

A young girl with a blue and red patterned headscarf and red bangles, looking over a stone wall. The background is a blurred, warm-toned landscape.

# HBL

## More than Just a Bank

Annual Report 2017



HBL is more than a bank. It has been a part of Pakistan's fabric for over seven decades. Our focus has always been people and their dreams, enabling HBL to be the catalyst for progress.

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# Corporate Information

## Board of Directors

Mr. Sultan Ali Allana	Chairman
Mr. Shaffiq Dharamshi	Director
Mr. Moez Ahamed Jamal	Director
Mr. Salim Raza	Director
Dr. Najeeb Samie	Director
Mr. Agha Sher Shah	Director
Mr. Sajid Zahid	Director
Mr. Rayomond Kotwal	Acting President & CEO

## Board Committees

### Audit Committee

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

### Risk Management Committee

Mr. Shaffiq Dharamshi	Chairman
Mr. Sajid Zahid	Member
Mr. Salim Raza	Member
Mr. Rayomond Kotwal	Member
Mr. Rizwan Haider	Secretary

### Human Resource and Remuneration Committee

Mr. Sultan Ali Allana	Chairman
Mr. Moez Ahamed Jamal	Member
Mr. Agha Sher Shah	Member
Mr. Rayomond Kotwal	Non-voting Member
Mr. Jamal Nasir	Secretary

### Board IT Committee

Mr. Salim Raza	Chairman
Mr. Agha Sher Shah	Member
Dr. Aamir Matin	Secretary

### Board Oversight Committee

Dr. Najeeb Samie	Chairman
Mr. Shaffiq Dharamshi	Member
Ms. Nausheen Ahmad	Secretary

## Acting Chief Financial Officer

Mr. Irfan Ahmed Meer

## Company Secretary

Ms. Nausheen Ahmad

## Legal Advisors

Mandviwalla and Zafar  
Legal Consultants and Advocates

## Auditors

A. F. Ferguson & Co.  
Chartered Accountants

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

## Registered Office

Habib Bank Limited  
9<sup>th</sup> Floor, Habib Bank Tower, Jinnah Avenue,  
Blue Area, Islamabad, Pakistan.  
Phone: (92-51) 2270856, (92-51) 2821183  
Fax: (92-51) 2872205

## Websites:

Corporate Website:  
www.hbl.com

## Internet Banking:

www.hblbank.com.pk

# Management

**Rayomond Kotwal**

Acting President & CEO

**Sagheer Mufti**

Chief Operating Officer

**Mohammad Ali**

Head Distribution

**Naveed Asghar**

Chief Marketing Officer

**Mirza Saleem Baig**

Head Real Estate Management

**Rizwan Haider**

Chief Risk Officer

**Aamir Irshad**

Head Branch Banking

**Saad ur Rahman Khan**

Head Financial Institutions, Global Trade &  
Global Remittance Business

**Aamir Kureshi**

Head Consumer Banking

**Faisal Lalani**

Head International Banking

**Salahuddin Manzoor**

Global Treasurer

**Aamir Matin**

Head Technology Strategy

**Irfan Ahmed Meer**

Acting Chief Financial Officer

**Abrar A. Mir**

Chief Innovation &  
Financial Inclusion Officer

**Jamal Nasir**

Chief Human Resources Officer

**Zahid Parekh**

Head Islamic Banking

**Nauman Riaz**

Chief Compliance Officer

**Muhammad Nassir Salim**

Head Global Operations

**Khalid Mohsin Shaikh**

Head Remedial & Structured Credits

**Farhan Talib**

Head Corporate and Investment Banking

**Nausheen Ahmad**

Company Secretary

**Armughan Ahmed Kausar**

Chief Internal Auditor









## Championing inclusion

Women are half of the population. Our nation cannot progress without their full participation.

We launched HBL Nisa, a dedicated platform for women, helping them towards financial independence and empowerment. Today, HBL has the largest customer base of women - over 2.5 million.

# Our Values

Our values are the fundamental principles that define our culture and are brought to life in our attitudes and behaviour.

## 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.

## Progressiveness

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

## 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.

# Vision

Enabling people to advance  
with confidence and success

# Mission

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









## Inspiring hope

Nearly 30% of Pakistanis are below the poverty line. They feel they have insufficient funds to open an account.

HBL is a bank for the masses. We launched HBL Asaan Account which only requires a deposit of Rs. 100. Since its launch, we have welcomed over half a million people into the banking fold.



