعلق سب سے زیادہ پذیرائی حاصل کی ہے۔ بینک کی مہموں کو معیار کے اعتبار سے متعدد ایوارڈز سے نوازا گیا ہے، جن میں برانڈ آف دی ایئر، بینکنگ۔ پاکستان اور دی پمیشن فار پاکستان ایوارڈ شامل ہیں۔

ایچ بی ایل کے لیے سال کا سب سے بڑا پروگرام پاکستان کی پہلی اسپورٹس لیگ، پاکستان سپر لیگ (PSL) کے ٹائل کی اسپانسرشپ پر دستخط کی تقریب تھی۔ ایچ بی ایل اور پی ایس ایل تیزی کے ساتھ زذبذب عام ہو گئے اور لاکھوں پاکستانیوں کے دلوں پر راج کرنے لگے ہیں۔ اس طرح بینک نے نوجوان کھلاڑیوں کے بین الاقوامی سطح پر کھیلنے کے خوابوں اور خواہشات کو شرمندہ تعبیر کرنے کے لیے انہیں پلیٹ فارم مہیا کر دیا۔ اس کے علاوہ خواتین کو با اختیار بنانے کے مقصد کے لیے ایچ بی ایل کارپوریٹ نے ایک مہم چلائی جس میں ایک اور خاتون کے خوابوں کو اجاگر کیا گیا ہے۔ پاکستان کی پہلی خاتون اسکواڈ انٹرنیٹنگ انٹرکٹر کو راج تحسین پیش کیا گیا ہے۔ ایچ بی ایل نے اپنی 75 ویں سالگرہ منائی اور اس تاریخ ساز موقع پر ملازمین اور کسٹمرز کے لیے پرکشش پروگرام پیش کیے گئے۔

## ہیومن ریسورسز

پاکستان کے سب سے بڑے بینک ایچ بی ایل کو بین الاقوامی سطح پر بھی کاروبار پھیلانے میں 15,000 سے زائد تجربہ کار ملازمین پر فخر ہے جن کی انتھک محنت کی بدولت بینک نے اعلیٰ مقام حاصل کیا ہے۔ ایچ بی ایل کی ہیومن ریسورسز کے فروغ کے لیے جذبے کا اندازہ اس بات سے لگایا جاسکتا ہے کہ سال کے دوران



ایچ بی ایل نے نقد رقم کے انتظام کو برقرار رکھتے ہوئے بہتر کارکردگی سے 27% مارکیٹ شیئر حاصل کر کے 1.7 کھرب روپے سے زائد مالی حجم کے ساتھ مارکیٹ پر اپنی حکمرانی کو قائم رکھا ہوا ہے۔ سال کے دوران 90 نئے اکاؤنٹس کھولے گئے، اس طرح کسٹمرز کی مجموعی تعداد 734 ہو گئی ہے۔ اس سال کے دوران نقد رقم کے کامیاب انتظام کو عمان میں بھی برقرار رکھا گیا اور سری لنکا میں HBL@Work کے نام سے بینک ملازمین کے لیے پروڈکٹ متعارف کرائی گئی۔

ایچ بی ایل اپنی بہتر حکمت عملی کے نتیجے میں بڑی ٹرانزیکشنز خاص طور پر سی پیک (CPEC) سے وابستہ ٹرانزیکشنز کے لیے خود کو ترجیحی بینک کی حیثیت سے منوالیا ہے۔ اس سال کے دوران ایچ بی ایل نے چین کے مالیاتی اداروں کے ساتھ مختلف شعبوں میں اپنے کاروباری تعلقات کو وسعت دی ہے۔ ان میں سے ایک مثال تھر میں مائنگ اور پاور جنریشن کمپنیوں کے ساتھ قریبی مالیاتی کاروباری تعلقات ہیں، اس میں چینی سرمایہ کاروں کی شرکت بھی شامل ہے اور ایچ بی ایل یہاں پر بنیادی سرمایہ کار، مقامی قرض خواہ اور غیر ملکی قرضوں کے حصول کے لیے مشیر کی حیثیت سے مصروف عمل ہے۔

سرمایہ کاری بینکنگ ٹیم کے لیے ایک اور اچھا سال رہا جس میں بڑے انفراسٹرکچر پروڈیکٹس اور توانائی سے منسلک فنانشنگ کی تکمیل ہوئی اور ٹیم نے 10 گلوبل انعامات جیت لیے۔ اسلامی ٹرانزیکشنز کے لیے تنظیم سازی اور پروڈیکٹ فنانس سے متعلق بھی سرگرمی کے کوششیں کی گئی ہیں اور سال کے دوران ٹیم نے متعدد ٹرانزیکشنز کی تکمیل کو کامیاب بنایا جن کا مجموعی مالی حجم 200 ارب روپے سے زائد رہا۔ 2016 میں، ایچ بی ایل نے گرین فیلڈ پاور پروڈیکٹ کے لیے مقامی کرنسی میں سب سے بڑی ٹرانزیکشن کو کامیابی کے ساتھ مکمل کیا اور ہم نے پاکستان میں وائٹ گڈز کمپنی کو حاصل کرنے کے لیے ترک کمپنی کے ساتھ مشیر کے طور پر بھرپور کردار ادا کیا۔

ایچ بی ایل کی ٹریڈری نے اعزازات حاصل کرنے کے تسلسل کو برقرار رکھا، بینک دولت پاکستان کی جانب سے درجہ بندی کی سرفہرست میں پرائمری ڈیلر کی حیثیت سے سرفہرست قرار دیا گیا، اور یورومنی کی جانب سے پاکستان میں ایف ایکس ٹریڈنگ (FX Trading) کی درجہ بندی میں مجموعی طور پر نمبر 1 کا اعزاز حاصل کیا ہے۔ بینک کے غیر ملکی زرمبادلہ کے ذخائر میں 4.4% اضافہ ہوا ہے، جبکہ 2015 تک ثانوی مارکیٹ کے حجم میں سرکاری سیکورٹیز کی تجارت 19% بڑھ گئی۔ اس سال کے دوران اسلامی پروڈکٹس کے کاروبار میں نئی پروڈکٹس کو بھی شامل کیا گیا ہے۔

بینک کے عددی اور اختراعی مقاصد حاصل کرنے کے لیے مختلف اقدامات اٹھائے گئے ہیں اور ان پر عملدرآمد کے لیے مضبوط ڈھانچہ تشکیل دیا گیا ہے۔ انٹرنیٹ بینکنگ پلیٹ فارم کو مضبوط بنایا گیا ہے، کسٹمرز کے اہم مسائل کی نشاندہی کی گئی ہے اور بلوں کی ادائیگی کا ماڈیول تشکیل دے کر رائج کر دیا گیا ہے۔ ایچ بی ایل کی ڈیجیٹل ارتقاء میں ڈیٹا کا اہم کردار متوقع ہے، بینک کے ڈیٹا سے متعلق حکمت عملی تشکیل دینے کے لیے بھی کام کا آغاز کر دیا گیا ہے۔

سوفٹ ویئر کی تیاری کے لیے ذاتی اہلیت میں توسیع کی گئی ہے اور اس سلسلے میں 2016 کے دوران ایچ بی ایل موبائل متعارف کرانے کی اہم کامیابی نصیب ہوئی، ابتدائی طور پر اینڈرائڈ (Android) ورژن سے آغاز کیا گیا اور اگست میں IOS ورژن بھی متعارف کیا گیا۔ یہ کامیابی اس لیے اہم ہے کہ یہ پاکستان میں بائیومیٹرک تصدیق کے ساتھ پہلی بینکنگ ایپ ہے۔ یہ موبائل ایپ 2017 میں تمام بین الاقوامی مقامات میں متعارف کرا دی جائے گی۔

ترسیلات زر میں اضافے کی مجموعی طور پر سست صورتحال کے باوجود، ایچ بی ایل نے اپنے مارکیٹ شیئر میں 27% تک اضافے کی کامیابی حاصل کر لی ہے۔ اس کامیابی پر بینک دولت پاکستان نے فوری طور پر سراہا اور اس کو ملک کے غیر ملکی زرمبادلہ کے ذخائر میں بہت بڑا حصہ قرار دیا ہے۔ غیر ملکی زرمبادلہ کی منتقلی کے لیے ”دی فاسٹ ٹرانسفر“ کے نام سے پلیٹ فارم متعارف کرا دیا ہے تاکہ متحدہ عرب امارات، سری لنکا اور بنگلہ دیش سے رقوم کی منتقلی میں آسانی میسر آ سکے۔ 2017 میں رقوم کی ترسیل کے لیے نئے اقدامات کے تحت اصل اور ذریعہ بننے والے دیگر ممالک کو بھی شامل کیا جائے گا اور اس کے نتیجے میں ان ممالک میں برانچز کے لیے مزید کاروباری مواقع میسر آ سکیں گے۔



ایچ بی ایل کے انفارمیشن اور ٹیکنالوجی ڈھانچے کی حفاظت بینکاری سرگرمیوں اور کسٹمرز کی حفاظت کے لیے ناگزیر ہے۔ بینک کے پاس اپنا 24x7 انفارمیشن سکیورٹی آپریشن سینٹر ہے اور باقاعدہ طور پر حادثے کی رپورٹنگ کا نظام قائم کیا گیا ہے۔ سائبر حملوں کے مقابلہ، نشاندہی اور حفاظت کے لیے گورننس میں بہتری اور سائبر سکیورٹی کنٹرولز کی مسلسل کوششیں جاری ہیں جبکہ باقاعدہ طور پر انفارمیشن سکیورٹی سے متعلق آگہی پروگرامز کے ذریعے ملازمین کی تربیت بھی کی جاتی رہتی ہے۔

ایچ بی ایل اپنے آپریشنز میں اعلیٰ معیاروں کی پاسداری کے لیے پرعزم ہے، بینک نے اینٹی منی لانڈرنگ قوانین و ضوابط پر عمل درآمد کے لیے سسٹم اور کنٹرولز پر بھاری سرمایہ کاری کی ہے۔ برانچوں میں عمل درآمد کا نظام بڑھانے کے لیے، سہ ماہی بنیادوں پر کمپلائنس رسک اسسٹمنٹ ٹول متعارف کرایا گیا ہے تاکہ عمل درآمد کی اہم سرگرمیوں کی تکمیل کا جائزہ لیا جاسکے۔ تمام انٹرنیشنل مقامات کے لیے اہم رسک انڈیکیٹرز کا آغاز عالمی عمل درآمد کی وسعت کو بڑھایا گیا ہے۔

## کارپوریٹ سوشل ریسپانسیبلٹی (CSR)

ایچ بی ایل نے لوگوں کو اعتماد اور کامیابی کے ساتھ آگے بڑھانے کے نظریے اور ان کی زندگیوں میں بہتری لانے کی سوچ کے ساتھ ہمیشہ سے ہی سماجی طور پر ایک ذمہ دار ادارے کے طور پر خود کو منوایا ہے۔ ملک کے سب سے بڑے مالیاتی ادارے کے طور پر، ایچ بی ایل اپنی اہم کاروباری سرگرمیوں مثلاً خدمات، پروڈکٹس اور تجربات میں سی ایس آر پر بھرپور عمل درآمد کو یقینی بنانے کے لئے سرگرم عمل ہے۔ ایچ بی ایل، انوائسمنٹ، سوشل اور گورننس (ESG) سرگرمیوں پر ذمہ داری کے ساتھ عمل پیرا ہے اور اس کے اعتراف میں امسال انسٹیٹیوٹ آف بینکرز پاکستان کی جانب سے پاکستان کے بہترین بینک کا اعزاز بھی اپنے نام کر چکا ہے۔ ایچ بی ایل نے ESG سرگرمیوں پر تھر میں بھی بھرپور عمل درآمد کو یقینی بنایا ہے جہاں بینک ایک اہم سرمایہ کار کے طور پر شامل ہے اور بینک نے تھر کے علاقے میں عامر خان ٹرسٹ کے ساتھ مل کر پینے کے صاف پانی کی فراہمی کے لئے کنویں بنانے میں بھی حصہ لیا۔

ایچ بی ایل ایک کارپوریٹ ذمہ دار شہری کا کردار ادا کرنے کے لیے پرعزم ہے، اس مقصد کے لیے ایچ بی ایل تعلیم، صحت اور کمیونٹی ویلفیئر کی ترقی کے لیے تعاون کرتا رہتا ہے۔ ایچ بی ایل فاؤنڈیشن کا قیام 2009 میں غریبوں کی فلاح و بہبود اور ان کے معیار زندگی میں بہتری لانے کے لیے عمل میں لایا گیا۔ بینک اپنے منافع کا ایک فیصد سالانہ فاؤنڈیشن سے تعاون کرتا ہے تاکہ معاشی برابری کو تقویت دی جاسکے۔ 2016 کے دوران بینک نے HBL فاؤنڈیشن کے ساتھ اور بلواسطہ طور پر 380 ملین روپے کے عطیات دیئے۔

2016 میں ایچ بی ایل فاؤنڈیشن نے ملک بھر کے حکومت اور این جی اوز کے تحت چلنے والے 14 اسپتالوں کے ساتھ 144 ملین روپے کے عطیات دیئے۔ فاؤنڈیشن نے میری ایڈیلیڈ پروسس سینٹر، کراچی کے ساتھ اشتراک عمل سے بلوچستان میں امراض چشم کے لیے آپریشنز کے 5 کمپ بھی منعقد کرائے۔ اس کے ساتھ ساتھ عبدالستار ایڈھی فاؤنڈیشن کو 20 بڑی ایسبولینس خریدنے کے لئے عطیات دیئے۔ ایچ بی ایل نے دور دراز علاقوں میں بھی طبی سہولیات کی آسان رسائی کے لئے کئی اقدامات اٹھائے ہیں، خیبر پختونخواہ کے پسماندہ علاقے میں خواتین کے لئے میٹرنیٹی ہسپتال کے قیام میں شاہد آفریدی فاؤنڈیشن کے ساتھ معاونت کی ہے۔

بینک تعلیم کی ترقی پر یقین رکھتا ہے اور فاؤنڈیشن نے 2016 میں پاکستان بھر میں 21 تعلیمی اداروں کو 104 ملین روپے کا مالی تعاون فراہم کیا۔ اس میں ایچ بی ایل کے پلانٹیم اسکالرشپ بھی شامل ہیں جو بینک کی 75 ویں سالگرہ کے جشن کے حصے کے طور پر جاری کئے گئے اور اس طرح ملک بھر کے 15 اعلیٰ تعلیمی اداروں کو 5 ملین روپے کی پی پی پی ادارہ کے حساب سے تعاون کیا گیا۔ مزید برآں، کالج اور یونیورسٹیز کے قیام کے لئے، فاؤنڈیشن نے تکنیکی تربیت اور خواتین کی تعلیم فراہم کرنے والے اداروں کو ترجیحی طور پر منتخب کیا ہے۔

ملازمین کی بھرتیوں، ترقی اور ان کی برقراری پر سرمایہ کاری کی گئی۔ ملازمین میں خواتین کو شمولیت کو فروغ دینے کے لیے ایک نئے جذبے اور توانائی کے ساتھ کام کیا گیا ہے، خاص طور پر اعلیٰ انتظامی عہدوں پر ان کی تعیناتی پر خصوصی توجہ دی گئی ہے۔ پورے ادارے میں قابلیت کی درجہ بندی کے لیے اور اعلیٰ قابلیت کے افراد کی حوصلہ افزائی کو یقینی بنانے کے لیے متعدد اقدامات پر عملدرآمد کیا گیا ہے۔ اس سلسلے میں تازہ گر بچوٹس کو ابتدائی سطح پر، جبکہ اسی طرح درمیانی قابلیت کے حامل افراد اور اعلیٰ انتظامی عہدوں کے لیے سینئر افراد کی تقرری کی گئی ہے۔ پہلے مرحلے میں، پاکستان میں کام کرنے والے ملازمین کے لیے ایک جدید ہیومن ریسورس مینجمنٹ سسٹم متعارف کرایا گیا اور بعد میں متحدہ عرب امارات میں بھی اس کا آغاز کیا گیا ہے۔ اس طرح ایچ بی ایل اس بات کو یقینی بنائے گا کہ افراد کے انتظام کے لیے ٹیکنالوجی کے ذریعے خدمات حاصل کرنے کا خاص ماڈل متعارف کرایا جاسکے۔ اس سے قابل افراد کی فراہمی کے لیے حکمت عملی کا بھی سنگ بنیاد رکھا جائے گا جس میں قابل افراد کی نشاندہی، حوصلہ افزائی اور انھیں مستقبل میں سیکھنے اور ترقی پانے کے لیے مواقع کی فراہمی شامل ہے۔

ایچ بی ایل کی جانب سے ملازمین کی تربیت اور ترقی پر زیادہ توجہ کا ثبوت یہ ہے کہ ملازمین کی تربیت کے دورانیے میں 35% اضافہ کر دیا گیا ہے۔ اس کی وجوہات میں بینک کی جانب سے ٹیکنالوجی پر سرمایہ کاری سے ملازمین کے اندر ٹیکنالوجی کی مہارتوں کو فروغ دینے کے لیے ای لرننگ اور اس کے علاوہ ملازمین کو ذاتی بہتری کے پروگراموں کی پیشکش شامل ہے۔ بینک نے اپنے ادارے کے اندر ایک تربیتی پروگرام کے تسلسل کو بھی برقرار رکھا ہے جس میں بین الاقوامی سطح کے بہترین انیٹیٹیوٹس کی معاونت سے تربیت دی جاتی ہے تاکہ ملازمین کو عالمی معیار کی تربیت کے مواقع میسر آسکیں۔ ایچ بی ایل اپنے ملازمین کو ان کی قابلیت کے مطابق مستحکم کرنے کا عزم رکھتا ہے، اور انہیں اس قابل بنانے کے لیے کوشاں رہتا ہے کہ وہ کسٹمر کو اعلیٰ معیاری خدمات فراہم کر سکیں۔ پورے سال کے دوران یونینز کے ساتھ بھی انتہائی خوشگوار اور معاونت سے بھرپور تعلقات رہے۔

## رسک مینجمنٹ فریم ورک

بورڈ آف ڈائریکٹرز نے خطرات سے مؤثر طریقے سے نمٹنے کے لیے حکمت عملی فراہم کی ہے اور اس بات کو یقینی بنایا ہے کہ انتظامیہ اس سلسلے میں مستحکم منصوبہ بندی پر عملدرآمد کرے۔ اس میں بورڈ کی رسک مینجمنٹ کمیٹی (BRMC) کا تعاون اور اعلیٰ انتظامی سطح پر بھی معاونت فراہم کی جاتی ہے تاکہ منصوبہ بندی پر مؤثر عملدرآمد کو یقینی بنایا جاسکے، اس کے علاوہ دیگر متعدد کمپنیاں بھی اپنا فعال کردار ادا کرتی ہیں۔

خطرات پر قابو پانے کے لیے منصوبہ بندی میں مختلف انتظامیہ کی جانب سے نگرانی، مؤثر نظام اور خطرے سے نمٹنے کے لیے بالکل واضح موقف، پالیسیاں اور طریقہ کار شامل ہیں۔ بینک نے خطرات سے نمٹنے کے لیے تسلسل کے ساتھ جانچ پڑتال اور انتظامی طور پر تشکیل دی گئی منصوبہ بندی کی تیاری میں ہمیشہ بین بین الاقوامی اعلیٰ معیاری روایات، نئے قوانین کی پاسداری اور اپنی کاروباری ضروریات کے مطابق تبدیلیوں پر توجہ دی ہے۔

2016 کے دوران، بینک نے خطرات سے نمٹنے والے اپنے شعبے کو از سر نو تشکیل دیا ہے تاکہ مقامی اور بین الاقوامی آپریشنز کی ضروریات کو پورا کیا جائے۔ ایچ بی ایل میں ٹیکنالوجی کی مدد میں سرمایہ کاری کے تسلسل میں خطرات سے نمٹنے کی روایات کو اولین ترجیح دی جاتی ہے۔ کارپوریٹ، کمرشل اور اسلامی برانچوں میں ایک جدید کریڈٹ رسک مینجمنٹ سوفٹ ویئر کو متعارف کرا دیا گیا ہے۔ اس سوفٹ ویئر کی بدولت قرض کے اجراء سے لے کر قرض کی واپسی اور میعاد بنیادوں پر نگرانی اور انتظام سمیت کریڈٹ کا مجموعی نظام خود کار ہوگا، اس طرح کریڈٹ مینجمنٹ کے نظام کو مجموعی طور پر مؤثر بنانے میں مدد ملے گی جبکہ رپورٹنگ کے معیار میں بھی خاطر خواہ اضافہ ہوگا۔ بین الاقوامی مقامات پر آپریشنل رسک فریم ورک کو مستحکم بنایا گیا ہے اور فراڈ کے خطرے کی جانچ پڑتال کے لیے ڈیش بورڈ کو سینئر انتظامیہ اور بی آر ایم سی کے لیے تیار کر لیا گیا ہے۔

ایچ بی ایل نے آپریشنل رسک کے لیے الٹرمیٹ اسٹینڈرڈز انز ایروچ اپنائی ہے جبکہ کریڈٹ اور مارکیٹ رسک اسٹینڈرڈز انز ایروچ کے استعمال سے جانچے جاتے ہیں۔ پاکستان کا سب سے بڑا بینک ایچ بی ایل رسک سے متعلق Basel کے تحت عمل درآمد اور طریقہ کار اپنانے کا مقصد رکھتا ہے۔

مالیاتی سال 17 کی پہلی ششماہی کی صورتحال معاشی عدم استحکام کی طرف اشارہ کرتی ہے جس میں IMF پروگرام کے تحت ریفارمز کے حصول میں استحکام اور مضبوطی کا مرحلہ کچھ مشکل دکھائی دے رہا ہے کیونکہ IMF کی جانب سے پوسٹ پروگرام مانیٹرنگ جاری رہے گی۔ اس حوالے سے خاص کر ٹیکس ریفارمز کے شعبے میں فوری طور مضبوط اور دیر پا اقدامات ناگزیر ہیں تاکہ اس بات کو یقینی بنایا جاسکے کہ ترقیاتی اخراجات متاثر کئے بغیر خسارہ برقرار رہے اور ٹیکس GDP کا تناسب مستحکم انداز میں بڑھتا رہے۔ استحکام کے بہتر عرصہ بعد بھی گرتی ہوئی ترسیلات زر میں اضافہ کے نہ ہونا، ٹریڈ اور کرنٹ اکاؤنٹ خسارے کی صورتحال تشویش کا باعث ہیں۔ سی پیک کا وعدہ وفا کرتے ہوئے اس کے پروجیکٹس کی تکمیل سے اس کے فوائد جلد سے جلد آنے کی ترجیحات ہونی چاہیئے۔

پاکستان کا بینکنگ سیکٹر مہنگائی کی مستحکم پوزیشن کے پیش نظر مارک اپ کی شرح میں اضافہ نہ ہونے کی وجہ سے مسلسل دباؤ کا شکار رہے گا۔ اس دباؤ میں مالیاتی سال 18 کی ابتدا میں PIB سرمایہ کاریوں کے دوسرے راؤنڈ کی تکمیل کے وقت ری انویسٹمنٹ رسک بھی شامل ہو جائے گا۔ جبکہ CPEC سے جڑے قرضے میں اضافے، ایکسپورٹ سے منسلک مینوفیکچرنگ میں اٹھاؤ اور نجی شعبے کے کریڈٹ میں موجود مواقع سے فائدہ اٹھانے کے لئے HBL اپنے مضبوط لیکویڈٹی اور کیپٹل کی بدولت بہترین پوزیشن رکھتا ہے۔ بینک اپنی موجودگی اور کاروبار میں وسعت کے پیش نظر کمپلائنس اور رسک مینجمنٹ کے اعلیٰ معیاروں پر عمل پیرا رہنے کے لئے تیار ہے۔ کسٹمر پر اپنی توجہ مرکوز رکھنا ہماری ترجیح ہے اور اس حوالے سے آنے والے سال میں پروڈکٹ اور سروس میں جدت سے اس توجہ میں مزید ترقی نظر آئے گی۔

## منافع منقسمہ (ڈیویڈنڈ)

بورڈ نے 31 دسمبر 2016 کو ختم شدہ سال کے لئے ہر ایک شیئر پر 3.50 روپے کا حتمی نقد منافع منقسمہ (ڈیویڈنڈ) تجویز کیا ہے، اس طرح سال بھر میں ہر ایک شیئر پر ٹوٹل نقد منافع منقسمہ 14 روپے بنتا ہے۔ بورڈ نے اعلان کردہ تمام عبوری کیش ڈیویڈنڈز جو ہر ایک شیئر پر 10.50 روپے بنے، پہلے ہی ادا کر دیئے ہیں۔

## بورڈ کے اجلاس

بورڈ میٹنگ		آؤٹ کسٹی میٹنگ		رسک مینجمنٹ کمیٹی میٹنگ		ہیومن ریسورس اینڈ ریپیورٹیشن کمیٹی میٹنگ	
دوران عرصہ ہونے والی میٹنگ	حاضری	دوران عرصہ ہونے والی میٹنگ	حاضری	دوران عرصہ ہونے والی میٹنگ	حاضری	دوران عرصہ ہونے والی میٹنگ	حاضری
10	10	N/A	N/A	N/A	N/A	6	6
10	10	N/A	N/A	5	5	N/A	N/A
10	10	7	7	N/A	N/A	6	6
10	10	7	7	N/A	N/A	N/A	N/A
10	10	N/A	N/A	5	5	N/A	N/A
10	9	7	7	N/A	N/A	6	6
10	10	N/A	N/A	5	5	6	6

ایچ بی ایل نے ہمیشہ کھیلوں کی نچلی سطح سے ترقی کے لئے اپنا کردار ادا کیا ہے۔ اس ضمن میں بینک نے اسٹریٹ چلڈرین کی اسپورٹس کی سرگرمیوں کو عالمی سطح کی ترقی دینے کے لئے آزاد فاؤنڈیشن سے شراکت داری قائم کر رکھی ہے۔

ایچ بی ایل فاؤنڈیشن اور دیگر کوڈی جانی والی مالی معاونت سے متعلق وضاحت مالیاتی گوشواروں کے نوٹ نمبر 26.3 میں کی گئی ہے۔

## کریڈٹ ریٹنگ

JCR-VIS کی جانب سے بینک کو بالترتیب طویل مدتی اور قلیل مدتی کریڈٹ ریٹنگ میں AAA/A-1+ سے نوازا گیا ہے اور اس کے ذیلی قرض (Subordinated Debt) کو AAA کی ریٹنگ ملی ہے۔ Moody's نے بھی ایچ بی ایل کی بیس لائن کریڈٹ ایسٹیمٹ B3 کو ایک بار پھر برقرار رکھا ہے اور اس کی لوکل اور فارن کرنسی ریٹنگ کو بالترتیب B3 اور Caa1 پر رکھا گیا ہے۔

ایک انٹرنیشنل ریٹنگ ایجنسی بنام کیپٹل انٹیلی جنس نے بھی ایچ بی ایل کے سادرن ریٹنگ میں جائزے کے پیش نظر قلیل مدتی اور طویل مدتی فارن کرنسی کریڈٹ ریٹنگ کو B- اور B پر برقرار رکھا۔ ایچ بی ایل کی مالیاتی طاقت کی ریٹنگ بھی BB کو برقرار رکھا گیا ہے، اور دونوں ریٹنگ کے دوران جائزے میں ادارے کو مستحکم قرار دیا گیا ہے۔

## ایوارڈز

2016 کے دوران ایچ بی ایل کو کئی ایوارڈز سے نوازا گیا، ان میں سے زیادہ ممتاز یہ ہیں:

- بینک آف دی ایمران پاکستان، برطانیہ کے فنانشل ٹائمز کی اشاعت دی میگزین کی جانب سے
- بیسٹ ڈومیسٹک بینک، پاکستان، ایشیائی
- بیسٹ ریٹیل بینک، پاکستان، ایشیائی میگزین انٹرنیشنل ایوارڈز
- سیفیٹ بینک ان پاکستان، گلوبل فنانس
- بیسٹ ٹریڈ فنانس پرووائیڈر ان پاکستان، گلوبل فنانس
- بیسٹ فارن ایکسچینج پرووائیڈر ان پاکستان، گلوبل فنانس
- بیسٹ بینک فار سال بزنس اینڈ ایگریکلچر، پاکستان بینکنگ ایوارڈز
- بیسٹ انوائسمنٹل، سوشل اینڈ گورننس بینک، پاکستان بینکنگ ایوارڈز
- برانڈ آف دی ایئر، بینکنگ، پاکستان، ورلڈ برانڈنگ ایوارڈز
- بیسٹ لوکل ٹریڈ فنانس بینک ان پاکستان، گلوبل ٹریڈ ریویو

## مستقبل پر نظر

مالیاتی سال 17 کی پہلی ششماہی میں کریڈٹ کی وسعت میں اضافے، فصلوں کی بہتر پیداوار، بجلی کی لوڈ شیڈنگ میں نمایاں کمی اور کاروباری اعتماد میں بہتری کے پیش نظر ترقی کے تسلسل کی امید ہے۔ EFF پروگرام کے تحت اٹھائے جانے والے اقتصادی بحالی کے اقدامات کے ساتھ بہتر ہوتی امن کی صورتحال مزید ترقی کو فروغ دے گی۔ انفراسٹرکچر کو بہتر بنانے اور ایکسپورٹس کی ترقی کے اقدامات کی بدولت لارج اسکیل مینوفیکچرنگ بڑھنے کی توقع کی جاسکتی ہے اور امید ہے کہ GDP کی ترقی کا تناسب مالیاتی سال 17 میں 5 فیصد سے آگے جائے گا۔

## ایمپلائریٹائزمنٹ بینیفٹ فنڈز میں سرمایہ کاریوں کی قدر

بینک کی جانب سے برقرار رکھے جانے والے پروویڈنٹ، گریجویٹ، پینشن اور پینوولنٹ فنڈز میں سرمایہ کاریوں کی قدر، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر 31 دسمبر 2016 کے مطابق درج ذیل ہیں:

ملین (روپے)

12,418

ایمپلائیز پروویڈنٹ فنڈ

4,760

ایمپلائیز پینشن فنڈ

2,377

ایمپلائیز گریجویٹ فنڈ

1,369

ایمپلائیز پینوولنٹ فنڈ، ایگزیکٹو اور آفیسرز

643

ایمپلائیز پینوولنٹ فنڈ، بکریکل اور نان بکریکل

## پیٹرن آف شیئر ہولڈنگ

31 دسمبر 2016 کے مطابق پیٹرن آف شیئر ہولڈنگ اور ایگزیکٹوز کی جانب سے بینک کے شیئرز میں کاروبار جس کی بورڈ آف ڈائریکٹرز نے کوڈ کے تحت وضاحت کی ہے، کوڈ پر عمل درآمد کرتے ہوئے سالانہ رپورٹ میں دی گئی ہے۔

## ڈائریکٹرز کی جانب سے تربیتی پروگرامز میں شرکت

اس کی تفصیلات کوڈ پر عمل درآمد کے اسٹیٹمنٹ میں فراہم کر دی گئی ہے۔

## اظہار تشکر اور توثیقی بیان

بورڈ اور انتظامیہ کی طرف سے، میں اپنے ریگولیٹرز اور حکومت پاکستان، خاص طور پر فنانس کی وزارت، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا تہہ دل سے اور ریکارڈ پر شکریہ ادا کرنا چاہتا ہوں کہ ان کی کوششوں سے ریگولیٹری اور گورننس فریم ورک میں مسلسل ترقی کی بدولت بینکنگ اور فنانشل انڈسٹری مضبوط ہوئی اور ترقی کر رہی ہے۔

اس موقع کو غنیمت سمجھتے ہوئے میں اپنے کسٹمرز اور شیئر ہولڈرز کے ہم پراعتماد کا بھی شکریہ ادا کرنا چاہوں گا۔ ہم آپ کو یقین دلاتے ہیں کہ ہم اپنے تمام امور میں بہتر کارپوریٹ گورننس اور عمل درآمد کے ذریعے اعلیٰ معیاری خدمات کی فراہمی کے لئے پرعزم ہیں۔ میں اپنے ملازمین کی انتھک کوششوں اور HBL کی ترقی میں بھرپور لگن کا معترف ہوں۔

بورڈ کی جانب سے

نعمان کے ڈار

پریذیڈنٹ اور چیف ایگزیکٹو آفیسر

14 فروری، 2017

## آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور سالانہ اجلاس عام میں اہلیت کی بنیاد پر خود کو دوبارہ انتخاب کے لئے پیش کیا ہے۔ اسی طرح بورڈ آف ڈائریکٹرز نے، بورڈ آڈٹ کمیٹی کی تجویز پر، میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو مالی سال 2017 کے لئے بینک کے آڈیٹرز کے طور پر انتخاب کی تجویز دی ہے۔

## پاکستان اسٹاک ایکسچینج لمیٹڈ ریگولیشنز (دی کوڈ) کے چپٹر 5 میں مذکور کوڈ آف کارپوریٹ گورننس کے ریگولیشن 5.19.11 کے تحت اسٹیٹمنٹ:

بورڈ اس بات کے لئے پر عزم ہے کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مرتب کردہ کارپوریٹ گورننس کی ضروریات کو پورا کیا جائے اور ڈائریکٹریہ رپورٹ پیش کرتے ہوئے خوش ہیں کہ:

- (ا) بینک کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے (فنانشل اسٹیٹمنٹ) بینک کے معاملات کی صورت حال، انتظامی نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کے حوالے سے درست اور بہتر انداز میں تیار کئے گئے ہیں۔
  - (ب) بینک کے اکاؤنٹس کی بکس باقاعدہ طور پر برقرار رکھی گئی ہیں۔
  - (ج) مالیاتی گوشواروں کے نوٹ 4.1 میں بیان کی گئی تبدیلی کے علاوہ، مالیاتی گوشواروں کی تیاری میں متعلقہ اکاؤنٹنگ پالیسیوں پر مستقل بنیادوں پر عمل کیا گیا ہے اور اکاؤنٹنگ کے تخمینے مناسب اور محتاط انداز کی بنیاد پر لگائے جاتے ہیں۔
  - (د) بینک نے مالیاتی گوشواروں کی تیاری میں انٹرل اکاؤنٹنگ اسٹینڈرڈز (جو پاکستان میں بینکوں پر لاگو ہوتے ہیں) کی پاسداری کر رکھی ہے اور کہیں پر بھی ان معیارات کی خلاف ورزی نہیں کی گئی۔
  - (ر) ایک مستقل کام کے طور پر انٹرل کنٹرول سسٹم پر موثر انداز میں عمل درآمد کرنے کی کوششیں جاری رہتی ہیں۔ ایچ بی ایل بینک دولت پاکستان کی انٹرل کنٹرول سے متعلق ہدایات اور انٹرل کنٹرولز اور فنانشل رپورٹنگ (ICFR) کی ہدایات اور روڈ میپ پر عمل درآمد کرتا ہے۔ بینک نے اپنی ICFR پروسیس کا جائزہ لیا ہے اور ICFR کی مینجمنٹ کی فریم ورک دستاویز تیار کی ہے اور اس کے ساتھ مینجمنٹ ٹیسٹنگ اینڈ رپورٹنگ فریم ورک بھی تیار کیا ہے۔
  - (س) بینک کی اپنے امور جاری رکھنے کی صلاحیت پر کسی طرح کے بھی شکوک و شبہات نہیں ہیں۔
  - (ص) کوڈ میں مذکور کارپوریٹ گورننس پر بہترین عمل درآمد کی اہم خلاف ورزی نہیں کی گئی۔
  - (ط) مالیاتی گوشواروں کے سیکشن "پروگریس 2007 سے 2016 مجموعی" میں گزشتہ دس سالوں کے اہم آپریٹنگ اور فنانشل اعداد و شمار پیش کئے گئے ہیں۔
  - (ع) ڈائریکٹرز، سی ای او، سی ایف او اور کمپنی سیکریٹری نے تصدیق کی ہے کہ وہ اور ان کی زوجہ کسی طرح کے بھی اسٹاک بروکرینج میں شامل نہیں ہیں۔
  - (ف) بورڈ کی طرف سے قائم کردہ رسک مینجمنٹ، آڈٹ اینڈ ہیومن ریسورس اینڈ ریموونیشن کمیٹیاں اپنے اختیارات کے تحت موثر انداز میں کام کر رہی ہیں۔ سال بھر کے دوران بورڈ کے اجلاس مستقل طور پر ہوتے رہے ہیں اور دس اجلاس کر چکا ہے اور کم از کم ہر سہ ماہی میں ایک بار تولا زمی ملے ہیں۔
- انٹرل کنٹرول کا اسٹیٹمنٹ، کوڈ پر عمل درآمد کا اسٹیٹمنٹ، کوڈ پر عمل درآمد کا اسٹیٹمنٹ برائے جائزہ رپورٹ اور آڈیٹرز کی رپورٹس فنانشل اسٹیٹمنٹ سے منسلک ہیں۔

## Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of **Habib Bank Limited** (the Bank) as at December 31, 2016 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 un-audited certified returns from the branches, except for 98 branches, which have been audited by us and 23 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 management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial 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 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 the 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 accounts 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 accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note 4.1 to the financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;



- (c) in our opinion and to the best of our information and according to the explanations given to us the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the 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 December 31, 2016, and its true balance of profit, its comprehensive income, its changes in equity and cash flows 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.

The financial statements of the Bank for the year ended December 31, 2015 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 23, 2016.