# HBL International Footprint Across 4 Continents, in 24 Countries

BRANCHES			Mauritius	Port Louis	
Afghanistan	Kabul			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	
			Singapore	Singapore	
Belgium	Brussels		Sri Lanka	Colombo	Pettah (F.C.B.U.) Dharmapala Wellawatte
China	Urumqi			Kalmunai	
Lebanon	Beirut			Kandy	
Maldives	Male			Galle	
	Hulhumale		Turkey	Istanbul	

<b>UAE</b>	<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>	
<b>USA</b>	<b>New York City</b>	

#### AFFILIATES

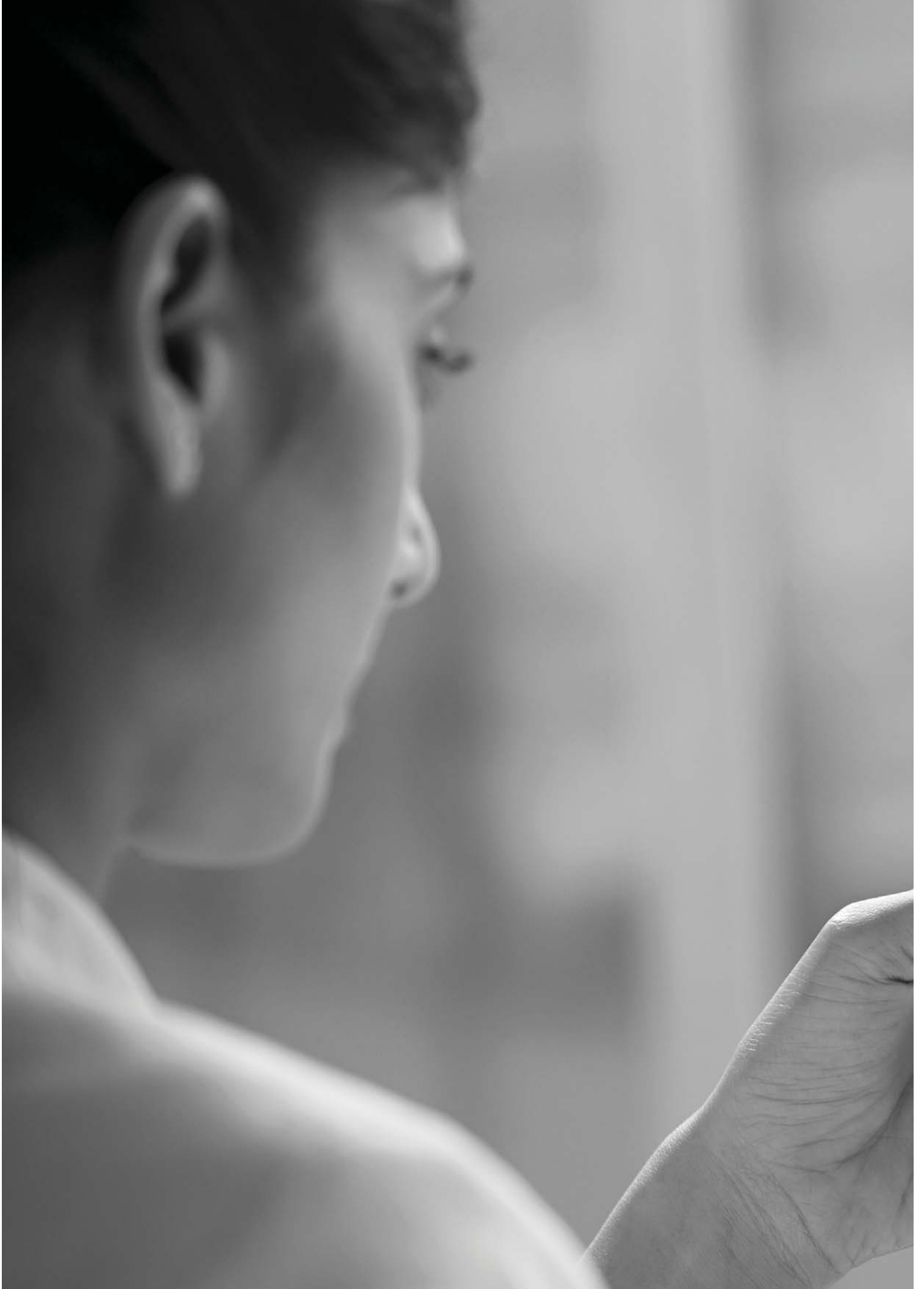
<b>Nepal</b>	<b>Himalayan Bank Ltd - Nepal (20%)</b> 47 Branches
<b>Kyrgyz Republic</b>	<b>Kyrgyz Investment and Credit Bank - Kyrgyz Republic (18%)</b> 38 Branches (including - Sub branches)
<b>Kenya</b>	<b>Diamond Trust Bank Kenya Limited - Kenya (16.15%)</b> 137 Branches across Kenya, Tanzania, Uganda and Burundi

#### SUBSIDIARIES

<b>UK</b>	<b>Habib Allied Holding Limited</b>
	<b>Habibsons Bank Limited</b> Trading as Habib Bank UK
<b>London</b>	Edgware Road Whitechapel Road Green Street Southall Portman Street
	<b>Manchester</b>
	<b>Birmingham</b>
	<b>Leicester</b>
	<b>Glasgow</b>
<b>France</b>	<b>Paris</b>
<b>Netherlands</b>	<b>Rotterdam</b>
<b>Switzerland</b>	<b>Zurich</b>
	<b>12 Branches</b>
<b>Hong Kong</b>	<b>Habib Finance International Limited</b>
	<b>Hong Kong</b>

#### REPRESENTATIVE OFFICE

<b>People's Republic of China</b>	<b>Beijing</b>
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# Embracing the future

Pakistan has the 6<sup>th</sup> largest population and is one of the youngest and fastest growing societies in the world.

HBL welcomes the Pakistani youth to banking with platforms such as the HBL Mobile Banking App. Today, with over 400,000 relationships, HBL is making banking convenient for everyone.



# Accolades

## **Best Domestic Bank – Pakistan**

Asiamoney

## **Best Retail Bank in Pakistan**

Asian Banker International Awards

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

Institute of Bankers Pakistan

## **Best Corporate Campaign**

Pakistan Advertisers Society

## **Best Trade Finance Provider in Pakistan**

Global Finance

## **Best Investment Bank in Pakistan**

Global Finance

Global Banking and Finance Review

International Finance Magazine

World Finance

## **Best Belt and Road Initiative in South Asia**

Asiamoney

## **Power Deal of the Year - Pakistan**

The Asset Triple A Asia Infrastructure

## **Best M&A Deal - Pakistan**

The Asset



PKR **2.7** Trillion  
Asset Base

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**2007**  
ATMs

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PKR **2.0** Trillion  
Deposit Base

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**1751**  
Branches Worldwide

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PKR **28.8** Billion  
Profit Before Tax

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Over **11** Million  
Customers Worldwide

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# Board of Directors



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

Mr. Sultan Ali Allana has served as the Chairman of the Board of Directors of HBL since February 2004. He has over 33 years of experience in the financial and banking sector.

Mr. Allana also serves on the Boards of The Aga Khan Fund for Economic Development S.A, AQA Holding S.p.A, Geasar S.p.A, Jubilee Holdings Limited, Jubilee Life Insurance Company Limited, Industrial Promotion Services (Pakistan) Limited and Tourism Promotion Services (Pakistan) Limited.

**2. Mr. Shaffiq Dharamshi**  
*Director*

Mr. Dharamshi joined the Board in 2015. He is a banker with over 25 years of banking experience in the Middle East and Africa.

He also currently serves on the Boards of Diamond Trust Bank, Tanzania, Diamond Trust Bank, Uganda, Diamond Trust Bank, Kenya, 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 over 39 years of experience in the financial sector.

He currently serves on the Boards of Diamond Trust Bank Kenya, Marcuard Family Office, Switzerland, Jubilee Holdings Limited and Global Finanz Agency AG.

**4. Mr. Salim Raza**  
*Director*

Mr. Salim Raza joined the Board in 2017. He has over 40 years of experience in the banking and financial sector. He has held various positions at Citibank NA in Pakistan and abroad and has also held the position of Governor of the State Bank of Pakistan.

He currently serves on the Board of International Steels Limited and is an adjunct professor at the Institute of Business Administration (IBA), Karachi for Political Economy.



**5. Dr. Najeeb Samie**  
*Director*

Dr. Najeeb Samie was appointed to the Board in 2013. He has over 37 years of experience in the corporate and financial sector.