**A. F. Ferguson & Co.**

Chartered Accountants

Engagement Partner: Salman Hussain

Date: February 24, 2017  
Karachi

## Unconsolidated Statement of Financial Position

As at December 31, 2016

2016	2015 (US \$ in '000)	2014		Note	2016	2015 (Rupees in '000)	2014
<b>ASSETS</b>							
2,101,262	1,475,197	1,168,958	Cash and balances with treasury banks	5	219,788,876	154,303,383	122,271,268
313,034	281,347	506,946	Balances with other banks	6	32,742,891	29,428,453	53,025,792
334,711	175,735	328,050	Lendings to financial institutions	7	35,010,238	18,381,633	34,313,560
12,473,628	11,820,589	8,581,136	Investments	8	1,304,722,761	1,236,415,888	897,573,967
6,808,248	5,790,105	5,354,943	Advances	9	712,132,554	605,636,271	560,118,997
294,388	276,660	237,807	Operating fixed assets	10	30,792,535	28,938,259	24,874,238
-	-	-	Deferred tax asset		-	-	-
560,176	495,283	736,324	Other assets	11	58,593,524	51,805,820	77,018,432
<u>22,885,447</u>	<u>20,314,916</u>	<u>16,914,164</u>			<u>2,393,783,379</u>	<u>2,124,909,707</u>	<u>1,769,196,254</u>
<b>LIABILITIES</b>							
297,411	267,137	209,904	Bills payable	12	31,108,762	27,942,101	21,955,683
3,203,519	3,006,593	952,504	Borrowings	13	335,083,298	314,485,132	99,630,517
17,145,278	14,898,021	13,835,910	Deposits and other accounts	14	1,793,370,392	1,558,310,675	1,447,215,445
95,585	95,604	-	Subordinated loans	15	9,998,000	10,000,000	-
-	-	-	Liabilities against assets subject to finance lease		-	-	-
17,749	21,171	17,690	Deferred tax liability	16	1,856,554	2,214,422	1,850,325
385,278	383,425	388,884	Other liabilities	17	40,299,393	40,105,726	40,676,639
<u>21,144,820</u>	<u>18,671,951</u>	<u>15,404,892</u>			<u>2,211,716,399</u>	<u>1,953,058,056</u>	<u>1,611,328,609</u>
<u>1,740,627</u>	<u>1,642,965</u>	<u>1,509,272</u>			<u>182,066,980</u>	<u>171,851,651</u>	<u>157,867,645</u>
<b>NET ASSETS</b>							
<b>REPRESENTED BY:</b>							
<b>Shareholders' equity</b>							
140,236	140,236	140,236	Share capital	18	14,668,525	14,668,525	14,668,525
450,737	425,953	389,154	Reserves		47,146,362	44,553,993	40,704,933
931,625	859,801	781,156	Unappropriated profit		97,446,624	89,933,889	81,707,742
<u>1,522,598</u>	<u>1,425,990</u>	<u>1,310,546</u>			<u>159,261,511</u>	<u>149,156,407</u>	<u>137,081,200</u>
218,029	216,975	198,726	Surplus on revaluation of assets - net of deferred tax	19	22,805,469	22,695,244	20,786,445
<u>1,740,627</u>	<u>1,642,965</u>	<u>1,509,272</u>			<u>182,066,980</u>	<u>171,851,651</u>	<u>157,867,645</u>
<b>CONTINGENCIES AND COMMITMENTS</b>							
				20			

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

# Unconsolidated Profit and Loss Account

For the year ended December 31, 2016

2016 (US \$ in '000)	2015		Note	2016 (Rupees in '000)	2015
1,317,494	1,332,335	Mark-up / return / profit / interest earned	22	137,807,927	139,360,273
559,188	598,468	Mark-up / return / profit / interest expensed	23	58,490,216	62,598,872
758,306	733,867	<b>Net mark-up / return / profit / interest income</b>		79,317,711	76,761,401
4,204	44,749	Provision against advances	9.4	439,755	4,680,657
(212)	351	(Reversal) / provision against off-balance sheet obligations	17.1	(22,208)	36,744
2,377	(3,656)	Provision for / (reversal of) diminution in the value of investments	8.6	248,616	(382,393)
-	-	Bad debts written off directly		-	-
6,369	41,444			666,163	4,335,008
751,937	692,423	<b>Net mark-up / return / profit / interest income after provisions</b>		78,651,548	72,426,393
		<b>Non mark-up / interest income</b>			
164,753	156,180	Fee, commission and brokerage income		17,232,876	16,336,203
16,317	19,120	Dividend income		1,706,704	1,999,890
9,370	22,395	Income from dealing in foreign currencies		980,098	2,342,524
47,696	104,520	Gain on sale of securities - net	24	4,988,890	10,932,640
(115)	175	Unrealised (loss) / gain on held-for-trading securities	8.7	(12,057)	18,326
5,632	6,087	Other income	25	589,075	636,733
243,653	308,477	<b>Total non mark-up / interest income</b>		25,485,586	32,266,316
995,590	1,000,900			104,137,134	104,692,709
		<b>Non mark-up / interest expense</b>			
483,223	437,268	Administrative expenses	26	50,544,378	45,737,572
1,665	2,351	Other provisions / write offs - net	11.2	174,161	245,920
1,017	1,232	Other charges	27	106,332	128,831
10,193	11,268	Workers' Welfare Fund	28	1,066,224	1,178,618
496,098	452,119	<b>Total non mark-up / interest expenses</b>		51,891,095	47,290,941
499,492	548,781	<b>Profit before taxation</b>		52,246,039	57,401,768
		<b>Taxation</b>	29		
173,362	174,982	- Current		18,133,369	18,302,817
21,253	21,618	- Prior		2,223,030	2,261,220
664	13,072	- Deferred		69,421	1,367,273
195,279	209,672			20,425,820	21,931,310
304,213	339,109	<b>Profit after taxation</b>		31,820,219	35,470,458
				-----Rupees-----	
		<b>Basic and diluted earnings per share</b>	30	21.69	24.18

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

## Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2016

2016 (US \$ in '000)	2015		2016 (Rupees in '000)	2015
304,213	339,109	<b>Profit after taxation for the year</b>	31,820,219	35,470,458
		<b>Other comprehensive income / (loss)</b>		
		<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>		
(5,637)	(2,343)	Effect of translation of net investment in foreign branches	(589,653)	(245,101)
		<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>		
(5,956)	(2,692)	Remeasurement loss on defined benefit obligation -net	(623,038)	(281,560)
<u>292,620</u>	<u>334,074</u>	<b>Comprehensive income transferred to equity</b>	<u>30,607,528</u>	<u>34,943,797</u>
		<b>Components of comprehensive income / (loss) not reflected in equity</b>		
		<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>		
(7,698)	4,464	Movement in (deficit) / surplus on revaluation of investments - net of tax	(805,166)	466,978
		<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>		
		Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	1,772	1,495,756
17	14,300	Transferred from surplus on revaluation of non-banking assets	262,797	-
2,512	-		264,569	1,495,756
2,529	14,300			
		Movement in surplus / (deficit) on revaluation of non-banking assets- net of tax	947,131	-
9,055	-	Transferred to surplus on revaluation of operating fixed asset	(262,797)	-
(2,512)	-		684,334	-
6,543	-			
<u>293,994</u>	<u>352,838</u>	<b>Total comprehensive income</b>	<u>30,751,265</u>	<u>36,906,531</u>

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2016

	RESERVES						Total
	Share capital	Exchange translation reserve	Capital		Revenue		
			Statutory reserve	Non - distributable capital reserve	General reserve	Unappropriated profit	
(Rupees in '000)							
Balance as at December 31, 2014	14,668,525	11,288,105	23,343,016	-	6,073,812	81,707,742	137,081,200
<b>Comprehensive income for the year</b>							
Profit after taxation for the year ended December 31, 2015	-	-	-	-	-	35,470,458	35,470,458
<b>Other comprehensive income / (loss)</b>							
- Effect of translation of net investment in foreign branches	-	(245,101)	-	-	-	-	(245,101)
- Remeasurement loss on defined benefit obligations - net	-	-	-	-	-	(281,560)	(281,560)
	-	(245,101)	-	-	-	35,188,898	34,943,797
<b>Transactions with owners, recorded directly in equity</b>							
Final cash dividend - Rs. 5.5 per share declared subsequent to the year ended December 31, 2014	-	-	-	-	-	(8,067,689)	(8,067,689)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
3rd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(23,469,641)	(23,469,641)
Gain on bargain purchase on acquisition of Barclays	-	-	-	547,115	-	-	547,115
Transferred from surplus on revaluation of assets - net of tax	-	-	3,547,046	-	-	53,936	53,936
Transferred to statutory reserve	-	-	-	-	-	(3,547,046)	-
Balance as at December 31, 2015	14,668,525	11,043,004	26,890,062	547,115	6,073,812	89,933,889	149,156,407
<b>Comprehensive income for the year</b>							
Profit after taxation for the year ended December 31, 2016	-	-	-	-	-	31,820,219	31,820,219
<b>Other comprehensive income / (loss)</b>							
- Effect of translation of net investment in foreign branches	-	(589,653)	-	-	-	-	(589,653)
- Remeasurement loss on defined benefit obligations - net	-	-	-	-	-	(623,038)	(623,038)
	-	(589,653)	-	-	-	31,197,181	30,607,528
<b>Transactions with owners, recorded directly in equity</b>							
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2015	-	-	-	-	-	(5,133,984)	(5,133,984)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
3rd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(20,535,936)	(20,535,936)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	33,512	33,512
Transferred to statutory reserve	-	-	3,182,022	-	-	(3,182,022)	-
Balance as at December 31, 2016	14,668,525	10,453,351	30,072,084	547,115	6,073,812	97,446,624	159,261,511

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

## Unconsolidated Cash Flow Statement

For the year ended December 31, 2016

2016 (US \$ in '000)	2015		Note	2016 (Rupees in '000)	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
499,492	548,781	Profit before taxation		52,246,039	57,401,768
(16,317)	(19,120)	Dividend income		(1,706,704)	(1,999,890)
483,175	529,661			50,539,335	55,401,878
<b>Adjustment for:</b>					
27,801	23,864	Depreciation		2,907,923	2,496,104
4,397	4,996	Amortisation		459,874	522,569
2,377	(3,656)	Provision for / (reversal of) diminution in the value of investments		248,616	(382,393)
4,204	44,749	Provision against advances		439,755	4,680,657
(212)	351	(Reversal) / provision against off-balance sheet obligations		(22,208)	36,744
1,665	2,351	Other provisions / write offs - net		174,161	245,920
115	(175)	Unrealised loss / (gain) on held-for-trading securities		12,057	(18,326)
(559)	(474)	Gain on sale of operating fixed assets - net		(58,494)	(49,625)
10,193	11,268	Workers' Welfare Fund		1,066,224	1,178,618
49,981	83,274			5,227,908	8,710,268
533,156	612,935			55,767,243	64,112,146
<b>(Increase) / decrease in operating assets</b>					
(158,976)	152,315	Lendings to financial institutions		(16,628,605)	15,931,927
19,060	54,539	Investments in held-for-trading securities		1,993,686	5,704,745
(1,022,348)	(426,848)	Advances		(106,936,038)	(44,647,688)
(14,733)	298,188	Other assets		(1,541,069)	31,189,973
(1,176,997)	78,194			(123,112,026)	8,178,957
<b>Increase / (decrease) in operating liabilities</b>					
30,274	37,475	Bills payable		3,166,661	3,919,826
196,926	2,030,619	Borrowings		20,598,166	212,399,694
2,247,257	797,307	Deposits and other accounts		235,059,717	83,397,167
(9,492)	(33,834)	Other liabilities		(992,906)	(3,539,030)
2,464,965	2,831,567			257,831,638	296,177,657
1,821,124	3,522,696			190,486,855	368,468,760
(249,232)	(208,098)			(26,069,275)	(21,766,775)
1,571,892	3,314,598			164,417,580	346,701,985
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(273,935)	(2,008,711)	Net investments in available-for-sale securities		(28,653,215)	(210,108,176)
(383,588)	(1,010,383)	Net investments in held-to-maturities securities		(40,122,710)	(105,684,495)
(19,121)	(52,785)	Net investment in subsidiaries		(2,000,000)	(5,521,240)
(9,790)	(4,780)	Net investment in associates		(1,024,049)	(500,000)
15,785	19,198	Dividend income received		1,651,091	2,008,041
-	2,259	Net cash inflow on acquisition of Barclays		-	236,259
(37,597)	(54,975)	Fixed capital expenditure		(3,932,546)	(5,750,285)
687	674	Proceeds from sale of operating fixed assets		71,850	70,551
(5,637)	(2,343)	Effect of translation of net investment in foreign branches		(589,653)	(245,101)
(713,196)	(3,111,846)			(74,599,232)	(325,494,446)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
(19)	95,604	(Repayment) / issuance of subordinated loan		(2,000)	10,000,000
(200,925)	(217,716)	Dividend paid		(21,016,417)	(22,772,763)
(200,944)	(122,112)			(21,018,417)	(12,772,763)
657,752	80,640			68,799,931	8,434,776
1,762,941	1,651,759	Cash and cash equivalents at the beginning of the year		184,400,975	172,771,585
(6,397)	24,144	Effect of exchange rate changes on cash and cash equivalents		(669,139)	2,525,475
1,756,544	1,675,903			183,731,836	175,297,060
2,414,296	1,756,543	Cash and cash equivalents at the end of the year	31	252,531,767	183,731,836

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

Nauman K. Dar  
President and Chief Executive Officer

Moez Ahamed Jamal  
Director

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2016

## 1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking and related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,677 (2015: 1,663) branches inside Pakistan including 45 (2015: 44) Islamic Banking Branches and 54 (2015: 53) branches outside the country including Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

### 1.1 Business Combinations

#### 1.1.1 Acquisition of Barclays Bank PLC - Pakistan Branch Business (Barclays)

Last year, the Bank completed the acquisition of the Pakistan branch business of Barclays Bank PLC, a commercial bank. Subsequent to the acquisition, the Bank, under the scheme of amalgamation, incorporated the balances relating to Barclays at their carrying values as appearing in the audited financial statements of Barclays as at the close of business on June 14, 2015.

International Financial Reporting Standard 3 (IFRS 3), Business Combinations, requires that all identified assets and liabilities acquired in a business combination should be carried at their fair values in the acquirer's balance sheet and allows the acquirer a period of one year from the date of acquisition for this determination. The Bank has carried out an assessment and concluded that the fair values of the acquired assets and liabilities were not different from their carrying values at the time of acquisition and therefore no fair value adjustment is required.

#### 1.1.2 Acquisition of The First MicroFinanceBank Limited (FMFB)

During the year, the Bank has purchased 50.51% of the shares in The First MicroFinanceBank Limited (FMFB), a related entity, under a Share Subscription Agreement for a consideration of Rs. 2 billion. The transaction was completed in May, 2016.

## 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 these unconsolidated financial statements are stated solely for information convenience. The statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement as at and for the years ended December 31, 2016, 2015 and 2014 have all been converted using an exchange rate of Rupees 104.5985 per US Dollar.

### 2.1 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except for:

- Certain classes of fixed assets and non-banking assets acquired in satisfaction of claims which are stated at revalued amounts less accumulated depreciation.
- Investments classified as held-for-trading and available-for-sale and derivative financial instruments, including forward foreign exchange contracts, which are measured at fair value.
- Net obligations in respect of defined benefit schemes which are carried at their present values.

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

### 2.2 Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with 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 (note 4.4)
- ii) Valuation and impairment of available-for-sale equity investments, subsidiaries and associates (note 4.4.4)
- iii) Provision against non-performing advances (note 4.5)
- iv) Fixed assets valuation, depreciation and amortisation (note 4.6)
- v) Defined benefit plans and other retirement benefits (note 4.10)
- vi) Taxation (note 4.13)
- vii) Fair value of derivatives (note 4.20)

2.2.1 Revisions to accounting estimates are recognised 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. These comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984
- 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 Banking Companies Ordinance, 1962
- Provisions of and directives issued under the Companies Ordinance, 1984
- Directives issued by the SBP and the SECP from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the Banking Companies Ordinance, 1962, the requirements of the Companies Ordinance, 1984 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, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

IFRS 10, Consolidated Financial Statements, was notified by the SECP as applicable for accounting periods beginning from January 1, 2015. However, the SECP, through SRO 56(I)/2016 dated January 28, 2016, has directed that the requirement of consolidation under this standard and under Section 237 of the Companies Ordinance, 1984 is not applicable in the case of investments by a bank in mutual funds managed by its own asset management company and established under the trust structure. Therefore, direct investments by the Bank in mutual funds managed by HBL Asset Management Limited are not consolidated as would otherwise be required under the definition of control specified in IFRS 10.

### 3.2 Amendments to approved accounting standards that are effective in the current year

The Bank has adopted the following amendments to approved accounting standards which became effective for the current year:

#### **IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)**

These amendments aim to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

#### **IAS 27 - Separate financial statements on the equity method (Amendment)**

IAS 27, Separate Financial Statements, only allowed entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendment made to IAS 27 introduces the equity method as a third option in addition to these two treatments. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates).

Adoption of the above amendments have not had any material impact on the Bank's financial statements in the period of initial application.

### 3.3 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

There are certain other new standards, interpretations of and amendments to approved accounting standards that are effective for accounting periods beginning on or after January 1, 2017. The Bank considers that these are either not relevant or have no significant effect on the Bank's operations and are therefore not detailed in these financial statements.

The following new standards have been issued by the IASB but have not yet been notified by the SECP for the purpose of applicability in Pakistan.

	Standards	IASB Effective date (annual periods beginning on or after)
	<ul style="list-style-type: none"> <li>- IFRS 9 – Financial Instruments: Classification and Measurement</li> <li>- IFRS 15 – Revenue from Contracts with Customers</li> <li>- IFRS 16 – Leases</li> </ul>	January 1, 2018 January 1, 2018 January 1, 2019
4	<b>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
	The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year except as described in note 4.1.	
4.1	<b>Change in accounting policy</b>	
	In line with the requirements of the Debt Property Swap Regulations issued by the SBP on January 1, 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims. These were previously recorded at the lower of cost or market value. These are now initially recorded at cost and subsequently stated at revalued amount less accumulated depreciation / impairment. Increase in market value over the acquisition cost is recorded as surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account. Had there been no change in accounting policy, other assets, surplus on revaluation of assets (net of tax) and deferred tax liability would have been lower by Rs. 688.529 million, Rs. 684.178 million and Rs. 6.203 million respectively.	
	The impact of this change in policy on profit for the year and earnings per share is not material.	
4.2	<b>Cash and cash equivalents</b>	
	Cash and cash equivalents include cash and balances with treasury banks and balances with other banks.	
4.3	<b>Lending / borrowing transactions with financial institutions</b>	
	The Bank enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:	
4.3.1	<b>Purchase under resale agreements (reverse repo)</b>	
	Securities purchased under agreement to resell are not recognised in these unconsolidated financial statements as investments and the amount extended to the counterparty is included in lendings to financial institutions. The difference between the purchase price and the contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.	
4.3.2	<b>Sale under repurchase agreement (repo)</b>	
	Securities sold subject to a repurchase agreement are retained in these unconsolidated financial statements as investments and the liability to the counterparty is included in borrowings. The difference between the sale price and the contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as expense.	
4.3.3	<b>Bai Muajjal</b>	
	Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are reflected as investments. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.	
4.4	<b>Investments</b>	
	The Bank classifies its investment portfolio, other than its investments in subsidiaries, associates and joint ventures, into the following categories:	
	<b>Held-for-trading</b>	
	These are securities included in a portfolio in which a pattern of short-term trading exists or which are acquired for generating a profit from short-term fluctuations in market prices, interest rate movements or dealers' margin.	
	<b>Held-to-maturity</b>	
	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, other than investments in subsidiaries, associates and joint ventures, that do not fall under the held-for-trading or held-to-maturity categories.

##### 4.4.1 Initial measurement

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. The trade date is the date on which the Bank commits to purchase or sell the investment.

In the case of investments classified as held-for-trading, transaction costs are expensed through the profit and loss account. Transaction costs associated with investments other than those classified as held-for-trading are included in the cost of the investments.

##### 4.4.2 Subsequent measurement

#### Held-for-trading

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the profit and loss account.

#### Held-to-maturity

Investments classified as held-to-maturity are measured at amortised cost using the effective interest rate method, less any impairment recognised to reflect irrecoverable amounts.

#### Available-for-sale

Quoted securities classified as available-for-sale are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is recorded in the surplus / deficit on revaluation of securities account shown below equity in the statement of financial position and is taken to the profit and loss account either when realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per its latest available audited financial statements. Other unquoted securities are valued at cost less impairment, if any.

##### 4.4.3 Investments in subsidiaries, associates and joint ventures

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

##### 4.4.4 Impairment

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The 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 the case of listed equity securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired quoted equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal.

A decline in the carrying value of unquoted equity securities is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account.

Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the SBP. When a debt security is considered to be impaired, the balance in the surplus/deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the profit and loss account.

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

The Bank considers that a decline in the recoverable value of its investments in subsidiaries, associates and joint ventures 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 recognised when the recoverable amount falls below the carrying value and is charged to the profit and loss account. Any subsequent reversal of an impairment loss, up to the cost of the investment in subsidiaries, associates and joint ventures, is credited to the profit and loss account.

#### 4.5 Advances

Advances are stated net of specific and general provisions. Provision against advances of Pakistan operations is made in accordance with the requirements of the Prudential Regulations. Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes. Advances are written off in line with the Bank's policy when there are no realistic prospects of recovery.

##### 4.5.1 Finance lease receivables

Leases where the Bank transfers substantially all the risks and rewards incidental to the 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. The net investment in finance lease is included in advances to customers.

##### 4.5.2 Ijarah

Assets given on Ijarah are stated at cost less accumulated depreciation, after taking into account the estimated residual value. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah. Impairment of Ijarah assets is recognised in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

#### 4.6 Operating fixed assets and depreciation

##### 4.6.1 Tangible

Fixed assets are stated at cost, except for land and buildings which are carried at revalued amounts less accumulated depreciation, where applicable, and accumulated impairment losses, if any.

The cost and accumulated depreciation of fixed assets of foreign branches are adjusted for 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 their net carrying amount does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. A deficit arising on revaluation of fixed assets is adjusted against the balance in the above surplus account or, if no surplus exists, is charged to the profit and loss account as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the profit and loss account up to the extent of the original impairment.

Surplus on revaluation of fixed assets to the extent of the incremental depreciation (net of deferred tax) charged on the related assets is transferred by the Bank to unappropriated profit.

Operating fixed assets other than land are depreciated over their expected useful lives using the straight-line method. Depreciation is calculated so as to write down the assets to their residual values over their expected useful lives at the rates specified in note 10.2 to these unconsolidated financial statements. Depreciation on additions is charged from the month in which the assets are available for use. No depreciation is charged in the month in which the assets are disposed off. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred. However, major repairs and renovations that increase the useful life of an asset are capitalized.

Gains or losses arising on the disposal of fixed assets are charged to the profit and loss account. Surplus on revaluation (net of deferred tax) realised on disposal of fixed assets is transferred directly to unappropriated profit.

##### 4.6.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised over their estimated useful lives using the straight-line method. Amortisation is calculated so as to write-down the assets to their residual values over their expected useful lives at the rates stated in note 10.3 to these unconsolidated financial statements. Amortisation on additions is charged from the month in which the assets are available for use. No amortisation is charged in the month in which the assets are disposed off. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Intangible assets having a finite useful life which arise from contractual or other legal rights on the acquisition of another entity and are deemed separable, are considered as part of the net identifiable assets acquired. These are initially measured at fair value, and are amortised over their expected useful lives.

Intangible assets having an indefinite useful life are stated at cost less impairment, if any.

#### 4.6.3 Goodwill

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

#### 4.7 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims are initially recorded at cost and revalued at each year-end date of the statement of financial position. An increase in market value over the acquisition cost is recorded as a surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the profit and loss account up to the extent of the original impairment. All direct costs of acquiring title to the asset are charged immediately to the profit and loss account.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with depreciation charged on operating fixed assets.

Any reductions in non-performing loans and corresponding reductions in provisions held against non-performing loans, as a result of the recognition of such assets, are disclosed separately in the notes to these unconsolidated financial statements.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of operating fixed assets in the notes to these unconsolidated financial statements. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to operating fixed assets.

#### 4.8 Borrowings / deposits

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

#### 4.9 Subordinated loan

A subordinated loan is recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is charged to the profit and loss account.

#### 4.10 Employee benefits

The Bank operates a number of post-retirement benefit plans, which include both defined contribution plans and defined benefit plans.

Defined contribution plans, the Bank pays contributions to the fund on a periodic basis, and such amounts are charged to operating expenses when the payment obligation is established. The Bank has no further payment obligations once the contributions have been paid.

Funded defined benefit plans, the liability recognised in the statement of financial position is the present value of the defined benefit obligations less the fair value of plan assets as at the statement of financial position date. Contributions to the fund are made by the Bank on a periodic basis.

Non-funded defined benefit plans, the liability recognised in the statement of financial position is the present value of the defined benefit obligations as at the statement of financial position date.

The liability in respect of all obligations under defined benefit schemes is calculated annually by an independent actuary using the Projected Unit Credit Method.

#### Actuarial gains and losses

Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the profit and loss account. Gains and losses on re-measurement of the liability for compensated absences are recognised in the profit and loss account immediately.

#### 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 recognises past service cost as an expense when the plan amendment or curtailment occurs.

#### 4.11 Foreign currency

##### 4.11.1 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistan rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the date of the statement of financial position. Forward transactions in foreign currencies and foreign bills purchased are valued at forward foreign exchange rates applicable to their respective maturities.

##### 4.11.2 Foreign operations

The assets and liabilities of foreign operations are translated to Pakistan rupees at exchange rates prevailing at the date of the statement of financial position. The income and expenses of foreign operations are translated into Pakistan Rupees at average rates of exchange prevailing during the year.

Exchange differences arising from the translation of the net investment in foreign branches, and of instruments designated as hedges of such investments, are separately recorded within equity as an Exchange Translation Reserve. These are recognised through the profit and loss account only on disposal of the investment in the foreign branch.

##### 4.11.3 Translation gains and losses

Translation gains and losses on assets and liabilities denominated in foreign currency are included in the profit and loss account.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at foreign exchange rates prevailing as at the date of the statement of financial position.

##### 4.11.4 Contingencies and Commitments

Contingencies and commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the date of the statement of financial position.

#### 4.12 Income recognition

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Bank and the revenue can be reliably measured.

##### 4.12.1 Advances and investments

Income on performing advances and debt securities is recognised on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognised on a receipt basis. Income on rescheduled / restructured advances and investments is recognised as permitted by SBP regulations or by the regulatory authorities of the countries where the Bank operates.

##### 4.12.2 Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

##### 4.12.3 Fee, Commission and Brokerage Income

Fee, Commission and Brokerage income is recognised on an accrual basis.

##### 4.12.4 Dividend income

Dividend income is recognised when the right to receive the dividend is established.

## 4.13 Taxation

Income tax expense comprises of the charge for current and prior years and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity.

### 4.13.1 Current

The charge for current taxation is calculated on taxable income earned during the year from local as well as foreign operations using tax rates enacted as at the date of the statement of financial position.

### 4.13.2 Prior years

The charge for prior years represents adjustments to the tax charge for prior years, arising from assessments, changes in estimates, and retrospectively applied changes to law, made during the current year.

### 4.13.3 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted as at the date of the statement of financial position.

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

Where objective evidence exists that the carrying value of a deferred tax asset may not be recoverable, the deferred tax asset is reduced to its recoverable value with a corresponding charge to deferred tax expense recognised in the profit and loss account.

## 4.14 Impairment of non-financial assets

The carrying amount of the Bank's assets (other than deferred tax assets) are reviewed at each statement of financial position date 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 recognised through the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount. A subsequent increase in the recoverable value of the asset results in a reversal of the impairment loss through the profit and loss account, up to the original carrying value of the asset, if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

## 4.15 Provision for claims under guarantees

A provision for claims under guarantees is recognised when intimated and reasonable certainty exists that the Bank will settle the obligation. The charge to the profit and loss account is stated net of expected recoveries and the obligation is recognised in other liabilities.

## 4.16 Other provisions

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

## 4.17 Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic benefits, will arise. If the probability of an outflow of economic resources under a contingent liability is considered remote, it is not disclosed.

## 4.18 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 realise the assets and to settle the liabilities simultaneously.



#### 4.19 Financial Assets and Liabilities

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

#### 4.20 Derivative Financial Instruments

Derivative financial assets and liabilities are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value using appropriate valuation techniques. Derivative financial instruments are carried as an asset when the fair value is positive and as a 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.

#### 4.21 Dividend paid

Declarations of dividend to shareholders are recognised as a liability in the period in which they are approved.

#### 4.22 Earnings per share

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

#### 4.23 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing unique products or services (business segment), or in providing products or services within a particular geographic economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

##### 4.23.1 Business segments

The Bank is managed along the business lines for monitoring and reporting purposes:

i. *Branch Banking*

Consists of loans, deposits and other banking services to individuals, agriculture, consumer, SME and commercial customers.

ii. *Corporate Banking*

Consists of lending for project finance, trade finance and working capital to corporate customers. This segment also provides investment banking services including services provided in connection with mergers and acquisitions and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

iii. *Treasury*

Consists of proprietary trading, fixed income, equity, derivatives and foreign exchange businesses. Also includes credit, lending and funding activities with professional market counterparties.

iv. *International Banking*

International banking is considered as a separate segment for monitoring and reporting purposes and consists of the Bank's operations outside of Pakistan.

v. *Head Office / Others*

This includes corporate items and business results not shown separately in one of the above segments.

##### 4.23.2 Geographical segments

The Bank is managed along the following geographic lines for monitoring and reporting purposes:

i. Pakistan

ii. Europe, Middle East and America

iii. Asia and Africa (including KEPZ)

## 5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
In hand			
Local currency		21,015,759	20,059,721
Foreign currency		<u>6,371,911</u>	<u>4,071,118</u>
		<u>27,387,670</u>	<u>24,130,839</u>
With State Bank of Pakistan in			
Local currency current accounts	5.1	<u>68,242,399</u>	<u>15,108,681</u>
Foreign currency current account	5.2	<u>5,277,831</u>	<u>5,061,523</u>
Foreign currency deposit accounts	5.3	<u>16,616,860</u>	<u>14,725,629</u>
		<u>90,137,090</u>	<u>34,895,833</u>
With other Central Banks in			
Foreign currency current accounts	5.4	<u>42,613,070</u>	<u>60,714,217</u>
Foreign currency deposit accounts	5.5	<u>17,745,559</u>	<u>5,622,375</u>
		<u>60,358,629</u>	<u>66,336,592</u>
With National Bank of Pakistan in local currency current accounts		<u>41,833,941</u>	<u>28,895,538</u>
National Prize Bonds		<u>71,546</u>	<u>44,581</u>
		<u>219,788,876</u>	<u>154,303,383</u>

5.1 This represents current accounts maintained under the Cash Reserve Requirement of the SBP.

5.2 This represents a foreign currency current account maintained under the Cash Reserve Requirement of the SBP.

5.3 This represents a deposit account maintained under the Special Cash Reserve Requirement of the SBP and a US Dollar Settlement account maintained with the SBP. These carry mark-up at the rate of 0% (2015: 0%).

5.4 These represent balances held with the Central Banks of the countries in which the Bank operates, in accordance with local statutory / regulatory requirements. These balances include remunerative accounts amounting to Rs. 11,969.165 million (2015: Rs. 25,452.728 million), which carry mark-up at rates ranging from 0.01% to 7.44% (2015: 0.25% to 1.50%).

5.5 These represent balances held with the Central Banks of the countries in which the Bank operates, in accordance with local statutory / regulatory requirements, and carry mark-up at rates ranging from 0.50% to 6.67% (2015: 0.01% to 6.70%).

## 6. BALANCES WITH OTHER BANKS

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
In Pakistan			
In current accounts		<u>132,131</u>	<u>416,273</u>
Outside Pakistan			
In current accounts	6.1	<u>15,377,139</u>	<u>16,770,025</u>
In deposit accounts	6.2	<u>17,233,621</u>	<u>12,242,155</u>
		<u>32,610,760</u>	<u>29,012,180</u>
		<u>32,742,891</u>	<u>29,428,453</u>

6.1 These include remunerative current accounts amounting to Rs. 4,210.019 million (2015: Rs. 4,219.062 million), which carry mark-up at rates ranging from 0.01% to 0.30% (2015: 0.01% to 0.07%).

6.2 Deposit accounts carry mark-up at rates ranging from 0.15% to 13.00% (2015: 0.03% to 13.00%).

## 7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
Repurchase agreement lendings (reverse repo)	7.2 & 7.3	<u>25,405,701</u>	<u>15,567,708</u>
Call money lendings	7.4	<u>2,146,435</u>	<u>2,813,925</u>
Bai Muajjal receivables from Financial Institutions	7.5	<u>7,458,102</u>	<u>-</u>
		<u>35,010,238</u>	<u>18,381,633</u>
7.1 Particulars of lendings to financial institutions			
In local currency		<u>34,047,931</u>	<u>18,381,633</u>
In foreign currency		<u>962,307</u>	<u>-</u>
		<u>35,010,238</u>	<u>18,381,633</u>

7.2 Repurchase agreement lendings carry mark-up at rates ranging from 5.75% to 6.10% per annum (2015: 6.20% to 6.75% per annum) and are due to mature latest by March 17, 2017.

7.3 **Securities held as collateral against lendings to financial institutions**

	2016			2015		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	22,840,760	-	22,840,760	2,467,708	-	2,467,708
Pakistan Investment Bonds	2,564,941	-	2,564,941	13,100,000	-	13,100,000
	<u>25,405,701</u>	<u>-</u>	<u>25,405,701</u>	<u>15,567,708</u>	<u>-</u>	<u>15,567,708</u>

7.3.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 25,420.039 million (2015: Rs. 16,959.497 million).

7.4 Call money lendings carry mark-up at rates ranging from 1.80% to 13.18% (2015: 5.85%) and are due to mature latest by August 15, 2019.

7.5 Bai Muajjal receivables from Financial Institutions carry mark-up at rates ranging from 5.50% to 5.65% and are due to mature latest by March 13, 2017.

8. **INVESTMENTS**

8.1 **Investments by type**

INVESTMENTS		Note	2016			2015		
Investments by type			Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Held-for-trading (HFT)			(Rupees in '000)					
<i>Federal Government securities</i>								
-	Market Treasury Bills		32,335,860	-	32,335,860	29,966,313	-	29,966,313
-	Pakistan Investment Bonds		8,174,573	-	8,174,573	11,871,973	-	11,871,973
<i>Fully paid-up ordinary shares</i>								
-	Listed companies		131,436	-	131,436	36,602	-	36,602
<i>Overseas Government securities</i>								
			376,504	-	376,504	1,118,845	-	1,118,845
			41,018,373	-	41,018,373	42,993,733	-	42,993,733
Held-to-maturity (HTM)		8.5						
<i>Federal Government securities</i>								
-	Market Treasury Bills	8.8	28,912,507	-	28,912,507	29,802,535	-	29,802,535
-	Pakistan Investment Bonds	8.8 - 8.10	172,917,957	-	172,917,957	116,808,351	-	116,808,351
-	Government of Pakistan US Dollar Bonds		1,670,392	-	1,670,392	597,663	-	597,663
-	Other Federal Government securities	8.4	-	-	-	25,936,778	-	25,936,778
<i>Debentures and corporate debt instruments</i>								
-	Listed		8,084,970	-	8,084,970	7,859,935	-	7,859,935
-	Unlisted		10,503,868	-	10,503,868	6,873,761	-	6,873,761
<i>Overseas Government securities</i>								
			23,791,958	-	23,791,958	17,879,919	-	17,879,919
			245,881,652	-	245,881,652	205,758,942	-	205,758,942
Available-for-sale (AFS)								
<i>Federal Government securities</i>								
-	Market Treasury Bills	8.8	259,463,927	180,967,213	440,431,140	490,972,008	62,190,548	553,162,556
-	Pakistan Investment Bonds		325,812,579	58,708,656	384,521,235	125,598,086	171,679,360	297,277,446
-	Government of Pakistan US Dollar Bonds		20,671,573	-	20,671,573	22,415,613	-	22,415,613
-	Sukuks		77,911,455	-	77,911,455	29,672,145	-	29,672,145
<i>Fully paid-up ordinary shares</i>								
-	Listed companies		17,272,992	-	17,272,992	13,451,551	-	13,451,551
-	Unlisted companies		2,251,466	-	2,251,466	545,483	-	545,483
<i>Debentures and corporate debt instrument</i>								
-	Listed		18,668,736	-	18,668,736	13,012,839	-	13,012,839
-	Unlisted		13,031,341	-	13,031,341	19,360,513	-	19,360,513
<i>Overseas Government securities</i>								
			4,154,760	-	4,154,760	1,213,337	-	1,213,337
<i>NIT units</i>								
			11,113	-	11,113	11,113	-	11,113
<i>Preference shares</i>								
			100,000	-	100,000	250,000	-	250,000
			739,349,942	239,675,869	979,025,811	716,502,688	233,869,908	950,372,596
Investment in subsidiary companies		8.13	13,503,269	-	13,503,269	11,503,269	-	11,503,269
Investment in associates and joint venture		8.5 / 8.14	9,218,496	-	9,218,496	8,194,447	-	8,194,447
			1,048,971,732	239,675,869	1,288,647,601	984,953,079	233,869,908	1,218,822,987
Provision for diminution in the value of investments		8.6	(866,152)	-	(866,152)	(617,536)	-	(617,536)
			1,048,105,580	239,675,869	1,287,781,449	984,335,543	233,869,908	1,218,205,451
(Deficit) / surplus on revaluation of held-for-trading securities		8.7	(12,057)	-	(12,057)	18,326	-	18,326
Surplus on revaluation of available-for-sale securities		19.2	12,540,371	4,412,998	16,953,369	15,928,822	2,263,289	18,192,111
Total investments (net of provision)			1,060,633,894	244,088,867	1,304,722,761	1,000,282,691	236,133,197	1,236,415,888

	Note	2016 (Rupees in '000)	2015
<b>8.2 Investments by segment</b>			
Federal Government securities			
- Market Treasury Bills		501,679,507	612,931,404
- Pakistan Investment Bonds		565,613,765	425,957,770
- Government of Pakistan US Dollar Bonds		22,341,965	23,013,276
- Sukuks		77,911,455	29,672,145
- Other Federal Government securities	8.4	-	25,936,778
Fully paid-up ordinary shares			
- Listed companies		17,404,428	13,488,153
- Unlisted companies		2,251,466	545,483
Debentures and Corporate Debt Instruments			
- Listed		26,753,706	20,872,774
- Unlisted	8.3	23,535,209	26,234,274
Overseas Government Securities		28,323,222	20,212,101
NIT Units		11,113	11,113
Preference shares		100,000	250,000
Investment in subsidiary companies	8.13	13,503,269	11,503,269
Investment in associates and joint venture	8.14	9,218,496	8,194,447
		<u>1,288,647,601</u>	<u>1,218,822,987</u>
Less: Provision for diminution in the value of investments	8.6	(866,152)	(617,536)
Net investments		<u>1,287,781,449</u>	<u>1,218,205,451</u>
(Deficit) / surplus on revaluation of held-for-trading securities	8.7	(12,057)	18,326
Surplus on revaluation of available-for-sale	19.2	<u>16,953,369</u>	<u>18,192,111</u>
		<u><u>1,304,722,761</u></u>	<u><u>1,236,415,888</u></u>

8.3 This includes investment in the Variable Rate Subordinated Loan Notes issued by Habib Allied Holding Limited, UK (HAHL), a subsidiary company, amounting to Rs. 3.138 billion equivalent US \$ 30 million (2015: Rs. 6.599 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+5.75% (2015: 6 month LIBOR+5.5% to 5.75%).

8.4 Bai-muajjal transactions with the Government of Pakistan amounting to Rs. 25,936.778 million as at December 31, 2015 have been reclassified from lendings to financial institutions to investments in line with the requirements of BPRD Circular no. 5 dated February 29, 2016 issued by the SBP.

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

	2016		2015	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	245,881,652	250,109,970	205,758,942	212,012,003
- Investment in listed associates and joint venture	8,782,265	30,884,859	7,758,216	28,410,125

	Note	2016 (Rupees in '000)	2015
<b>8.6 Particulars of provision held against diminution in the value of investments</b>			
Opening balance		617,536	953,764
Charge		289,986	262,864
Reversal		(21,999)	(577,378)
Reversal on disposal		(19,371)	(67,879)
Total charge / (reversal) - net		248,616	(382,393)
Transfer in		-	46,165
Closing balance	8.6.1	<u>866,152</u>	<u>617,536</u>

		2016	2015
		(Rupees in '000)	
8.6.1	<b>Particulars of provision in respect of type and segment</b>		
	Available-for-sale securities		
	Fully paid-up ordinary shares		
	- Listed companies	459,981	224,612
	- Unlisted companies	102,784	121,261
	Total equity securities	562,765	345,873
	Debentures and corporate debt instruments	303,387	271,663
		<u>866,152</u>	<u>617,536</u>
8.7	<b>Unrealised (loss) / gain on revaluation of held-for-trading securities</b>		
	Market Treasury Bills	(6,346)	(4,862)
	Pakistan Investment Bonds	3,199	24,984
	Ordinary shares of listed companies	3,553	(1,796)
	Overseas Government Securities	(12,463)	-
		<u>(12,057)</u>	<u>18,326</u>
8.8	Investments include securities amounting to Rs. 261,439 million (2015: Rs. 228,216 million) which are held to comply with the SBP's statutory liquidity requirements and are available for rediscounting with the SBP.		
8.9	Investments include Rs. 235.608 million (2015: Rs. 225.979 million) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.		
8.10	Investments include Rs. 10.356 million (2015: Rs. 9.933 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the Bank.		
8.11	Information relating to investments required by the SBP to be disclosed as part of the unconsolidated financial statements, is given in Annexure "I" and is an integral part of these unconsolidated financial statements.		
8.12	This includes privately placed TFCs amounting to Rs. 8,317.662 million (2015: Rs. 10,139.045 million) of Pakistan International Airlines Corporation Limited (PIACL) which are guaranteed by the Government of Pakistan.		
8.13	<b>Investment in subsidiaries</b>	Note	2016 (Rupees in '000)
	Habib Allied Holding Limited - Holding 89.40% (2015: 89.40%)		9,321,926
	Habib Finance International Limited, Hong Kong - wholly owned		1,648,843
	Habib Bank Financial Services (Private) Limited - wholly owned		32,500
	HBL Currency Exchange (Private) Limited - wholly owned		400,000
	HBL Asset Management Limited - wholly owned		100,000
	The First MicroFinance Bank Limited - Holding 50.51% (2015: Nil)	1.1.2	2,000,000
			<u>13,503,269</u>
8.14	<b>Investment in associates and joint venture</b>		2015
	Himalayan Bank Limited, Nepal - Holding 20% (2015: 20%) - Listed		7,197
	Diamond Trust Bank Kenya Limited - Holding 11.97% (2015: 11.97%) - Listed		2,147,056
	Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding 18% (2015: 18%) - Unlisted		256,231
	Jubilee General Insurance Company Limited - Holding 18.31% (2015: 17.84%) - Listed		1,781,118
	Jubilee Life Insurance Company Limited - Holding 18.52% (2015: 17.95%) - Listed		677,739
	HBL Income Fund 27.47% (2015: 19.03%) - Listed		739,586
	HBL Multi Asset Fund 86.81% (2015: 85.35%) - Listed		248,181
	HBL Stock Fund 77.13% (2015: 82.29%) - Listed		1,344,001
	HBL Money Market Fund - Holding 3.54% (2015: 4.01%) - Listed		100,000
	HBL Islamic Money Market Fund - Holding 51.48% (2015: 77.84%) - Listed		250,000
	HBL Islamic Stock Fund - Holding 83.22% (2015: 79.47%) - Listed		250,000
	HBL Pension Fund - Equity Sub Fund - Holding 62.39% (2015: 68.66%) - Unlisted		30,000
	HBL Pension Fund - Debt Sub Fund - Holding 25.97% (2015: 28.14%) - Unlisted		30,000
	HBL Pension Fund - Money Market Sub Fund - Holding 27.11% (2015: 28.26%) - Unlisted		30,000
	HBL Islamic Pension Fund - Equity Sub Fund - Holding 63.31% (2015: 63.47%) - Unlisted		30,000
	HBL Islamic Pension Fund - Debt Sub Fund - Holding 46.82% (2015: 46.39%) - Unlisted		30,000
	HBL Islamic Pension Fund - Money Market Sub Fund - Holding 62.06% (2015: 63.76%) - Unlisted		30,000
	HBL Mustahekum Sarmaya Fund 28.35% (2015: 26.81%) - Listed		500,000
	HBL Islamic Asset Allocation Fund 9.98% (2015: Nil) - Listed		100,000
	PICIC Investment Fund 17.13% (2015: Nil) - Listed		-
			<u>637,387</u>
			<u>8,194,447</u>

- 8.14.1 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 as a result of AKFED's holding in these entities.

	Note	2016 (Rupees in '000)	2015
<b>9. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
- In Pakistan		557,878,935	478,285,479
- Outside Pakistan		99,958,539	107,729,766
		<u>657,837,474</u>	<u>586,015,245</u>
Net investment in finance lease - in Pakistan	9.1.3	16,571,941	10,478,123
Islamic financing and related assets	9.2	32,077,220	19,888,887
Bills discounted and purchased			
- Payable in Pakistan		16,985,715	16,024,711
- Payable outside Pakistan		52,501,861	36,889,914
		<u>69,487,576</u>	<u>52,914,625</u>
Provision against advances			
- Specific	9.4	(60,513,286)	(60,735,843)
- General		(3,328,371)	(2,924,766)
		<u>(63,841,657)</u>	<u>(63,660,609)</u>
Advances-net of provision		<u>712,132,554</u>	<u>605,636,271</u>
<b>9.1 Particulars of advances</b>			
9.1.1 In local currency		538,513,080	456,959,567
In foreign currency {including foreign currency financing by domestic branches amounting to Rs. 21,159.074 million (2015: Rs. 17,412.151 million)}		173,619,474	148,676,704
		<u>712,132,554</u>	<u>605,636,271</u>
9.1.2 Short term (upto one year)		482,767,299	414,992,373
Long term (over one year)		229,365,255	190,643,898
		<u>712,132,554</u>	<u>605,636,271</u>
<b>9.1.3 Net investment in finance lease</b>			

	2016				2015			
	Not later than one year	Later than one and upto five years	More than five years	Total	Not later than one year	Later than one and upto five years	More than five years	Total
	(Rupees in '000)							
Lease rentals receivable	56,276	16,259,097	3,609,895	19,925,268	81,991	10,824,333	2,583,814	13,490,138
Residual value	878	253,755	56,339	310,972	147	19,381	4,626	24,154
Gross investment in finance lease	57,154	16,512,852	3,666,234	20,236,240	82,138	10,843,714	2,588,440	13,514,292
Unearned finance income	(1,478)	(2,852,363)	(810,458)	(3,664,299)	(3,436)	(2,323,817)	(708,916)	(3,036,169)
Net investment in finance lease	<u>55,676</u>	<u>13,660,489</u>	<u>2,855,776</u>	<u>16,571,941</u>	<u>78,702</u>	<u>8,519,897</u>	<u>1,879,524</u>	<u>10,478,123</u>

- 9.2 In accordance with the SBP's BPRD Circular no 5 dated February 29, 2016, advances against Islamic financing and related assets aggregating to Rs. 4,001.235 million in 2015 (2014: Rs. 4,724.486 million) have been reclassified from Other Assets (note 11) to Advances.

- 9.3 Advances include Rs. 68,621.823 million (2015: Rs. 68,949.121 million) which have been placed under non-performing status as detailed below:

Category of classification	2016								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	803,344	121,924	925,268	-	-	-	803,344	121,924	925,268
Substandard	3,716,751	2,144,077	5,860,828	1,165,290	525,154	1,690,444	2,551,461	1,618,923	4,170,384
Doubtful	1,173,937	1,816,104	2,990,041	586,969	899,833	1,486,802	586,968	916,271	1,503,239
Loss	46,746,262	12,099,424	58,845,686	45,609,211	11,726,829	57,336,040	1,137,051	372,595	1,509,646
	<u>52,440,294</u>	<u>16,181,529</u>	<u>68,621,823</u>	<u>47,361,470</u>	<u>13,151,816</u>	<u>60,513,286</u>	<u>5,078,824</u>	<u>3,029,713</u>	<u>8,108,537</u>

Category of classification	2015								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	980,249	-	980,249	-	-	-	980,249	-	980,249
Substandard	4,820,645	1,272,322	6,092,967	1,289,046	300,990	1,590,036	3,531,599	971,332	4,502,931
Doubtful	541,414	1,746,311	2,287,725	270,707	931,250	1,201,957	270,707	815,061	1,085,768
Loss	48,515,203	11,072,977	59,588,180	47,308,381	10,635,469	57,943,850	1,206,822	437,508	1,644,330
	<u>54,857,511</u>	<u>14,091,610</u>	<u>68,949,121</u>	<u>48,868,134</u>	<u>11,867,709</u>	<u>60,735,843</u>	<u>5,989,377</u>	<u>2,223,901</u>	<u>8,213,278</u>

- 9.3.1 Exposure amounting to Rs. 1,931.586 million (2015: Rs. 1,990.079 million) relating to Pakistan International Airlines Corporation Limited (PIACL), 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 only recognised when received.

#### 9.4 Particulars of provision against advances

	Note	2016			2015		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		60,735,843	2,924,766	63,660,609	58,444,083	2,406,203	60,850,286
Exchange adjustment		(152,654)	7,060	(145,594)	241,202	55,166	296,368
Charge		4,863,811	449,178	5,312,989	8,631,114	620,961	9,252,075
Reversal		(4,829,119)	(44,115)	(4,873,234)	(4,410,567)	(160,851)	(4,571,418)
Net charge against advances		34,692	405,063	439,755	4,220,547	460,110	4,680,657
Charged off during the year	9.6	(526,238)	-	(526,238)	(912,906)	-	(912,906)
Written off during the year	9.8	(230,796)	-	(230,796)	(2,180,691)	-	(2,180,691)
Transfer in due to acquisition of Barclays		-	-	-	746,503	3,287	749,790
Transfer from / (to) other liabilities		173,486	(8,518)	164,968	-	-	-
Recoveries against write off		457,833	-	457,833	177,105	-	177,105
Other movements		21,120	-	21,120	-	-	-
Closing balance		<u>60,513,286</u>	<u>3,328,371</u>	<u>63,841,657</u>	<u>60,735,843</u>	<u>2,924,766</u>	<u>63,660,609</u>
In local currency		46,352,354	1,782,610	48,134,964	47,852,851	1,437,286	49,290,137
In foreign currency		14,160,932	1,545,761	15,706,693	12,882,992	1,487,480	14,370,472
		<u>60,513,286</u>	<u>3,328,371</u>	<u>63,841,657</u>	<u>60,735,843</u>	<u>2,924,766</u>	<u>63,660,609</u>

- 9.5 General provision represents provision amounting to Rs. 1,655.911 million (2015: Rs. 1,335.602 million) against consumer finance portfolio and Rs. 126.699 million (2015: Rs. 101.684 million) against advances to small enterprises as required by the Prudential Regulations. General provision also includes Rs. 1,545.761 million (2015: Rs. 1,487.480 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.
- 9.6 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.
- 9.7 The SBP, vide BPRD Circular 10 of 2016, has revised the Prudential Regulations for consumer financing, which previously required a general provision to be maintained at 1.5% of the outstanding balance for the secured portfolio and 5% of the outstanding balance for the unsecured portfolio.

In the revised Prudential Regulations, the SBP has specified that the general provision held by banks against consumer financing should be maintained at 1% to 2.5% of outstanding loans for the secured portfolio and 4% to 7% of outstanding loans for the unsecured portfolio. The percentages to be applied to each portfolio vary based on the bank's ratio of non-performing loans to total loans in each portfolio.

As a consequence of the above change, the Bank's general provisioning requirement against its consumer portfolio has reduced by Rs. 376.091 million. However, given the inherent risk in consumer financing and keeping in view the growing portfolio of the Bank's consumer assets, this amount has prudently not been reversed by the Bank.



	Note	2016 (Rupees in '000)	2015
9.8 <b>Particulars of write offs</b>			
9.8.1 Against provisions	9.4	230,796	2,180,691
Against charge-off		23,427	-
		<u>254,223</u>	<u>2,180,691</u>
9.8.2 <b>Analysis of write offs</b>			
Rs. 500,000 and above	9.9	151,503	1,375,200
Rs. 500,000 and above - overseas	9.10	9,185	392,140
Below Rs. 500,000		93,535	413,351
		<u>254,223</u>	<u>2,180,691</u>

9.9 **Details of written - off advances 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, 2016 is given in Annexure II to these unconsolidated financial statements.

9.10 These relate to write-offs or financial relief of Rs. 500,000 or above allowed to borrowers in those countries where there are disclosure restrictions.

9.11 **Particulars of advances to directors, associated companies, etc.**

	2016			2015		
	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)	2,876,769	2,881,595	651,410	2,651,500	2,651,500	1,285,536
- In respect of Key Management Personnel	25,331	59,100	-	61,400	69,800	32,151
Debts due by companies or firms in which the Directors of the Bank are interested as directors, partners, advisors or in the case of private companies as members	11,347,074	12,246,285	6,678,160	7,490,551	7,490,551	6,249,551
Debts due by Subsidiary company	2,685,681	4,165,014	-	107,532	107,532	-

The disclosure of the balance outstanding, maximum amount outstanding and the limit sanctioned 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 advances given by the Bank to its Executives as per their terms of employment.

\*\* This is the maximum amount outstanding at any month end during the year.

	Note	2016 (Rupees in '000)	2015
10. <b>OPERATING FIXED ASSETS</b>			
Capital work-in-progress	10.1	1,557,938	1,486,307
Tangible fixed assets	10.2	28,327,904	26,876,824
Intangible assets	10.3	906,693	575,128
		<u>30,792,535</u>	<u>28,938,259</u>
10.1 <b>Capital work-in-progress</b>			
Civil works		492,239	483,035
Advances to suppliers and contractors		1,065,699	1,003,272
		<u>1,557,938</u>	<u>1,486,307</u>

## 10.2 Tangible fixed assets

Description	2016									
	COST / REVALUATION				ACCUMULATED DEPRECIATION				Book value as at December 31, 2016	Rate of depreciation
	As at January 1, 2016	Additions / (deletions) / adjustments during the year	Movement in Surplus / (deficit) on revaluation during the year	As at December 31, 2016	As at January 1, 2016	Charge for the year / (depreciation on deletions) / adjustments	Movement in Surplus / (deficit) on revaluation reversed during the year	As at December 31, 2016		
	Rupees in '000									%
Land	14,417,393	1,038,314	264,569	15,720,276	-	-	-	-	15,720,276	-
		-				-				
Building	5,863,186	720,261 (44,577) (63,939)	-	6,474,931	467,426	175,154 (43,577) (28,388)	-	570,615	5,904,316	1.67 - 5
Machinery	466,051	42,230	-	508,281	20,223	62,728	-	82,951	425,330	10
		-				-				
Leasehold improvements	3,962,264	515,605 (34,338)	-	4,443,531	2,812,222	447,583 (31,962)	-	3,227,843	1,215,688	20
		-				-				
Furniture, fixtures and office equipment	13,473,498	1,785,414 (489,693) (25,114)	-	14,744,105	8,227,130	2,162,552 (483,334) (24,682)	-	9,881,666	4,862,439	20 - 33
Vehicles	550,544	42,568 (35,607) (1,977)	-	555,528	329,111	59,906 (31,986) (1,358)	-	355,673	199,855	10 - 20
	38,732,936	4,144,392 (604,215) (91,030)	264,569	42,446,652	11,856,112	2,907,923 (590,859) (54,428)	-	14,118,748	28,327,904	

Description	2015									
	COST / REVALUATION				ACCUMULATED DEPRECIATION				Book value as at December 31, 2015	Rate of depreciation
	As at January 1, 2015	Additions / (deletions) / adjustments during the year	Movement in Surplus / (deficit) on revaluation during the year	As at December 31, 2015	As at January 1, 2015	Charge for the year / (depreciation on deletions) / adjustments	Movement in Surplus / (deficit) on revaluation reversed during the year	As at December 31, 2015		
	Rupees in '000									%
Land	11,597,996	809,327	2,010,070	14,417,393	-	-	-	-	14,417,393	-
		-				-				
Building	6,089,502	786,210 (116,008)	(896,518)	5,863,186	691,486	149,340 (65,997)	(307,403)	467,426	5,395,760	1.67 - 5
Machinery	716,594	149,096	(399,639)	466,051	145,872	71,613	(197,262)	20,223	445,828	10
		-				-				
Leasehold improvements	3,581,954	543,591 (163,281)	-	3,962,264	2,509,787	469,935 (162,063) (5,437)	-	2,812,222	1,150,042	20
		-				-				
Furniture, fixtures and office equipment	11,082,992	2,868,742 (389,882) (88,354)	-	13,473,498	6,954,397	1,731,983 (372,954) (86,296)	-	8,227,130	5,246,368	20 - 33
Vehicles	429,232	152,608 (43,423) 12,127	-	550,544	284,700	73,233 (40,643) 11,821	-	329,111	221,433	20
	33,498,270	5,309,574 (596,586) (192,235)	713,913	38,732,936	10,586,242	2,496,104 (575,660) (145,909)	(504,665)	11,856,112	26,876,824	

## 10.3 Intangible assets

Intangible assets

Description	2016							Rate of amortisation %
	COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2016	
	As at January 1, 2016	Additions / (deletions) / adjustments during the year	As at December 31, 2016	As at January 1, 2016	Charge for (amortisation on deletions) / adjustments	As at December 31, 2016		
	Rupees in '000							
Computer Software	2,395,293	803,716	3,199,009	1,820,165	459,874	2,292,316	906,693	33.33
		-			-			
		-			12,277			

Description	2015							Rate of amortisation %
	COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2015	
	As at January 1, 2015	Additions / (deletions) / adjustments during the year	As at December 31, 2015	As at January 1, 2015	Charge for (amortisation on deletions) / adjustments	As at December 31, 2015		
	Rupees in '000							
Computer Software	2,855,021	254,657	2,395,293	2,011,981	522,569	1,820,165	575,128	33.33
		(714,385)			(714,385)			
		-			-			

## 10.4 Details of revaluation

The details of the last revaluation of HBL's properties are as follows:

	Domestic	KEPZ	Lebanon (Rupees in million)	Singapore	Sri Lanka
Year in which last revaluation conducted	2015	2015	2015	2014	2014
Name of valuer	Iqbal A. Nanjee & Co. (Private) Ltd.	J & M Associates	Banking Control Commission of Lebanon	United Valuers (Pte) Ltd.	G.A.Gunasegaram
Increase / (decrease) in surplus	1,212.891	2.274	3.413	(8.014)	16.518

## 10.5 Had there been no revaluation, the carrying amounts of revalued assets would have been as follows:

	Domestic	KEPZ	Lebanon (Rupees in '000)	Singapore	Sri Lanka
Land	5,515,208	-	-	89,623	20,135
Building	4,800,964	3,689	9,040	1	24,622

## 10.6 Details of disposal of fixed assets

The information relating to disposal of fixed assets, required by the SBP to be disclosed as part of the financial statements is given in Annexure III and is an integral part of these unconsolidated financial statements.

## 10.7 The cost / revalued amount of operating fixed assets held for disposal amounted to Rs. Nil (2015: Rs. Nil).

## 10.8 The cost of fully depreciated operating fixed assets that are still in the Bank's use, amounted to Rs. 7,279.639 million (2015: Rs. 6,076.268 million)

	Note	2016 (Rupees in '000)	2015
<b>11. OTHER ASSETS</b>			
Income / mark-up / profit accrued in local currency		26,754,639	26,000,315
Income / mark-up / profit accrued in foreign currency		2,391,565	2,607,108
Advances, deposits, advance rent and other prepayments		2,439,396	2,197,454
Advance taxation		20,172,888	14,460,012
Receivable against sale of securities		-	40,566
Advances for subscription of shares		199,871	-
Stationery and stamps on hand		64,948	47,276
Accrued fees and commissions		501,830	585,941
Due from Government of Pakistan / SBP		477,899	260,158
Unrealised gain on forward foreign exchange contracts		268,141	498,908
Unrealised gain on derivative instruments	21.2	115,903	118,035
Non-banking assets acquired in satisfaction of claims	11.1	2,446,040	2,684,993
Clearing and settlement accounts		2,221,874	2,237,327
Claims against fraud and forgeries		102,206	75,733
Others		969,475	443,365
		59,126,675	52,257,191
Provision held against other assets	11.2	(533,151)	(451,371)
Other assets - net		58,593,524	51,805,820

## 11.1 The market value of non-banking assets acquired in satisfaction of claims is Rs. 2,383.392 million (2015: Rs. 3,145.620 million). During the year, the Bank acquired non-banking assets having a value of Rs. 111.528 million in settlement of claims.

	2016 (Rupees in '000)	2015
<b>11.2 Provision against other assets</b>		
Opening balance	451,371	428,649
Exchange adjustment	(6,431)	3,196
Charge	200,229	271,029
Reversal	(26,068)	(25,109)
Net charge	174,161	245,920
Written off	(85,950)	(230,249)
Transfer in	-	3,855
Closing balance	533,151	451,371

	Note	2016 (Rupees in '000)	2015
12. <b>BILLS PAYABLE</b>			
In Pakistan		30,231,007	26,779,880
Outside Pakistan		877,755	1,162,221
		<u>31,108,762</u>	<u>27,942,101</u>
13. <b>BORROWINGS</b>			
In Pakistan		298,158,608	270,563,308
Outside Pakistan		36,924,690	43,921,824
		<u>335,083,298</u>	<u>314,485,132</u>
13.1 <b>Particulars of borrowings</b>			
In local currency		294,156,234	269,985,427
In foreign currency		40,927,064	44,499,705
		<u>335,083,298</u>	<u>314,485,132</u>
13.2 <b>Details of borrowings</b>			
<b>Secured</b>			
Borrowings from the SBP under			
- Export refinance scheme	13.3	21,592,306	19,545,290
- Long term financing facility	13.4	5,250,535	3,434,406
- Long term finance - export oriented projects		-	7,024
- Refinance facility for modernization of SMEs	13.5	13,500	5,500
		26,856,341	22,992,220
Repurchase agreement borrowings	13.6	243,753,648	234,669,563
		<u>270,609,989</u>	<u>257,661,783</u>
<b>Unsecured</b>			
- Call money borrowing	13.7	19,815,965	10,609,263
- Overdrawn nostro accounts		7,877,216	2,373,707
- Borrowings of overseas branches	13.8 & 13.9	36,780,128	43,840,379
		64,473,309	56,823,349
		<u>335,083,298</u>	<u>314,485,132</u>
13.3	The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These carry mark-up at rates ranging from 1.00% to 2.00% (2015: 1.50% to 3.50%) and are due to mature latest by June 26, 2017.		
13.4	These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These carry mark-up at rates ranging from 2.00% to 10.10% (2015: 2.00% to 10.10%) and are due to mature latest by September 30, 2026.		
13.5	These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises. These carry mark-up at rates ranging from 1.75% to 6.25% (2015: 6.25%) and are due to mature latest by March 31, 2021.		
13.6	Repurchase agreement borrowings carry mark-up at rates ranging from 5.45% to 5.85% (2015: 6.10% to 6.50%) and are due to mature latest by March 22, 2017. The market value of securities given as collateral is given in note 8.1.		
13.7	Call money borrowings carry mark-up at rates ranging from 1.10% to 7.75% (2015: 3.18% to 6.10%) and are due to mature latest by August 15, 2019.		
13.8	Borrowings by overseas branches carry mark-up at rates ranging from 0.15% to 10.00% (2015: 0.10% to 7.00%).		
13.9	This includes a loan from the International Finance Corporation amounting to US\$ 150 million (2015: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5% is payable bi-annually from June 2015.		

## 14. DEPOSITS AND OTHER ACCOUNTS

2016 2015  
(Rupees in '000)

### Customers

Current accounts - non-remunerative  
Savings accounts  
Fixed deposits

638,928,970	548,633,021
834,591,076	736,526,538
297,557,281	245,129,674
1,771,077,327	1,530,289,233

### Financial institutions

Current accounts - non-remunerative  
Savings accounts  
Fixed deposits

10,746,198	12,625,064
8,616,867	3,835,432
2,930,000	11,560,946
22,293,065	28,021,442

1,793,370,392	1,558,310,675
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### 14.1 Particulars of deposits

In local currency

1,472,004,444 1,266,326,467

In foreign currencies {including foreign currency deposits of domestic branches of Rs. 106,071.297 million (2015: Rs. 100,978.515 million)}

321,365,948 291,984,208

1,793,370,392	1,558,310,675
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## 15. SUBORDINATED LOAN

The Bank has issued OTC listed, Term Finance Certificates (TFCs) as instruments of redeemable capital under Section 120 of the Companies Ordinance, 1984 and the Basel III Guidelines set by the SBP. The key features of the issue are as follows:

Issue Date	February 19, 2016
Amount	Rupees 10 Billion
Rating	AAA (triple A)
Tenor	10 years from the Issue Date.
Security	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment frequency	Semi-annually in arrears
Redemption	The instrument has been structured to redeem 0.02% of the issue amount semi-annually during the first 108 months after the issue and 99.64% of the issue amount in two equal semi-annual installments in the 114th and 120th months.
Mark-up	Floating rate of return at Base Rate + 0.5% (The Base Rate is defined as the average "Ask Side" rate of the six months Karachi Interbank Offered Rate ("KIBOR")).
Call option	The Bank may call the TFCs, with the prior written approval of the SBP, on any profit payment date from the fifth anniversary of the Issue Date, subject to at least 60 days prior notice being given to the investors through the Trustee. The call option, once announced, will be irrevocable.
Lock-in clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".

16.	DEFERRED TAX LIABILITY	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
	Deductible temporary differences on			
	- Provision against investments		(142,699)	(60,320)
	- Provision against doubtful debts and off-balance sheet obligations		(3,373,250)	(3,411,571)
	- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001		(1,256,872)	(1,442,063)
	- Provision against other assets		(72,853)	(83,469)
			(4,845,674)	(4,997,423)
	Taxable temporary differences on			
	- Accelerated tax depreciation		115,276	290,306
	- Surplus on revaluation of fixed assets	19.1	536,369	554,330
	- Revaluation of investments	19.2	5,933,633	6,367,209
	- Revaluation of non-banking assets	19.3	6,203	-
	- Others		110,747	-
			6,702,228	7,211,845
	Net deferred tax liability		1,856,554	2,214,422

16.1	Movement in temporary differences during the year									
		Balance as at January 1, 2015	Recognised in profit and loss	Recognised in equity	Other movement	Balance as at December 31, 2015	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2016	
										(Rupees in '000)
	Deductible temporary differences on									
	- Provision against investments	(290,333)	230,013	-	-	(60,320)	(82,379)	-	(142,699)	
	- Provision against doubtful debts and off-balance sheet obligations	(3,683,957)	272,386	-	-	(3,411,571)	38,321	-	(3,373,250)	
	- Liabilities written back under section 34(5) of the ITO 2001	(1,313,703)	(128,360)	-	-	(1,442,063)	185,191	-	(1,256,872)	
	- Provision against other assets	(115,627)	32,158	-	-	(83,469)	10,616	-	(72,853)	
	Taxable temporary differences on									
	- Accelerated tax depreciation	275,967	14,339	-	-	290,306	(175,030)	-	115,276	
	- Surplus on revaluation of fixed assets	860,550	(29,042)	(277,178)	-	554,330	(17,961)	-	536,369	
	- Revaluation of investments	6,117,428	-	249,781	-	6,367,209	-	(433,576)	5,933,633	
	- Revaluation of non-banking assets	-	-	-	-	-	(84)	6,287	6,203	
	- Tax losses of Barclays Bank PLC - Pakistan branch business	-	975,779	(1,548)	(974,231)	-	-	-	-	
	- Others	-	-	-	-	-	110,747	-	110,747	
	Net deferred tax liability	1,850,325	1,367,273	(28,945)	(974,231)	2,214,422	69,421	(427,289)	1,856,554	

17.	OTHER LIABILITIES	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
	Mark-up / return / profit / interest payable in local currency		9,825,930	12,670,934
	Mark-up / return / profit / interest payable in foreign currency		1,339,572	1,360,084
	Security deposits		1,011,789	532,215
	Accrued expenses		6,681,849	6,431,026
	Unrealised loss on forward foreign exchange contracts		1,232,680	929,999
	Unrealised loss on derivative instruments	21.2	10,804	10,198
	Unclaimed dividends		338,086	208,595
	Dividend payable		132,974	742,946
	Provision for employees' compensated absences	33.4.7	2,545,746	2,251,391
	Provision for post retirement medical benefits	33.4.3	3,130,623	2,739,575
	Provision against off-balance sheet obligations	17.1	928,634	946,073
	Branch adjustment account		1,465,477	2,245,521
	Provision for staff retirement benefits		951,303	827,556
	Payable to defined benefit plans	33.4.3	200,388	484,934
	Provision for Workers' Welfare Fund	28	3,207,962	2,141,738
	Unearned income		614,700	109,425
	Qarza-e-Hasna Fund		340,307	340,898
	Levies and taxes payable		1,507,540	1,470,997
	Insurance payable		466,505	369,366
	Provision for rewards program expenses		670,178	299,016
	Payable to HBL Foundation		296,678	541,446
	Contingent consideration payable		500,000	500,000
	Others		2,899,668	1,951,793
			40,299,393	40,105,726

## 17.1 Provision against off-balance sheet obligations

	2016	2015
	(Rupees in '000)	
Opening balance	946,073	927,648
Exchange adjustment	(775)	(217)
Charge	14,757	104,482
Reversal	(36,965)	(67,738)
Net (reversal) / charge	(22,208)	36,744
Written off	(34,325)	(12,724)
Other movement	39,869	(5,378)
Closing balance	928,634	946,073

## 18. SHARE CAPITAL

### 18.1 Authorised capital

	2016	2015
Number of shares in '000		
3,000,000	3,000,000	Ordinary shares of Rs. 10 each
		30,000,000

### 18.2 Issued, subscribed and paid-up capital

	2016	2015
Number of shares in '000		
Ordinary shares of Rs. 10 each		
690,000	690,000	Fully paid in cash
776,852	776,852	Issued as bonus shares
1,466,852	1,466,852	

### 18.3 Major shareholders (holding more than 5% of total paid-up capital)

	2016		2015	
Name of shareholder	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Aga Khan Fund for Economic Development	748,094,778	51.00%	748,094,778	51.00%

### 18.4 Shares of the Bank held by its associates

	2016	2015
	(Number of shares)	
Jubilee General Insurance Company Limited	4,743,037	3,969,237
Jubilee Life Insurance Company Limited	12,344,492	12,344,492
HBL Stock Fund	1,812,219	1,270,319
HBL Multi Asset Fund	170,971	210,671
HBL Mustahekum Sarmaya Fund	34,000	25,000
PICIC Investment Fund	953,800	-
PICIC Stock Fund	109,000	-
PICIC Growth Fund	1,787,300	-

### 18.5 Exchange translation reserve

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

### 18.6 Statutory reserves

Every banking company incorporated in Pakistan is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserve equals the paid-up share capital. Thereafter, 10% of the profit after tax of the Bank are required to be transferred to this reserve.

	Note	2016	2015
		(Rupees in '000)	
19. SURPLUS ON REVALUATION OF ASSETS - net of deferred tax			
Surplus arising on revaluation of:			
- Operating fixed assets	19.1	11,101,555	10,870,342
- Investments	19.2	11,019,736	11,824,902
- Non-banking assets acquired in satisfaction of claims	19.3	684,178	-
Surplus on revaluation of assets - net of deferred tax		22,805,469	22,695,244



	2016	2015
	(Rupees in '000)	
<b>19.1 Surplus on revaluation of operating fixed assets</b>		
Surplus as at the beginning of the year	11,424,672	10,289,072
Surplus recognised during the year	1,772	1,218,578
Transferred from surplus on revaluation of non-banking assets	262,797	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(33,356)	(53,936)
Related deferred tax liability on incremental depreciation charged during the year	(17,961)	(29,042)
	<u>11,637,924</u>	<u>11,424,672</u>
Less: related deferred tax liability on		
- Revaluation as at the beginning of the year	554,330	860,550
- Revaluation recognised during the year	-	(277,178)
- Incremental depreciation charged during the year	(17,961)	(29,042)
	<u>536,369</u>	<u>554,330</u>
	<u>11,101,555</u>	<u>10,870,342</u>
<b>19.2 Surplus / (deficit) on revaluation of investments</b>		
Market Treasury Bills	(78,715)	490,264
Pakistan Investment Bonds	11,775,363	16,666,315
Government of Pakistan US Dollar Bonds	1,081,041	(183,828)
Sukuks	1,691,234	306,153
Listed equity securities	2,466,653	1,006,484
NIT units	47,715	31,442
Overseas Government securities	(1,117)	(57,542)
Other investments	(28,805)	(67,177)
	<u>16,953,369</u>	<u>18,192,111</u>
Related deferred tax liability	(5,933,633)	(6,367,209)
	<u>11,019,736</u>	<u>11,824,902</u>
<b>19.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>		
Surplus as at the beginning of the year	-	-
Surplus recognised during the year	953,418	-
Transferred to surplus on revaluation of operating fixed assets	(262,797)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(156)	-
Related deferred tax liability on incremental depreciation charged during the year	(84)	-
	<u>690,381</u>	<u>-</u>
Less: related deferred tax liability on		
- Revaluation as at beginning of the year	-	-
- Revaluation recognised during the year	6,287	-
- Incremental depreciation charged during the year	(84)	-
	<u>6,203</u>	<u>-</u>
	<u>684,178</u>	<u>-</u>
<b>20. CONTINGENCIES AND COMMITMENTS</b>		
<b>20.1 Direct credit substitutes - financial guarantees</b>		
Guarantees in favour of		
- Government	275,473	261,261
- Financial institutions	295,000	295,000
- Others	38,160,335	31,770,952
	<u>38,730,808</u>	<u>32,327,213</u>

		2016	2015
		(Rupees in '000)	
20.2	<b>Transaction-related contingent liabilities</b>		
	Guarantees in favour of		
	- Government	683,908	718,148
	- Financial institutions	1,604,150	1,251,328
	- Others	103,998,282	93,410,699
		<u>106,286,340</u>	<u>95,380,175</u>
20.3	<b>Trade-related contingent liabilities</b>		
	Letters of credit in favour of		
	- Government	62,799,738	45,023,666
	- Financial institutions	2,734,895	20,924
	- Others	89,687,410	103,290,533
		<u>155,222,043</u>	<u>148,335,123</u>
20.4	<b>Other contingencies</b>		
	Claims against the Bank not acknowledged as debts	<u>32,773,275</u>	<u>28,886,188</u>
	These mainly represent claims filed by former employees of the Bank, counter claims by borrowers for damages and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these unconsolidated financial statements.		
20.5	<b>Commitments to extend credit</b>		
	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.		
20.6	<b>Commitments in respect of forward foreign exchange contracts</b>	2016	2015
		(Rupees in '000)	
	Purchase	146,407,029	145,474,954
	Sale	147,918,207	146,192,286
20.7	<b>Commitments in respect of forward Government Securities transactions</b>		
	Purchase	18,815,026	19,181,362
	Sale	9,067,465	1,858,663
20.8	<b>Commitments in respect of derivatives</b>		
	<b>Foreign currency options</b>		
	Purchase	216,840	-
	Sale	216,840	-
	<b>Cross Currency Swaps</b>		
	Purchase	1,084,128	1,918,607
	Sale	1,096,192	1,909,263
	<b>Interest rate swaps</b>		
	Purchase	34,866	104,741
	Sale	5,218,200	5,604,741
20.9	<b>Commitments for capital expenditure</b>	824,776	1,054,027
20.10	The income tax returns of the Bank have been submitted upto and including the accounting year 2015. The tax authorities have concluded the audit of the returns up to the accounting year 2014.		
	As per Rule 8(A) of the Seventh Schedule, any amounts which have been provided for doubtful debts in the Tax Year 2008 (Financial year 2007) and earlier, 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.		

## 21. 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 of the characteristics of forwards, futures, swaps and options.

The Bank, as an Authorized Derivative Dealer (ADD) is an active participant in the Pakistan derivatives market. The ADD license covers only the transactions mentioned below which are permitted under the Financial Derivatives Business Regulations issued by the SBP. However the Bank also offers other derivatives products to satisfy customer requirements, 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 (BoD) on the recommendations of the Board Risk Management Committee (BRMC).

The responsibility for derivatives trading activity lies with Treasury. Measurement and monitoring of market and credit risk exposure and limits and reporting to 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 is responsible for reporting to the SBP.

### Derivatives Risk Management

#### Credit Risk

Credit risk is the risk of non-performance by a counter party which could result in an adverse impact on the Bank's profitability. Credit risk associated with derivative transactions is categorized into settlement risk and pre-settlement risk. A pre-settlement risk limit for derivative transactions is recommended by TMO for approval to the appropriate Credit Approval Authority. The exposure of each counterparty is estimated and monitored by TMO on a daily basis.

#### Market Risk

The Bank, as a policy, hedges back-to-back all Options transactions. The Bank minimizes the exchange rate risk on its Cross Currency Swaps portfolio by hedging the exposure in the interbank market. The Bank also manages the interest rate risk of Interest Rate Derivatives and Cross Currency Swaps through PVBP limits which are monitored and reported by TMO on a daily basis.

#### Liquidity Risk

Derivative transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk. The liquidity risk would arise only when the Bank has a payable resulting from a transaction. 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. Adequate systems and controls are in place to carry out derivative 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, TMO and the Global Compliance Group are assigned the responsibility of monitoring any deviation from policies and procedures. The Bank's Internal Audit also reviews this function, which covers a 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 and carry out stress tests and sensitivity analyses. TMO produces various reports for senior management on a periodic basis. These reports provide details of outstanding positions, profitability, risk exposures and the status of compliance with limits.

## 21.1 Product Analysis

2016						
Counterparties	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)
<b>With Banks for</b>						
Hedging	1	34,866	4	216,840	-	-
Market Making	-	-	-	-	4	2,180,320
<b>With other entities for</b>						
Hedging	-	-	-	-	-	-
Market Making	5	5,218,200	4	216,840	-	-
<b>Total</b>						
Hedging	1	34,866	4	216,840	-	-
Market Making	5	5,218,200	4	216,840	4	2,180,320

2015						
Counterparties	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)
<b>With Banks for</b>						
Hedging	1	104,741	-	-	-	-
Market Making	-	-	-	-	3	2,623,188
<b>With other entities for</b>						
Hedging	-	-	-	-	-	-
Market Making	3	5,604,741	-	-	1	1,204,682
<b>Total</b>						
Hedging	1	104,741	-	-	-	-
Market Making	3	5,604,741	-	-	4	3,827,870

## 21.2 Maturity Analysis

2016					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 Month	2	113,932	(50)	50	-
1 to 3 Months	4	213,164	(349)	349	-
3 Months to 6 Months	4	176,316	(568)	580	12
6 Months to 1 Year	1	513,671	(9,837)	-	(9,837)
1 to 2 Years	2	624,157	-	7,139	7,139
2 to 3 Years	4	5,725,826	-	107,269	107,269
3 to 5 Years	-	-	-	-	-
5 to 7 Years	1	500,000	-	516	516
	18	7,867,066	(10,804)	115,903	105,099
2015					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 Month	-	-	-	-	-
1 to 3 Months	1	1,204,681	-	796	796
3 Months to 6 Months	-	-	-	-	-
6 Months to 1 Year	1	1,065,954	-	23,971	23,971
1 to 2 Years	3	723,509	(10,198)	1,821	(8,377)
2 to 3 Years	-	-	-	-	-
3 to 5 Years	3	6,543,208	-	91,447	91,447
	8	9,537,352	(10,198)	118,035	107,837

	Note	2016	2015
		(Rupees in '000)	
22. <b>MARK-UP / RETURN / PROFIT / INTEREST EARNED</b>			
On advances to			
- Customers		46,896,157	44,487,008
- Financial institutions		5,864	8,393
On investments in			
- Held-for-trading securities		3,764,081	3,562,233
- Held-to-maturity securities		18,692,066	13,770,615
- Available-for-sale securities		66,243,677	73,884,485
On deposits with financial institutions		680,124	1,879,500
On lendings to financial institutions	23.1	1,525,958	1,768,039
		<u>137,807,927</u>	<u>139,360,273</u>
23. <b>MARK-UP / RETURN / PROFIT / INTEREST EXPENSED</b>			
On			
Deposits		40,142,473	47,535,379
Securities sold under repurchase agreement		14,902,826	12,393,804
Other short term borrowings	23.1	1,672,509	1,712,188
Long term borrowings		1,772,408	957,501
		<u>58,490,216</u>	<u>62,598,872</u>
23.1	Intersegment mark-up earned / expensed amounting to Rs. 3,131.190 million has been eliminated in the comparative year.		
		2016	2015
		(Rupees in '000)	
24. <b>GAIN / (LOSS) ON SALE OF SECURITIES- NET</b>			
Federal Government Securities			
- Market Treasury Bills		284,972	594,214
- Pakistan Investment Bonds		3,115,312	7,568,150
Units of mutual funds and listed shares		1,105,748	2,122,751
Unlisted shares		-	663,645
Others		482,858	(16,120)
		<u>4,988,890</u>	<u>10,932,640</u>
25. <b>OTHER INCOME</b>			
Incidental charges		246,330	395,810
Gain on sale of operating fixed assets - net		58,494	49,625
Rent on properties		113,949	64,420
Liabilities no longer required written back		-	3,004
Income from dealing in derivatives		170,302	123,874
		<u>589,075</u>	<u>636,733</u>

	Note	2016	2015
		(Rupees in '000)	
<b>26. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	26.1	21,919,932	20,564,260
Charge for defined benefit / contribution plan and other benefits		1,616,743	1,479,637
Non-executive directors' fees		37,200	31,400
Outsourced service charges		835,033	844,727
Brokerage and commission		142,843	425,652
Rent, taxes, insurance, electricity, etc.		5,412,549	4,983,198
Legal and professional charges		1,945,503	955,171
Consultancy charges		749,681	795,365
Communications		1,854,297	1,501,675
Repairs and maintenance		3,627,581	3,275,699
Stationery and printing		1,234,019	920,328
Auditors' remuneration	26.2	146,614	127,474
Advertisement and publicity		2,488,930	2,253,471
Amortisation	10.3	459,874	522,569
Depreciation	10.2	2,907,923	2,496,104
Entertainment		221,399	225,177
Travelling		500,303	504,133
Conveyance		156,191	159,173
Training		290,165	290,298
Security charges		2,200,607	1,823,948
Remittance charges		225,813	174,073
Donations	26.3	380,231	386,720
Documentation and processing charges		931,309	739,291
Subscription		76,321	83,763
Others		183,317	174,266
		<u>50,544,378</u>	<u>45,737,572</u>
<p>26.1 The Bank operates a short term employee benefit scheme which includes cash awards / 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. 2,170.408 million (2015: Rs. 1,596.688 million) and Rs. 627.760 million (2015: Rs. 505.500 million) respectively.</p>			
<b>26.2 Auditors' remuneration</b>		<b>2016</b>	<b>2015</b>
		(Rupees in '000)	
Audit fee		22,459	22,459
Special certifications / examinations and sundry advisory services		19,841	20,766
Tax services		15,672	-
Out of pocket expenses		4,803	5,573
Sales tax		1,797	1,348
		<u>64,572</u>	<u>50,146</u>
Overseas branches		<u>82,042</u>	<u>77,328</u>
		<u>146,614</u>	<u>127,474</u>
<b>26.3 Details of donations</b>			
Details of donations individually exceeding Rs. 100,000.			
HBL Foundation		363,518	354,521
Sindh Madressatul Islam University		10,812	-
CSR activities during countrywide heat wave		4,781	2,869
Lahore Businessmen Association for Rehabilitation of the Disabled		1,000	-
Karachi High School		120	-
Earthquake Affectees Relief Fund - Nepal		-	20,530
Alamgir Haque		-	4,000
Layton Rahmatulla Benevolent Trust		-	2,800
Sindh High Court Bar Association, Karachi		-	2,000
		<u>380,231</u>	<u>386,720</u>
<p>Mr. Moez Ahamed Jamal, Director, Mr. Sajid Zahid, Director, Mr. Nauman K. Dar, President and Chief Executive Officer, Ms. Nausheen Ahmad, Company Secretary and Mr. Raymond Kotwal, CFO, are Trustees of the HBL Foundation.</p>			
<b>27. OTHER CHARGES</b>		<b>2016</b>	<b>2015</b>
		(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan		<u>106,332</u>	<u>128,831</u>

## 28. WORKERS' WELFARE FUND

28.1 The Bank has made provision for Workers' Welfare Fund (WWF) based on profit for the respective years.

During the current year, the Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of WWF were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Bank maintains its provision in respect of WWF.

	Note	2016 (Rupees in '000)	2015
29. TAXATION			
Pakistan - for the current year - current		16,534,523	16,954,265
- deferred		69,421	1,367,273
Pakistan - for prior year - current	29.2	2,223,030	2,261,220
Overseas - for the current year - current		1,598,846	1,348,552
		<u>20,425,820</u>	<u>21,931,310</u>

The Bank's branches in Azad Jammu & Kashmir and Gilgit-Baltistan regions are included in overseas for taxation purpose.

	Note	2016 (Rupees in '000)	2015
29.1 Relationship between tax expense and accounting profit			
Accounting profit for the current year		<u>52,246,039</u>	<u>57,401,768</u>
Tax on income @ 35% (2015: 35%)		18,286,114	20,090,619
- Penalty imposed by the SBP		37,216	45,091
- Tax losses		-	(541,783)
- Prior year charge	29.2	2,223,030	2,261,220
- Others		(120,540)	76,163
Tax charge for the current year		<u>20,425,820</u>	<u>21,931,310</u>

29.2 The Federal Government, vide the Finance Act 2016, has re-imposed a tax at the rate of 4% on the income of banks for the year ended December 31, 2015. This tax has been levied for financing the rehabilitation of internally displaced persons.

	2016 (Rupees in '000)	2015
30. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year	<u>31,820,219</u>	<u>35,470,458</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>21.69</u>	<u>24.18</u>

	Note	2016 (Rupees in '000)	2015
31. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	219,788,876	154,303,383
Balances with other banks	6	<u>32,742,891</u>	<u>29,428,453</u>
		<u>252,531,767</u>	<u>183,731,836</u>
32. STAFF STRENGTH		(Number)	
Permanent		15,401	14,774
Others		16	18
Total staff strength		<u>15,417</u>	<u>14,792</u>



### 33. DEFINED BENEFIT PLANS AND OTHER BENEFITS

#### 33.1 General Information

The Bank operates the following schemes for its employees:

##### 33.1.1 Pension Fund (defined benefit scheme)

The Bank operates an approved pension scheme for those of its employees who opted for this scheme when it was introduced in 1977. This scheme is applicable to:

- All clerical employees
- Executives and officers who joined the Bank on or before December 31, 2001

For clerical employees, the benefit is based on their actual years of service as of the statement of financial position date and their current salary. For executives and officers, the benefit is based on their years of service upto March 31, 2005 and their salary as on March 31, 2014. For service subsequent to this date (i.e. from April 1, 2005), they are entitled to the contributory gratuity fund (refer 33.1.3 below) and the provident fund (refer 33.1.4 below).

##### 33.1.2 Gratuity Fund (defined benefit scheme)

For those who did not opt for the pension scheme introduced in 1977 and instead opted to remain in the gratuity scheme existing at the time the Bank operates an approved funded gratuity scheme. This benefit has vested for all employees currently covered by this scheme.

##### 33.1.3 Contributory Gratuity Fund (defined contribution scheme)

The Bank operates an approved funded contributory gratuity scheme for:

- employees hired on or after January 1, 2002
- employees who were on the pension scheme (refer 33.1.1 above) for their services subsequent to March 31, 2005.

The Bank contributes an amount equal to one half of the employees' monthly basic salary for each completed year of service and on a pro-rata basis for partially completed years of service. Contributions to the Fund are made on a monthly basis. This benefit vests on the earlier of completion of 10 years of service or retirement.

##### 33.1.4 Provident Fund (defined contribution scheme)

For employees hired on or after January 1, 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 the employees make monthly contributions.