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



**6. Mr. Agha Sher Shah**  
*Director*

Mr. Agha Sher Shah has been on the Board since 2013. He has over 26 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 HBL Asset Management Limited, Attock Cement Pakistan Limited, Sui Southern Gas Company Limited, Thatta Cement Company Limited, Newport Containers Terminal (Private) Limited and Triton LPG (Private) Limited.



**7. Mr. Sajid Zahid**  
*Director*

Mr. Sajid Zahid was appointed to the Board in 2000. He is a Barrister with over 42 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.



**8. Mr. Rayomond Kotwal**  
*Acting President & CEO*

Mr. Rayomond Kotwal joined HBL as the Chief Financial Officer in 2015 and assumed charge as Acting President & Chief Executive Officer on December 1, 2017. He has over 31 years of experience including over 20 years in the banking sector.

He currently serves as the Chairman of First MicroFinance Bank Limited and is a Director on the Board of HBL Asset Management Limited, Habib Allied Holding Limited UK and Habibsons Bank UK.







## Driving progress

As an integral part of the nation's fabric, HBL is helping the country realise its potential.

Projects such as the Thar Coal Power Plant are revolutionising the nation's energy landscape. HBL funds infrastructure development for Pakistan, paving the way for its economic growth.





## Chairman's Message

### More than just a Bank

HBL's core businesses have continued to perform well in 2017, with the Bank delivering its highest ever revenue of nearly Rs 116 billion. We grew the balance sheet to Rs 2.7 trillion, making us by far the largest bank in the country, while adding Rs 172 billion in domestic CASA deposits and improving our market share to 14.3%. The domestic lending book grew by 22% and crossed Rs. 700 billion, with HBL's total net advances rising to Rs. 852 billion. While loan growth was accelerated, we kept a sharp eye on portfolio quality and the infection ratio of 8.2% is at the lowest level since the privatization of the Bank.

Our market leading businesses generated fees of nearly Rs 20 billion, the highest in the industry. Bancassurance, providing access to insurance for all, maintains a share of around 50% and was a significant contributor. The cash management business maintains its share at over 30% and processed volumes of over Rs. 2.25 trillion. HBL's Investment Banking team provided pioneering structures and, over the review period, successfully arranged debt financing of more than Rs. 225 billion. In 2017, we added 1.3 million new customers, bringing our total customer base to over 10 million, covering the entire spectrum from microfinance loans for the small farmer to large infrastructure loans that contribute to nation building.

We had invested in the First MicroFinance Bank (FMFB) to more directly drive our objective of financial inclusion for all of Pakistan's underserved population. We are pleased to report that our efforts are coming to fruition as FMFB now serves more than 1 million customers. In 2017, FMFB disbursed Rs. 16.5 billion in microfinance loans, facilitating more than 300,000 customers gain access to financial services. A drive for technology based inclusion has refocused FMFB's energies and positioning and it is well on the way to becoming the country's first fully digital bank. Our asset management business added 1,700 new customers and improved market share to 10%.

However, in September 2017, HBL signed a Consent Order with the New York State Department of Financial Services, under which HBL made a settlement payment of USD 225 million. This has materially impacted HBL's declared financial results for the year. Consequently, HBL has recorded a pre-tax profit of Rs. 28.8 billion for the year 2017. Excluding the impact of this payment, profit before tax for 2017 would be Rs. 52.5 billion.

Our immediate priority in the wake of the Consent Order was to restore HBL's capital and its Capital Adequacy Ratio (CAR) which had eroded sharply. We are pleased to report that, as a result of a comprehensive exercise carried out by the Bank, HBL's consolidated

CAR improved even over the prior year end levels to 16.0% at the end of 2017. Al Hamdullilah, HBL's credit ratings remain at AAA. As part of the capital restoration plan, the Board decided to not pay a dividend for the third quarter, but is now pleased to recommend a final cash dividend of Rs. 1.00 per share for the year ended December 31, 2017, bringing the total cash dividend for the year to Rs. 8.00 per share.

Across the world, banking is changing with a Compliance focus dominating the landscape. We are determined to evolve and be a leader in this area, as we have done for so many of our businesses before. Compliance will accordingly be at the core of HBL's activities, influencing every aspect of our business and operations. We have embarked on a group wide compliance transformation program in partnership with internationally recognized consultants.