Executives and officers who are covered by the Bank's pension scheme (refer 33.1.1 above) also became eligible for provident fund benefits effective from April 1, 2005. Payments under the fund are made to the employees as specified in the rules of the fund.

##### 33.1.5 Benevolent Fund (defined benefit scheme)

The Bank operates an approved funded benevolent scheme for all employees who retire from the Bank. Under this scheme, a fixed amount is contributed by employees by way of a salary deduction and a matching amount is contributed by the Bank. All employees of the Bank are entitled to receive a fixed monthly amount post retirement as per the rules of the Fund. Clerical employees are additionally entitled to certain grants during the period of their service subject to the fulfillment of certain conditions as specified in rules of the Fund.

##### 33.1.6 Post-Retirement Medical Benefits (defined benefit scheme)

The Bank provides a non-funded scheme for post-retirement medical benefits to:

- All executives and officers
- All clerical employees, regardless of retirement date

Executives who have retired from January 1, 2006 onwards receive lump sum payments as a full and final settlement in lieu of post-retirement medical benefits.

##### 33.1.7 Compensated Absences (defined benefit scheme)

The Bank provides a non-funded scheme for compensated absences. This is applicable to those employees who were in the service of the Bank as of December 31, 2008 and who had accumulated leave balances upto a maximum of 365 days as at that date. Employees are entitled to proceed on leave prior to retirement (LPR) upto the amount of their accrued leave while availing basic salary and certain benefits. This benefit vests on retirement or, in the case of premature retirement, on the completion of 30 years of service.

Employees may be required by the Bank to continue working during the whole or a part of their LPR period. Such employees are entitled to normal salary during the period they are required to work and additionally to leave encashment amounting to 50% of this period.

Clerical employees have the option of not proceeding on LPR and instead encashing 50% of their accumulated leave balance upto a maximum of 180 days.

### 33.1.8 Other Post-Retirement Benefits (defined benefit scheme)

The Bank offers an additional benefit to all executives on retirement. Under this scheme, a lump sum amount equal to six months of house rent allowance, utilities allowance, car benefit allowance and conveyance allowance is paid to the executive on retirement. However in case of the death of an executive prior to retirement, the lump sum amount includes an additional six months of house rent allowance.

### 33.1.9 Other schemes

Employee benefit schemes offered by the Bank's overseas branches are governed by the laws of the respective countries in which the branches operate.

### 33.2 Principal actuarial assumptions

The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2016 using the Projected Unit Credit Method and assuming that no indexation of pension will take place. The following significant assumptions were used for the valuation of these schemes:

	2016	2015
	-----Per annum-----	
Valuation discount rate	8.00%	10.00%
Expected rate of increase in salary level	8.00%	9.00%
Expected rate of return on funds invested	8.00%	10.00%

### 33.3 Number of employees under the scheme

	2016	2015
	-----Number-----	
- Pension fund	2,743	3,044
- Gratuity fund	37	66
- Benevolent fund	14,754	14,169
- Post retirement medical benefit scheme	14,754	14,169
- Compensated absences	7,090	7,920
- Other Post-Retirement Benefits	1,612	1,485

### 33.4 Pension, gratuity, benevolent fund schemes and other benefits

#### 33.4.1 The fair value of plan assets and the present value of defined benefit obligations of these schemes as at December 31, 2016 are as follows:

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
	----- (Rupees in '000) -----							
Fair value of plan assets	4,781,748	3,641,812	46,221	95,321	1,796,055	1,796,901	-	-
Present value of defined benefit obligations	(4,969,585)	(4,127,198)	(58,772)	(94,869)	(1,316,849)	(985,726)	(3,130,623)	(2,739,575)
(Payable to) / receivable from the fund	(187,837)	(485,386)	(12,551)	452	479,206	811,175	(3,130,623)	(2,739,575)

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

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
	----- (Rupees in '000) -----							
Current service cost	74,688	58,633	3,255	4,172	39,678	38,619	78,757	70,396
Net mark-up	48,538	60,466	(45)	1,210	(85,000)	(89,000)	255,701	289,563
Past service cost	-	-	2,123	-	1,538	36,126	-	-
Settlement loss	-	27,591	-	-	-	-	-	-
Contributions - employees	-	-	-	-	(43,132)	(41,256)	-	-
Charge / (reversal) for the year	123,226	146,690	5,333	5,382	(86,916)	(55,511)	334,458	359,959

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

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)							
Opening balance	485,386	493,607	(452)	46,338	(811,175)	(667,437)	2,739,575	2,521,535
Charge / (reversal) for the year	123,226	146,690	5,333	5,382	(86,916)	(55,511)	334,458	359,959
Contributions during the year	(485,386)	(171,654)	-	(71,637)	(43,127)	(41,253)	-	-
Remeasurement losses / (gains) - net	64,611	16,743	7,670	19,465	462,012	(46,974)	421,722	173,585
Benefits paid	-	-	-	-	-	-	(365,132)	(315,504)
Closing balance	187,837	485,386	12,551	(452)	(479,206)	(811,175)	3,130,623	2,739,575

## 33.4.4 Movement in the present value of defined benefit obligations

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)							
Opening balance	4,127,198	4,009,651	94,869	165,107	985,726	1,174,230	2,739,575	2,521,535
Current service cost	74,688	58,633	3,255	4,172	39,678	38,619	78,757	70,396
Mark-up cost	393,137	451,618	6,705	13,810	92,000	133,000	255,701	289,563
Benefits paid	(391,653)	(645,922)	(55,638)	(90,042)	(137,662)	(141,233)	(365,132)	(315,504)
Past Service Cost	-	-	2,123	-	1,538	36,126	-	-
Settlement loss	-	27,591	-	-	-	-	-	-
Remeasurement loss / (gain)	766,215	225,627	7,458	1,822	335,569	(255,016)	421,722	173,585
Closing balance	4,969,585	4,127,198	58,772	94,869	1,316,849	985,726	3,130,623	2,739,575

## 33.4.5 Movement in fair value of plan assets

	Pension		Gratuity		Benevolent	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Opening balance	3,641,812	3,516,044	95,321	118,769	1,796,901	1,841,667
Expected return on plan assets	344,599	391,153	6,750	12,600	177,000	222,000
Employer contribution	485,386	171,654	-	71,637	43,127	41,253
Employee contributions	-	-	-	-	43,132	41,256
Benefits paid	(391,653)	(645,922)	(55,638)	(90,042)	(137,662)	(141,233)
Remeasurement gain / (loss)	701,604	208,883	(212)	(17,643)	(126,443)	(208,042)
Closing balance	4,781,748	3,641,812	46,221	95,321	1,796,055	1,796,901

## 33.4.6 Actual return on plan assets

	Pension		Gratuity		Benevolent	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Expected return on plan assets	344,599	391,153	6,750	12,600	177,000	222,000
Remeasurement gain / (loss) on plan assets	701,604	208,883	(212)	(17,643)	(126,443)	(208,042)
Actual return on plan assets	1,046,203	600,036	6,538	(5,043)	50,557	13,958

## 33.4.7 Other long term benefits - Employee compensated absences

The liability of the Bank in respect of employee compensated absences as at December 31, 2016, amounted to Rs. 2,545.746 million (2015: Rs. 2,251.391 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 409.706 million, (2015: Rs. 278.082 million) is included in administrative expenses (note 26) under 'Charge for defined benefit plans and other benefits.

## 33.4.8 Other Post-Retirement Benefits (defined benefit scheme)

The liability of the Bank in respect of other post-retirement benefits as at December 31, 2016, amounted to Rs. 475.701 million (2015: Rs. 400.113 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 62.350 million (2015: Rs. 63.680 million) is included in administrative expenses (note 26) under Charge for defined benefit plans and other benefits.

### 33.4.9 Composition of fair value of plan assets

	2016		2015	
	Fair value (Rupees in '000)	%	Fair value (Rupees in '000)	%
<b>Pension Fund</b>				
Market Treasury Bills	638,984	13.36	-	-
Pakistan Investment Bonds	1,329,607	27.81	1,767,311	48.53
Fully paid-up ordinary shares of listed companies	2,776,853	58.07	2,053,441	56.39
Units of mutual funds	33,348	0.70	24,650	0.68
Others (including bank balances)	2,956	0.06	(203,590)	(5.60)
	<u>4,781,748</u>	<u>100.00</u>	<u>3,641,812</u>	<u>100.00</u>
<b>Gratuity Fund</b>				
Market Treasury Bills	19,256	41.66	57,307	60.12
Pakistan Investment Bonds	24,795	53.64	23,448	24.60
Others (including bank balances)	2,170	4.70	14,566	15.28
	<u>46,221</u>	<u>100.00</u>	<u>95,321</u>	<u>100.00</u>
<b>Benevolent Fund</b>				
Market Treasury Bills	65,807	3.66	136,773	7.61
Pakistan Investment Bonds	297,658	16.57	235,229	13.09
Special savings certificates	1,427,911	79.50	1,419,617	79.00
Others (including bank balances)	4,679	0.27	5,282	0.30
	<u>1,796,055</u>	<u>100.00</u>	<u>1,796,901</u>	<u>100.00</u>

The funds primarily invests in government securities and special savings certificates and accordingly do not carry any significant credit risk. These are subject to interest rate risk based on market movements. While equity securities and units of mutual funds are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

### 33.4.10 Sensitivity analysis of defined benefit obligations

	+1% discount rate	-1% discount rate	+1% salary increase rate	-1% salary increase rate	+1% future increment in medical benefit	-1% future increment in medical benefit
	(Rupees in '000)					
Pension Fund	4,615,171	5,374,861	5,141,925	4,809,727	-	-
Gratuity Fund	58,237	59,338	59,479	58,091	-	-
Benevolent Fund	1,236,612	1,407,118	1,316,849	1,316,849	-	-
Post retirement medical benefit	2,918,354	3,375,324	-	-	3,465,246	2,856,377
Employee compensated absences	2,420,133	2,686,448	2,698,081	2,407,441	-	-
Other Post-Retirement Benefits	454,149	500,078	495,581	457,965	-	-

### 33.4.11 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.

	2017					
	Pension	Gratuity	Benevolent	Post retirement medical benefit	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Expected charge / (reversal) for the year	<u>82,580</u>	<u>2,005</u>	<u>(78,980)</u>	<u>275,732</u>	<u>397,457</u>	<u>73,301</u>

### 33.4.12 Maturity profile

	2016					
	Pension	Gratuity	Benevolent	Post retirement medical benefit	Employee compensated absences	Other Post-Retirement Benefits
The weighted average duration of the obligation (in years)	<u>7.64</u>	<u>0.62</u>	<u>6.47</u>	<u>7.30</u>	<u>5.23</u>	<u>4.83</u>

## 33.4.13 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

## 34. DEFINED CONTRIBUTION PLANS

### 34.1 Provident Fund

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

### 34.2 Contributory Gratuity Fund

Payments are made to the employees on retirement, death, resignation after completion of 10 years or more continuous service and discharge as specified in the rules of the Fund.

## 35. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Fees of non executive directors	-	-	37,200	31,400	-	-
Managerial remuneration (including allowances)	72,900	63,900	-	-	6,888,403	6,459,647
Contribution to retirement funds	4,230	3,690	-	-	394,307	330,325
Medical	235	311	-	-	532,554	462,517
House rent, maintenance, furnishing, others	1,956	2,921	-	-	1,601,804	1,571,489
Utilities	1,258	1,186	-	-	371,241	359,495
Conveyance	731	3,143	-	-	986,533	968,343
	<u>81,310</u>	<u>75,151</u>	<u>37,200</u>	<u>31,400</u>	<u>10,774,842</u>	<u>10,151,816</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>6</u>	<u>3,670</u>	<u>3,807</u>

The Chief Executive Officer (CEO) and certain Executives are provided with free club memberships and the CEO is also provided with free use of Bank maintained cars in accordance with his entitlement.

In addition to the above, the President / CEO was paid Rs. 30 million in lieu of certain long term benefits to which he is entitled as per the terms of his contract.

In addition to the above, all Executives, including the CEO of the Bank are entitled to certain short term employee benefits which are disclosed in note 26.1 to these unconsolidated financial statements.

## 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in associates and joint ventures, are estimated using the break-up value of the investee company.

The fair value of fixed term loans, other assets and other liabilities can not be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

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 they are either short-term in nature or, in the case of customer advances and deposits, are frequently repriced.

## Fair Value Measurement

The following table provides the fair value measurement hierarchy of those of the Bank's assets and liabilities that are recognised at fair value in the financial statements:

	2016			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>Items carried at fair value</b>				
<b>Financial assets and liabilities</b>				
- Fully paid up ordinary shares	19,414,662	-	-	19,414,662
- NIT units	-	58,828	-	58,828
- Federal Government securities	-	978,511,612	-	978,511,612
- Overseas Government securities	-	4,517,150	-	4,517,150
- Debentures and corporate debt instruments	-	28,230,457	-	28,230,457
- Unrealised gain on forward foreign exchange contracts	-	268,141	-	268,141
- Unrealised gain on derivative instruments	-	115,903	-	115,903
- Unrealised loss on forward foreign exchange contracts	-	1,232,680	-	1,232,680
- Unrealised loss on derivative instruments	-	10,804	-	10,804
<b>Non-financial assets</b>				
- Operating fixed assets	-	-	21,624,592	21,624,592
- Non-banking assets acquired in satisfaction of claims	-	-	2,383,392	2,383,392
<b>Items for which fair value is disclosed</b>				
- Federal Government securities	-	207,591,731	-	207,591,731
- Overseas Government securities	-	23,879,693	-	23,879,693
- Debentures and corporate debt instruments	-	18,638,546	-	18,638,546
- Associates and joint ventures	30,884,859	-	-	30,884,859
	<u>50,299,521</u>	<u>1,263,055,545</u>	<u>24,007,984</u>	<u>1,337,363,050</u>
	2015			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>Items carried at fair value</b>				
<b>Financial assets and liabilities</b>				
- Fully paid up ordinary shares	14,524,283	-	-	14,524,283
- NIT units	-	42,555	-	42,555
- Federal Government securities	-	961,665,072	-	961,665,072
- Overseas Government securities	-	1,780,374	-	1,780,374
- Debentures and corporate debt instruments	-	15,647,007	-	15,647,007
- Unrealised gain on forward foreign exchange contracts	-	498,908	-	498,908
- Unrealised gain on derivative instruments	-	118,035	-	118,035
- Unrealised loss on forward foreign exchange contracts	-	929,999	-	929,999
- Unrealised loss on derivative instruments	-	10,198	-	10,198
<b>Non-financial assets</b>				
- Operating fixed assets	-	-	19,813,153	19,813,153
- Non-banking assets acquired in satisfaction of claims	-	-	3,145,620	3,145,620
<b>Items for which fair value is disclosed</b>				
- Federal Government securities	-	178,653,267	-	178,653,267
- Overseas Government securities	-	23,347,673	-	23,347,673
- Debentures and corporate debt instruments	-	10,011,063	-	10,011,063
- Associates and joint ventures	28,410,125	-	-	28,410,125
	<u>42,934,408</u>	<u>1,192,704,151</u>	<u>22,958,773</u>	<u>1,258,597,332</u>

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### Valuation techniques used in determination of fair values within level 2 and level 3.

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Debentures and corporate debt instruments	Investment in debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in debt securities in other currencies are revalued on the basis of rates taken from Bloomberg / Reuters.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
Overseas Government securities	The fair values of overseas Government securities are determined on the basis of rates taken from Reuters / Bloomberg.
Derivatives	The Bank enters into derivatives contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

#### 37. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	For the year ended December 31, 2016					
	Branch banking	Corporate banking	Treasury	International banking	Head Office / others	Total
	Rupees in million					
Net markup income - external	(8,666)	16,825	64,246	7,786	(873)	79,318
Inter-segment revenue / (expense) - net	51,977	(11,513)	(44,921)	-	4,457	-
Non-funded income	11,288	3,757	4,588	3,746	2,106	25,485
Total income	54,599	9,069	23,913	11,532	5,690	104,803
Total expenses including provision	25,155	(486)	708	9,938	17,242	52,557
Inter-segment administrative cost	12,008	1,760	341	1,257	(15,366)	-
Total expenses including provision	37,163	1,274	1,049	11,195	1,876	52,557
Profit before tax	17,436	7,795	22,864	337	3,814	52,246
Segment return on assets %	0.81%	1.45%	1.17%	0.03%	0.96%	-
Segment cost of funds %	2.84%	5.20%	5.14%	0.10%	0.51%	-
	As at December 31, 2016					
	Branch banking	Corporate banking	Treasury	International banking	Head Office / others	Total
	Rupees in million					
Segment assets (gross of provision)	400,558	417,371	1,237,983	325,731	77,381	2,459,024
Segment non-performing advances	7,363	44,923	-	16,182	154	68,622
Segment provision held including general provision	7,224	42,272	285	14,948	512	65,241
Inter-segment assets / (liabilities)	1,028,724	(145,871)	(931,818)	(12,283)	61,248	-
Segment liabilities and equity	1,422,058	229,228	305,880	298,500	138,117	2,393,783



	For the year ended December 31, 2015					
	Branch banking	Corporate banking	Treasury	International banking	Head Office / others	Total
	----- Rupees in million -----					
Net markup income - external	(17,313)	18,955	69,926	6,924	(1,731)	76,761
Inter-segment revenue / (expense) - net	58,683	(12,899)	(54,174)	-	8,390	-
Non-funded income	10,304	3,762	11,688	4,476	2,036	32,266
Total income	51,674	9,818	27,440	11,400	8,695	109,027
Total expenses including provision	22,545	1,673	390	11,317	15,700	51,625
Inter-segment administrative cost	11,029	1,616	313	1,155	(14,113)	-
Total expenses including provision	33,574	3,289	703	12,472	1,587	51,625
Profit before tax	18,100	6,529	26,737	(1,072)	7,108	57,402
Segment return on assets %	0.87%	1.26%	1.45%	-0.19%	2.26%	-
Segment cost of funds %	3.70%	5.74%	6.56%	1.12%	0.24%	-

	As at December 31, 2015					
	Branch banking	Corporate banking	Treasury	International banking	Head Office / others	Total
	----- Rupees in million -----					
Segment assets (gross of provision)	305,655	358,611	1,144,691	303,566	77,117	2,189,640
Segment non-performing advances	8,365	46,392	-	14,092	100	68,949
Segment provision held including general provision	7,474	42,764	52	13,596	844	64,730
Inter-segment assets / (liabilities)	962,198	(147,665)	(849,220)	(12,748)	47,435	-
Segment liabilities and equity	1,260,379	168,182	295,419	277,222	123,708	2,124,910

### 38. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

### 39. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiaries, associated undertakings, joint venture company, associates of AKFED Group entities, employee benefit schemes of the Bank / related party, and members of the Key Management Personnel of the Bank / related party, including both Executive and Non-Executive Directors.

Transactions with the related parties, other than those under terms of employment, are executed on an 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. Details of advances to related parties are given in note 9.11 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 valuations / terms of the schemes.

Details of transactions and balances with related parties, other than those disclosed elsewhere in these unconsolidated financial statements, are as follows

	As at December 31, 2016				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	----- Rs. in 000 -----				
<b>Statement of financial position</b>					
Deposits	5,528,358	684,639	5,740,470	42,695	426,558
Maximum deposits during the year	9,593,529	768,975	6,378,540	217,386	591,097
Borrowings	1,114,878	4,187,454	-	1,202,883	-
Investments	-	16,641,232	9,211,299	7,197	-
Nostro balances	115,914	1,439,280	-	-	-
Overdrawn nostro balances	-	413,447	-	-	-
Advances	-	-	-	-	1,251,229
Lendings	-	962,306	-	-	-
Mark-up receivable	18,872	312,812	2,221	-	20,289
Other receivable	-	-	207,923	128,468	-
Mark-up payable	10,305	12,374	2,297	5,837	13
Other payable	-	-	217,937	-	497,066
<b>Others</b>					
Other contingencies	277,530	37,875	58,185	-	-
Securities held as custodian	15,537,400	-	34,717,265	-	4,398,055

## Profit and loss account

Mark-up income
Fee and commission income
Mark-up expense
Other expense
Dividend income

For the year ended December 31, 2016				
Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Rs. in 000				
107,045	616,974	8,787	-	67,726
-	8,503	2,584,815	-	-
55,311	124,856	102,789	15,233	12,378
-	3,648	929,442	-	1,019,727
-	-	373,415	46,941	-

## Statement of financial position

Deposits
Maximum deposits during the year

## Borrowings

## Investments

## Nostro balances

## Advances

## Lendings

## Mark-up receivable

## Other receivable

## Mark-up payable

## Other payable

## Others

## Other contingencies

## Securities held as custodian

As at December 31, 2015				
Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Rs. in 000				
5,018,930	443,279	3,262,854	193,692	135,788
5,018,930	1,413,889	5,003,911	193,692	250,352
-	2,106,440	-	-	-
-	18,103,011	8,187,250	7,197	-
128,540	3,904,659	-	-	-
-	-	-	-	715,262
350,000	-	-	-	-
15,899	3,877	2,331	-	6,930
-	-	128,252	-	-
12,434	1,852	3,259	-	11
-	-	203,913	-	1,026,380
472,408	86,678	5,275	-	-
13,679,505	-	33,261,760	-	4,513,760

## Profit and loss account

Mark-up income
Fee and commission income
Mark-up expense
Other expense
Dividend income

For the year ended December 31, 2015				
Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Rs. in 000				
50,879	404,590	2,432	-	90,196
-	7,461	2,444,479	-	-
70,932	12,404	143,018	152	7,633
-	-	486,761	-	1,040,051
-	-	422,276	34,666	-

- 39.1 The donations disclosed in note 26.3 include donations to HBL Foundation. The Foundation was established for promoting development and advancing the welfare and well-being of the people of Pakistan and improving their quality of life. The Bank's liability to the HBL Foundation is shown in note 17 to these unconsolidated financial statements.

## 39.2 Key Management Personnel

Key Management Personnel includes the President / Chief Executive Officer, direct reports to the President.

	2016	2015
	(Rupees in '000)	
Managerial remuneration (including allowances)	628,958	612,023
Contribution to provident and benevolent fund	15,216	15,622
Medical	21,311	23,096
	<u>665,485</u>	<u>650,741</u>
Number of persons	<u>21</u>	<u>21</u>

In addition Key Management Personnel are paid short-term employee benefits as disclosed in note 26.1.

## 40 CAPITAL ADEQUACY

### 40.1 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
<b>Credit Risk</b>				
<b>On-balance sheet</b>				
Other sovereigns, GOP, PG, SBP other than PKR	8,225,013	7,496,096	77,230,167	73,132,645
PSE's	583,634	934,936	5,480,129	9,121,330
Banks	5,542,502	3,055,429	52,042,275	29,809,059
Corporates	38,136,106	31,953,378	358,085,498	311,740,277
Retail Portfolio	9,527,014	7,523,530	89,455,530	73,400,296
Secured by residential property	239,220	296,294	2,246,198	2,890,674
Past due loans	832,441	807,274	7,816,348	7,875,841
Commercial entities exceeding 10%	-	-	-	-
Listed equity investments	714,568	489,995	6,709,563	4,780,436
Unlisted equity investments	2,568,621	104,620	24,118,505	1,020,679
Investments in fixed assets	3,102,629	2,860,042	29,132,668	27,902,844
Other assets	1,237,540	1,560,276	11,620,090	15,222,207
	70,709,288	57,081,870	663,936,971	556,896,288
<b>Off-balance sheet</b>				
Non-market related	9,901,004	9,348,840	92,967,172	91,208,195
Market related	115,586	93,690	1,085,316	914,046
	10,016,590	9,442,530	94,052,488	92,122,241
<b>Market Risk</b>				
Interest Rate Risk	9,886,597	9,034,841	123,582,461	112,935,513
Equity Position Risk	3,465,330	2,541,868	43,316,625	31,773,350
Foreign Exchange Risk	3,779,900	4,085,522	47,248,750	51,069,025
	17,131,827	15,662,231	214,147,836	195,777,888
<b>Operational Risk</b>				
	12,199,704	10,158,912	152,496,295	126,986,400
	110,057,409	92,345,543	1,124,633,590	971,782,817
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held	172,189,451	154,723,222		
Total risk weighted assets	1,124,633,590	971,782,817		
Capital adequacy ratio	15.31%	15.92%		

### 40.2 Capital management

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, while providing adequate returns to shareholders.

The Bank's lead regulator, the 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 their respective jurisdictions.

The SBP, through BSD Circular No. 07 dated April 15, 2009 has required that Banks should maintain a minimum paid-up capital of Rs. 10 billion (net of accumulated losses). The paid-up capital of the Bank as at December 31, 2016 stood at Rs. 14.669 billion (2015: Rs. 14.669 billion) and is in compliance with the SBP requirements. The Bank is also required to maintain the following minimum Capital Adequacy Ratios (CAR) as at December 31, 2016:

- Common Equity Tier 1 (CET1) ratio of 6.00%
- Tier 1 ratio of 8.15% including Capital Conversation Buffer (CCB) of 0.65%
- Total Capital Adequacy Ratio (CAR) of 10.65% including CCB of 0.65%

The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

The Bank's regulatory capital is classified as follows:

- 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, reserves (excluding foreign exchange translation reserves) and unappropriated profits meeting the eligibility criteria.
- AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares. The Bank has no instruments qualifying for AT 1 capital.
- Tier 2 capital includes general provisions for loan losses, surplus on revaluation of fixed assets and investments, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria).

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 on and off-balance sheet exposures.

- On and off-balance sheet exposures in the banking book are segregated into various asset classes for the calculation of credit risk. Ratings for assets are applied using various ECAs and aligned with appropriate risk buckets. Collateral, if any, is used as an outflow adjustment. Risk weights notified, are applied to arrive at net adjusted exposure. Eligible collateral used include: Government of Pakistan guarantees for advances, investments in GOP / PSE, deposits / margins, lien on deposits and saving certificates.

- The Bank calculates capital requirements for market risk in its trading portfolios based on the methodology provided by the 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.

## 40.3 Capital structure

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

	Note	2016 (Rupees in '000)	2015
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
Fully Paid-up Capital		14,668,525	14,668,525
Balance in Share Premium Account		-	-
Reserve for issue of Bonus Shares		-	-
Discount on Issue of shares		-	-
General/ Statutory Reserves		36,693,011	33,510,989
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		97,446,624	89,933,889
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)		-	-
<b>CET 1 before Regulatory Adjustments</b>		<b>148,808,160</b>	<b>138,113,403</b>
Total regulatory adjustments applied to CET1	40.4.1	12,936,619	12,503,498
<b>Common Equity Tier 1</b>		<b>135,871,541</b>	<b>125,609,905</b>
<b>Additional Tier 1 (AT 1) Capital</b>			
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		-	-
<b>AT1 before regulatory adjustments</b>		<b>-</b>	<b>-</b>
Total of Regulatory Adjustment applied to AT1 capital	40.4.2	-	-
<b>Additional Tier 1 capital after regulatory adjustments</b>		<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital recognised for capital adequacy</b>		<b>-</b>	<b>-</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		<b>135,871,541</b>	<b>125,609,905</b>

	Note	2016 (Rupees in '000)	2015
<b>Tier 2 Capital</b>			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		9,998,000	10,000,000
Tier 2 capital instruments subject to phase out 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		3,328,371	2,924,766
Revaluation Reserves (net of taxes)			
of which: Revaluation reserves on fixed assets		8,659,213	7,283,129
of which: Unrealised gains/losses on AFS		8,595,394	7,922,683
		17,254,607	15,205,812
Foreign Exchange Translation Reserves		10,453,351	11,043,004
Undisclosed/Other Reserves (if any)		-	-
<b>Tier 2 before regulatory adjustments</b>		<b>41,034,329</b>	<b>39,173,582</b>
<b>Tier 2 Capital: regulatory adjustments</b>			
Total regulatory adjustment applied to T2 capital	40.4.3	4,583,432	10,060,265
Reciprocal cross holdings in Tier 2 instruments		132,987	-
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 T2 capital		4,716,419	10,060,265
Tier 2 capital		36,317,910	29,113,317
Tier 2 capital recognised for capital adequacy		36,317,910	29,113,317
Portion of Additional Tier 1 capital recognised in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy		36,317,910	29,113,317
<b>TOTAL CAPITAL (Tier 1 + admissible Tier 2)</b>		<b>172,189,451</b>	<b>154,723,222</b>
<b>Total Risk Weighted Assets</b>		<b>1,124,633,590</b>	<b>971,782,817</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
CET1 to total RWA		12.08%	12.93%
Tier-1 capital to total RWA		12.08%	12.93%
Total capital to RWA		15.31%	15.92%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		6.65%	6.25%
of which: capital conservation buffer requirement		0.65%	0.25%
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)		5.43%	6.68%
<b>National minimum capital requirements prescribed by SBP</b>			
CET1 minimum ratio		6.65%	6.25%
Tier 1 minimum ratio		7.50%	7.50%
Total capital minimum ratio		10.65%	10.25%

## 40.4 Regulatory Adjustments and Additional Information

	2016		2015	
	Basel III Transit	Pre- Basel III treatment	Basel III Transit	Pre- Basel III treatment
----- (Rupees in '000) -----				
<b>40.4.1 Common Equity Tier 1 capital: Regulatory adjustments</b>				
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	1,659,867	-	1,035,415	-
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	3,573,219	-	293,869	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares/ CET1 instruments	870,652	-	15,060	-
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)	-	-	732,666	-
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	6,832,881	-	10,426,488	-
Total regulatory adjustments applied to CET1	<u>12,936,619</u>	-	<u>12,503,498</u>	-
<b>40.4.2 Additional Tier-1 Capital: regulatory adjustments</b>				
Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	4,132,227	-	3,061,264	-
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	2,700,654	-	7,365,224	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Transfer to CET1 due to insufficient AT1 to cover deductions	(6,832,881)	-	(10,426,488)	-
Total regulatory adjustment applied to AT1 capital	<u>-</u>	-	<u>-</u>	-
<b>40.4.3 Tier 2 Capital: regulatory adjustments</b>				
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	2,700,654	-	7,365,224	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	55,144	-
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	1,882,778	-	2,639,897	-
Total regulatory adjustment applied to T2 capital	<u>4,583,432</u>	-	<u>10,060,265</u>	-

#### 40.4.4 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: recognised portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity

of which: recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity

##### Amounts below the thresholds for deduction (before risk weighting)

Non-significant investments in the capital of other financial entities

Significant investments in the common stock of financial entities

Deferred tax assets arising from temporary differences (net of related tax liability)

##### Applicable caps on the inclusion of provisions in Tier 2

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to 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

#### 40.5 Capital structure reconciliation

##### Assets

Cash and balances with treasury banks

Balances with other banks

Lendings to financial institutions

Investments

Advances

Operating fixed assets

Deferred tax asset

Other assets

##### Total assets

##### Liabilities & Equity

Bills payable

Borrowings

Deposits and other accounts

Subordinated loan

Liabilities against assets subject to finance lease

Deferred tax liability

Other liabilities

##### Total liabilities

Share capital

Reserves

Unappropriated profit

Surplus on revaluation of assets

##### Total liabilities & equity

2016  
(Rupees in '000)

2015

1,124,633,590 971,782,817

- -

- -

- -

- -

2,276,811 3,477,567

10,997,536 15,508,571

- -

3,328,371 2,924,766

9,474,868 8,112,732

- -

- -

As per  
published  
financial  
statements  
Under  
regulatory  
scope of  
consolidation  
(Rupees in '000)

#### 40.5 Capital structure reconciliation

##### Assets

Cash and balances with treasury banks

Balances with other banks

Lendings to financial institutions

Investments

Advances

Operating fixed assets

Deferred tax asset

Other assets

##### Total assets

##### Liabilities & Equity

Bills payable

Borrowings

Deposits and other accounts

Subordinated loan

Liabilities against assets subject to finance lease

Deferred tax liability

Other liabilities

##### Total liabilities

Share capital

Reserves

Unappropriated profit

Surplus on revaluation of assets

##### Total liabilities & equity

219,788,876 219,788,876

32,742,891 32,742,891

35,010,238 35,010,238

1,304,722,761 1,296,146,663

712,132,554 715,460,925

30,792,535 29,132,668

- -

58,593,524 58,593,524

2,393,783,379 2,386,875,785

31,108,762 31,108,762

335,083,298 335,083,298

1,793,370,392 1,793,370,392

9,998,000 9,998,000

- -

1,856,554 1,856,554

40,299,393 40,299,393

2,211,716,399 2,211,716,399

14,668,525 14,668,525

47,146,362 47,146,362

97,446,624 90,539,030

22,805,469 22,805,469

2,393,783,379 2,386,875,785



## 40.5.1 Detail of capital structure reconciliation

	As per published financial statements	Under regulatory scope of consolidation	Reference
(Rupees in '000)			
<b>Assets</b>			
Cash and balances with treasury banks	219,788,876	219,788,876	
Balances with other banks	32,742,891	32,742,891	
Lendings to financial institutions	35,010,238	35,010,238	
Investments	1,304,722,761	1,296,146,663	
<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>	-	4,132,227	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	3,573,219	d
<i>of which: investment in own shares</i>	-	870,652	e
Advances	712,132,554	715,460,925	
<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>	-	3,328,371	g
Operating fixed assets	30,792,535	29,132,668	
<i>of which: Goodwill</i>	-	-	h
<i>of which: Intangibles</i>	-	1,659,867	i
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	j
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	k
Other assets	58,593,524	58,593,524	
<i>of which: Goodwill</i>	-	-	
<i>of which: Intangibles</i>	-	-	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
<b>Total assets</b>	<b>2,393,783,379</b>	<b>2,386,875,785</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	31,108,762	31,108,762	
Borrowings	335,083,298	335,083,298	
Deposits and other accounts	1,793,370,392	1,793,370,392	
Subordinated loan	9,998,000	9,998,000	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	9,998,000	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,856,554	1,856,554	
<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	40,299,393	40,299,393	
<b>Total liabilities</b>	<b>2,211,716,399</b>	<b>2,211,716,399</b>	
Share capital	14,668,525	14,668,525	
<i>of which: amount eligible for CET1</i>	14,668,525	14,668,525	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	47,146,362	47,146,362	
<i>of which: portion eligible for inclusion in CET1</i>	-	36,693,011	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	10,453,351	v
Unappropriated profit	97,446,624	90,539,030	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	22,805,469	22,805,469	
<i>of which: Revaluation reserves on Property</i>	-	11,785,733	
<i>of which: Unrealised Gains/Losses on AFS</i>	-	11,019,736	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
<b>Total liabilities &amp; Equity</b>	<b>2,393,783,379</b>	<b>2,386,875,785</b>	

#### 40.5.2 Component of capital reported by the Bank

	Rupees in '000	Source based on reference number
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
Fully Paid-up Capital	14,668,525	(s)
Balance in Share Premium Account	-	
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	36,693,011	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	97,446,624	(w)
Non-controlling interest	-	(x)
<b>CET 1 before Regulatory Adjustments</b>	<b>148,808,160</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
Goodwill	-	(h) - (o)
All other intangibles	1,659,867	(i) - (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)	-	{(j) - (r)} * x%
Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
Reciprocal cross holdings	3,573,219	(d)
Cash flow hedge reserve	-	
Investment in own shares	870,652	
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	6,832,881	
Total regulatory adjustments applied to CET1	12,936,619	
<b>Common Equity Tier 1</b>	<b>135,871,541</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
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	-	
<b>AT1 before regulatory adjustments</b>	<b>-</b>	

	Rupees in '000	Source based on reference number
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	4,132,227	
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	2,700,654	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Transfer to CET1 due to insufficient AT1 to cover deductions	(6,832,881)	
Total of Regulatory Adjustment applied to AT1 capital	-	
Additional Tier 1 capital	-	
<b>Additional Tier 1 capital recognised for capital adequacy</b>	-	
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>135,871,541</b>	
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III	9,998,000	(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	3,328,371	(g)
Revaluation Reserves eligible for Tier 2		
of which: portion pertaining to Property	8,659,213	
of which: portion pertaining to AFS securities	8,595,394	portion of (aa)
	17,254,607	
Foreign Exchange Translation Reserves	10,453,351	(v)
Undisclosed/Other Reserves (if any)	-	
<b>Tier 2 before regulatory adjustments</b>	<b>41,034,329</b>	
<b>Tier 2 Capital: regulatory adjustments</b>		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,700,654	
Reciprocal cross holdings in Tier 2 instruments	132,987	
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	1,882,778	(af)
Amount of Regulatory Adjustment applied to Tier 2 capital	4,716,419	
Tier 2 capital	36,317,910	
Tier 2 capital recognised for capital adequacy	36,317,910	
Excess Additional Tier 1 capital recognised in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	36,317,910	
<b>TOTAL CAPITAL (Tier 1 + admissible Tier 2)</b>	<b>172,189,451</b>	

#### 40.6 Main Features of Regulatory Capital Instruments

	Common Shares	Debt Instruments
<b>Issuer</b>	Habib Bank Limited	Habib Bank Limited
<b>Unique identifier</b>	HBL	HBL
<b>Governing law(s) of the instrument</b>	Relevant Capital Market Laws	Laws applicable in Pakistan
<b>Regulatory treatment</b>		
Transitional Basel III rules	Common Equity Tier 1	Tier II Capital
Post-transitional Basel III rules	Common Equity Tier 1	Tier II Capital
Eligible at solo / group / group & solo	Group and Standalone	Group and Standalone
Instrument type	Ordinary shares	Term Finance Certificate
Amount recognised in regulatory capital (Currency in PKR thousands)	14,668,525	9,998,000
Par value of instrument	Rs. 10 per share	PKR 100,000/- and/ or in multiples of PKR 100,000
Accounting classification	Shareholders' equity	Subordinated loan
Original date of issuance	1947	2015
Perpetual or dated	Perpetual	Dated
Original maturity date	No maturity	February 2026
Issuer call subject to prior supervisory approval	Not applicable	Yes
Optional call date, contingent call dates and redemption amount	Not applicable	Anytime after the first call date in 2021
Subsequent call dates, if applicable	Not applicable	Not applicable
<b>Coupons / dividends</b>		
Fixed or floating dividend/ coupon	Not applicable	Floating
Coupon rate and any related index/ benchmark	Not applicable	6 months KIBOR + 0.50% per annum
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	No	No
Noncumulative or cumulative	Not applicable	Not applicable
<b>Convertible or non-convertible</b>	Non-convertible	Convertible
If convertible, conversion trigger (s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank.
If convertible, fully or partially	Not applicable	Fully
If convertible, conversion rate	Not applicable	To be determined in case of trigger event(s)
If convertible, mandatory or optional conversion	Not applicable	Mandatory
If convertible, specify instrument type convertible into	Not applicable	Common Equity Tier 1
If convertible, specify issuer of instrument it converts into	Not applicable	Habib Bank Limited
<b>Write-down feature</b>		
If write-down, write-down trigger (s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may at its option, have them immediately written down.
If write-down, full or partial	Not applicable	May be written down fully or partially
If write-down, permanent or temporary	Not applicable	Permanent
If temporary write-down, description of write-up mechanism	Not applicable	Not Applicable
<b>Position in subordination hierarchy in liquidation</b>	Subordinated	Subordinate to all other indebtedness to the Bank including deposits
Non-compliant transitioned features	Not applicable	None
If yes, specify non-compliant features	Not applicable	Not applicable

#### 40.7 Leverage Ratio

The leverage ratio is the ratio of Tier 1 capital to total exposure, including off-balance sheet exposures adjusted by regulatory credit conversion factors. The Bank's current leverage ratio of 4.52% is above the current minimum requirement of 3.00% set by the SBP.

#### 41. RISK MANAGEMENT FRAMEWORK

HBL'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 a 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 is based on strong board oversight, multi-tier management supervision, efficient systems, documented risk appetite, and clearly articulated policies and procedures.

The Board of Directors provides the strategic direction for effective risk management and ensures 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 committee's i.e. Board Risk Management Committee (BRMC) and Board Audit Committee (BAC) as well as various management committees.

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

Risk Management function comprises the following areas:

- Credit Policy & Analytics
- Credit Approvals
- Credit Administration
- Program Based Lending
- Market & Liquidity Risk Management
- Operational Risk Management
- Information Security Risk

The Operational Risk Management Division operates within the Global Compliance Group, independent from business units and other support functions. The Head of this division has a dotted reporting line to the CRO.

#### Risk Management alignment with Basel framework

The Bank has adopted the Alternate Standardized Approach for operational risk and standardised approach for credit and market risk. In addition, Bank has adopted simple approach for credit risk mitigation. The Bank is continuing efforts to adopt the Foundation Internal Ratings Based Approach for certain credit portfolios and the Internal Models Approach for Market Risk. As the largest Bank in Pakistan with a strong risk culture and focus, HBL's goal is to develop resources internally to embed Basel related processes and methodologies in its risk practices and a program is in place to augment the skill set of staff. The Bank expects to achieve significant benefits from its Basel program with a more robust risk management and internal control environment in line with best practices.

The Bank has also rolled out an integrated credit risk management software to automate loan origination, disbursement and subsequent periodic monitoring and management. In addition, a Capital calculator and an ALM system is under development which is expected to improve stress testing.

#### Scope of application of Basel III framework

State Bank of Pakistan, through BPRD circular no. 06 dated August 15, 2013, requires Banks to report the Capital Adequacy Ratio (CAR) under the Basel III framework with CAR requirements increasing in a transitory manner through 2019.

#### 41.1 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 including separate policies for consumer loans, rural banking and SME financing. 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 is defined through a Risk Appetite document that is 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 delegated to individuals based on their qualifications and experience. Disbursement authorization, collateral and security management, documentation and monitoring are managed by the Credit Administration Department. Proactive monitoring is ensured through an early warning mechanism for assets under stress. This enables the bank to put in place viable solutions to prevent further deterioration in credit quality. A special Structured Credits function is in place to handle stressed assets and ensure a focused remedial strategy.

Stress testing on the credit portfolio is performed according to SBP's guidelines.

Business Risk Review, which is part of the Internal Audit function, performs an independent review of the credit portfolio. It provides an independent assessment of portfolio quality, efficacy of processes for acquisition of risk assets, regulatory/policy compliance and appropriateness of classification and risk rating of assets.

#### 41.1.1 Credit risk - General disclosures

The Bank follows the Standardized Approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit ratings or type of exposure, whichever is applicable.

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Bank selects particular ECAIs for each type of exposure. The Bank utilizes the credit ratings assigned by Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company Limited – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard & Poors (S&P). The Bank also utilizes rating scores of Export Credit Agencies (ECAs).

#### Types of exposure and ECAIs used

	FITCH	Moody's	S&P	PACRA	JCR-VIS	ECA scores
Corporates	-	✓	-	✓	✓	-
Banks	✓	✓	✓	✓	✓	-
Sovereigns	-	✓	-	-	-	✓
Public sector enterprises	-	-	-	✓	✓	-

#### Mapping to SBP Rating Grades

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

##### Long Term Rating Grades mapping

SBP Rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

##### Short Term Rating Grades mapping

SBP Rating Grade	Fitch	Moody's	S&P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

## 41.1.2 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2016		
		(Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	27,459,215	-	27,459,215
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	558,424,043	230,347,911	328,076,132
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	21,894,692	-	21,894,692
Claims on other sovereigns and on Government of Pakistan or Provincial Governments or SBP denominated in currencies other than PKR	1	44,407,172	-	44,407,172
	2	2,091,965	-	2,091,965
	3	8,184,549	-	8,184,549
	4,5	20,321,239	-	20,321,239
	6	30,305,916	-	30,305,916
	Unrated	6,939,386	-	6,939,386
		112,250,227	-	112,250,227
Corporates	1	93,768,840	3,640,128	90,128,712
	2	23,171,773	500,746	22,671,027
	3,4	968,530	-	968,530
	5,6	-	-	-
	Unrated-1	247,316,805	17,242,453	230,074,352
	Unrated-2	145,171,120	11,375,263	133,795,857
		510,397,068	32,758,590	477,638,478
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3	21,523,804	-	21,523,804
	4,5	3,278,596	-	3,278,596
	6	-	-	-
	Unrated	6,194,594	-	6,194,594
		30,996,994	-	30,996,994
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	20%	151,798,495	94,316,952	57,481,543
Banks - others	1	39,973,819	97,469	39,876,350
	2,3	47,734,870	-	47,734,870
	4,5	7,155,933	-	7,155,933
	6	3,600,375	-	3,600,375
	Unrated	3,093,973	-	3,093,973
		101,558,970	97,469	101,461,501
Public sector enterprises	1	29,644,148	7,718,693	21,925,455
	2,3	9,329,998	3,515,625	5,814,373
	4,5	-	-	-
	6	-	-	-
	Unrated	81,573,145	63,675,919	17,897,226
		120,547,291	74,910,237	45,637,054
Retail portfolio	75%	130,821,319	10,020,528	120,800,791
Claims Fully Secured by Residential Mortgages	35%	6,417,708	-	6,417,708
Past due loans secured against mortgage	50% - 150%	8,108,537	-	8,108,537
Equity investments	100% - 150%	2,259,887	-	2,259,887
Significant investments	250%	10,997,536	-	10,997,536
Fixed assets	100%	29,132,668	-	29,132,668
Others	100%	11,620,090	-	11,620,090
		1,834,684,740	442,451,687	1,392,233,053

## 41.1.3 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Simple Approach for Credit Risk Mitigation in the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. The Bank has in place detailed guidelines with respect to the valuation and management of each of these types of collateral. Where the Bank's exposure to an obligor is secured by eligible collateral, the risk weighting of the collateral instrument collateralizing or partially collateralizing the exposure is substituted for the risk weighting of the counterparty.

No credit risk mitigation benefit is taken in the Trading Book.

For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of Risk Weighted Assets.

## 41.1.4 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 international rating agencies. CBTR arises from exposure to counterparties in countries other than the jurisdiction of the lender. Transfer risk arises 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. The limit utilization is controlled at Head Office level and country risk exposures are reported to BRMC at defined frequencies.



## 41.2 Segmental information

### 41.2.1 Segment by class of business

	2016					
	Advances		Deposits		Contingencies	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemicals and pharmaceuticals	35,617,626	4.59	17,426,313	0.97	10,489,109	3.49
Agribusiness	110,951,575	14.30	15,213,157	0.85	1,179,569	0.39
Textile	86,331,297	11.13	8,209,883	0.46	11,770,307	3.92
Cement	12,893,120	1.66	5,434,122	0.30	3,534,631	1.18
Defence	1,312,388	0.17	12,731,680	0.71	55,404,811	18.45
Sugar	7,294,329	0.94	3,783,063	0.21	124,655	0.04
Shoes and leather garments	2,411,725	0.31	357,922	0.02	341,980	0.11
Automobile and transportation equipment	6,427,552	0.83	24,788,555	1.38	9,015,551	3.00
Financial	64,291,859	8.29	22,293,065	1.24	85,297,654	28.41
Hotel and tourism	3,901,276	0.50	2,099,095	0.12	708,313	0.24
Research & Development	-	-	190,922	0.01	-	-
Insurance	613,327	0.08	17,146,310	0.96	46,164	0.02
Electronics and electrical appliances	9,977,670	1.29	32,200,464	1.80	-	-
Oil and gas	37,291,479	4.81	22,433,605	1.25	8,495,045	2.83
Power and energy	95,609,668	12.32	40,703,579	2.27	51,444,060	17.13
Education & Medical	1,765,486	0.23	59,597,944	3.32	983,911	0.33
Telecommunication	16,803,551	2.17	14,647,526	0.82	2,584,870	0.86
Printing and publishing	4,437,673	0.57	487,102	0.03	517,304	0.17
Construction	12,084,255	1.56	15,780,104	0.88	1,412,739	0.47
Mining & quarrying	2,256,765	0.29	1,617,864	0.09	-	-
Food, tobacco and beverages	23,091,020	2.98	9,592,461	0.53	2,894,950	0.96
Whole sale & retail trade	59,938,333	7.72	33,784,046	1.88	1,242,906	0.41
Metal and allied	12,850,564	1.66	5,251,234	0.29	2,999,392	1.00
Individuals	59,217,291	7.63	917,394,318	51.15	706,549	0.24
Farming, cattle and dairy	4,538,117	0.58	388,976	0.02	490,882	0.16
Ports and shipping	-	-	6,614,467	0.37	53,001	0.02
Trust funds and non profit organisations	3,686,627	0.48	28,265,387	1.58	167,973	0.06
Others	100,379,638	12.91	474,937,228	26.49	48,332,865	16.11
	<b>775,974,211</b>	<b>100.00</b>	<b>1,793,370,392</b>	<b>100.00</b>	<b>300,239,191</b>	<b>100.00</b>

	2015					
	Advances		Deposits		Contingencies	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemicals and pharmaceuticals	36,429,160	5.44	5,476,327	0.35	9,620,297	3.49
Agribusiness	86,529,241	12.93	13,370,591	0.80	914,417	0.33
Textile	72,876,467	10.89	8,515,983	0.55	10,128,611	3.67
Cement	10,197,937	1.52	1,750,364	0.11	3,224,198	1.17
Defence	252,084	0.04	7,336,766	0.47	43,719,160	16.02
Sugar	6,007,415	0.90	1,731,369	0.11	138,819	0.05
Shoes and leather garments	2,063,954	0.31	934,986	0.06	30,262	0.01
Automobile and transportation equipment	39,709,089	5.93	16,521,798	0.95	5,897,025	2.14
Financial	39,003,844	5.83	28,021,442	1.37	78,723,706	21.42
Hotel & tourism	1,469,141	0.22	684,301	0.04	787,278	0.29
Research & Development	-	-	-	-	-	-
Insurance	229,563	0.03	17,213,578	0.18	178,397	0.05
Electronics and electrical appliances	12,516,805	1.87	3,084,569	0.20	9,171,921	3.32
Oil and gas	43,761,405	6.54	15,432,016	0.87	23,433,237	8.84
Power and energy	83,326,876	12.45	54,936,752	1.95	31,915,091	11.08
Education & Medical	2,128,568	0.32	44,937,731	0.63	887,453	0.21
Telecommunication	15,774,915	2.36	9,930,880	0.53	1,735,070	0.63
Printing & publishing	6,928,049	1.04	688,359	0.04	266,461	0.10
Construction	6,143,968	0.92	3,018,561	0.19	576,062	0.21
Mining & quarrying	333,474	0.05	258,641	0.02	-	-
Food, tobacco and beverages	20,191,746	3.02	6,205,856	0.40	1,731,222	0.63
Whole sale & retail trade	32,856,160	4.91	69,396,370	4.45	5,913,743	2.14
Metal and allied	10,791,416	1.61	5,247,102	0.33	2,555,161	0.93
Individuals	55,133,290	8.24	829,324,963	53.22	663,146	0.24
Farming, cattle and dairy	2,147,466	0.32	1,321,131	0.08	449,182	0.16
Ports and shipping	-	-	2,860,470	-	30,738	0.01
Trust funds and non profit organisations	8,762,959	1.31	26,880,643	1.72	2,137,000	0.77
Others	73,731,888	11.00	383,229,126	21.65	41,214,854	12.09
	<b>669,296,880</b>	<b>100.00</b>	<b>1,558,310,675</b>	<b>100.00</b>	<b>276,042,511</b>	<b>100.00</b>

## 41.2.2 Segment by sector

	2016					
	Advances		Deposits		Contingencies	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Government / public sector	126,469,501	16.30	173,596,573	9.68	62,147,185	20.70
Private sector	649,504,710	83.70	1,619,773,819	90.32	238,092,006	79.30
	<b>775,974,211</b>	<b>100.00</b>	<b>1,793,370,392</b>	<b>100.00</b>	<b>300,239,191</b>	<b>100.00</b>

	2015					
	Advances		Deposits		Contingencies	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Government / public sector	106,790,375	15.96	143,422,271	9.20	88,381,867	32.02
Private sector	562,506,505	84.04	1,414,888,404	90.80	187,660,644	67.98
	<b>669,296,880</b>	<b>100.00</b>	<b>1,558,310,675</b>	<b>100.00</b>	<b>276,042,511</b>	<b>100.00</b>

## 41.2.3 Details of non-performing advances and specific provisions by class of business.

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Chemicals and Pharmaceuticals	1,154,086	1,137,187	876,924	549,259
Agribusiness	4,256,849	2,913,403	6,741,005	5,202,885
Textile	21,581,482	21,129,481	20,530,171	20,373,125
Cement	860,694	806,694	860,694	806,694
Sugar	332,069	260,714	331,776	268,941
Shoes and leather garments	910,487	874,506	949,158	948,211
Automobile and transportation equipment	1,044,744	1,037,021	1,044,094	1,034,090
Financial	39,414	39,414	39,414	39,414
Hotel and tourism	290,197	290,197	284,188	271,689
Electronics and electrical appliances	3,571,034	3,211,784	1,821,436	1,821,436
Oil and gas	2,362,489	967,806	3,013,685	1,005,036
Power and energy	1,786,177	1,775,307	1,804,624	1,767,852
Education & medical	74,899	74,899	56,136	56,066
Telecommunication	1,227,442	1,227,442	1,232,553	1,232,553
Printing and publishing	375,713	249,445	335,013	230,017
Construction	1,383,284	1,219,216	1,277,175	1,107,100
Mining & quarrying	1,716	1,716	-	-
Food, tobacco and beverages	1,846,955	1,767,373	1,133,864	857,951
Whole sale & retail trade	9,938,213	8,153,091	8,812,140	7,006,240
Metal and allied	2,570,591	1,432,085	2,425,779	977,883
Individuals	2,511,497	2,451,361	3,758,572	3,645,757
Farming, cattle and dairy	174,116	75,437	136,913	111,540
Others	10,327,675	9,417,707	11,483,807	11,422,104
	<b>68,621,823</b>	<b>60,513,286</b>	<b>68,949,121</b>	<b>60,735,843</b>

## 41.2.4 Segment by sector

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Government / public sector	1,514,115	448,418	1,486,172	420,475
Private sector	67,107,708	60,064,868	67,462,949	60,315,368
	<b>68,621,823</b>	<b>60,513,286</b>	<b>68,949,121</b>	<b>60,735,843</b>

#### 41.2.5 GEOGRAPHICAL SEGMENT ANALYSIS

	For the year ended December 31, 2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies
	(Rupees in '000)			
Pakistan	51,355,245	2,074,170,137	125,470,143	259,913,627
Europe, Middle East and America	(490,363)	226,815,924	34,088,956	32,417,968
Asia and Africa	1,381,157	92,797,318	22,507,881	7,907,596
	<u>52,246,039</u>	<u>2,393,783,379</u>	<u>182,066,980</u>	<u>300,239,191</u>

	For the year ended December 31, 2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies
	(Rupees in '000)			
Pakistan	56,978,696	1,822,045,751	115,273,721	240,725,330
Europe, Middle East and America	(184,316)	214,981,657	34,663,208	28,739,366
Asia and Africa	607,388	87,882,299	21,914,722	6,577,815
	<u>57,401,768</u>	<u>2,124,909,707</u>	<u>171,851,651</u>	<u>276,042,511</u>

#### 41.3 Market Risk Management

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

The bank is exposed to market risk through its trading activities which are carried out by Treasury and through investments/structural positions parked in the banking book. Market risk also arises from market making, facilitation of client business and proprietary positions. The Bank's Market risk is managed under the umbrella of Risk Management under the supervision of ALCO and supported by the Treasury Middle Office (TMO).

##### 41.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's assets in a particular currency are typically funded in the same currency to minimize foreign currency exposure. However, the Bank does maintain a net open position in various currencies resulting from its transactions. Foreign exchange risk is controlled and monitored through the limits approved by ALCO within the overall limit advised by SBP. This regulatory limit is relatively small compared to the size of the Bank, thereby containing the risk generated through the foreign exchange activities of the Bank.

End of day positions are marked to market daily according to the guidelines of the SBP and a sensitivity analysis is conducted in line with the internal market risk policy of the Bank. Intra-day positions are managed by Treasury through stop loss/ dealer limits. International businesses manage their foreign exchange risk through ALCO approved limits, within the overall limit advised by the SBP.

	2016				2015			
	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	1,954,896,417	1,782,100,979	(46,205,360)	126,590,078	1,709,219,496	1,554,622,839	(32,897,547)	121,699,110
United States Dollar	229,003,903	238,552,395	16,409,077	6,860,585	207,441,757	215,151,384	13,812,279	6,102,652
Great Britain Pound	9,490,067	15,348,700	10,267,151	4,408,518	7,427,946	14,112,509	10,300,130	3,615,567
UAE Dirham	71,806,830	63,590,453	10,932,036	19,148,413	80,376,846	69,553,582	831,334	11,654,598
Japanese Yen	135,998	61,746	(65,446)	8,806	48,919	(62,792)	(45,691)	66,020
Euro	14,664,719	21,892,693	8,993,138	1,765,164	12,737,573	19,954,529	9,140,523	1,923,567
Other Currencies	113,785,445	90,169,433	(330,596)	23,285,416	107,657,170	79,726,005	(1,141,028)	26,790,137
	<u>2,393,783,379</u>	<u>2,211,716,399</u>	<u>-</u>	<u>182,066,980</u>	<u>2,124,909,707</u>	<u>1,953,058,056</u>	<u>-</u>	<u>171,851,651</u>

##### 41.3.2 Equity Position Risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in the prices of individual stocks or the levels of equity indices. It is managed by the bank through Equity Investment Policy approved by the Board. The policy defines various position limits, portfolio limits and stop loss limits for the equity desk. The bank also applies stress tests on the equity portfolio which is part of the bank's overall market risk exposure limit on the banking book.

Liquidity risk is the risk that the Bank may be unable to meet its cash obligations as they become due, or to fund assets, at a reasonable cost, because of an inability to liquidate assets, or to obtain adequate funding.

The Bank's ALCO is responsible for the formulation of overall strategy and oversight of asset and 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 the Bank's liquidity under normal and crisis situations (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 contractual 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.

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

		2016									
		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	
<b>Assets</b>											
Cash and balances with treasury banks	219,788,876	68,479,258	24,683,721	30,611,253	9,746,779	1,801,044	2,292,710	3,535,098	39,472,632	39,166,381	
Balances with other banks	32,742,891	27,815,336	4,782,339	-	145,216	-	-	-	-	-	
Lendings to financial institutions	35,010,238	24,126,320	9,666,322	102,826	259,302	321,284	534,184	-	-	-	
Investments	1,304,722,761	202,939,903	216,771,200	92,033,805	104,988,485	207,985,030	176,711,613	149,621,455	115,869,935	37,801,335	
Advances	712,132,554	92,339,191	70,746,040	95,286,144	73,411,911	42,846,300	47,995,556	257,614,471	28,966,228	2,926,713	
Operating fixed assets	30,792,535	1,719,800	323,721	485,582	971,164	1,942,327	1,942,327	2,062,382	704,691	20,640,541	
Other assets	58,593,524	15,118,334	16,834,729	5,305,811	21,334,650	-	-	-	-	-	
	2,393,783,379	432,538,142	343,808,072	223,825,421	210,857,507	254,895,985	229,476,390	412,833,406	185,013,486	100,534,970	
<b>Liabilities</b>											
Bills payable	31,108,762	5,900,717	10,083,218	15,124,827	-	-	-	-	-	-	
Borrowings from financial institutions	335,083,298	279,362,491	23,725,083	28,395,746	1,480,017	373,275	417,450	687,577	641,659	-	
Deposits and other accounts	1,793,370,392	252,297,553	106,826,987	101,379,440	178,281,923	37,422,983	38,507,060	69,889,289	507,459,619	501,305,538	
Subordinated loans	9,998,000	-	2,000	-	2,000	4,000	4,000	8,000	9,978,000	-	
Deferred tax liability	1,856,554	1,328,308	1,445,165	1,448,920	(517,694)	(495,166)	(1,213,844)	(670,729)	(4,839)	536,433	
Other liabilities	40,299,393	18,311,307	10,003,307	3,093,635	1,879,316	1,049,694	1,049,694	1,807,057	2,025,690	1,079,693	
	2,211,716,399	557,200,376	152,085,760	149,442,568	181,125,562	38,354,786	38,764,360	71,721,194	520,100,129	502,921,664	
<b>Net gap</b>	182,066,980	(124,662,234)	(191,722,312)	(74,382,853)	(29,731,945)	(216,541,199)	(190,712,030)	(341,112,212)	(335,086,643)	(402,386,694)	
Share capital	14,668,525										
Reserves	47,146,362										
Unappropriated profit	97,446,624										
Surplus on revaluation of assets - net of tax	22,805,469										
	182,066,980										

2015									
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
<b>Assets</b>									
Cash and balances with treasury banks	154,303,383	70,869,928	11,060,937	16,820,510	1,242,276	2,191,050	2,269,746	1,801,296	36,149,630
Balances with other banks	29,428,453	24,390,245	4,384,935	580,563	72,710	-	-	-	-
Lendings to financial institutions	18,381,633	17,067,708	-	271,125	271,125	356,075	207,800	-	-
Investments	1,236,415,888	177,042,186	99,499,902	206,968,120	372,342,190	36,534,142	218,839,522	41,996,731	28,897,532
Advances	605,636,271	56,253,540	73,286,386	79,534,905	43,702,276	24,052,602	24,027,818	264,038,531	11,396,975
Operating fixed assets	28,938,259	-	143,197	-	-	-	-	1,115,125	27,679,937
Other assets	51,805,820	19,832,561	11,639,187	9,512,443	10,821,629	-	-	-	-
<b>Net gap</b>	<b>2,124,909,707</b>	<b>365,456,168</b>	<b>200,014,544</b>	<b>313,687,666</b>	<b>428,452,206</b>	<b>63,133,869</b>	<b>245,344,886</b>	<b>308,044,358</b>	<b>104,124,074</b>
<b>Liabilities</b>									
Bills payable	27,942,101	5,591,311	8,926,627	13,424,163	-	-	-	-	-
Borrowings from financial institutions	314,485,132	268,194,284	12,191,242	29,612,934	85,376	237,045	327,145	1,884,488	1,951,192
Deposits and other accounts	1,558,310,675	207,005,507	97,403,626	95,806,889	154,468,581	36,665,734	31,603,716	57,491,335	441,036,782
Subordinated loans	10,000,000	-	-	-	2,000	4,000	4,000	8,000	5,000,000
Deferred tax liability	2,214,422	-	-	-	-	-	-	446,780	1,320,862
Other liabilities	40,105,726	19,357,824	10,053,312	3,903,893	2,398,856	529,089	529,089	3,333,663	-
<b>Net gap</b>	<b>171,851,651</b>	<b>500,148,926</b>	<b>128,574,807</b>	<b>142,747,879</b>	<b>156,954,813</b>	<b>37,659,258</b>	<b>32,687,340</b>	<b>63,164,266</b>	<b>441,811,931</b>
<b>Share capital</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>
<b>Reserves</b>	<b>44,553,993</b>	<b>44,553,993</b>	<b>44,553,993</b>	<b>44,553,993</b>	<b>44,553,993</b>	<b>44,553,993</b>	<b>44,553,993</b>	<b>44,553,993</b>	<b>44,553,993</b>
<b>Unappropriated profit</b>	<b>89,933,869</b>	<b>89,933,869</b>	<b>89,933,869</b>	<b>89,933,869</b>	<b>89,933,869</b>	<b>89,933,869</b>	<b>89,933,869</b>	<b>89,933,869</b>	<b>89,933,869</b>
<b>Surplus on revaluation of assets - net of tax</b>	<b>22,695,244</b>	<b>22,695,244</b>	<b>22,695,244</b>	<b>22,695,244</b>	<b>22,695,244</b>	<b>22,695,244</b>	<b>22,695,244</b>	<b>22,695,244</b>	<b>22,695,244</b>
<b>Net gap</b>	<b>171,851,651</b>	<b>500,148,926</b>	<b>128,574,807</b>	<b>142,747,879</b>	<b>156,954,813</b>	<b>37,659,258</b>	<b>32,687,340</b>	<b>63,164,266</b>	<b>441,811,931</b>

41.4.2 In accordance with BSD Circular 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:

2016									
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
<b>Assets</b>									
Cash and balances with treasury banks	219,788,876	214,418,039	2,910,643	95,322	2,364,872	-	-	-	-
Balances with other banks	32,742,891	30,378,755	2,218,920	-	145,216	-	-	-	-
Lendings to financial institutions	35,010,238	24,126,320	9,666,322	102,826	259,302	321,284	534,184	-	-
Investments	1,304,722,761	240,741,237	216,771,200	92,033,805	104,988,485	207,985,030	176,711,613	115,869,936	-
Advances	712,132,554	315,394,494	78,477,723	63,282,686	25,612,396	15,428,030	30,544,113	51,126,519	27,532,155
Operating fixed assets	30,792,535	1,719,800	323,721	485,582	971,164	1,942,327	2,062,382	704,691	20,640,541
Other assets	58,593,524	36,103,380	3,714,054	5,571,081	13,205,009	-	-	-	-
<b>Net gap</b>	<b>2,393,783,379</b>	<b>862,882,025</b>	<b>314,082,583</b>	<b>161,571,302</b>	<b>147,546,444</b>	<b>225,676,671</b>	<b>209,732,237</b>	<b>256,418,275</b>	<b>48,172,696</b>
<b>Liabilities</b>									
Bills payable	31,108,762	31,108,762	-	-	-	-	-	-	-
Borrowings from financial institutions	335,083,298	279,362,491	23,725,083	28,395,746	1,480,017	373,275	687,577	641,659	-
Deposits and other accounts	1,793,370,392	1,583,237,156	69,556,883	45,434,286	66,395,064	6,473,213	7,557,290	6,360,420	286,336
Subordinated loans	9,998,000	-	2,000	-	2,000	4,000	8,000	9,978,000	-
Deferred tax liability	1,856,554	1,328,308	1,445,165	1,448,920	(517,694)	(495,166)	(670,729)	(4,839)	536,433
Other liabilities	40,299,393	40,299,393	1,445,165	1,448,920	(517,694)	(495,166)	(670,729)	(4,839)	536,433
<b>Net gap</b>	<b>182,066,980</b>	<b>(1,072,454,085)</b>	<b>219,353,452</b>	<b>86,292,350</b>	<b>67,359,387</b>	<b>6,355,322</b>	<b>6,764,896</b>	<b>16,975,240</b>	<b>822,769</b>
<b>Share capital</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>	<b>14,668,525</b>
<b>Reserves</b>	<b>47,146,362</b>	<b>47,146,362</b>	<b>47,146,362</b>	<b>47,146,362</b>	<b>47,146,362</b>	<b>47,146,362</b>	<b>47,146,362</b>	<b>47,146,362</b>	<b>47,146,362</b>
<b>Unappropriated profit</b>	<b>97,446,624</b>	<b>97,446,624</b>	<b>97,446,624</b>	<b>97,446,624</b>	<b>97,446,624</b>	<b>97,446,624</b>	<b>97,446,624</b>	<b>97,446,624</b>	<b>97,446,624</b>
<b>Surplus on revaluation of assets - net of tax</b>	<b>22,805,469</b>	<b>22,805,469</b>	<b>22,805,469</b>	<b>22,805,469</b>	<b>22,805,469</b>	<b>22,805,469</b>	<b>22,805,469</b>	<b>22,805,469</b>	<b>22,805,469</b>
<b>Net gap</b>	<b>182,066,980</b>	<b>(1,072,454,085)</b>	<b>219,353,452</b>	<b>86,292,350</b>	<b>67,359,387</b>	<b>6,355,322</b>	<b>6,764,896</b>	<b>16,975,240</b>	<b>822,769</b>

2015

	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
Total	Rupees in '000								
<b>Assets</b>									
Cash and balances with treasury banks	154,303,383	149,875,059	14,348	1,034,770	777,820	-	-	29,100	2,572,286
Balances with other banks	29,428,453	25,956,695	3,330,913	68,135	72,710	-	-	-	-
Lendings to financial institutions	18,381,633	17,067,709	-	271,125	271,124	356,075	207,800	-	-
Investments	1,236,415,888	172,889,883	107,399,196	236,599,365	272,636,633	40,908,194	165,829,107	91,984,091	3,144,049
Advances	605,636,271	303,815,577	41,088,171	55,754,238	14,334,387	18,450,003	24,586,660	32,263,331	13,059,564
Operating fixed assets	28,938,259	1,645,566	318,519	477,778	955,557	1,911,112	2,127,214	673,075	18,918,386
Other assets	51,805,820	29,637,893	3,266,614	5,370,531	13,530,782	-	-	-	-
	2,124,909,707	700,888,382	155,417,761	299,575,942	302,579,013	61,625,384	192,534,679	124,949,537	37,694,285
<b>Liabilities</b>									
Bills payable	27,942,101	27,942,101	-	-	-	-	-	-	-
Borrowings	314,485,132	289,414,962	4,221,573	17,328,522	314,316	370,050	1,088,806	1,282,561	-
Deposits and other accounts	1,558,310,675	1,362,305,694	65,520,941	47,846,082	58,428,521	10,234,110	4,548,743	4,247,870	23,374
Subordinated loans	10,000,000	-	-	-	2,000	4,000	8,000	5,000,000	4,982,000
Deferred tax liability	2,214,422	1,557,686	1,584,825	1,589,646	(517,684)	(488,759)	(753,249)	(2,856)	548,385
Other liabilities	40,105,726	39,949,877	-	-	155,849	-	-	-	-
	1,953,058,056	1,721,170,320	71,327,339	66,764,250	58,383,002	10,119,401	4,320,110	10,527,575	5,553,759
<b>Net gap</b>	171,851,651	(1,020,281,938)	84,090,422	232,811,692	244,196,011	51,505,983	188,214,569	114,421,962	32,140,526
Share capital	14,668,525								
Reserves	44,553,993								
Unappropriated profit	89,933,889								
Surplus on revaluation of assets - net of tax	22,695,244								
	171,851,651								

41.4.3

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.

41.5

## Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of the yield curve.

Interest rate risk is inherent in the Bank's business and arises due to the mismatches in the contractual maturities or repricing of on and off balance sheet assets and liabilities. The Bank is exposed to interest rate risk in both the trading and banking books. Government securities are marked to market on a daily basis. The overall potential impact of the mismatches on the earnings in short 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.

## 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 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 behavioral study approved by ALCO committee.

	Effective yield / interest rate	Total	2016										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	1.19%	219,788,876	40,960,747	2,910,643	95,322	2,364,871	-	-	-	-	-	173,457,293	
Balances with other banks		32,742,891	17,265,736	3,125,804	906,884	145,216	-	-	-	-	-	11,299,251	
Lendings to financial institutions	6.06%	35,010,238	24,126,320	9,666,322	102,826	259,302	321,284	534,184	-	-	-	-	
Investments	7.21%	1,304,722,761	202,439,876	216,768,575	92,533,832	104,988,485	207,985,030	176,711,613	149,621,455	115,869,935	45,112	37,758,848	
Advances	8.01%	712,132,554	88,277,778	287,266,549	226,045,780	60,020,357	16,376,008	14,872,577	14,463,068	4,265,162	545,275	-	
Other assets		35,981,240	-	-	-	-	-	-	-	-	-	35,981,240	
		2,340,378,560	373,070,457	519,737,893	319,684,644	167,778,231	224,682,322	192,118,374	164,084,523	120,135,097	590,387	258,496,632	
Financial Liabilities													
Bills payable		31,108,762	-	-	-	-	-	-	-	-	-	31,108,762	
Borrowings from financial institutions	5.33%	335,083,298	279,542,959	23,610,364	28,326,227	1,481,615	373,657	417,878	688,281	642,317	-	-	
Deposits and other accounts	2.56%	1,793,370,392	939,717,608	68,318,804	44,239,258	60,636,291	6,983,759	8,065,748	9,097,911	6,349,980	285,866	649,675,167	
Subordinated loans	6.78%	9,998,000	-	9,998,000	-	-	-	-	-	-	-	-	
Other liabilities		37,091,431	-	-	-	-	-	-	-	-	-	37,091,431	
		2,206,651,883	1,219,260,567	101,927,168	72,565,485	62,117,906	7,357,416	8,483,626	9,786,192	6,992,297	285,866	717,875,360	
On-balance sheet gap		133,726,677	(846,190,110)	(417,810,725)	(247,119,159)	(105,660,325)	(217,324,906)	(183,634,748)	(154,298,331)	(113,142,800)	(304,521)	(459,378,728)	
Net non - financial assets		48,340,303	-	-	-	-	-	-	-	-	-	-	
Total net assets		182,066,980	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet financial instruments													
Foreign and local currency forward purchases		146,407,029	37,033,531	50,428,859	53,444,328	5,500,311	-	-	-	-	-	-	
Foreign and local currency forward sales		(147,918,207)	(64,699,531)	(43,897,396)	(39,090,489)	(230,791)	-	-	-	-	-	-	
Government Securities transactions forward purchases		18,815,026	18,815,026	-	-	-	-	-	-	-	-	-	
Government Securities transactions forward sales		(9,067,465)	(9,067,465)	-	-	-	-	-	-	-	-	-	
Foreign Currency Options purchases		216,840	56,966	106,582	53,292	-	-	-	-	-	-	-	
Foreign Currency Options sales		(216,840)	(56,966)	(106,582)	(53,292)	-	-	-	-	-	-	-	
Cross Currency Swaps - long position		1,084,128	-	-	-	252,175	312,453	519,500	-	-	-	-	
Cross Currency Swaps - short position		(1,096,192)	-	-	-	(261,496)	(311,704)	(522,992)	-	-	-	-	
Interest rate swaps - long position		34,866	-	-	34,866	-	-	-	-	-	-	-	
Interest rate swaps - short position		(5,218,200)	-	-	(34,866)	-	-	(4,683,334)	(500,000)	-	-	-	
Off-balance sheet gap		3,040,985	(17,918,439)	6,531,463	14,353,839	5,260,199	749	(4,683,334)	(500,000)	-	-	-	
Total yield / interest risk sensitivity gap			(864,108,549)	424,342,188	261,472,998	110,920,524	217,325,655	178,947,922	153,798,331	113,142,800	304,521	(459,378,728)	
Cumulative yield / Interest rate risk sensitivity gap			(864,108,549)	(439,766,361)	(178,293,363)	(67,372,839)	149,952,816	328,900,738	482,699,069	595,841,869	596,146,390	136,767,662	



2015

Effective yield / interest rate	Total	Exposed to yield / interest risk								Not 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		
		Rupees in '000									
		On-balance sheet assets									
		Financial Assets									
1.23%	Cash and balances with treasury banks	154,303,383	43,973,794	14,348	1,034,770	777,820	-	-	-	108,502,651	
	Balances with other banks	29,428,453	12,531,867	2,369,854	1,486,786	72,710	-	-	-	12,967,236	
	Lending to financial institutions	18,381,633	17,067,709	-	271,125	271,124	356,075	207,800	-	-	
	Investments	1,236,415,888	111,979,128	129,992,511	262,473,373	367,682,609	34,939,017	135,775,678	108,637,352	50,824,998	
	Advances	605,636,271	57,372,456	257,026,779	199,684,139	44,047,291	15,466,077	13,684,918	12,425,419	5,172,393	
8.53%	Other assets	35,148,354	-	-	-	-	-	-	-	35,148,354	
		2,079,313,982	242,924,954	389,403,492	464,950,193	412,851,554	50,761,169	149,668,396	121,270,571	55,997,391	
										875,556	
6.37%	Bills payable	27,942,101	-	-	-	-	-	-	-	-	27,942,101
	Borrowings	314,485,132	289,414,962	4,221,573	17,328,522	314,316	370,050	464,342	1,088,806	1,282,561	-
	Deposits and other accounts	1,558,310,675	807,578,494	64,921,911	46,387,137	55,748,235	9,745,345	4,720,723	3,679,499	4,247,870	23,374
	Subordinated loans	10,000,000	-	10,000,000	-	-	-	-	-	-	-
	Other liabilities	37,963,988	-	-	-	-	-	-	-	-	-
		1,948,701,896	1,096,993,456	79,143,484	63,715,659	56,062,551	10,115,395	5,185,065	4,768,305	5,530,431	
		130,612,086	(854,068,502)	310,260,008	401,234,534	356,789,003	40,645,774	144,483,331	116,502,266	50,466,960	
		41,239,565								852,182	
										(436,553,470)	

## 41.6 Operational Risk Management (ORM)

In line with the approved Operational Risk Management Policy, the Bank has established an Operational Risk Management Department (ORMD). Operational Risk Management Policy and a detailed ORM framework has been prepared and implemented. Statistical Analysis Software – SAS for operational risk management has been deployed that facilitates loss data management, risk and control assessment, and tracking of key risk indicators (KRIs). Operational Risk Coordinators (ORCs) have been assigned from all the relevant departments of the bank, being responsible for implementation of the ORM Framework in coordination with ORMD. The Bank has been granted permission 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 3 years . 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.

## 42. ISLAMIC BANKING BUSINESS

### 42.1 STATEMENT OF FINANCIAL POSITION

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>ASSETS</b>			
Cash and balances with treasury banks		6,183,359	5,320,895
Due from financial institutions		7,458,102	36,799,034
Investments		96,574,596	66,410,646
Islamic financing and related assets	42.1.1	31,972,463	19,778,998
Due from Head Office		-	6,916,001
Other assets		499,088	1,099,553
		<b>142,687,608</b>	<b>136,325,127</b>
<b>LIABILITIES</b>			
Bills payable		4,575	3,657
Due to financial institutions		5,754,000	102,500
Deposits and other accounts	42.1.4	124,292,123	130,640,043
Due to Head Office		3,815,481	-
Deferred tax liability		546,132	107,014
Other liabilities		969,169	1,168,029
		<b>135,381,480</b>	<b>132,021,243</b>
<b>NET ASSETS</b>		<b>7,306,128</b>	<b>4,303,884</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		250,000	250,000
Unappropriated profit		6,041,883	3,855,143
		<b>6,291,883</b>	<b>4,105,143</b>
Surplus on revaluation of investments - net of deferred tax		1,014,245	198,741
		<b>7,306,128</b>	<b>4,303,884</b>

Commitments in respect of financial guarantees and letters of credit of the Islamic Banking Business amounted to Rs. 281.916 million (2015: Rs. 78.476 million) and Rs. 382.059 million (2015: Rs.172.040 million) respectively. Commitments in respect of forward purchase and sale transactions amounted to Rs. 3,227.835 million and Rs. 860.338 million respectively.

42.1.1	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>Islamic financing and related assets - net</b>			
Ijarah	42.1.2	852,607	704,744
Murabaha	42.1.3	187,072	344,967
Diminishing Musharaka		21,211,872	14,831,762
Istisnah Financing		439,155	6,180
Advance for Murabaha		3,714,525	250,954
Advance for Ijarah		172,049	28,801
Advance for Diminishing Musharaka		98,006	1,577,770
Advance for Istisnah		3,949,781	305,612
Assets/Inventories		1,452,153	1,838,097
Provision against financings		(104,757)	(109,889)
		<b>31,972,463</b>	<b>19,778,998</b>

## 42.1.2 Ijarah

	2016				2015			
	Not later than one year	Later than one and upto five years	More than five years	Total	Not later than one year	Later than one and upto five years	More than five years	Total
Ijarah rentals receivable	130,733	670,696	23,103	824,532	156,447	512,664	-	669,111
Residual value	30,149	154,674	5,328	190,151	32,117	105,244	-	137,361
Minimum Ijarah payments	160,882	825,370	28,431	1,014,683	188,564	617,908	-	806,472
Less: Profit for future periods	(51,181)	(102,601)	(8,294)	(162,076)	(45,886)	(55,842)	-	(101,728)
Present value of minimum Ijarah payments	109,701	722,769	20,137	852,607	142,678	562,066	-	704,744

This represents fixed assets given to customers under an Ijarah agreement.

## 42.1.3 This represents assets sold under Murabaha agreement.

## 42.1.4 Deposits and other accounts

	2016	2015
	(Rupees in '000)	
Current accounts	34,805,992	26,241,008
Savings accounts	67,581,654	59,594,852
Term deposits	16,307,798	29,357,389
Deposits from financial institutions - remunerative	5,530,268	15,156,844
Deposits from financial institutions - non - remunerative	66,411	289,950
	<u>124,292,123</u>	<u>130,640,043</u>

## 42.1.4.1 Particulars of deposits

In local currency	120,680,480	124,848,054
In foreign currency	<u>3,611,643</u>	<u>5,791,989</u>
	<u>124,292,123</u>	<u>130,640,043</u>

## 42.2 PROFIT AND LOSS ACCOUNT

Profit earned	8,135,293	8,795,407
Profit expensed	<u>4,181,616</u>	<u>5,631,742</u>
Net profit earned	<u>3,953,677</u>	<u>3,163,665</u>

Depreciation on assets given on Ijarah	176,199	257,821
Reversal against non-performing accounts	<u>(3,577)</u>	<u>-</u>
	<u>172,622</u>	<u>257,821</u>
Net profit after depreciation and provisions	<u>3,781,055</u>	<u>2,905,844</u>

### Other income

Fee, commission and brokerage income	126,356	88,177
(Loss) / income from dealing in foreign currencies	<u>(59,997)</u>	<u>8,254</u>
Dividend income	-	283,513
Gain on sale of securities	159,395	482,373
Rent on Lockers	5,030	4,507
Others	692	676
Total other income	<u>231,476</u>	<u>867,500</u>
	<u>4,012,531</u>	<u>3,773,344</u>
Administrative expenses	<u>648,316</u>	<u>620,022</u>
<b>Net Profit for the year</b>	<u><b>3,364,215</b></u>	<u><b>3,153,322</b></u>

	2016 (Rupees in '000)	2015
42.3 <b>Charity Fund</b>		
Opening balance	14,650	1,032
Additions during the year		
-Income purification	102	14,516
-Penalty on delayed payment	424	137
Payments / Utilization during the year		
-Health sector	(14,650)	(1,035)
Closing balance	526	14,650
42.4 <b>Remuneration to Shariah Advisor / Board</b>	5,700	3,525
42.5 The Mudarib's share in profit is 30% (2015: 30%) and amounts to Rs. 1,783.99 million (2015: Rs. 2,164.67 million) after netting of Hiba to depositors from Mudarib's share amounting to Rs. Nil (2015: Rs. Nil).		
42.6 The following pools are maintained by the Islamic Banking Business		
<b>General Pool PKR (Mudaraba)</b>		
The deposits parked in the general pool are not based on special weightages. The risk of loss is minimal as the assets parked in the general pool carry a lower risk.		
<b>Special Pool(s) PKR (Mudaraba)</b>		
Separate pool(s) are created where the customers desire to invest in a special class of assets. These pool rates are higher / lower than the general pool depending on the special class of assets. In case of a loss in a special pool the loss will be borne by the members in that pool.		
<b>Treasury Pool(s) (Mudaraba / Wakala / Musharaka)</b>		
Treasury pool(s) are created where FIs desire to invest in a special class of assets. These pool rates are higher / lower than the general pool depending on the special class of assets. In case of a loss in the treasury pool the loss will be borne by the respective FIs.		
<b>General Pool FCY (Mudaraba)</b>		
All FCY deposits and Investments are parked in this pool and the return is shared among the FCY deposit holders. The weightages are also declared separately.		
<b>Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)</b>		
IERS pool is required by the SBP to facilitate exporters under the Islamic Export Refinance Scheme.		
42.7 The following parameters are used for profit distribution in the pool		
- Administrative and operating expenses are paid by the Mudarib and not charged to the pool except for salaries and allowances of branch staff.		
- The Bank first charges the proportionate profit to average equity allocated to the pools and then charges the Mudarib fee before distribution of profit among depositors.		
- The Bank gives priority to depositors' funds for placement in investing activities.		
- Provisions for non-performing accounts and provisions for impairment (if any) are borne by the Mudarib. However, write off of non-performing accounts is charged to the respective pool.		
- Income generated from non-financing activities are not considered as income of the pool.		
- A 2% Profit Equalization Reserve is charged for the year.		
42.8 Average profit rates earned on the earning assets of Islamic Banking Business during the year is 6.06% (2015: 8.14%) as compared to a profit rate of 3.21% (2015: 4.91%) distributed to the depositors.		