Our brand remains strong and well ahead of the pack. In an independent external survey, HBL again achieved the highest brand equity score in the financial sector, twice that of its nearest competitor. HBL's marketing efforts were also recognized by the Pakistan Advertisers Society through accolades such as Passion for Pakistan and Best Corporate Campaign as we celebrated the 70<sup>th</sup> anniversary of the country with a campaign honouring the dreamers of Pakistan. During 2017, HBL was conferred with prestigious awards from several international publications, including the Best Domestic Bank – Pakistan, by Asiamoney, the Best Retail Bank – Pakistan, by the Asian Banker International Awards, and the Best Investment Bank in Pakistan by Global Finance.

## Creating access, expanding reach

HBL Asaan Account is a key product for increasing access of the unbanked population to financial services. In 2017, we introduced mobile biometric devices for verification at remote customer locations, adding more than a quarter of a million new Asaan accounts and serving nearly 600,000 customers. HBL is also committed to financial inclusion for women through its unique NISA proposition which has provided access to financial services for 300,000 women who were previously excluded from this sector. HBL now proudly serves over 2.8 million women customers, the largest of any bank. HBL's signature HBL@Work employee banking solution has around 700,000 employee accounts across 1,100 companies, with services available at any HBL branch across the country. HBL is the largest private sector lender to the SME,

agriculture and rural segments with over 70,000 customers. More than 1,000 new SME clients were added across a variety of industries, with the loan portfolio increasing to over Rs 60 billion. In the agriculture business, we disbursed Rs 115 billion, 23% more than in 2016. For its commitment to development finance and its efforts in these areas, HBL was awarded Best Bank for Small Business and Agriculture by the Institute of Bankers Pakistan for the second year in a row.

Our Consumer Banking portfolio grew to Rs 45 billion, with the flagship Platinum Card remaining the most sought after credit card in the industry. While HBL continues to be the clear market leader with 4.6 million debit cards, it is conscious of the need to support domestic payment solutions and in 2017, successfully launched the local PayPak debit card. HBL continues to invest in growing the cards ecosystem in Pakistan, with 18,000 installed POS machines and sales of nearly Rs. 90 billion.

The Islamic Banking business continued rapid growth with a 31% increase in deposits and an expansion of Rs. 52 billion in financing. Banca-Takaful, the Islamic variant of Bancassurance, is now gaining increasing acceptance, comprising 33% of total sales in 2017.

## Banking as it should be

It is our ambition to play a leadership role in the rapidly evolving fintech ecosystem and in 2017, HBL ran the first of its kind Innovation Challenge for Fintech companies, offering winners an opportunity to work with HBL. The Bank is also collaborating with leading players in the market to set up the Karachi National Incubation Center which will host the HBL Fintech Lab. Through HBL Mobile, the most frequently downloaded app in the industry, customers can now manage most account service requests directly and at their convenience, instead of having to visit a branch. New features and services are continuously being added to enhance the customer experience, including the market's first commercial bank open API, enabling customers to pay merchants directly through their bank account.

A number of technology initiatives were rolled out to support the business; third-generation application and behavioural scorecards will improve the speed and accuracy of credit decisioning, and development of an Enhanced Teller System should improve efficiency and reduce customer wait time. We upgraded our Trade and

Treasury platforms and implemented Oracle Financials to strengthen the procurement, payment and financial reporting process. The Bank completed the rollout of the Human Resource Management system in Pakistan and overseas. An automated Biometric Attendance Management System has also now been installed covering staff across all locations in Pakistan.

We recognize that while we drive technology obsessively, we must remain ever vigilant about information and cybersecurity. HBL makes continuous efforts to strengthen its ability to prevent, detect and respond to cyber-attacks by improving governance and leveraging technology advancements. This allows the Bank to protect the integrity of its systems and provide customers the confidence that their financial information is protected. In 2017, HBL also launched 3D Secure for its card customers, providing an added layer of security in carrying out e-commerce transactions. HBL remains the only bank in Pakistan to be PCI-DSS certified, having retained the certification for the second year running.

## Looking to China

HBL opened its first branch in Urumqi, China on schedule in March 2017, becoming the first Pakistani bank to have this honor and the first South Asian bank to have a branch in North West China. Insha'Allah, this is only the beginning of our China story and we will apply for an RMB license in the near future, enabling us to undertake domestic RMB business there.