## 42.9 Deployment of Mudaraba based average deposits by economic sector

	2016	2015
	(Rupees in '000)	
Chemical and pharmaceuticals	2,197,775	41,635
Textile	3,387,106	3,752,622
Cement	505,050	660,450
Sugar	-	1,126
Financial	7,953,268	13,308,534
Power and energy	22,083,503	12,187,526
Education and medical	249,415	6,664
Telecommunication	3,000,000	1,034,592
Printing and publishing	131,250	-
Food, tobacco and beverages	4,084,529	3,379,932
Government / Public sector	77,983,700	56,455,211
Individual	137,606	13,916
Ports and shipping	301,064	900,360
Information Technology	1,345	-
Transportation	297,614	270,654
Services	5,743	-
Others	4,500,868	4,536,213
	<b>126,819,836</b>	<b>96,549,435</b>

## 43. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 14, 2017 has proposed a cash dividend in respect of last quarter of 2016 of Rs.3.50 per share in addition to Rs. 10.50 already paid during the year (2015: Rs.14 per share). These appropriations will be approved in forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2016 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2017.

## 44. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on February 14, 2017.

## 45. GENERAL

45.1 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.

45.2 The comparative figures have been re-arranged and reclassified for comparison purposes. There are no material reclassifications to report other than as disclosed in note 8.4, 9.2 and 23.1 to these unconsolidated financial statements.

## Annexure 'I' as referred to in note 8.11 of the Unconsolidated Financial Statements

### 1) Particulars of Investments held in listed companies.

Investee	Number of shares / units held	Paid up value per share / unit	Total Paid-up value	Cost
		Rupees	Rupees '000	
<b>Investment in ordinary shares</b>				
<b>Held-for-trading</b>				
Bank of Punjab	500,000	10	50,000	8,937
Crescent Steel & Allied Products Limited	110,000	10	11,000	16,676
Glaxo SmithKline Pakistan Limited	45,000	10	4,500	10,940
JS Bank Limited	925,000	10	92,500	9,971
Pakistan Elektron Limited	200,000	10	20,000	13,649
Sui Northern Gas Pipe Line Limited	200,000	10	20,000	15,968
Thal Limited	62,100	5	12,420	28,176
TRG Pakistan Limited	600,000	10	60,000	27,119
				<u>131,436</u>
<b>Available-for-sale securities</b>				
Adamjee Insurance Company Limited	2,100,000	10	210,000	115,733
Agritech Limited	6,400,678	10	640,068	224,083
Allied Bank Limited	3,926,000	10	392,600	386,602
Attock Petroleum Limited	87,900	10	8,790	45,735
Attock Refinery Limited	508,800	10	50,880	180,142
Bank Al-Habib Limited	600,000	10	60,000	24,660
Cherat Cement Company Limited	732,300	10	73,230	126,194
D G Khan Cement Company Limited	3,711,700	10	371,170	704,500
Dawood Hercules Corporation Limited	1,317,400	10	131,740	195,703
Engro Corporation Limited	2,249,100	10	224,910	732,172
Engro Fertilizers Limited	8,345,500	10	834,550	732,856
Engro Foods Limited	3,434,700	10	343,470	495,186
Fauji Cement Company Limited	3,910,000	10	391,000	155,408
Fauji Fertilizer Bin Qasim Limited	12,849,000	10	1,284,900	695,238
Fauji Fertilizer Company Limited	11,534,400	10	1,153,440	1,465,300
Habib Metropolitan Bank Limited	4,500,000	10	450,000	135,356
Hub Power Company Limited	18,691,200	10	1,869,120	1,465,105
K-Electric Limited	37,381,000	3.5	10,680,286	335,785
Kot Addu Power Company Limited	22,688,500	10	2,268,850	1,465,849
Lalpir Power Limited	16,584,000	10	1,658,400	444,492
Lucky Cement Limited	555,050	10	55,505	413,714
MCB Bank Limited	1,378,900	10	137,890	316,772
National Bank of Pakistan	6,517,000	10	651,700	478,644
National Refinery Limited	365,000	10	36,500	214,376
Nishat (Chunian) Limited	2,531,340	10	253,134	150,175
Nishat Chunian Power Limited	3,450,000	10	345,000	137,353
Nishat Mills Limited	1,750,300	10	175,030	260,409
Oil & Gas Development Company Limited	4,102,800	10	410,280	620,902
Pakgen Power Limited	15,129,500	10	1,512,950	404,457
Pakistan Petroleum Limited	493,600	10	49,360	89,569
Pakistan State Oil Limited	2,910,000	10	291,000	1,213,753
Pakistan Telecommunication Company Limited	63,930,500	10	6,393,050	1,247,599
Pioneer Cement Limited	1,220,000	10	122,000	152,275
Saif Power Limited	27,768,354	10	2,776,835	277,684
United Bank Limited	3,856,000	10	385,600	773,211
Carring value before provision				<u>16,876,992</u>
<b>Investment in Real Estate Investment Trust</b>				
Dolmen City REIT	36,000,000	10	3,600,000	396,000
				<u>17,272,992</u>
Provision				<u>(459,981)</u>
Book Value				<u>16,813,011</u>
<b>Investments in preference shares</b>				
Masood Textile Mills Limited	10,000,000	10	1,000,000	100,000
<b>Investments in units</b>				
National Investment Trust Limited	673,546	10	67,355	11,113

## Annexure 'I' as referred to in note 8.11 of the Unconsolidated Financial Statements

### 2) Particulars of Investments held in unlisted companies

Investee	Percentage holding (%)	Number of shares held	Paid-up value per share	Total Paid-up value	Cost	Break-up Value	Based on accounts as at	Name of Chief Executive Officer
			Rupees	Rupees '000				
<b>Shareholding more than 10%</b>								
Central Depository company of Pakistan	17.46%	11,345,990	10	1,134,599	256,346	512,857	September 30, 2016	Aftab Ahmed Dewan
<b>Share holding upto 10%</b>								
Engro Powergen Thar (Private) Limited	6.94%	107,591,168	10	10,759,117	1,075,509	1,852,209	September 30, 2016	Shamsuddin A Shaikh
First Women Bank Limited*	7.98%	23,095,324	10	2,309,532	63,300	275,794	September 30, 2016	Ms. Tahira Raza
National Institutional Facilitation Technologies(Private) Limited	9.07%	2,266,609	10	226,661	1,526	74,932	June 30, 2016	Haider Wahab
National Investment Trust Limited	8.33%	79,200	100	792	100	902,292	December 31, 2015	Shahid Ghaffar
Pak agriculture storage Limited *	-	5,500	10	550	5,500	-----	Not available-----	
Sindh Engro Coal Mining company Limited	9.50%	48,346,369	10	4,834,637	716,493	719,474	September 30, 2016	Shamsuddin A Shaikh
SME Bank Limited	0.83%	1,987,501	10	198,750	13,475	562	September 30, 2016	Ihsan Ul Haq Khan
Speed (Private) Limited	9.95%	73,000	100	730	116,592	95,521	September 30, 2016	Adil Matchewala
Benefit company - Bahrain	1.00%	311	0.36	864	2,220	-----	Not available-----	Abdul Wahid Janahi
Credit Information Bureau - Sri Lanka	0.32%	800	70.00	11	56	-----	Not available-----	N. Vasantha Kumar
Lanka Clear (Private) Limited - Sri Lanka	0.33%	50,000	7.29	6,862	349	-----	Not available-----	Channa De Silva
					2,251,466			
Provision					(102,784)			
Book value					2,148,682			

\*Fully provided

### 3) Investments in unlisted securities

Investee	No. of Certificates	Paid up value per certificate	Total Paid up value	Outstanding Amount	Rate of Interest	Terms of Redemption	
			Rupees	Rupees '000		Principal	interest / Profit
<b>Available-for-Sale</b>							
<b>Term finance certificates</b>							
Bank Al Falah Limited	40,000	5,000	200,000	132,987	6MK + 2.50%	Semi Annually	Semi Annually
Faysal Bank Limited	50,000	5,000	250,000	124,750	6MK + 2.25%	4 equal semi annual installments	Semi Annually
Independent Media Corporation (Private) Limited	40,000	5,000	200,000	70,000	3MK + 3%	Quarterly	Quarterly
Pakistan International Airlines Corporation Limited	594,976	5,000	2,974,880	7,892,662	6MK + 1.25%	Quarterly	Quarterly
Azgard Nine Limited *	9,233	5,000	46,165	46,165	N/A	7 stepped up Semi Annual	Semi Annually
Worldcall Telecom Limited *	96,000	5,000	480,000	193,083	N/A	3 equal semi annual installments	Semi Annually
				8,459,647			
<b>Sukuks</b>							
Quetta Textile Mills Limited *	20,000	5,000	100,000	44,137	N/A	12 stepped up Semi Annual	Semi Annually
Arzoo Textile Mills Limited *	4,000	5,000	20,000	20,000	N/A	Semi Annually	Quarterly
Pakistan International Airlines Corporation Limited	85,000	5,000	425,000	425,000	6MK +1.75%	At maturity	Semi Annually
				489,137			
Provision				(303,387)			
Book Value				8,645,397			
<b>Bonds</b>							
Capitamalls Asia Treasury Limited	-	-	-	36,675	4.00%	At maturity	Semi Annually
City Developments Limited	-	-	-	182,798	3.00%	At maturity	Semi Annually
Housing & Development Board	-	-	-	290,170	2.00%	At maturity	Semi Annually
Mohamed Mustafa & Samsuddin Company Pte Limited	-	-	-	253,649	5.00%	At maturity	Semi Annually
Neptune Orient Lines Limited	-	-	-	181,302	6.00%	At maturity	Semi Annually
				944,594			
<b>Held-to-maturity</b>							
<b>Sukuks</b>							
K-Electric Limited	100,000	5,000	500,000	500,000	3MK + 2.25%	At maturity	Quarterly
K-Electric Limited	100,000	5,000	500,000	500,000	3MK + 2.75%	At maturity	Quarterly
Liberty Power Tech Limited	13,551,325	100	1,355,132	1,355,132	3MK + 3.00%	Quarterly	Quarterly
Neelam Jhelum Hydro Power Company Limited	16,500	100,000	1,650,000	1,650,000	6MK + 1.13%	Semi Annually	Semi Annually
Neelam Jhelum Hydro Power Company Limited	19,250	100,000	1,925,000	1,925,000	6MK + 1.13%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	81,981	5,000	409,905	409,907	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	88,092	5,000	440,460	440,461	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	62,553	5,000	312,765	312,766	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	40,973	5,000	204,865	204,866	6MK + 1.10%	Semi Annually	Semi Annually
Sui Southern Gas Company Limited	200,000	5,000	1,000,000	500,000	3MK + 0.7%	Quarterly	Quarterly
Water & Power Development Authority	398,400	5,000	1,992,000	1,427,805	6MK + 1.75%	14 equal semi annual installments	Semi annual
				9,225,937			



## Annexure 'I' as referred to in note 8.11 of the Unconsolidated Financial Statements

### 3) Investments in unlisted securities

Investee	Outstanding Amount Rupees '000	Rate of Interest	Terms of Redemption	
			Principal	Interest / Profit
<b>Bonds</b>				
Peoples Leasing Company Limited	549,929	13.00%	At maturity	At Maturity
Richard Peiris Company Plc	30,385	11.00%	At maturity	Semi Annually
Seylan Bank Plc	174,625	8.00%	At maturity	Semi Annually
State Trading Organization Plc	522,992	5.25%	Quarterly	Quarterly
	<u>1,277,931</u>			

### 4) Investments in Listed securities

Held-to-maturity	No. of Certificates	Paid up value per certificate Rupees	Total Paid up value Rupees '000	Outstanding Amount Rupees '000	Rate of Interest	Terms of Redemption	
						Principal	Interest / Profit
<b>Sukuk</b>							
Fatima Fertilizer Company Limited	203,025	5,000	1,015,125	1,015,125	6MK + 1.10%	Semi Annually	Semi Annually
K-Electric Limited	1,263,372	5,000	6,316,860	6,316,860	3MK + 1.00%	Quarterly	Quarterly
				<u>7,331,985</u>			

Bonds	Outstanding Amount Rupees '000	Rate of Interest	Terms of Redemption	
			Principal	Interest / Profit
Bank Of Ceylon	531,790	6.88%	At maturity	Semi Annually
New Areva Holding	221,195	4.38%	At maturity	Annually
	<u>752,985</u>			

### Available-for-sale

<b>Bonds</b>							
Abu Dhabi Commercial Bank	1,058,768	3.27%	At maturity	Semi Annually			
Al Hilal Bank PJSC	534,235	3.27%	At maturity	Semi Annually			
Bank of America Corporation	528,634	2.30%	At maturity	Quarterly			
Bank of America Corporation	286,949	5.50%	At maturity	Semi Annually			
Bank of Baroda	141,451	4.88%	At maturity	Semi Annually			
Bank of Tokyo-Mitsubishi UFJ Limited	524,244	1.65%	At maturity	Semi Annually			
Citigroup Inc	212,321	2.07%	At maturity	Quarterly			
Citigroup Inc.	276,247	5.13%	At maturity	Semi Annually			
Commercial Bank of Dubai	1,061,607	3.38%	At maturity	Annually			
DIB Sukuk Limited	422,065	4.75%	At maturity	Semi Annually			
DIB Sukuk Limited	528,949	4.75%	At maturity	Quarterly			
Dubai Electricity & Water Authority	609,937	7.38%	At maturity	Semi Annually			
Emirates NBD PJSC	213,274	3.25%	At maturity	Semi Annually			
Emirates NBD PJSC	315,853	2.43%	At maturity	Quarterly			
Emirates NBD PJSC	1,423,845	1.88%	At maturity	Semi Annually			
Emirates Telecommunications Group Company	529,406	2.38%	At maturity	Quarterly			
First Gulf Bank	1,423,845	1.83%	At maturity	Annually			
FirstRand Bank Limited	168,370	4.25%	At maturity	Semi Annually			
Goldman Sachs Group Inc	525,248	1.92%	At maturity	Quarterly			
Goldman Sachs Group Inc	431,037	2.70%	At maturity	Quarterly			
Goldman Sachs Group Inc	265,767	6.13%	At maturity	Semi Annually			
IDB Trust Services Limited	209,462	1.36%	At maturity	Semi Annually			
Industrial and Commercial Bank of China	157,519	2.91%	At maturity	Semi Annually			
International Petroleum Investment Company	349,919	5.00%	At maturity	Semi Annually			
JPMorgan Chase & Company	531,282	2.05%	At maturity	Quarterly			
Macquarie Group Limited	214,121	3.00%	At maturity	Semi Annually			
Majid Al Futtaim Global Securities Limited	561,444	5.25%	At maturity	Semi Annually			
Mitsubishi Corporation	1,046,944	1.88%	At maturity	Semi Annually			
Morgan Stanley	315,990	2.28%	At maturity	Quarterly			
Morgan Stanley	211,897	2.03%	At maturity	Quarterly			
Ooredoo International Finance Limited	594,523	7.88%	At maturity	Semi Annually			
Qatar Islamic Bank Limited	524,514	2.69%	At maturity	Semi Annually			
Qatar National Bank	315,932	2.31%	At maturity	Quarterly			
Qatar National Bank	524,174	2.13%	At maturity	Semi Annually			
SABIC Capital II BV	211,945	2.63%	At maturity	Semi Annually			
Saudi Electricity Global Sukuk Company	733,739	2.67%	At maturity	Semi Annually			
SoQ Sukuk AQSC	524,307	2.10%	At maturity	Semi Annually			
Turkiye Vakiflar Bankasi Tao	158,972	5.00%	At maturity	Semi Annually			
	<u>18,668,736</u>						

## Annexure 'I' as referred to in note 8.11 of the Unconsolidated Financial Statements

### 5) Quality of Investments classified as available for sale (AFS)

#### Investee

##### Ordinary shares

	Market Value Rupees '000	Credit Rating
Adamjee Insurance Company Limited	155,694	Unrated
AgriTech Limited	81,161	Unrated
Allied Bank Limited	468,018	A1+
Attock Petroleum Limited	60,178	Unrated
Attock Refinery Limited	216,393	A1+
Bank Al-Habib Limited	35,394	A1+
Cherat Cement Company Limited	127,449	A1
D G Khan Cement Company Limited	822,995	Unrated
Dawood Hercules Corporation Limited	190,140	A1+
Engro Corporation Limited	710,918	A1+
Engro Fertilizers Limited	567,327	A1+
Engro Foods Limited	659,256	Unrated
Fauji Cement Co Limited	176,263	Unrated
Fauji Fertilizer Bin Qasim Limited	657,997	Unrated
Fauji Fertilizer Company Limited	1,203,845	A1+
Habib Metropolitan Bank Limited	166,500	A1+
Hub Power Company Limited	2,307,989	A1+
K-Electric Limited	350,260	A1+
Kot Addu Power Company	1,787,854	A-1+
LALPIR Power Limited	401,333	A1+
Lucky Cement Limited	480,818	Unrated
MCB Bank Limited	327,920	A1+
National Bank of Pakistan	488,058	A1+
National Refinery Limited	208,459	A1+
Nishat (Chunia) Limited	158,032	Unrated
Nishat Chunian Power Limited	191,406	Unrated
Nishat Mills Limited	266,518	A1+
Oil & Gas Development Company Limited	678,398	A1+
Pakgen Power Limited	405,017	A1+
Pakistan Petroleum Limited	92,886	Unrated
Pakistan State Oil Limited	1,263,551	A1+
Pakistan Telecommunication Company Limited	1,098,326	Unrated
Pioneer Cement Limited	173,350	A1
Saif Power Limited	987,443	A1
United Bank Limited	921,198	A-1+
	<u>18,888,344</u>	

##### Investment in Real Estate Investment Trust

Dolmen City REIT	391,320	Unrated
	<u>19,279,664</u>	

##### Preference Shares

Masood Textile Mills Limited	100,000	Unrated
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##### Unlisted Shares

##### Shareholding more than 10%

Central Depository Company of Pakistan	256,346	Not Available
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##### Shareholding upto 10%

Engro Powergen Thar (Private) Limited	1,075,509	A1
First Women Bank Limited	63,300	A2
National Institutional Facilitation Technologies(Private) Ltd	1,526	Not Available
National Investment Trust Limited	100	Not Available
Pak agriculture storage Limited	5,500	Not Available
Sindh Engro Coal Mining company Limited	716,493	Not Available
SME Bank Limited	13,475	B
Speed (Private) Limited	116,592	Not Available
Credit Information Bureau - Srilanka	56	Not Available
LankaClear (Private) Limited - Srilanka	349	Not Available
Benefit company - Bahrain	2,220	Not Available
	<u>2,251,466</u>	

##### Federal Government Securities

Market Treasury Bills	440,352,425	Score - 7
Pakistan Investments Bonds	396,296,598	Score - 7
	<u>836,649,023</u>	

## Investee

### Government of Pakistan Islamic Ijara Sukuks

Government of Pakistan Ijara Sukuk - XV  
Government of Pakistan Ijara Sukuk - XVI  
Government of Pakistan Ijara Sukuk - XVII  
Government of Pakistan Ijara Sukuk - XVIII

Market Value Rupees '000	Credit Rating
2,011,906	Score - 7
26,634,400	Score - 7
40,783,750	Score - 7
10,172,633	Score - 7
<b>79,602,689</b>	

### Government of Pakistan Euro Bonds

<b>21,752,614</b>	Score - 7
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### Bonds

Abu Dhabi Commercial Bank  
Al Hilal Bank  
Bank of America Corporation  
Bank of America Corporation  
Bank of Baroda  
Bank of Tokyo-Mitsubishi UFJ Limited  
Citigroup Inc  
Citigroup Inc.  
Commercial Bank of Dubai  
DIB Sukuk Limited  
DIB Sukuk Limited  
Dubai Electricity & Water Authority  
Emirates NBD PJSC  
Emirates NBD PJSC  
Emirates Telecommunications Group Company  
First Gulf Bank  
FirstRand Bank Limited  
Goldman Sachs Group Inc  
Goldman Sachs Group Inc  
IDB Trust Services Ltd  
Industrial and Commercial Bank of China  
International Petroleum Investment company  
JPMorgan Chase & company  
Macquarie Group Limited  
Majid Al Futtaim Global Securities Limited  
Mitsubishi Corporation  
Morgan Stanley  
Ooredoo International Finance Limited  
Qatar National Bank  
Qatar Islamic Bank Limited  
Qatar National Bank  
SABIC Capital II BV  
Saudi Electricity Global Sukuk Company  
SoQ Sukuk AQSC  
Turkiye Vakiflar Bankasi Tao

1,050,428	A-1
533,699	A-1
537,270	Baa1
294,419	Baa1
141,730	Baa3
521,842	A-1
211,624	Baa1
280,572	Baa1
1,056,939	Baa1
530,666	Baa1
424,628	Baa1
605,347	Baa1
525,398	A-3
1,423,845	A-3
520,337	AA3
1,423,845	A2
169,640	Baa2
957,934	A-3
267,601	A-3
209,318	AAA
157,303	A1
339,470	AA2
530,471	A3
212,460	A3
553,154	BBB
1,047,449	A2
531,894	A3
589,109	A2
522,351	AA3
524,457	A-2
314,674	Aa3
210,509	A1
734,074	A2
524,614	Aa2
158,503	Ba2
<b>18,637,574</b>	

### Overseas Government Securities

Government of Kenya  
Government of Saudi Arabia  
Government of Srilanka  
Government of Turkey  
Monetary Authority of Singapore  
Perusahaan Penerbit SBSN Indonesia

698,269	B1
1,016,565	A1
1,238,727	B1
27,308	Ba1
1,012,791	AAA
159,983	Baa3
<b>4,153,643</b>	

### Term Finance Certificates

Faysal Bank Ltd  
Bank Al Falah Limited  
Independent Media Corporation (Private) Limited  
Pakistan International Airlines Corporation Limited

125,761	Unrated
134,383	AA -
70,000	Unrated
7,892,662	Unrated
<b>8,222,806</b>	

### Sukuks

Pakistan International Airlines Corporation Limited

<b>425,000</b>	Unrated
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### NIT Units

<b>58,828</b>	Unrated
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## Amount Written-Off during the year

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2016

Rs. in Million											
S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC 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	Reversal	
1	SANA & COMPANY AHATA ASHRAF SHAH-103,NAWAZISH ALI ROAD,LAHORE.	KAMRAN ZAHID 35202-0449500-5	ZAHID MAHMOOD	1859	0.001	-	1.860	-	1.687	-	1.687
2	TAHIR JAVED & TALAT MAHJABEEN 616-E,M.A,JOHAR TOWN,LAHORE.	35200-1455447-3	MUHAMMAD YOUSAF	2.980	-	-	2.980	-	2.471	-	2.471
3	NOORANI JEWELERS P-50-X-2, MADINA TOWN, FAISALABAD, MUHAMMADI CHOWK, RAIL BAZAR, FAISALABAD.	MUHAMMAD SALEH 33100-3559165-5	MUHAMMAD IBRAHIM	2.500	0.054	-	2.554	-	1.396	-	1.396
4	MUHAMMAD SAEED P/116-G,CIVIL LINES,BILAL ROAD, FAISALABAD.	MUHAMMAD SAEED 33100-3219094-7	MUHAMMAD SHARIF	4.499	0.201	-	4.700	-	1.626	-	1.626
5	TAWAKAL ENTERPRISES 214-215,ABID MARKET,MOZANG CHUNGI,LAHORE.			0.655	0.293	-	0.948	0.655	0.113	0.293	1.061
6	NEW AHSAN GARMENTS 134-B,PANORAMA CENTRE,LAHORE.	MUHAMMAD IDREES QURESHI 35202-2812100-9	MUHAMMAD YOUSAF	3.000	0.205	-	3.205	-	2.424	-	2.424
7	MIAN PHARMACY SHARIF MEDICAL CITY,JATI UMRA, RAIWIND, LAHORE.	MEHMOOD-UL-HASSAN 35202-2965811-7	FEROZ UDDIN	3.500	0.055	-	3.555	-	1.266	-	1.266
8	INTERNATIONAL TANNERS & INDUSTRIES (PVT) LTD 26-KM,LAHORE SHEIKHUPURA ROAD, DISTT.SHEIKHUPURA.	SH MUHAMMAD SALEEM 35202-9194797-3 LUBNA SALEEM 35202-3415748-6	HAJI MUHAMMAD SHAFIQ MUHAMMAD SALEEM	47.999	13.001	-	61.000	-	25.772	-	25.772

Rs. in Millions

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC 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	Reversal	
				1,454	4,321	-	5,775	1,454	0,625	4,321	6,400
9	RELIABLE BUSINESS SYSTEM (PVT) LTD OFFICE AT 103 & 104,UNI PLAZA, KARACHI.	MUHAMMAD ASIF SHAFI MUHAMMAD ZAHID MUHAMMAD SAMI MUHAMMAD WASEEM SAJID ABDI RAFI PARVEEN AIJAZ	LATE MUHAMMAD SHAFI LATE MUHAMMAD SHAFI LATE MUHAMMAD SHAFI LATE MUHAMMAD RAFI SYED AIJAZ HUSSAIN								
10	FAROOQ CEMENT DEALER SHOP NO.2,TAHIR BAZAR,FORT AREA,PACCA QILA,HYDERABAD.	FAROOQUE KHAN 41303-9664114-7	SHUBAN KHAN	0.787	0.078	-	0.865	-	0.523	-	0.523
11	HASHMAT & CO & FATIMA CORPORATION BANK SQUARE, GUJRANWALA.	MUHAMMAD ZULFIQAR 34101-0822010-9	SH LAL DIN	3.660	1.340	-	5.000	-	0.697	-	0.697
12	AMJAD MEHMOOD THE ARCHITECT OFF.NO.1,FIRST FLOOR,CHOS PLAZA,OPP SERVEY OF PAK,MURREE ROAD,RAWALPINDI.	37405-0619214-9	ABDUL QADIR QURESHI	5.431	-	-	5.431	-	3.915	-	3.915
13	MUHAMMAD NAEEM HOUSE 468/TOLJAQUAT/ABAD-10, NEAR RIZWAN MASJID,KARACHI.	42101-4508974-1	MOHAMMAD ISMAIL	4.677	-	-	4.677	-	2.098	-	2.098
14	MUHAMMAD AJMAL SHEKH AKBARI SUPER STORE,20-21 HUMZA BLOCK,ALLAMA IQBAL TOWN,LAHORE	35202-2875165-1	HAJI MUHAMMAD SHARIF (LATE)	41.024	-	-	41.024	-	30.532	-	30.532
15	NATIONAL FOOD TRADERS ALI ARCADES,G.T.ROAD,KAMOKE, DISTT. GUJRANWALA.	MUHAMMAD YAMEEN KHAN 34102-5042828-1	MUHAMMAD SHAFIQUE KHAN	3.005	0.249	-	3.254	-	1.519	-	1.519
16	RIAZ ASIAM INDUSTRIES (PVT) LTD JHANG ROAD,MURADABAD,PO SAME, TEH&DISTT. MUZAFFARGARH.	MUHAMMAD ASLAM 36302-9855882-1 HASSAN SHER 36302-9643895-1 MALIK RIAZ AHMED 36302-7805574-1 MUHAMMAD AKRAM JAVED 36302-9109717-5	CHAMEER UDDIN HAJI NASEER KHAN FALIK SHAIR CHAMEER UDDIN	0.946	0.216	-	1.162	-	0.603	-	0.603
17	FINE KNIT (PVT) LTD 75-A/1,STREET,16 CAVALRY GROUND,LAHORE CANTT.	PERVAIZ S.DEREDIA  ASHRAF PERVAIZ		2.283	0.751	-	3.034	2.283	4.622	0.751	7.656

Rs. in Million											
S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at beginning of year			Other Financial Relief Provided		Total		
				Principal	Mark-up	Other Charges	Principal Write-off	Mark-up & Other Charges Write-off	Un-Debited	Reversal	
18	SAMI ULLAH GOVT CONTRACTOR BASTI GINWAN,PO JATOI,VIDAD, TEH,JATOI,DISTRICT,MUZAFFAR GARH.	MALIK SAMIULLAH 323020-806417-1	GHULAM QADIR	0.699	0.166	-	0.865	-	0.427	0.120	0.547
19	ASIM & QASIM COMPANY RAILWAY ROAD,DUNYAPUR,TEH.SAME DISTT.LODHRAN.	MUSHTAQ HUSSAIN 36201-0411932-5	MUHAMMAD BUX	1.299	0.128	-	1.427	-	0.850	-	0.850
20	EMAN TEXTILE F-139,S.I.T.E.KARACHI.	NADEEM A.NAQVI 42301-0870397-7	S.AHMED NAQVI	-	-	-	-	-	1.252	-	1.252
21	BUZDAR AGRI SERVICE P/O MEHRAY WALA,TEH & DISTT. RAJANPUR.	MUHAMMAD ANJUM HAFEEZ 32403-1605487-1 MUHAMMAD ASIF SAMI 32403-4345781-1		0.326	0.227	-	0.553	-	0.783	-	0.783
22	MAIN STREET CONSUMER PRODUCTS (PVT) LTD SW-102,SW-103,BLOCK-16-B,NORTH KARACHI INDUSTRIAL AREA, KARACHI.	MUHAMMAD ASHRAF KHAN 501-44-193870 SABA ZULFIQAR ALI 510-89-312305 ASMA KAZMI 514-89-141089	ABDUL HAFEEZ KHAN ZULFIQAR ALI ZYED ZUJILAL KAZMI	3.268	2.732	-	6.000	-	1.660	-	1.660
23	CHAUDHRY BROTHERS HOUSE NO.125,AL-HAMRA CO-OPERATIVE HOUSING SOCIETY, KARACHI.	MUHAMMAD SALIM CHAUDHRY 42201-5434883-9	MUHAMMAD RAMZAN	4.636	0.064	-	4.700	-	5.325	-	5.325
24	VATAO CORPORATION FIRST FLOOR,SB-4.3,HAJI HAMID TAR MUHAMMAD TRUST BUILDING, ZAIBUN NISA STREET,KARACHI.	ABDUL GHANI 517-34-270249 JAVED GHANI 517-63-270252	HAJI HASHIM ABDUL GHANI	0.249	-	-	0.249	0.249	0.324	-	0.573
25	QAYYUM ENTERPRISES 504-505,4TH FLOOR,BUSINESS CENTRE NEW CIVIL LINE, FAISALABAD.	ABDUL QAYYUM 33100-6413592-7	HAJI MUHAMMAD IBRAHIM	2.114	-	-	2.114	2.114	0.397	-	2.511
26	MULTAN DENTAL SUPPLY COMPANY INSIDE RELEX HOTEL,BUILDING KUTCHERY ROAD,MULTAN.	SHAHID MEHMOOD 36302-3313197-9	ABDUL HAMEED	1.500	0.239	-	1.739	-	0.980	-	0.980
27	SALEEM TRADERS DUNYA PUR ROAD,KAHROR PACCA, DISTT.LODHRAN.	MUHAMMAD SALEEM 36202-1107630-3	MUHAMMAD UMER	0.700	0.037	-	0.737	-	0.618	0.037	0.655

Rs. in Millions												
S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC 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	Reversal		
28	SAHARA FOOD INDUSTRIES (PVT) LTD B-31, SITE AREA SUKKUR, HOUSE. 1209 MOHALLAH BAZAR KHAN INSIDE AREA GATE, PESHAWAR.	NOOR MUHAMMAD SADIQ HUSSAIN QUDRAT ELLAHI BARKAT ELLAHI MANZOOR ELLAHI MANSOOR ELLAHI SABHIR HUSSAIN MUHAMMAD SIDDIQUE	HAJI NOOR ELAHI KHUDA BUX HAJI NOOR ELAHI HAJI NOOR ELLAHI HAJI NOOR ELLAHI HAJI NOOR ELAHI KHUDA BUX	3,863	3,910	-	7,773	3,863	-	4,643	3,910	12,416
29	NEELAM JEWELERS 89, MAIN BAZAR MOZANG, LAHORE.	NAEEM UDDIN 35202-9986300-9	MOEEN UDDIN	0,900	0,105	-	1,005	-	-	0,646	-	0,646
30	BUTT AUTO WORKSHOP H.NO.10-A, ST.NO.189, ATIF PARK, BHOIGWAL LINE BUND ROAD, BAGHBAN PURA, LAHORE.	BABAR BUTT 35201-6314842-1	ZAHOOR UDDIN BUTT	2,793	2,218	-	5,011	-	-	2,214	-	2,214
31	ZOHRA TEXTILE LINKERS SHOP NO.1, IBRAHIM CENTRE, YASIN MARKET, FAISALABAD.	MUHAMMAD IL YAS 33100-2168419-7	SHER MUHAMMAD	9,989	1,018	-	11,007	-	-	5,898	-	5,898
32	ESSA ENTERPRISES 2269 NISHAT ROAD, LOHA MARKET, MULTAN.	MUHAMMAD KHALID RAFIQUE 36302-1095830-7 MEHNAZ KHALID 36302-9730222-4	CH. MUHAMMAD RAFIQUE KHALID RAFIQ	7,500	-	-	7,500	-	-	1,681	-	1,681
33	WYNCO TRADERS & PAKISTAN VINYLE CORPORATION D-79, ESTATE AVENUES, I.T.E. KARACHI.	RAFIQ AHMED 42301-4043680-7	HABIB AHMED	14,938	-	-	14,938	12,938	-	12,517	-	25,455
34	GURIYAS BOUTIQUE 37/II, KHAYABAN-E-BADAR, DHS, KARACHI.	YASMEEN ANSAR 61101-1772413-2	ANSAR AHMED	0,298	-	-	0,298	0,298	-	0,291	-	0,589
35	NASRULLAH BROTHERS COTTON GINNERS KOTLA EISAN, DERA ROAD, RAJANPUR	SAIFULLAH KHAN 32102-0980284-3 ZAHIDA BEBE 32102-0852186-6	ABDUL RASHID HAJI ABDUL REHMAN	1,570	0,280	-	1,850	-	-	0,732	-	0,732
36	PAKISTAN INDUSTRIAL CONCERN M-8, AUTO CENTER, BADAMI BAGH, LAHORE.	MUHAMMAD IRFAN SHEIKH 35202-7016978-3	SHEIKH MUHAMMAD AKRAM	13,340	-	-	13,340	-	-	11,374	-	11,374
37	SUNDER TRADING COMPANY 2-KM, JHUMRA SAHAN WALA ROAD, TEHSIL CHAK JHUMRA, DISTT. FAISALABAD.	IRFAN AHMED 33100-2112307-7	NAZAR HUSSAIN CHEEMA	5,000	0,500	-	5,500	-	-	1,888	-	1,888



S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC 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	Reversal	
Rs. in Millions												
38	SHAMA FILLING STATION JHUMRA ROAD, ARANWALA, DISTT. FAISALABAD.	MUHAMMAD ZAFAR IQBAL 33104-1358371-5 MUHAMMAD AZHAR SIDDIQUE 33104-8864564-5	MUHAMMAD SHAFI SIDDIQUE	3,768	0,132	-	3,900	-	-	1,156	-	1,156
39	KELASH HINDU MOHALLASI ROAD, HUB BALUCHISTAN.	51503-9668317-7	TEK CHAND	0,442	-	-	0,442	0,442	-	0,402	-	0,844
40	AJMAL BROTHERS C/O MADINA RICE MILL SITE AREA GOLIMAR, SUKKUR.	HAJI MUHAMMAD RAFIQUE MEMON 42201-2098987-1 HAJI NOOR MUHAMMAD MEMON 42000-8643067-9 MUHAMMAD IREAN MEMON 42201-5544314-7	ABDUL AZIZ ABDUL AZIZ MUHAMMAD RAFIQUE	3,104	0,776	-	3,880	-	-	9,165	0,380	9,545
41	NEW KARACHI BED SHEET MOHALLAH MADINA MARKET, MUZAFFARABAD, A.K.	DILDAR KHAN 13501-1312741-9	ABDUL QAYYUM KHAN	0,200	-	-	0,200	0,200	-	0,341	-	0,541
42	MALIK CROCKERY STORE WARD NO.10, MOHALLAH LOWER PLATE, MUZAFFARABAD, A.K.	QASIR HAMEED MALIK 82203-1875717-1	MALIK ABDUL HAMEED	0,200	-	-	0,200	0,200	-	0,335	-	0,535
43	NEELUM BATTERY JALAL ABAD ZERO POINT NEAR P.M .HOUSE, MUZAFFARABAD, A.K.	MUHAMMAD MUMTAZ 82203-8471104-9	CH. MUHAMMAD AKBAR	0,200	-	-	0,200	0,200	-	0,345	-	0,545
44	FAISAL TRADERS HOUSE NO.13, KHAWAJA SECTOR-C, MUZAFFARABAD, A.K.	KH. GHULAM MUHAMMAD 13503-0684936-1	ALI MUHAMMAD	0,200	-	-	0,200	0,200	-	0,337	-	0,537
45	REHMAN CORPORATION 612- SIDDIQUE STREET, SAHIWAL.	MUHAMMAD AFZAL 36502-8120888-9	MIAN MUHAMMAD YAR	0,778	0,031	-	0,809	-	-	0,568	-	0,568
46	ZOHRA TEXTILES (PVT) LTD SHOP 1, IBRAHIM CENTRE, YARN MARKET, FAISALABAD.	MUHAMMAD ILIYAS 33100-2168419-7 KAUSAR ILIYAS 33100-6791782-0		29,440	2,978	-	32,418	-	-	13,222	1,537	14,759
47	SARGROH INDUSTRIES (PVT) LTD 4TH FLOOR, ROOM NO.509, BUSINESS CENTRE, NEW CIVIL LINES, FAISALABAD.	PERVAIZ ANWAR 33301-2065898-3 HABIB-UR-REHMAN 33100-5644505-5 JAVAIID HASSAN 33100-0728376-3	CH. GHULAM RASOOL MIAN IJAZ IQBAL ZAFAR ALI SAQI	5,392	0,008	-	5,400	-	-	1,387	-	1,387

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				Principal	Mark-up	Other Charges			Un-Debited	Reversal	
48	MUHAMMAD NAEEM KAHORI,MUZAFFARABAD,A.K.	82203-9348936-9	MUHAMMAD NAZIR CHUGHTAI	0.199	-	-	0.199	0.199	0.314	-	0.513
49	SALEEM CUSHION MAKER D/S SHOP NO.21,SECTOR-11-D, NORTH KARACHI TOWNSHIP,KARACHI	MUHAMMAD SALEEM 42101-9051529-5	ALI HUSSAIN	0.300	-	-	0.300	0.300	0.326	-	0.626
50	F.R.STEEL INDUSTRIES SALAH UDDIN ROAD,MEHMOOD BOOTI LAHORE.	SYED ASGHAR ALI 35201-9730191-5	SYED HUSSAIN SHAH	4.865	0.001	-	4.866	-	0.786	-	0.786
51	SUPER JIAND MOHALLA FAISAL COLONY,MAIN BAZAR,SHAHPUR KHALI, GUJRANWALA.	MUHAMMAD NADEEM 34101-2542606-7	MUHAMMAD JAVED	2.200	0.058	-	2.258	-	1.013	-	1.013
52	YASAR TENTAGE & TEXTILE INDUSTRIES (PVT) LTD SUITE-04,2ND FLOOR,KHURRAM CENTRE,WAH DAT ROAD,LAHORE.	MUSHTAQ AHMED TAHIR 35202-2627311-7 RAZIA BEGUM 35202-2492872-4 KASHIF MUSHTAQ 35202-2815472-9	BASHIR AHMED MUSHTAQ AHMED TAHIR MUSHTAQ AHMED TAHIR	7.999	5.085	-	13.084	-	6.328	-	6.328
53	CHATHA ENTERPRISES VILLAGE KALASKEY,PO KALASKEY, TEH. WAZIRABAD, DISTT. GUJRANWALA	AMJAD IQBAL 34104-9991789-1	MUHAMMAD ABDULLAH	2.750	0.250	-	3.000	-	1.610	-	1.610
54	MUHAMMAD MUSHTAQ MAIN BAZAR PATTIKA,MUZAFFAR ABAD,A.K.	82203-3241182-5	RAHMAT DIN	0.200	-	-	0.200	0.200	0.353	-	0.553
55	HABIB ULLAH MAIN BAZAR PATTIKA,MUZAFFAR ABAD,A.K.	82203-3727132-9	FAQEER ULLAH	0.200	-	-	0.200	0.200	0.351	-	0.551
56	DANIAL TRADERS 307,310 JILANI CENTRE,MARRIOT ROAD,KARACHI.	NEHAL KHAN 42201-5888746-9	NISAR KHAN	6.996	-	-	6.996	3.184	4.901	-	8.085
57	POWER TECHNOLOGY INTERNATIONAL H/48/1 KHAYABAN-E-SEHER,PHASE- VI,DHA, KARACHI.	JEHANGIR MALIK 42000-5868322-5	JAVED MALIK	14.000	3.000	-	17.000	-	8.982	-	8.982

Rs. in Millions

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				Principal	Mark-up	Other Charges	Total			Un-Debited	Reversal	
58	WARIND INTERNATIONAL SUITE 4, 2ND FLOOR PLOT 8-C, STREET BADAR COMMERCIAL AREA, PHASE-5 DHA, KARACHI.	RAEES MUHAMMAD AFZAL WARIND 42000-2537594-3	HAJI WAHID BUKSH	9,983	1,271	-	11,254	-	-	4,498	1,270	5,768
59	ARIF INDUSTRIES 6-C CHAGLA STREET, OPP. GORDHANDAS MARKET, KARACHI.	HAJI MUHAMMAD ILYAS 42301-8766332-7	ABDUL SATTAR	11,275	-	-	11,275	6,675	-	19,352	-	26,027
60	HIDAYAT ULLAH CHANDIO MUHALA GUL COLONY, FARIDABAD MEHAR, PO, MEHAR, DIST. TIDADU.			0,249	-	-	0,249	0,249	-	0,303	-	0,552
61	KHAWAJA HASSAN UMAR SHABBIR FLAT NO. 3, 3RD FLOOR BUKHARI COMMERCIAL LANE, 10, PHASE-VI, DHA, KARACHI.	34-402-1007561-9	KHAWAJA GHULAM SHABBIR	3,684	-	-	3,684	-	-	1,436	-	1,436
62	MIAN JEE CARMENTS SHOP NO. 1-2, 1ST FLOOR ANARKALI TRADE CENTRE, ANARKALI BAZAR, LAHORE.	MUHAMMAD ASHRAF 35202-7665837-5	MEHAR MOHAMMAD NAWAZ	1,500	-	-	1,500	-	-	1,381	-	1,381
63	MOHAMMAD NADEEM HOUSE C-7, PHASE-II, SUB SECTOR 8C/II, GULSHAN-E-HADEED STEEL TOWN, BIN QASIM, KARACHI.	42501-8463397-1	MUHAMMAD ALEEM	4,156	-	-	4,156	-	-	1,412	-	1,412
64	SKY INDUSTRIES 46-S, NEW BILAL PARK, CHAHMIRAN, LAHORE.	WARIS ARSHAD MIAN ABDUL RASHID	MIAN MUHAMMAD IBRAHIM	0,763	-	-	0,763	0,763	-	0,140	-	0,903
65	GUMTEX INDUSTRIES MAQBOOL ROAD, NEAR SARFARAZ ICE FACTORY, FAISALABAD.	AAMAR FAYYAZ 33100-6318400-9	FAYYAZ AHMED AKHTER	6,000	1,000	-	7,000	-	-	1,120	-	1,120
66	DIAGNOSTIC SERVICES D-9 BLOCK-A NORTH NAZIMABAD, KARACHI.	FARHANA QAMAR 42301-0970890-4	DR. QAMAR ZAMAN KHAN	28,162	2,589	-	30,751	-	-	14,325	2,589	16,914
67	MATSA INTERNATIONAL PLOT NO. 3/19, COMMERCIAL AREA, BAHADURYAR JUNG SOCIETY, BAHADURABAD, KARACHI.	TASHFEEN SHAUKAT 42201-4195735-9	SHAUKAT ALI	3,484	0,052	-	3,536	-	-	2,913	0,052	2,965

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				Principal	Mark-up	Other Charges	Total			Un-Debited	Reversal	
68	SHACHA GARMETNS PLOT NO.157,SECTOR-24,KORANGI INDUSTRIAL AREA,KARACHI.	NAGHMA SHAHEEN 44201-2187339-4	SHAUKAT ALI	8.077	0.235	-	8.312	5.104	-	8.327	0.235	13.666
69	MUHAMMAD SABIR & CO 15-AFZAL PARK,SHAD BAGH,LAHORE			0.191	-	-	0.191	0.191	-	0.343	-	0.534
70	MUHAMMAD ANWAR KHAN GHOURI 81-C,BLOCK-2,PECHS,KARACHI.	517-32-271951	QAMER UDDIN KHAN GHORI	-	0.123	-	0.123	-	-	0.899	-	0.899
71	ALLIANCE INT'L MACHINES 120,C.C.MODEL HOTEL,105-A,THE MALL LAHORE,314-A JOHAR TOWN, LAHORE.	IMRAN ASGHAR		0.288	-	-	0.288	0.288	-	0.367	-	0.655
72	SHAHZAD FABRIC CANITT BAZAR,MULTAN CANITT.	MUHAMMAD ASLAM SHEHZAD 36302-0288877-9	SH.ABDUL AZIZ	7.500	0.388	-	7.888	-	-	1.407	-	1.407
73	AL-MADINA TRADERS ST.NO.4-A.G.T.ROAD KOT SHAHAB- UDDIN SHAHDARA,LAHORE.	MUHAMMAD RIZWAN 35202-3507929-3	TAJ UDDIN MINHAS	0.347	-	-	0.347	0.347	-	0.321	-	0.668
74	OVERSEAS TELECOM SERVICES (PVT) LTD COMMERCIAL SHOP,T1/E,SUIT.NO. 9, 2ND FLOOR LEADS CENTRE,MAIN BULEVARD GULBERG-III,LAHORE.	WAHEED ASGHAR SHAHID 35202-2680717-7 MUHAMMAD SAEED-UL-HAQ 35201-1218856-9 HASSAN NAVEED 352001-577903-1 SAMIA WAHEED 35202-2541323-8	MUHAMMAD SHAFI CH.KHUSHI MUHAMMAD MANZOOR HUSSAIN WAHEED ASGHAR SHAHID	2.493	0.007	-	2.500	-	-	1.793	-	1.793
75	IZHAR-UL-HAQ HOUSE NO.293 STREET.10,SECTOR E-2,PHASE-1,HAYATABAD.	17301-6289256-9	HAJI JAFFAR KHAN	-	-	-	-	-	-	0.867	-	0.867
76	MOBEL STOFFEN (PVT) LTD 1-A-ALPHA HOUSING SOCIETY,WEST CANAL BANK,LAHORE.	ALI SALMAN 35202-2914068-7 WALI-UR-REHMAN 35202-2914070-1	MUHAMMAD AKRAM MUHAMMAD AKRAM	4.770	0.958	-	5.728	-	-	1.367	0.156	1.523
77	RANA EXPORT AND IMPORT 94/95,WALLAYATABAD COLONY, MULTAN CANITT.	MUHAMMAD IQBAL JAVED	RANA MUHAMMAD SHAFI	0.503	0.204	-	0.707	0.503	-	0.094	0.204	0.801

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				Principal	Mark-up	Other Charges	Total			Un-Debited	Reversal	
78	MADINA RICE AND ICE MILLS FAISALABAD ROAD,SARGODHA.	MIAN TARIQ FAROOQ 38403-2064386-3	ABDUL KHALID	1,376	-	-	1,376	-	-	0,709	-	0,709
79	AHMED AUTOS 10-REHMAT AUTO MARKET, MONTGOMERY ROAD,LAHORE.	AHMED ZIA 35201-5651535-9	ALLAH BUKSH	67,000	4,497	-	71,497	-	-	12,892	4,497	17,389
80	GLOBAL TRADERS SHOP NO.21,FANCY VIEW,SOHRAB GOTH,CULZAR-E-HIJRI,KARACHI.	ANSER MEHMOOD 42101-8499784-5	ATTA MUHAMMAD FARUQI	-	-	-	-	-	-	5,523	-	5,523
81	RAZZAK PETROLIUM SERVICE SARKAND ROAD,NAWAB SHAH.	MALIK MUKHTAR AHMED 45402-7043770-5 MALIK ABID ALI 45402-9716244-9	ABDUL RAZAQ ABDUL RAZZAK MALIK	5,000	0,800	-	5,800	-	-	4,009	-	4,009
82	G.M PAPER MART HAIJ REHMAT ULLAH CHAMBER, BANGALI GALI CANPAT ROAD,LAHORE.	WAHEED AHMED SHEIKH 35202-2825551-3	GHULAM MUHAMMAD	1,050	0,110	-	1,160	-	-	0,779	-	0,779
83	SABIR SAJJAD HUSSAIN VERN PO.SAME,TEHSIL & DISTT. SHEKHUPURA.	SABIR SAJJAD HUSSAIN 35404-7403203-9	BARKET ALI	1,699	0,998	-	2,697	-	-	0,622	-	0,622
84	BISMILLAH FABRICS LIMITED P-5,KARKHANA BAZAR,FAISALABAD. 3.5-KM,JHUMRA ROAD,KURIANWALA, FAISALABAD.	ABDUL WAHEED SHEIKH 33100-4877666-5 DILDAR AHMED SHEIKH 33100-9157713-1	ABDUL MAJEED SHEIKH HAJJ JALAL DIN	56,106	-	-	56,106	-	-	11,509	-	11,509
85	MUHAMMAD IKRAM & SONS B-21,AL-KHAYAM ARCADE,NURSERY, PECHS,KARACHI.	SHAKEEL IKRAM 42201-6227789-9 MANSOOR IKRAM 42201-7230336-1 KHURSHIED BEGUM 42201-7531303-6 MUHAMMAD AQEEL 42201-2190522-9	MUHAMMAD IKRAM HUSSAIN MUHAMMAD IKRAM HUSSAIN MUHAMMAD IKRAM HUSSAIN MUHAMMAD IKRAM HUSSAIN	-	-	-	-	-	-	2,547	-	2,547

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					Principal	Mark-up	Other Charges	Total		Un-Debited	Reversal		
86	GOLDEN VICTORY HIGH SCHOOL COMMISSIONAR ROAD,NEAR DRAJIZ TARRAR,GUJRANWALA.	ABDUL HAMEED 34101-2521322-3	ABDUL AZIZ		-	0.214	-	0.214	-	0.615	-	0.615	
87	RIZWAN TRADERS NABANG MANDI,VILLBORYAR, HAIDERY CHOWK,RAILWAY ROAD, DISTRICT.SHEIKHUPURA.	MUHAMMAD YAQOOB 35401-7561485-5	RAHMAT ALI		1.099	0.234	-	1.333	-	0.680	-	0.680	
88	ABDULLAH SILK MILLS PLOT NO.A-63,S.I.T.E.KARACHI.	HAJI MUHAMMAD ILYAS A.SATTAR 42301-8766332-7 ABDUL KHALIQ 42301-2646402-1 AMINA BAI	HAJI ABDUL SATTAR HAJI ABDUL SATTAR ABDUL SATTAR ABDUL SATTAR		29.768	4.252	-	34.020	17.578	104.564	4.252	126.394	
89	PAK TRADING CO 13-C,2ND FLOOR,SHIKARPURI MARKET M.A JINNAH ROAD ,KARACHI.	HAJI MUHAMMAD ILYAS 42301-8766332-7	ABDUL SATTAR		-	1.483	-	1.483	-	4.051	-	4.051	
90	YOUSUF INDUSTRIES 6-C,CHAGLA STREET,OPP.GORDHAN DAS MARKET,KARACHI.	HAJI MUHAMMAD ILYAS 42301-8766332-7	HAJI ABDUL SATTAR		11.727	-	-	11.727	6.897	20.969	-	27.866	
91	EURASIA IMPORT & EXPORT R-820,BLOCK NO.16,FEDERAL B. AREA.KARACHI.	SHEIKH MUHAMMAD IQBAL AZAM FAROOQUI 42101-6547805-5 IFTIKHAR AHMED SHEIKH 35201-5960441-9 AHMED SAEED MALIK ALIJAS AHMED 501-44-037874	SHEIKH MUHAMMAD FAROOQ ATTA MOHAMMAD SHEIKH MALIK ABDUL MAJEED		1.500	-	-	1.500	-	6.536	-	6.536	
92	M.LINTERNATIONAL (PVT) LIMITED 34-WEST WHARF ROAD,WEST WHARF, KARACHI.	ALI RAZA RIZVI 42301-1628228-3 ALI HASSAN RIZVI 42301-2124070-9	SYED ALI MUHAMMAD SYED ALI MUHAMMAD		16.885	-	-	16.885	16.885	2.245	-	19.130	
93	INDEX COMMODITIES PVT LTD C-116,BLOCK-2,KDA SCHEME.NO.5, KEHKASHAN CLIFTON,KARACHI.	SYED HUSSAIN ABBAS 42301-7152071-9 MUHAMMAD AKBAR 42201-8186616-7	SYED GHULAM HAIDER RIZVI QAZI MUHAMMAD AHMED UDDIN		8.966	-	-	8.966	8.966	11.721	-	20.687	

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				Principal	Mark-up	Other Charges			Un-Debited	Reversal	
94	BISMILLAH TRADERS SHEIKHUPURA ROAD,TATLEY AALI, DISTT.GUJRANWALA.	MUHAMMAD NAEEM 34103-2750359-9 MUHAMMAD AZEEM 34103-/899246-3 MUHAMMAD NAEEM 34102-1908298-7	MUHAMMAD AMEEN MUHAMMAD AMIN MUHAMMAD BOOTA	0.838	0.122	-	0.960	-	0.510	-	0.510
95	NAEEM GENERAL STORE MAIN BAZAR KAMOKE,DISTT. GUJRANWALA.			2.775	0.235	-	3.010	-	0.785	-	0.785
96	I.K.GARMENTS SHOP NO.13RD FLOOR,RUSTAM MARKET,LANDA BAZAR,LAHORE.	MUHAMMAD KHALID 35202-2891454-3	NAZEER AHMED	0.479	0.066	-	0.545	0.479	0.260	0.066	0.805
97	SHINE STAR ENTERPRISES MUHALLAH QAZI GATE,EMINABAD, DISTT.GUJRANWALA.	EJAZ YOUSAF KALLAH 34101-6028586-1	MUHAMMAD YOUSAF	0.185	0.098	-	0.283	-	0.574	-	0.574
98	NRK ENTERPRISES 88 MURADIA ROAD,MODEL TOWN, SIALKOT.	NAVEED ASHIQ 34603-2330282-3 SHAZIA NAVEED 34603-2237553-2 SOHAIL ANJUM 34603-2187052-5	MALIK ASHIQ HUSSAIN NAVEED ASHIQ MUHAMMAD MUKHTAR ANJUM	4.000	0.500	-	4.500	-	1.536	-	1.536
99	ASIA INTERNATIONAL H-2246,P18 COLONY,KARACHI.	KASHIF KHAN 42201-3974302-1	MUHAMMAD YOUSAF KHAN	0.446	-	-	0.446	0.446	0.471	-	0.917
100	GULZAR TRADING B-1SITE MANGHOPIR ROAD, KARACHI.			0.511	-	-	0.511	0.511	0.065	-	0.576
101	PETRO GAS INTERPRISES LAHORE BY PASS ROAD,HABIBABAD, TEH PATTOKI,DISTT.KASUR.	AHMED SHAHID MALIK 35201-1370211-5	SHAHID MEHBOOB MALIK	9.986	3.144	-	13.130	-	3.472	-	3.472
102	ABDULLAH GARMENTS LTD 6-C-CHAGLA STREET,KARACHI.	HAJI MUHAMMAD ILYAS ABDUL SATTAR 42301-8766332-7 ABDUL KHALIQ 42301-2646402-1	ABDUL SATTAR ABDUL SATTAR	14.487	0.027	-	14.514	14.487	28.361	0.027	42.875



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					Principal	Mark-up	Other Charges	Total			Un-Debited	Reversal		
103	HAJI ABDULLAH & SONS 187,LAXMIDAS STREET,KARACHI.	HAJI MUHAMMAD ILYAS ABDUL SATTAR 42301-876632-7 ABDUL RASHID ABDUL SATTAR 42301-872011-9 ABDUL KHALIQ 42301-2646402-1 MAJEED ABDUL SATTAR(LATE)	ABDUL SATTAR ABDUL SATTAR ABDUL SATTAR ABDUL SATTAR	3,538	-	-	-	3,538	2,158	-	3,325	-	5,483	
104	KHAN MUHAMMAD GODOWN-3/P-13, SITE HYDERABAD	41303-5133570-5	JAN MUHAMMAD	1,496	0.138	-	1,634	-	-	-	1,276	-	1,276	
105	AWAIS YOUSAF WEAVING FACTORY NAIMATABAD,CHAK.NO.220/RB, PATHANWALA CHOWK,1-K,M,JHANG ROAD,FAISALABAD.	MUHAMMAD YOUSUF 33100-1331496-7 MUHAMMAD OWAIS 33100-1331591-7 MUHAMMAD BILAL 33100-1341091-7 MUHAMMAD SALMAN 33100-7481835-1	CH.OMAR DIN MUHAMMAD YOUSAF MUHAMMAD YOUSAF MUHAMMAD YOUSAF	28,998	0.994	-	29,992	-	-	-	2,378	-	2,378	
106	GLOBAL ENTERPRISES SHOP NO.B-3 BASEMENT KOHINOOR CENTRE YARN MARKET KHARKHANA BAZAR,FAISALABAD.	MUHAMMAD ASLAM 33100-8180671-9 KHALID MEHMOOD 33100-2940457-1 TAHIR MEHMOOD 33100-4624283-9	CH.SHAH DIN CH.SHAH DIN SHAH DIN	14,996	1.004	-	16,000	-	-	-	11,746	-	11,746	
107	FIVE STAR FISH MEAL PLOT.NO.37,KORANGI CREEK, IBRAHIM HYDRI ROAD,KARACHI.	WAHEED MURAD SOOMRO 41303-2149005-1	MUHAMMAD RAMZAN SOOMRO	-	0.754	-	0.754	-	-	-	4,557	0,754	5,311	
108	LIAQAT ALI VILLAGE TEHTAR P.O.SAME,TEHSIL CANTT LAHORE.	35201-9817332-5	REHMAT KHAN	0.650	0.041	-	0.691	-	-	-	0.747	-	0.747	
109	MUHAMMAD HUMAYUN MIRZA HOUSE E-142/1 BLOCK-07, GULSHAN-E-IOBAL,KARACHI.	42201-2287881-1	MUHAMMAD ANWAR MIRZA	14,602	-	-	14,602	-	-	-	12,475	-	12,475	

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				Principal	Mark-up	Other Charges	Total			Un-Debited	Reversal	
110	N.Y APPARELS (PVT) LTD 1/2 K.M CHOWK BUPTIAN DEFENCE ROAD, LAHORE.	TAHIR MASOOD 35202-287512-7 ZAHID MASOOD 35201-4690285-5	MALIK GHULAM DASTAGIR	11,428	0,345	-	11,773	-	-	5,143	-	5,143
111	NASEER KHAN VILLAGE AMIRABAD DEH TALLI PO. TANDO GHULAM ALI TALUKA MATLI, DISTT BADIN.	41103-3115749-1	MUHAMMAD HAKEEM KHAN	0,450	0,194	-	0,644	-	-	0,512	-	0,512
112	IQRA SILK ZARI CENTER SHOP NO.123 GROUND FLOOR ELEVATOR MADNI TRADE CENTER, HUSSAIN AGAHI ROAD, MULTAN.	MUHAMMAD NADEEM 36302-7775081-9	MUHAMMAD HANIF QURESHI	6,993	0,395	-	7,388	-	-	2,255	-	2,255
113	AL-QARAM COMMISSION SHOP NEW GHALLAH MANDI, MULTAN.	SYED ALI SAQLAIN ZAIDI 36302-0393789-7 HASNAIN FATIMA 36302-4003151-4	SYED AMEER ABBASS NAQVI	4,500	0,777	-	5,277	-	-	2,640	-	2,640
114	MOHAMMAD IMRAN QAZI BANGLOW N-32, BLOCK-12, GULISTAN -E-JOHAR, KARACHI.	42201-9771180-9	MUHAMMAD ILYAS QAZI	2,359	-	-	2,359	1,659	-	0,647	-	2,306
115	TRI STAR CD & DVD CENTRE SHOP NO.78-79-892, RAINBOW CENTRE DEPORT LINES, SADDAR KARACHI.	ABDUL WAHID 42301-6647042-5 AQEEL AHMED 42301-5149074-3	KHALID AHMED KHAUL AHMED	3,299	0,811	-	4,110	-	-	1,071	-	1,071
116	MURAD MUHAMMAD SHOP KEEPER MAIN BAZAR, TURBAT.	52203-1001923-7	HASHIM	0,400	-	-	0,400	0,364	-	0,390	-	0,754
117	JOFA FOODS 28-C, MAIN 26TH STREET, 2ND FLOOR, TAUHEED COMMERCIAL AREA, PHASE-V, DHA, KARACHI.	MUHAMMAD ASIM 42301-4283384-9 MUHAMMAD IMRAN YOUSUF 42301-7985753-3	MUHAMMAD SADIQ MUHAMMAD YOUSUF	9,987	0,013	-	10,000	-	-	5,820	-	5,820
118	Q. B. INTERNATIONAL LEATHER GARMENT PLOT NO A-3, ABDUL REHMAN TOWN NEAR DADABHOY SOCIETY, KARACHI.	MUHAMMAD ARIF QURESHI 42201-8744744-3	MUHAMMAD YOUSAF	20,913	1,957	-	22,870	8,913	-	20,369	1,957	31,239
119	SHEHRAN BROTHERS 180- FEROEZE PUR ROAD ICHRA, LAHORE	JAMIL AHMED 35202-292757-1	WAZEER AHMED	3,000	0,308	-	3,308	-	-	2,191	-	2,191

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				Principal	Mark-up	Other Charges			Un-Debited	Reversal	
120	KHALIL EMBROIDRY HAJWERI PARK, MEHNDI MOHALLAH, MANSOORABAD, JINNAH ROAD, FAISALABAD	KHALIL AKBAR 36501-1872700-1	AKBAR ALI	4,601	0.394	-	4,995	-	1,060	-	1,060
121	AQSA TRADERS 430/-B, SADAR BAZAR, G. M. ABAD, FAISALABAD	MUHAMMAD IDREES 33100-9367405-1	HAJJI MUHAMMAD SIDDIQUE	0.736	0.103	-	0.839	-	0.960	-	0.960
122	HARM TRADERS GHALLAH MANDI GHAKKHAR, GUJRANWALA	MUHAMMAD RIAZ 34104-2365680-1	MUHAMMAD IQBAL	3,483	0.117	-	3,600	-	1,841	-	1,841
123	CLIFTON GRILL 10-B-1-B-II, GHALIB MARKET, GULBERG III LAHORE	ABDUL HAMEED 35202-2384838-3	NOOR MUHAMMAD	6,000	0.613	-	6,613	-	4,366	0.513	4,879
124	CHAUDHRY TYRE AGENCY CHURCH ROAD, HOUSE NO 142, GALI-7, SAHIWAL	MUHAMMAD ZAID RAFIQ 36502-3279801-9	MUHAMMAD RAFIQ	1,000	-	-	1,000	-	0.508	-	0.508
125	PARAMOUNT TOWEL KNIT INDUSTRIES C/O B-3, 3RD FLOOR, DOLMEN HEIGHTS, MAIN SHAHEED E MILLAT ROAD, KARACHI	MUHAMMAD TAHIR MALIK 42201-7865480-1	SALAH UDDIN	6,962	1,196	-	8,158	-	3,301	1,158	4,459
126	CENTURY LINKS DEV CORPORATION 10-FARID CHAMBERS, ABDULLAH HAROON ROAD KARACHI	KHAWAJA MUHAMMAD QASIM MOHSIN AHMED	KHAWAJA MUHAMMAD TASNEEM ABDUL MAJEED	-	20,692	-	20,692	-	-	20,692	20,692
127	MUHAMMAD SHOAB ALI HOUSE NO A-274, BLOCK NO 12, F. B. AREA KARACHI	42101-9343657-5	MUHAMMAD TAQI	0.576	-	-	0.576	0.576	0.185	-	0.761
128	ASGHAR ALI CHAK NO.135-CB, PO SAME, TEHSIL SAMUNDRI, DISTT. FAISALABAD.	33105-3641894-9	FAZAL DIN	1,098	0.043	-	1,141	-	0.531	-	0.531
129	FIVE STAR FILLING STATION FILLING STATION ADDA KHIDER WALA, TEHSIL SAMUNDRI, DISTT. FAISALABAD.	TALIB HUSSAIN 33105-0295148-9	ABDUL KARIM	2,200	0.150	-	2,350	-	1,141	-	1,141
130	GANGAULI TEXTILE INDUSTRIES (PVT) LTD PLOT#25-26 SECTOR-12-B NORTH KARACHI INDUSTRIAL AREA, NORTH KARACHI, KARACHI.	TABINDA KABIR 42101-1404910-4 ZUBAIDA KABIR 42101-7739100-4 ATIF KABIR 42101-1436362-1	ATIF KABIR KABIR AHMED KABIR AHMED	128,305	-	-	128,305	-	75,372	-	75,372
131	GRAPHIC LINE SERVICES 3&4 HINA APARTMENT, BEHIND SIND SECRETARIAT HASHIM GAZDAR ROAD LANE-6, BURNS ROAD, KARACHI.	MUHAMMAD NAJAM UL HASSAN SIDDIQUI 42401-2004370-3	MUHAMMAD ABDUL QAYYUM	1,556	-	-	1,556	1,556	0.539	-	2,095

Rs. in Millions

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				Principal	Mark-up	Other Charges	Total			Un-Debited	Reversal	
132	AYESHA TRADING COMPANY 1-E, GOLDING ROAD, LAHORE.	AYESHA MAZHAR 35202-5820263-6	MAZHAR MARGHOOB	0.941	-	-	0.941	0.941	-	0.028	-	0.969
133	RIZWAN TEXTILE MUHAMMAD PLAZA, 1ST FLOOR, TEEKA GALLI, MONTGOMERY BAZAR, FAISALABAD	ABDUL JABBAR 33100-2163152-1 ABDUL MAJID 33102-1764078-9	ALLAH DITTA ALLAH DITTA	6.594	-	-	6.594	-	-	2.608	-	2.608
134	SHOOT WAYS FILLING STATION KARAMPUR ROAD ADDA HARRI CHAN, DISTT. VEHARI.	EHASAN KARIM 36302-4488673-3	SHEIKH KARIM UDDIN	1.500	0.204	-	1.704	-	-	0.553	-	0.553
135	AAMIR BROTHERS MADINA MARKET, 16-HALL ROAD, LAHORE	AMIR ALI 35202-6276766-1 TAYYAB ALI 35202-9486259-5 FAISAL ALI 35202-6998700-5	NAWAZISH ALI NAWAZISH ALI NAWAZISH ALI	4.500	-	-	4.500	-	-	1.741	-	1.741
136	SYED MITHAL SHAH HOUSE#L-83,BLOCK-12,KDA SCHEME #36,CUIUSTAN-E-JAUHAR,KARACHI.	45203-2752823-9	SYED AHMED SHAH	1.805	-	-	1.805	-	-	0.905	-	0.905
137	HEALTH PHARMA HOUSE.NO.22,LAREX COLONY, MUGHAL PURA,LAHORE.	KHALID MAHMOOD 35201-4353262-9	MUHAMMAD LATIF	3.850	-	-	3.850	-	-	1.696	-	1.696
138	VIVA INTERNATIONAL (PVT) LTD 2ND FLOOR ZAMAN PLAZA, HALL ROAD, THE MALL LAHORE.	MUHAMMAD USMAN 35201-1533441-1 MUHAMMAD TARIQ 35202-5897014-7 RUBINA USMAN 35201-1435352-8 UMER USMAN 35201-9823648-7 MAQSOOD BEGUM 35202-3653582-2	MUHAMMAD RAFIQUE(LATE) MUHAMMAD RAFIQUE(LATE) MUHAMMAD USMAN MUHAMMAD USMAN MUHAMMAD RAFIQUE	3.350	-	-	3.350	-	-	8.705	-	8.705
139	MUHAMMAD ASIF HASSAN HASSAN AND HASSAN FOOD PRODUCT , PEARL ICE CREAM PVT LIMITED, 10-K, SHEIKHUPURA ROAD.	17301-4946362-3	SHAIKH MUHAMMAD HASSAN	8.670	-	-	8.670	-	-	2.919	-	2.919
140	BARQ INITIATIVE (PVT) LTD PLOT NO.12,CULBAI,S.I.T.E. KARACHI.	MUHAMMAD RAFIQ BHOJANI 42301-5926754-5 ABDUL QADIR ALI ABBAS	MUHAMMAD SULEMAN BHOJANI FAQIR MUHAMMAD MUHAMMAD IQBAL	-	0.471	-	0.471	-	-	10.368	0.471	10.839

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				Principal	Mark-up	Other Charges			Un-Debited	Reversal	
141	A.R.GARMENTS 6/22 FEDERAL B AREA, KARACHI.	MUHAMMAD ASIF PATEL 42000-4869041-1 MUHAMMAD ASHRAF PATEL 42201-2529576-5 ABDUL RAUF NELOFAR FARIDA PATEL 42301-2006167-4	MUHAMMAD ASHRAF PATEL ZAKARIA PATEL MUHAMMAD HAROON ABDUL RAUF MUHAMMAD ASHRAF PATEL	-	-	-	-	-	3,340	-	3,340
142	WELCOME AUTOS WELCOME AUTOS, OVERHEAD BRIDGE, SIALKOT ROAD, GUJRANWALA.	IJAZ ASLAM SHEIKH 34101-2510966-3 RIAZ ASLAM SHEIKH 34101-2429187-5	SH. MUHAMMAD ASLAM SH. MUHAMMAD ASLAM	2,910	0.150	-	-	-	1,711	-	1,711
143	REHMAN CORPORATION BAHAWALPUR ROAD BY PASS, CHOWK MULTAN.	MUHAMMAD NASIR 36302-2412144-5 IZHAR-UL-HASSAN 36302-3349328-9 MUHAMMAD SAFDAR 322-91-610257	FAIZ MUHAMMAD MUHAMMAD SAEED FAIZ MUHAMMAD	2,202	0.245	-	-	-	1,378	0.245	1,623
144	ANSAR ZAHOOR SHEIKH 11-A NEW SHALIMAR COLONY, BOSAN ROAD, MULTAN.	36302-0955466-5	SH. ZAHOOR	-	-	-	-	-	2,283	-	2,283
145	MADINA OIL MILLS EMINABAD ROAD MORE EMINABAD, P/O. MORE EMINABAD, TEH&DISTT. GUJRANWALA.	MUHAMMAD ASLAM 34101-2667383-1 MUHAMMAD MUNIR 34101-1080105-1	MUHAMMAD SHARIF MUHAMMAD BASHIR	5,305	0.265	-	-	-	1,788	-	1,788
146	AL-HAFIZ PACKAGES 58/4, SECTOR-11-F, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	NAVEED SAJJAD 42101-3769154-9	SAJJAD ZAHEER	-	-	-	-	-	3,356	-	3,356
147	CHINIAZ AHMED CHAK NO.45-GB, TARAN, P/O. SAME TEH. SAMUNDRI, DISTT. FAISALABAD.	33105-5173687-5	MUSHTAQ AHMED	0,200	0.350	-	-	-	0.695	-	0.695
148	ARAIN RICE FACTORY CHAH BHAG WALA, MOUZA SAMU RANA , P.O. RANGELPUR, MULTAN.	AKBAR ALI EJAZ 36303-0954865-7	NOOR MUHAMMAD	2,998	0.574	-	-	-	1,946	-	1,946
149	KASHMIR AUTOMOBILES 15-MUHAMMAD ALI CENTRE PLAZA SQUARE, M.A. JINNAH ROAD, KARACHI.	TALAT MEHMOOD 42201-4967905-7	SHEIKH MEHMOOD HUSSAIN	5,976	-	-	-	-	3,003	-	3,003

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				Principal	Mark-up	Other Charges	Total			Un-Debited	Reversal	
150	REHMAN CORPORATION 16-A AHMAD MUNIR SHAHEED ROAD, NEAR JAVED MARKET ICHHRA, LAHORE.	ATTA-UR-REHMAN SIDDIQUI 35202-7645332-1	AKHTAR HUSSAIN SIDDIQUI	0.294	-	-	0.294	0.294	-	0.328	-	0.622
151	ADNAN TRADERS JAMPUR ROAD KOT CHUTTA D.G. KHAN.	ABDUL GHAFOR 32012-2498862-1	GHULAM RASOOL	3.200	-	-	3.200	-	-	4.258	-	4.258
152	DEHQAN AGRO SERVICES OKANWALA ROAD, CHICHAWATNI.	IRSHAD AHMED 36501-0508463-1	CHOUDHRY RAJ AHMED	0.300	-	-	0.300	0.300	-	0.376	-	0.676
153	CHOUDHARY TRADERS OPPOSIT PARADISE CINEMA, GTS CHOWKJHELMU.	MUHAMMAD ARSHAD 37301-1979420-7	CH.FAZAL KAREEM	3.000	0.850	-	3.850	-	-	0.823	-	0.823
154	COUNTRY SHOES SHOP NO.17,SHALIMAR CENTRE, MAIN BULEWARD DEFENCE LAHORE CANTT.	ABDUL REHMAN CHAUDHRY 35201-1399163-1	ALLAH DIN CHAUDHRY	0.395	-	-	0.395	0.395	-	0.564	-	0.959
155	NEW BASHIR SONS FASHION GALLERY ITTEFAQ PLAZA, CIVIL QUARTERS ROAD, SHEKHUPURA.	ZAHOR AHMED 35404-1564719-1	MUHAMMAD YOUSAF	0.800	0.150	-	0.950	-	-	0.515	-	0.515
156	MOLVI ABDUL WAHAB JATOI VILLAGE BETA, JATOI MEHAR.	41205-5324535-5	AZIZ ULHAH JATOI	0.700	-	-	0.700	-	-	0.973	-	0.973
157	MUHAMMADI HARDWARE STORE KORAY BUS STOP WALTON ROAD, LAHORE CANTT.	MIAN MUHAMMAD AZAM 35202-7872498-9	MIAN MUHAMMAD HANIF	2.500	-	-	2.500	-	-	2.298	-	2.298
158	MUHAMMAD RAFIO MECHANICAL WORKS VEHARI ROAD, MULTAN.	MUHAMMAD RAFIQUE 36302-2754089-1	MEHAR DIN	4.099	-	-	4.099	-	-	2.664	-	2.664
159	MASTER AGRO INDUSTRIES VILLAGE JANDIALA BAGHWALA, DISTT.GUJRANWALA.	MUHAMMAD YOUSAF 34101-7731188-1	MUHAMMAD HUSSAIN	2.996	0.004	-	3.000	-	-	2.121	-	2.121
160	CHAUDHRY TRADERS MORE JOIANWALA, PO MANOOP JUR, DISTT. SHEKHUPURA.	SHOUKAT ALI SINDHU 35404-7190369-9	MUHAMMAD HANIF SINDHU	1.844	-	-	1.844	-	-	0.980	-	0.980
161	MUNIR ENTERPRISES H.NO.138, ST.NO.42, KARIM PARK, CHAH MIRAN, LAHORE.	MUHAMMAD MUNIR 35202-9445086-3	MUHAMMAD SHAFQUE	2.575	-	-	2.575	2.575	-	0.596	-	3.171

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					Principal	Mark-up	Other Charges	Total			Un-Debited	Reversal		
162	HAJI ABDUL REHMAN HOTEL 31-MAIN BAZAR,OLD ANARKALI, LAHORE.	MUHAMMAD MAKKI 35202-7575957-5	SHER MUHAMMAD		0.760	0.001	-	0.761	0.760	-	1.289	0.001	2.050	
163	MUSHTAQ BATTI FLAT,NO.222ND FLOOR,AMICA CENTRE,PLOT.NO.167/6,BLOCK-7&8 ,MEMON CO-OP SOCIETY,KARACHI.	42201-6001016-3	WALI MUHAMMAD		4.394	1.226	-	5.620	-	-	2.422	-	2.422	
164	TRADE HOUSE 104-B-2,GULBERG-III,LAHORE.	SHAHID RIAZ SHEIKH 322-85-028406	RIAZ AHMED SHAIKH		0.499	0.136	-	0.635	0.499	-	0.107	0.136	0.742	
165	ACE GARMENTS 501,BURHANI CHAMBERS,ABDULLAH HAROON ROAD,KARACHI.	FAISAL SARFRAZ KHAN	SARFRAZ KHAN		0.400	-	-	0.400	0.400	-	0.748	-	1.148	
166	SETHI COTTON GPF HOUSE,NO.116,BLOCK-F,VEHARI, VEHARI.	EHSAN-UL-HAQ 36603-5843263-3	ABDUL KHALIQ		2.950	1.100	-	4.050	-	-	1.564	-	1.564	
167	SIAL TRADERS ADDA-9,KSAI VEHARI ROAD,PO. MAKHDOOM RASHID,TEH,MULTAN.	MUHAMMAD RAZZAK 36303-7029835-1	NAMDAR		0.937	0.013	-	0.950	-	-	1.009	-	1.009	
168	JAWAID AKHTAR MEMON MUHALLA,TANDO ADAM.	44206-4215032-3	MUHAMMAD SOOMAR		1.449	0.650	-	2.099	-	-	0.704	-	0.704	
169	MUKHTAR FOOTWEAR E-307,RUFI HEAVAN,BLOCK-T3-D, GULSHAN-E-IQBAL,KARACHI.	ARSHAD ANWAR 42201-7013188-9	ANWAR HUSSAIN SHEIKH		-	-	-	-	-	-	0.624	-	0.624	
170	IFTEKHAR AHMED BASTI SUMMANDRI,MAHRA GHARBI, TEH&DISTT.M.GARH.	32304-1287123-7	GHOUS BUX		0.700	0.083	-	0.783	-	-	0.794	-	0.794	
171	MALIK COTTON & OIL INDUSTRIES KLP ROAD,JANPUR,TEHLIAQUATPUR ,DISTT. RAHIM YAR KHAN.	ISHAQ AHMED 31201-5530903-1  SALMA BIBI 31201-3582991-8 ADNAN AHMED 31201-8742740-9 NASEER AHMED 31302-2120916-5 KHALID MEHMOOD 31302-2152648-5	HAJI QADIR BAKHSH  ISHAQ AHMED ISHAQ AHMED SYED NAZEER AHMED SARDAR HAJI MALIK JIND WADA		0.601	-	-	0.601	-	-	0.910	-	0.910	

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172	SYED ZAKIR HUSSAIN SHAH LINE HEAD QUARTER M-2, NORTH CHAKRI, TEH&DISTT. RAWALPINDI.	54400-2681206-9	SYED SABIR HUSSAIN	0.467	-	-	0.467	-	0.230	-	0.697
173	MUHAMMAD ADEEL WARRAICH NH AND MOTORWAY POLICE BEAT NO .14, RENALA KHURD, OKARA.	35302-8780743-5	IRSHAD AHMED	0.286	-	-	0.286	-	0.221	-	0.507
174	SHAHID IQBAL H.NO.54-D, AMNA PARK, MULTAN ROAD, LAHORE.	34102-8302125-7	MUHAMMAD IQBAL	0.423	-	-	0.423	-	0.211	-	0.634
175	ASIF KHAN HUSSAIN HOUSE, JINNAH ROAD UMAR TOWN, ALIPUR CHATHA, GUJRANWALA.	34104-9895823-3	HADAYAT ULLAH	0.412	-	-	0.412	-	0.195	-	0.607
176	ASIM JHON H.NO.420-F, Q BLOCK, MODEL TOWN, LAHORE.	35202-7906772-5	EMMENUAL WILLIAM	0.417	-	-	0.417	-	0.213	-	0.630
177	SHUJAT TRADERS SABZI MANDI BAZAR, TEHSIL&DISTT .SAHIWAL.	SHUJAAT ALI 36502-7344966-9	SHOUKAT ALI	1.000	-	-	1.000	-	0.539	-	0.539
178	PAK BRICK'S COMPANY TOLAYKY KANOKI, DISTT.GUJRANWALA.	JAVAIQ IQBAL 34102-0444928-1	MUHAMMAD SADIQ	1.999	-	-	1.999	-	2.024	-	2.024
179	MANZOOR BROTHERS IQBAL GHALLA MANDI MORE, EMINABAD, DISTT.GUJRANWALA.	MANZOOR AHMED 34101-4031816-1	ABDUL GHAFFOR	1.350	0.050	-	1.400	-	0.743	-	0.743
180	SHEIKH QUDRAT ELAHI & MUHAMMAD AKBAR INSIDE AHMEDPURI GATE, CHOWK SHAHZADI, BAHAWALPUR.	SHEIKH QUDRAT ELAHI 31202-0265528-3	SHEIKH RIAZ AHMED	1.300	1.211	-	2.511	-	4.089	0.511	4.600
181	AL-RAHEEM PETROLIUM SERVICE SOOMER FAQIR HINGORA, TALUKA SHAHADAD PUR, DISTT.SANGHAR.	MUHAMMAD AKBAR 31202-0273874-7	HAJI ALI MUHAMMAD								
182	LYALLPUR PAPER BOARD MILL (PVT) LTD CHAK NO.70/JB BY PASS JHANG ROAD, FAISALABAD.	ABDUL RAHEEM 44204-1536927-5	HAJI ABDUL HAKEEM	1.000	0.155	-	1.155	-	0.657	-	0.657
		ZULFIQAR ALI KHOKHAR (LATE) 33100-7362047-3	BARKAT ALI KHOKHAR	-	-	-	-	-	3.244	-	3.244
		NAILA ALI 33102-3121260-2									



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183	MEHMOOD TRADERS GRAIN MARKET, SADIQABAD, DISTRICT RAHIM YAR KHAN.	EJAZ MEHMOOD 31304-8933165-3	MEHMOOD BUKHSH	0.999	0.001	-	-	-	0.622	-	0.622
184	MIR MUHAMMAD COTHI, MANZOORABAD SHAHADADPUR.	44204-0465942-1	HAJI DHANI BUX	0.250	-	-	0.250	-	0.327	-	0.577
185	FIDA HUSSAIN MUHALLA SYADNA WALA, ROAD, TEH&DISTT. KUSHAB.	38201-0290993-3	MEHER HUSSAIN SHAH	0.220	-	-	0.220	-	0.290	-	0.510
186	MUHAMMAD SHAHID CHAK NO.78/5/R, PO.SAME, DISTT. SAHIWAL	36502-1271678-5	MUSHTAQ AHMED	0.250	-	-	0.250	-	0.257	-	0.507
187	RAEY MUHAMMAD AKRAM 63--ASHIANA ALI MASJID KACHARI ROAD, SAHIWAL	36502-3477799-5	RAI AHMED YAR KHAN	0.248	-	-	0.248	-	0.257	-	0.505
188	ALLAH WARAYO UNAR VILLAGE RUKOOJA UNAR, P/O SARKAND, TALUKA. SARKAND.	45403-3371174-9	KANDU UNAR	0.249	-	-	0.249	-	0.274	-	0.523
189	ZAFAR ULLAH MUHALLA HANSANWALA, MALKA HANS, PO.SAME, MALKA HANS, TEH&DISTT. PAKPATTAN.	36502-3277972-7	MUHAMMAD AMEER	0.279	-	-	0.279	-	0.289	-	0.568
190	MUHAMMAD ASIM CHUDHARY MOUZA RASOOL PUR POLAKI, RASOOL PUR, PO DHUTTAY, TEH. CHUNIAN, DISTT. KASUR.	35302-9622779-7	CHILAM DIN	0.241	-	-	0.241	-	0.269	-	0.510
191	LIAQAT ALI V&PO BIJAR, TEH & DISTT. KHUSHAB.	38201-0704882-1	SHAH WALI	0.265	-	-	0.265	-	0.312	-	0.577
192	GHULAM HUSSAIN MURIDANI MUHAMMAD, MANJHAND TAPAL GHAR TALUKA KOTRI, DISTT. JAMSHORO.	41204-1901309-7	MOR KHAN	0.250	-	-	0.250	-	0.286	-	0.536
193	TANVEER AHMED JUMANI MOHALLA, PO DARRO DISTT. THATTA SINDH.	41405-2483859-3	AMEER AHMED MEMON	0.298	-	-	0.298	-	0.356	-	0.654
194	MUHAMMAD NAZEER MOUZA PHULAR VEN WAZIR KEY, PO. HUJRA SHAH MUQEEM, DEPALPUR.	35301-3666822-3	NOOR AHMAD	0.300	-	-	0.300	-	0.311	-	0.611

Rs. in Millions

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC 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	Reversal	
195	195 RISING SUN FLOUR MILLS MOUZA NOUSHERA BASTI RAMAN, 11-KM, AHMEDPUR ROAD, BAHAWALPUR	MUHAMMAD SAEED AKHTAR 31202-0285699-1  ABDUL RAUF MALIK 31202-9166580-1 SHAHIDA RASHID MALIK 31202-0382256-6	MALIK HAQ NAWAZ  GHULAM JAHANIA MALIK ABDUL RASHID ARSHAD	6.951	0.632	-	7.583	-	4.946	0.583	5.529
196	196 CHARADE MOTORS BABU AUTO MARKET, 10-MONTGOMERY ROAD, LAHORE.	MUHAMMAD TARIQ JAHANGIR 35201-0820098-5	MIAN MUHAMMAD JEHANGIR	2.000	0.002	-	2.002	-	0.704	-	0.704
197	197 KAMBOH BROTHERS SHOP NO.1094-95 NOOR PLAZA, KAMBOOH CHOWK EX-GANESH MILL FACTORY AREA, FAISALABAD.	MUHAMMAD JAMIL KAMBOH 33100-8601505-5	CH. MUHAMMAD DIN	3.480	-	-	3.480	-	1.085	-	1.085
198	198 NEW PAK (PVT) LTD 1104, KASHIF CENTRE, SHAHRAH-E- FAISAL, KARACHI.	IJAZ AHMED  JOSPHINE AHMAD AIZAD HASAN	HABIB-UR-REHMAN	2.505	-	-	2.505	-	4.215	-	6.720
199	199 ASIF MEHMOOD MOUZA MIRZA PUR, PO. DEPALPUR, TEH. SAME, DISTT. OKARA.	35202-5363538-7	BASHIR AHMAD	2.456	-	-	2.456	-	1.243	-	1.243
200	200 TOP WOOD INDUSTRIES (PVT) LTD PLOT NO.11/13 SIDDIQ WAHAB ROAD, NEAR OLD HAJI CAMP TIMBER MARKET, KARACHI.	AKHTAR HUSSAIN 42201-4913617-3  NAFISA AKHTAR 42201-5911439-4	OSMAN  AKHTAR HUSSAIN	27.995	2.505	-	30.500	-	6.297	-	6.297
201	201 SITARA MOTORS OPP. GOVT COLLEGE GOJRA ROAD, SAMUNDRI HOUSING COLONY-1, SAMUNDRI.	MIAN SHAHID NADEEM 33105-0377124-3	MUHAMMAD YOUNIS	1.000	0.168	-	1.168	-	0.891	-	0.891
202	202 DR. ABDUL GHAFUOR C/O MEHFIL-E-SHEREEN SWEET, TURBAT.	52203-0851011-9	SAYAD MUHAMMAD	0.400	-	-	0.400	0.300	0.292	-	0.592

S. No.		Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC 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	Reversal		
203	DYNASTY TEXTILE DYEING (PVT) LTD 89-HJAIL ROAD,LAHORE.	FARID UDDIN AHMAD 35202-2654764-7 SHAHNAZ FARID AHMAD 35202-3307688-2 YOUSAF ALI 35200-9654283-1 DR.HASNAIN ALI 35202-6360824-9	MUHAMMAD AMEER ALI  FARID UDDIN AHMAD FARID UDDIN AHMAD FARID UDDIN AHMED	27.471	0.352	-	-	27.823	-	-	19.162	-	19.162	
204	KAMRAN AKHTAR CHAK.NO.384/JB.PO.KHAS, TEH&DISTT.TOBA TEK SINGH.	33303-4637116-7	MUHAMMAD ISMAIL	0.260	-	-	-	0.260	0.260	-	0.416	-	0.676	
205	HINA ENTERPRISES 26,SHALANI CLOTH MARKET, NEW NAHAM ROAD,KARACHI.	HINA LALANI 42301-0855870-6	AKBER ALI LALANI	9.141	0.955	-	-	10.096	-	-	13.812	-	13.812	
206	MALIK CLOTH HOUSE GHALLA MANDI MALIK SHAFI MARKET,G.T.ROAD SHAHDRA,LAHORE	KAIKOUS RAFI 35202-7328274-9	MALIK MUHAMMAD RAFI	0.900	0.046	-	-	0.946	-	-	0.530	-	0.530	
207	MUHAMMAD YOUNAS GHALLAH MANDI, JEHANIA, DISTT.KHANEWAL.	36101-2011559-5	MUHAMMAD ALI	2.499	-	-	-	2.499	-	-	1.593	-	1.593	
208	PIYA PRIDE PASRUR ROAD,SIALKOT.	MANSOOR-UL-MULK 34603-7286002-1 ADEEL MANSOOR 34603-2190756-7 ROBINA MANSOOR 34603-9642425-0 NADEEM AHMED MIRZA 34201-0336970-9 MUNEER MANSOOR	HAJJ AMEER AHMED MANSOOR-UL-MALIK MANSOOR-UL-MALIK MANZOOR AHMED MIRZA	0.441	0.759	-	-	1.200	-	-	1.690	-	1.690	
209	MOHSIN ELECTRONICS 27-G.BROTHER PLAZA,HALL ROAD, LAHORE.	ZAHOOR AHMED 35202-2514809-5	ALI UDDIN	0.937	-	-	-	0.937	-	-	0.771	-	0.771	
210	REHMAN AUTOS G.T.ROAD,NEAR M.C.B.TEH.OKARA.	WASEEM ASLAM 35302-8841281-5	MUHAMMAD ASLAM	0.700	-	-	-	0.700	-	-	0.510	-	0.510	
211	GHURAN YOUNUS KAKAKHEL 203.COMM-III,CUL-E-SHAMIM, YASINABAD,F.B.AREA,NEAR MUAKA CHOWRANGI,KARACHI.	42201-8529363-1	MUHAMMAD YOUNUS KAKAKHEL	1.114	-	-	-	1.114	1.114	-	0.037	-	1.151	

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC 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	Reversal	
212	SALEEM SHAHID E-462 ST 21 SECTOR-2 KHY-E-SIR SYED KHAN MEDICAL STORE, RAWALPINDI	61101-7146736-1	MUHAMMAD ASHRAF	0.636	-	-	0.636	0.636	-	0.316	-	0.952
213	OMAIR IQBAL G-FLOOR,AL-GHURAIR GIGA BLDG, G.T.ROAD.	42201-5608575-7	MUHAMMAD IQBAL	1.006	-	-	1.006	1.006	-	0.017	-	1.023
214	RUBINA IMTIAZ D-307 BEACH BLESSING,3RD FLOOR ,BLK-2,CLIFTON,KARACHI.	42301-8464290-4	IMTIAZ AHMED	0.841	-	-	0.841	0.841	-	0.320	-	1.161
215	SHOUKAT ALI SHAH 4509,DEFENCE GARDEN APPT,DHA, PH-I,CLIFTON CONDOMINIUM, BLOCK-2,CLIFTON,KARACHI.	42301-5029521-7	KARAMAT SHAH	0.959	-	-	0.959	0.959	-	0.435	-	1.394
216	ABDUL BASIT HOUSE NO K-16-S-26,FAQIR MUHAMMAD DAR KHAN ROAD,RASUL ABAD,KALA CORT LIYARI,KARACHI.	42301-8067574-1	HAJI ABDUL HANNAN	0.518	-	-	0.518	0.518	-	0.110	-	0.628
217	ABDUL BASIT H.NO.167-S,FAKEER M DWA ROAD, MUHALLAH,RASULAHABAD,ST.NO.1, KARACHI DEGREE COLLEGE.	42301-8067574-1	HAJI ABDUL HANNAN	0.468	-	-	0.468	0.468	-	0.096	-	0.564
218	MUHAMMAD SAEED AHMED ROOM.NO.130,1ST FLOOR,A-BLOCK, PAK SECRETARIAT,ISLAMABAD.	365014-352393-3	NAZIR AHMED	0.468	-	-	0.468	0.468	-	0.274	-	0.742
219	MUHAMMAD SHEERAZ KHAN FLAT.NO.2-AL-AMEEN PLAZA,DHOKE KASHMIRIAN DATA JUNG BAKISH ROAD,RAWALPINDI.	82303-7697152-3	MUHAMMAD HANIF KHAN	0.491	-	-	0.491	0.491	-	0.222	-	0.713
220	GULZEB S-21,7TH EAST PHASE-1 DHA, KARACHI(GOLDEN TOWER).	42301-0904787-7	MUHAMMAD ZAMAN	0.751	-	-	0.751	0.751	-	0.231	-	0.982
221	MUHAMMAD SUHAIL H.NO.205,ST.NO.4,EIDU LINE, KALRI TEENRI ROAD,LYARI, KARACHI(LAL MASJID)	42301-5442980-7	MUHAMMAD SALEEM BALOCH	1.952	-	-	1.952	1.952	-	0.756	-	2.708

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC 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	Reversal		
222	MUHAMMAD KASHIF HOUSE NO.A-130,SECTOR-36-B, ZAMANABAD,LANDHI-4,KARACHI.	42201-5102476-3	QADEER-UR-REHMAN	1,200	-	-	1,200	1,200	-	0.525	-	1,725	
223	FAISAL ALTAF H.NO.37,STREET.37,JAMEEL PARK, SHAHDRATOWN,SHAHDRAT, GUJRANWALA.	36302-0172000-3	ALTAF HUSSAIN	1,641	-	-	1,641	1,641	-	0.430	-	2,071	
224	ARFAN PACKAGES INSIDE KARKHANA RANGWALA, RAHMAN,B.C.G. CHOWK,MULTAN.	MUHAMMAD ARFAN MAQBOOL 36302-2671167-3	MALIK MAQBOOL AHMED	3,096	0.300	-	3,396	-	-	5.460	-	5,460	
225	JADDAH STEEL 112-A,FEROZPUR ROAD,LAHORE.	ABDUL RAHSEED 35202-2757472-7	MIAN BARKAT ALI	0.996	-	-	0.996	-	-	1.073	-	1,073	
226	UMAIR KNITWEAR HOUSE NO.41,STREET.6,AZIZ ROAD ,MISRI SHAH,LAHORE.	MUJAHID IQBAL BUTT 285-50-011974	MUHAMMAD ASHRAF BUTT	0.600	-	-	0.600	0.600	-	0.481	-	1,081	
227	NATIONAL ENGINEERING WORKS GOTH KHAIR MUHAMMAD MARU MOH. SITE AREA BERANI ROAD,TANDO ADAMI.	JAVEED 44206-1557119-3	GHULAM QADIR	2.499	0.051	-	2,550	-	-	0.555	-	0,555	
				1,109.177	113.013	-	1,222.190	151.503	-	806.028	51.718	1,009.249	

## Habib Bank Limited

### Details of Disposal of Operating Fixed Assets - Unconsolidated

For the year ended December 31, 2016

## ANNEXURE-III

Description	Original cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Particulars of buyer
------(Rupees in '000)-----						
<b>FURNITURE &amp; FIXTURES</b>						
	1,000	1,000	-	103	Sale	Pakistan International Airlines Corporation Limited
	1,054	527	527	450	Insurance claim	Jubilee General Insurance Company Limited
	1,103	790	313	350	Sale	} Spine Engineering Private Limited
	1,134	1,134	-	200	Sale	
	1,415	1,014	401	397	Sale	Passaggio Food
	1,606	1,566	40	403	Sale	Urm Enterprise
	19,562	19,512	50	74	Sale	Smart System Technology
	23,607	22,036	1,571	95	Sale	Mr. Umer Younis
	1,445	1,445	-	150	Sale	} Rayyanco Business System
	2,494	2,494	-	200	Sale	
	2,638	2,638	-	200	Sale	
	57,058	54,156	2,902	2,622		

### MOTOR VEHICLES

	1,239	1,239	-	990	Auction	} Mr. Muhammad Atif Essani
	1,269	1,269	-	870	Auction	
	1,269	1,269	-	890	Auction	} Mr. Mustafa Niaz
	1,114	1,114	-	224	Auction	
	1,269	1,269	-	960	Auction	Mr. Iftikhar Ahmad
	1,269	1,269	-	760	Auction	Mr. Yasir Habib
	1,269	1,269	-	850	Auction	Mr. Rana Abdul Samad
	1,373	1,317	56	477	Auction	Mr. Saif ur Rahman
	1,399	1,399	-	1,140	Auction	Mr. Muhammad Farooq Khalsai
	1,399	1,399	-	1,110	Auction	Mr. Muhammad Fayun
	2,050	2,050	-	1,660	Auction	Mr. Muhammad Afzal
	2,159	2,159	-	934	Auction	Mr. Muhammad Aftab Uddin
	2,494	1,742	752	1,008	Auction	Matrix Car Company
	2,554	2,554	-	1,163	Auction	Mr. Muhammad Ejaz
	2,599	2,599	-	1,720	Auction	Mr. Muzaffar Gul
	3,679	1,012	2,667	2,298	Auction	Mr. Ata ur Rahman
	28,404	24,929	3,475	17,054		
Subtotal	85,462	79,085	6,377	19,676		

Assets individually having cost of less than Rs. 1 million and book value of less than Rs. 250,000

Others	518,753	511,774	6,979	52,174
	604,215	590,859	13,356	71,850

# Pattern of Shareholding

As at December 31, 2016

No. of Shareholders	Number of Shares		Total Shares Held
	From	To	
21,570	1	100	573,506
68,089	101	500	14,769,363
2,311	501	1000	1,683,365
1,879	1001	5000	3,562,530
240	5001	10000	1,792,223
99	10001	15000	1,233,037
61	15001	20000	1,108,722
36	20001	25000	804,826
41	25001	30000	1,154,717
29	30001	35000	946,375
23	35001	40000	868,137
17	40001	45000	733,870
17	45001	50000	829,274
15	50001	55000	798,827
11	55001	60000	637,835
10	60001	65000	630,536
9	65001	70000	604,610
4	70001	75000	294,639
5	75001	80000	385,839
9	80001	85000	740,565
8	85001	90000	697,332
8	90001	95000	744,759
11	95001	100000	1,082,665
3	100001	105000	311,079
3	105001	110000	328,500
7	110001	115000	794,861
5	115001	120000	584,274
3	120001	125000	371,350
2	125001	130000	259,500
2	130001	135000	263,253
2	135001	140000	276,491
4	140001	145000	572,883
6	145001	150000	897,700
4	150001	155000	612,025
3	155001	160000	477,028
2	160001	165000	323,245
3	165001	170000	497,945
8	170001	175000	1,381,154
3	180001	185000	544,020
4	185001	190000	749,499
3	190001	195000	578,295
10	195001	200000	1,990,875
3	200001	205000	606,900
2	205001	210000	419,000
1	210001	215000	213,582
1	215001	220000	218,700
2	220001	225000	442,500
1	225001	230000	229,500
1	230001	235000	233,180
2	235001	240000	472,194
4	245001	250000	1,000,000
1	250001	255000	252,700

No. of Shareholders	Number of Shares		Total Shares Held
	From	To	
2	260001	265000	525,920
2	270001	275000	545,013
1	275001	280000	275,837
2	285001	290000	577,953
2	305001	310000	615,600
1	310001	315000	315,000
2	320001	325000	645,600
1	325001	330000	325,600
2	330001	335000	665,028
2	335001	340000	676,900
2	340001	345000	685,100
5	345001	350000	1,739,618
1	365001	370000	365,200
1	370001	375000	372,800
1	380001	385000	381,500
1	395001	400000	399,800
2	405001	410000	816,800
1	410001	415000	411,600
1	415001	420000	415,536
1	425001	430000	429,306
1	430001	435000	434,000
2	445001	450000	899,100
1	455001	460000	457,929
3	460001	465000	1,385,428
1	465001	470000	470,000
2	475001	480000	956,400
1	490001	495000	493,950
2	495001	500000	1,000,000
3	500001	505000	1,504,601
2	505001	510000	1,015,300
1	510001	515000	512,500
1	515001	520000	515,170
1	565001	570000	566,141
2	575001	580000	1,151,848
1	580001	585000	582,300
2	590001	595000	1,181,500
1	595001	600000	598,200
2	600001	605000	1,204,643
2	640001	645000	1,284,000
1	665001	670000	668,900
1	710001	715000	710,200
1	745001	750000	750,000
1	765001	770000	769,000
2	790001	795000	1,583,170
1	810001	815000	811,349
1	815001	820000	818,800
1	830001	835000	834,536
1	835001	840000	837,000
1	865001	870000	869,303
1	880001	885000	880,227
1	920001	925000	921,878
2	935001	940000	1,877,560
1	950001	955000	953,800
1	965001	970000	967,869
1	975001	980000	977,526



No. of Shareholders	Number of Shares		Total Shares Held
	From	To	
1	995001	1000000	1,000,000
1	1015001	1020000	1,016,900
1	1070001	1075000	1,072,500
1	1075001	1080000	1,078,200
1	1115001	1120000	1,115,712
1	1125001	1130000	1,125,817
1	1130001	1135000	1,135,000
1	1165001	1170000	1,166,000
1	1170001	1175000	1,172,373
2	1175001	1180000	2,353,340
2	1185001	1190000	2,372,696
1	1210001	1215000	1,212,280
1	1245001	1250000	1,247,433
1	1265001	1270000	1,267,200
1	1270001	1275000	1,274,500
1	1275001	1280000	1,279,800
1	1300001	1305000	1,304,878
1	1355001	1360000	1,358,900
2	1370001	1375000	2,741,830
1	1400001	1405000	1,403,100
1	1420001	1425000	1,422,633
1	1490001	1495000	1,491,706
1	1500001	1505000	1,500,005
1	1510001	1515000	1,512,700
1	1545001	1550000	1,550,000
1	1625001	1630000	1,625,600
1	1655001	1660000	1,658,988
1	1735001	1740000	1,737,800
1	1745001	1750000	1,747,300
2	1770001	1775000	3,546,000
1	1785001	1790000	1,787,300
1	1810001	1815000	1,812,219
2	1820001	1825000	3,645,400
1	1850001	1855000	1,850,496
1	1885001	1890000	1,888,788
1	1895001	1900000	1,898,789
1	1980001	1985000	1,984,048
1	1995001	2000000	1,995,924
1	2090001	2095000	2,092,063
1	2645001	2650000	2,650,000
1	2650001	2655000	2,651,600
1	2885001	2890000	2,889,300
1	2900001	2905000	2,904,700
1	2960001	2965000	2,963,600
1	3055001	3060000	3,057,000
1	3145001	3150000	3,147,400
1	3175001	3180000	3,178,139
1	3195001	3200000	3,196,700
1	3245001	3250000	3,250,000
1	3285001	3290000	3,288,851
1	3325001	3330000	3,329,900
1	3360001	3365000	3,360,800
1	3435001	3440000	3,438,000
1	3445001	3450000	3,445,200
1	3460001	3465000	3,462,360

No. of Shareholders	Number of Shares		Total Shares Held
	From	To	
1	3520001	3525000	3,524,300
1	3645001	3650000	3,646,000
1	3920001	3925000	3,923,300
1	3965001	3970000	3,969,400
1	4000001	4005000	4,001,000
1	4325001	4330000	4,326,000
1	4355001	4360000	4,359,600
1	4705001	4710000	4,705,500
1	4740001	4745000	4,743,037
1	4830001	4835000	4,830,300
1	4995001	5000000	5,000,000
1	5210001	5215000	5,212,824
1	5240001	5245000	5,241,100
1	5470001	5475000	5,474,321
1	5695001	5700000	5,700,000
1	5865001	5870000	5,866,471
1	6185001	6190000	6,186,100
1	6440001	6445000	6,442,415
1	6495001	6500000	6,497,000
1	6620001	6625000	6,622,992
1	6640001	6645000	6,640,200
1	6785001	6790000	6,788,771
1	7125001	7130000	7,128,562
1	8015001	8020000	8,017,100
1	9400001	9405000	9,400,199
1	10240001	10245000	10,243,400
1	10765001	10770000	10,767,200
1	11375001	11380000	11,378,800
1	12340001	12345000	12,344,492
1	13540001	13545000	13,543,400
1	15700001	15705000	15,702,982
1	19410001	19415000	19,410,600
1	25520001	25525000	25,521,114
1	29995001	30000000	30,000,000
1	30535001	30540000	30,537,658
1	31530001	31535000	31,531,700
1	41070001	41075000	41,074,800
1	45240001	45245000	45,243,700
1	73340001	73345000	73,342,000
1	748090001	748095000	748,094,778
<b>94,779</b>			<b>1,466,852,508</b>

# Trading by Executives

Shares Trading (Sale/Purchase) during the Year 2016

## HBL - Executives

S.No.	Name of shareholder	Purchase	Sale
1	Anis Ali	300	-
2	Asad Ali	2,500	-
3	Hassan Azam	700	-
4	Muhammad Ahsan Azam	-	1,700
5	Mehrukh Burki	-	210
6	Sobia Chughtai	2,179	-
7	Altaf Dosani	300	300
8	Tahir Ejaz	210	-
9	Aashiq Hussain	600	-
10	Musheer Khan	2,000	-
11	Amin Lakhani	210	-
12	Amir Ali Lalji	1,000	-
13	Syed Shahid Mansoor	4,057	2,057
14	Tauqeer Mazhar	5,000	-
15	Mustafa Mohsin	400	-
16	Muhammad Nawaz	210	-
17	Syed Mudassar Niazi	-	210
18	Aftab Abdul Sattar	2,000	-
19	Moeen Azeem Shaikh	200	-
20	Muhammad Usman Shaikh	-	200
21	Farhan Talib	6,728	-
22	Karim Wallani	-	210
23	Habib Yousuf	4,866	-
24	Aamir Zuberi	5,795	-
25	Adeel Zuberi	400	800

## Categories of Shareholders

As at December 31, 2016

Particulars	Shareholders	Shareholding	Percentage
<b>Shareholders holding five percent or more voting rights</b>			
AGA KHAN FUND FOR ECONOMIC DEVELOPMENT	1	748,094,778	51.00
CDC GROUP PLC	1	73,342,000	5.00
<b>Associated Companies, Undertakings and Related Parties</b>			
THE AGA KHAN UNIVERSITY FOUNDATION	1	1,185,496	0.08
JUBILEE GENERAL INSURANCE COMPANY LIMITED	1	4,743,037	0.32
JUBILEE LIFE INSURANCE COMPANY LIMITED	1	12,344,492	0.84
CDC - TRUSTEE HBL - MULTI ASSET FUND	1	170,971	0.01
CDC - TRUSTEE HBL - MUSTAHEKUM SARMAYA FUND 1	1	34,000	0.00
CDC - TRUSTEE HBL - STOCK FUND	1	1,812,219	0.12
TRUSTEE - HBL EMPLOYEES PROVIDENT FUND	1	15,702,982	1.07
TRUSTEE - HBL EMPLOYEES GRATUITY FUND TRUST	1	3,178,139	0.22
TRUSTEE - HBL EMPLOYEES PENSION FUND TRUST	1	5,474,321	0.37
TRUSTEE - PICIC INVESTMENT FUND	1	953,800	0.07
CDC - TRUSTEE PICIC GROWTH FUND	1	1,787,300	0.12
TRUSTEE - PICIC STOCK FUND	1	109,000	0.01
<b>Directors and their Spouse(s) and Minor Children</b>			
NAUMAN K. DAR	1	1,172,373	0.08
AGHA SHER SHAH	1	1,000	0.00
NAJEEB SAMIE	1	18,500	0.00
<b>Executives</b>	1,106	673,021	0.05
<b>Public Sector Companies and Corporations</b>	10	42,723,565	2.91
<b>Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	56	54,781,805	3.73
<b>Mutual Funds</b>			
CDC - TRUSTEE ABL STOCK FUND	1	1,500,005	0.10
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	142,483	0.01
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	325,600	0.02
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	1	19,200	0.00
CDC - TRUSTEE ALFALAH GHP SOVEREIGN FUND - MT	1	12,500	0.00
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	500,700	0.03
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	198,400	0.01
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	26,600	0.00
CDC - TRUSTEE ASKARI EQUITY FUND	1	27,700	0.00
CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	1	85,700	0.01
CDC - TRUSTEE ATLAS INCOME FUND - MT	1	191,900	0.01
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	1,279,800	0.09
CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	1	13,000	0.00
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	87,500	0.01
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	186,900	0.01
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	40,000	0.00
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	22,800	0.00
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	45,000	0.00
CDC - TRUSTEE LAKSON EQUITY FUND	1	977,526	0.07
CDC - TRUSTEE LAKSON TACTICAL FUND	1	130,990	0.01
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	55,100	0.00
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	1,658,988	0.11
CDC - TRUSTEE NAFA ASSET ALLOCATION FUND	1	166,767	0.01
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND	1	31,000	0.00
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	97,180	0.01
CDC - TRUSTEE NAFA STOCK FUND	1	2,092,063	0.14
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,247,433	0.09
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,984,048	0.14
CDC - TRUSTEE NITPF EQUITY SUB-FUND	1	8,000	0.00
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	69,700	0.00
CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND - MT	1	25,000	0.00
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	1	19,500	0.00
CDC - TRUSTEE PIML ASSET ALLOCATION FUND	1	35,000	0.00
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	138,100	0.01
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	1,072,500	0.07
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	182,200	0.01
MCBFSL - TRUSTEE JS GROWTH FUND	1	339,100	0.02
MCBFSL - TRUSTEE JS VALUE FUND	1	189,900	0.01
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	38,000	0.00
<b>Privatisation Commission of Pakistan</b>	1	4,002	0.00
<b>Foreign Companies</b>	152	369,587,715	25.20
<b>General Public</b>			
a. Local	93,134	50,445,298	3.44
b. Foreign	10	162,631	0.01
<b>Others</b>	254	63,086,180	4.30
	<b>94,779</b>	<b>1,466,852,508</b>	<b>100.00</b>

# Notice of Annual General Meeting

Notice is hereby given that the 75<sup>th</sup> Annual General Meeting of Habib Bank Limited will be held on Thursday, March 30, 2017 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, 2016, together with the Reports of the Directors and Auditors thereon.
2. To appoint Auditors for a term ending at the conclusion of the next Annual General Meeting at a fee of Rs. 24.143 million. In addition any Federal or Provincial taxes and reimbursements of out of pocket expenses will be paid at actuals. The retiring Auditors, A.F. Ferguson & Company, Chartered Accountants, being eligible, have offered themselves for reappointment.
3. To approve payment of a Final Cash Dividend of Rs. 3.50 per share, i.e. 35%, as recommended by the Directors, to those who are Shareholders as at close of business on March 21, 2017, which Final Cash Dividend is in addition to the 105% Interim Cash Dividend (i.e. Rs. 10.50 per share) already paid.

## Special Resolution

4. To consider and, if thought fit, approve a reduction in the authorised capital of the Bank from Rs. 30 billion to Rs. 29 billion i.e. a reduction of 3.33% by cancellation of 100 million ordinary shares of Rs. 10 each and, accordingly, to amend Article V of the Memorandum of Association, and pass the following Special Resolution with or without modification:

Resolved that the authorised capital of the Bank be and is hereby reduced to Rs. 29 billion by cancellation of 100 million ordinary shares of Rs. 10 each, and that Article V of the Memorandum of Association of the Bank be and is hereby amended to read as follows:

"The Authorised Capital of the Bank is Rs. 29 billion divided into 2.9 billion ordinary shares of Rs. 10 each."

The aforesaid amendment shall be implemented once all regulatory approvals are in place.

The information as required under section 160(1)(b) of the Companies Ordinance, 1984, setting out in detail the special business to be conducted in the Annual General Meeting is being provided alongwith the Notice of the Annual General Meeting being sent to the Shareholders.

## Any Other Business:

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

By Order of the Board

Nausheen Ahmad  
Company Secretary

March 6, 2017  
Karachi

## Notes:

1. Copies of the minutes of the Annual General Meeting dated March 29, 2016 are available for inspection by Members as required under section 173 of the Companies Ordinance, 1984.
2. An update as required under Regulations 4 and 8 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012, is included as part of the Annual Report 2016.
3. The Register of Members and the Share Transfer Books will be closed from March 22, 2017 to March 30, 2017 (both days inclusive) for the purpose of the Annual General Meeting.
4. Only those persons whose names appear in the Register of Members of the Bank as at March 21, 2017 are entitled to attend and vote at the Annual General Meeting.
5. A Member entitled to attend and vote at the Annual General Meeting may appoint another Member as 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 Annual General Meeting.
6. Members are requested to notify immediately any changes in their registered address to our Share Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shakra-e-Faisal, Karachi - 74400.
7. 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.
8. Pursuant to Section 150 of the Income Tax Ordinance, 2001 and Finance Act, 2016 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders at 12.5% and 20% respectively. According to the Federal Board of Revenue (FBR), withholding tax in case of joint accounts will be determined separately based on the 'Filer/Non-Filer' status of the principal shareholder as well as the status of the jointholder(s) based on their shareholding proportions. Members that hold shares with joint shareholders are requested to provide the shareholding proportions of the principal shareholder and the 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 proportion by the principal shareholder and the joint holder(s).

#### **A. Requirements For Attending the Annual General Meeting:**

- (i) In the case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the Central Depository Company of Pakistan Limited Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Annual General Meeting.
- (ii) In the case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the Annual General Meeting (unless it has been provided earlier).

#### **B. Requirements for Appointing Proxies:**

- (i) In the case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the Central Depository Company of Pakistan Limited 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 the CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his/her original CNIC or original passport at the time of the Annual General Meeting.
- (v) In the case of a corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature of the nominee shall be submitted (unless it has been provided earlier) to the Bank along with the proxy form.

## Statement of Material Facts

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

### Special Business

#### Agenda Item -4- Reduction in Authorised Capital

The present authorised capital of the Bank is Rs. 30,000,000,000 (Rupees thirty billion) divided into 3,000,000,000 (three billion) Ordinary shares of Rs. 10 each. As required under Section 14(1) of the Banking Companies Ordinance, 1962, the issued and paid up capital of the Bank should be not less than 50% of its authorised capital. In order to comply with the provisions of this Section, the Board of Directors have recommended that the Members consider and, if thought fit, pass the Resolution set forth at Agenda Item 5 of the Notice convening the Annual General Meeting of the Bank with or without modification.

The aforesaid amendment shall be implemented once all regulatory approvals are in place.

Save to the extent already disclosed, the Directors of the Bank are not directly or indirectly interested in the agenda items proposed.



## Update

### Under Regulations 4 and 8 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

This Statement provides information as required under Sections 4 and 8 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 in respect of the investments authorised by the Shareholders in the previous Annual General Meetings of the Bank.

#### Summary / Overview

Company name	Approvals taken in Annual General Meeting	Date of Annual General Meeting	Update for 2016
Diamond Trust Bank Kenya Limited (DTBK)	To acquire additional shareholding of 14.32%	March 22, 2013	No additional shares were acquired in 2016.
Kyrgyz Investment and Credit Bank Limited (KICB)	To acquire additional shareholding of 8%	March 22, 2013	No additional shares were acquired in 2016.
Habib Allied Holding Limited (previously named Habib Allied International Bank PLC)	To make additional investment of upto GBP 50 million	March 22, 2013	The investment is now complete subsequent to the year end.
Jubilee General Insurance Company Limited (JGIC)	To acquire additional shareholding of 8.26%	March 22, 2013	Additional shareholding of 0.47% was acquired during 2016.
Jubilee Life Insurance Company Limited (JLIC)	To acquire additional shareholding of 6.55%	March 22, 2013	Additional shareholding of 0.57% was acquired during 2016.
The First MicroFinance Bank Limited (FMFB)	To invest upto Rs. 2 billion in the equity of FMFB over a period of 3 years	March 27, 2015	The transaction for acquisition of 50.51% shareholding in FMFB was concluded in May 2016 and the approved investment of Rs 2 billion has been made.
Himalayan Bank Ltd	To invest upto a maximum of 30% in the equity of Himalayan Bank Ltd over a period of 5 years	March 29, 2016	HBL has participated in capital offerings through a rights issue and has paid an advance of NPR 128.547 million for subscription of rights shares.

(i) **Diamond Trust Bank Kenya Limited (DTBK):**

1	Total Investment approved	Approved by the Shareholders in the 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	Additional 0.06% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The timeframe specified for making the complete investment is March 2019.
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.

**KES in billion**

	2014	2015
Revenue	16.569	19.887
Operating expense	7.197	8.171
Operating profit	9.372	11.716
Customer deposits	160.956	194.052
Customer loans and advances	137.655	177.545
Investments / balances with banks	64.727	83.459
Equity	32.264	38.306

(ii) Kyrgyz Investment and Credit Bank Limited (KICB):

1	Total Investment approved	Approved by the Shareholders in the 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	NIL.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The timeframe specified for making the complete investment is March 2019.
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

	2014	2015
Revenue	27.970	26.133
Operating expense	14.870	15.207
Operating profit	13.100	10.926
Customer deposits	164.595	199.638
Customer loans and advances	189.800	146.738
Investments / balances with banks	99.835	160.353
Equity	56.912	57.984

### (iii) Habib Allied Holding Limited:

Consequent upon the transfer of the banking business carried on by Habib Allied International Bank, Plc to its wholly owned subsidiary in the UK, Habibsons Bank Limited, the name of Habib Allied International Bank Plc has been changed to Habib Allied Holding Limited, which remains a subsidiary of HBL. HBL will continue to invest in this subsidiary to further grow and strengthen operations in the UK and in other international markets.

1	Total Investment approved	Approved by the Shareholders in the Annual General Meeting held on March 22, 2013 to invest upto GBP 50 million.
2	Amount of investment made to date	GBP 46.617 million. An additional investment of GBP 3.380 million has been made subsequent to the year end, resulting in HBL's shareholding increasing from 89.40% to 90.50%. The total investment now stands at GBP 49.997 million.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The investment is now complete, subsequent to the year end.
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

	2014	2015
Revenue	13.519	15.137
Operating expenses	18.262	16.903
Operating profit / (loss)	(4.743)	(1.766)
Customer deposits	475.784	469.918
Customer loans and advances	149.724	117.81
Investments / balances with banks	259.300	294.049
Equity	37.187	70.921

(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	PKR 255.496 million representing 2.07% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The timeframe specified for making the complete investment is March 2019.
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**

	2014	2015
Revenue	4,690.390	5,488.950
Operating expenses	3,420.568	3,775.667
Operating profit	1,269.822	1,713.283
Investments / balances with banks	8,798.636	10,148.577
Equity	5,422.877	5,906.404

(v) Jubilee Life Insurance Company Limited (JLIC):

1	Total Investment approved	Approved by the Shareholders in the Annual General Meeting held on March 22, 2013 to acquire additional 6.55% as a result of which the total shareholding shall stand increased to upto 24.50%.
2	Amount of investment made to date	PKR 209.335 million representing 0.57% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The timeframe specified for making the complete investment is March 2019.
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

	2014	2015
Revenue	215.125	353.592
Operating expenses	94.555	131.949
Operating profit	120.570	221.643
Investments / balances with banks	46,979.689	66,378.856
Equity	3,159.865	3,910.237

**(vi) First MicroFinance Bank Limited (FMFB):**

1	Total Investment approved	Approved by the Shareholders in the Annual General Meeting held on March 27, 2015 to invest upto Rs. 2 billion in the form of equity over a period of 3 years as a result of which the total shareholding shall stand at over 50%.
2	Amount of investment made to date	The transaction for acquisition of majority shareholding in FMFB was concluded in May 2016 and the approved investment of Rs 2 billion has been made. HBL's shareholding in FMFB now stands at 50.51%.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The investment is complete.
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**

	2014	2015
Revenue	1,189.690	1,509.934
Operating expenses	979.539	1,052.103
Operating profit	210.151	457.831
Customer deposits	8,749.901	9,661.088
Customer loans and advances	4,416.691	5,525.612
Investments / balances with banks	5,505.199	5,697.515
Equity	1,208.134	1,515.615

(vii) Himalayan Bank Ltd:

1	Total Investment approved	Approved by the Shareholders in the Annual General Meeting held on March 29, 2016 to acquire additional shareholding of 10% as a result of which total shareholding shall stand increased to upto 30%.
2	Amount of investment made to date	HBL has participated in capital offerings through a rights issue and has paid an advance of NPR 128.547 million for subscription of rights shares.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The timeframe specified for making the complete investment is March 2021.
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.

**NPR.in million**

	2014/15	2015/16
Revenue	3,825.268	4,722.705
Operating expenses	1,877.627	1,989.633
Operating profit	1,947.641	2,733.072
Customer deposits	73,538.200	87,323.146
Customer loans and advances	55,428.007	69,100.890
Investments / balances with banks	25,500.801	27,181.057
Equity	6,958.900	8,874.529



# Admission Slip

The 75<sup>th</sup> Annual General Meeting of Habib Bank Limited will be held on Thursday, March 30, 2017 at 9.00 a.m. at the Serena Hotel Islamabad.

Kindly bring this slip duly signed by you for attending the Annual General Meeting.

**Company Secretary**

Name \_\_\_\_\_

Folio/CDC Account No. \_\_\_\_\_ Signature \_\_\_\_\_

## Note:

- i. The signature of the Physical 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/her identity by showing his / her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Annual General Meeting.
- II. In case of a corporate entity, the Board of Directors' resolution / power of attorney with the specimen signature of the nominee shall be produced at the time of the Annual General 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 75<sup>th</sup> Annual General Meeting of the Bank to  
be held on Thursday, March 30, 2017 at Serena Hotel Islamabad and at any adjournment thereof.

As witness my/our hand/Seal this \_\_\_\_\_ day of \_\_\_\_\_ 2017

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 9<sup>th</sup> Floor, Habib Bank Tower, Jinnah Avenue, Blue Area, Islamabad, not less than 48 hours before the time of holding the Annual General 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:

- a. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- b. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- c. The proxy shall produce his/her original CNIC or original passport at the time of the Annual General Meeting.
- d. In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature of the nominee shall be submitted (unless it has been provided earlier) to the Bank along with the proxy form.

## مختار نامہ (پراکسی فارم)

میں / ہم \_\_\_\_\_  
 برائے \_\_\_\_\_  
 حبیب بینک لمیٹڈ کے ممبر (ممبران) کی حیثیت سے \_\_\_\_\_  
 عمومی شہر کی تحویل رکھتا ہوں / رکھتے ہیں \_\_\_\_\_  
 لہذا بذریعہ ہذا \_\_\_\_\_ کے / کی جناب / محترمہ \_\_\_\_\_  
 کو بحوالہ فوئو / CDC اکاؤنٹ نمبر یا ان کی جگہ \_\_\_\_\_  
 کے / کی جناب / محترمہ \_\_\_\_\_ بحوالہ فوئو / CDC اکاؤنٹ نمبر \_\_\_\_\_، کو بینک کے 75 ویں  
 سالانہ اجلاس عام میں اپنی جگہ شرکت، رائے اور ووٹ دینے کے لئے اپنا پراکسی تقرر کرتا / کرتی ہوں / کرتے ہیں۔ یہ اجلاس سرینا ہوٹل اسلام آباد میں بروز جمعرات 30 مارچ 2017 کو الٹوا  
 کی صورت میں کسی بھی دیگر وقت مقررہ پر منعقد ہوگا۔

میں / ہم بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ کو اپنے دستخط / مہر کے ساتھ اس امر کی تصدیق کرتا / کرتی ہوں / کرتے ہیں۔

مذکورہ بالا کے دستخط:

ان کی موجودگی میں: \_\_\_\_\_  
 1. \_\_\_\_\_  
 2. \_\_\_\_\_

پانچ روپے کی  
 ریونیو مہر پر  
 دستخط

فوئو / CDC اکاؤنٹ نمبر:

یہ دستخط بینک کے پاس رجسٹرڈ نمونہ  
 دستخط کے جیسے ہونے چاہئیں۔

### اہم نکات:

1. باضابطہ، مکمل شدہ اور دستخط کردہ یہ پراکسی فارم بینک کے رجسٹرڈ آفس بمقام نویں منزل، حبیب بینک ٹاور، جناح ایونیو، بلیو ایریا، اسلام آباد میں اجلاس کے وقت سے 48 گھنٹے قبل پہنچ جانا چاہئے۔
2. بینک کا نمبر نہ ہونے کی صورت میں کسی فرد کو بطور پراکسی مقرر نہیں کیا جاسکتا، ماسوائے کارپوریشن جو ممبر کے علاوہ دوسرے فرد کو پراکسی نامزد کر سکتی ہے۔
3. کسی ممبر کی جانب سے ایک سے زیادہ پراکسی مقرر کئے جانے اور ممبر اگر بینک کو ایک سے زائد پراکسی انسٹرکشنس داخل کرائے، تو وہ سب غیر مؤثر تصور کئے جائیں گے۔

### برائے CDC اکاؤنٹ ہولڈرز / کارپوریٹ ادارے:

درج بالا کے علاوہ درج ذیل تقاضے بھی لازمی ہیں:-

- الف۔ پراکسی فارم دو افراد کی جانب سے گواہی کے ہمراہ ہونا چاہئے جن کے نام، پتہ اور سی این آئی سی نمبر فارم پر درج ہوں۔
- ب۔ ہتھیشیل مالکان اور پراکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ نقول پراکسی فارمز کے ساتھ پیش کرنا ہوں گی۔
- ج۔ پراکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
- د۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع نمونہ دستخط، پراکسی فارم کے ساتھ کمپنی کو پیش کئے جائیں (اگر وہ پہلے پیش نہ کئے گئے ہوں)۔

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