As the only bank to have branches in both Gawadar and Urumqi, HBL plays a pivotal role in the China Pakistan Economic Corridor (CPEC) where it is currently involved in projects exceeding USD 4 billion. We have been at the forefront of all China-centric mandates; we were the first and remain the only bank to offer CNY accounts to customers in Pakistan. This year, HBL was awarded the Best Belt and Road Initiative in South Asia by Asiamoney magazine. HBL has also developed products specifically tailored to the needs of the growing number of Chinese nationals working with various companies locally.

## Our people, our differentiators

Our staff is at the core of what we do and our high achievers make the impossible happen. They go the extra mile to serve our customers and enable them to

prosper. HBL is committed to investing in its people by attracting top talent, and providing them opportunities for training, development and growth. As part of our continued drive to enhance employee performance, we built more rigor and transparency into our performance assessment systems. We also added over 100 employees in our compliance function and more than 350 staff in customer facing roles in our branches.

We continued to provide outstanding and state of the art learning interventions, fully leveraging technology by offering a wide array of e-learning modules and setting up Digital Development Hubs outside major cities. As part of our enhanced focus on Compliance, a batch of fresh graduates was given extensive classroom and hands-on training in a newly created Compliance Academy. HBL also helped build the skills of its Islamic Banking workforce, with training delivered to more than 1,000 staff.

Our emphasis on enhancing gender diversity is starting to bear fruit. Women now constitute 15% of our global workforce – we have achieved this through concerted efforts to identify, recruit and develop women in Pakistan and the other countries in which we operate. Amongst a number of initiatives, this also involves extensive gender sensitization training for all staff. We also continued to focus on our high performing and high potential talent through customized recruitment of high achieving Management Trainees and providing others with tailored development and career growth opportunities.

## Making a difference

HBL is committed to fulfilling its role of a responsible corporate citizen, supporting initiatives in education, health and civil society development. Its efforts on this front are carried out mainly under the aegis of the HBL Foundation, which was established in 2009 with the specific objective of promoting the development and well-being of the underprivileged and improving their quality of life. We are very proud that our efforts have been recognized by the Pakistan Centre for Philanthropy who awarded us as the third largest corporate donor in the country.

During 2017, the HBL Foundation supported health initiatives by public and private enterprises across the country, both in rural and urban areas from Badin to Baltistan. HBL strongly believes that education will be

the driving force for the economic progress of Pakistan and made contributions to vocational and technical training, agriculture and rural development education, and helped establish an endowment fund for students from rural Balochistan. The HBL Platinum Scholarship Program was launched last year to commemorate our 75<sup>th</sup> Anniversary and we are delighted to have awarded scholarships to 68 students in 10 leading universities across Pakistan.

HBL is extremely conscious of its responsibility for safeguarding our environment. This year, we partnered with the State Bank of Pakistan to develop the country's first Green Banking guidelines. HBL Tower, the Bank's new flagship premises in Karachi is the first building in Pakistan to carry the prestigious Leadership In Energy and Environmental Design (LEED) certification. The Bank has also supported several projects that provide access to clean drinking water in rural areas of Sindh, Balochistan, Gilgit-Baltistan and Chitral.

HBL has been inextricably linked to Pakistan's sporting tradition for decades and has now further cemented this association with the sponsorship of the HBL Pakistan Super League (HBL PSL), the signature event on Pakistan's cricket calendar. This tournament has played an instrumental role in bringing international cricket back to Pakistan, with packed stadiums once again echoing the joy of fans across the country. Each year, HBL PSL provides a platform for the youth of the country to showcase their talent, enabling the discovery of new cricketing stars. We are extremely proud that in 2017, it was the new finds from HBL PSL who went on to make significant contributions in winning the ICC Champions Trophy, fulfilling the dreams and aspirations of millions of Pakistanis.

## The way ahead

HBL is expected to face a challenging year as we aggressively move to raise the bar for conduct, compliance and control, while continuing to build our franchise. The Board reiterates its objective of promoting a "zero tolerance" compliance culture and has already initiated steps, including extensive senior management changes and Board strengthening, to inculcate a culture of integrity across all levels of the organization. HBL has taken significant actions to de-risk its business operations and exited its relationships with a number of perceived high-risk industries and customer segments. Insha'Allah we will emerge from this as an even stronger institution.

I would like to place on record our appreciation for the efforts of all our regulators who have supported us in our endeavours and provided valuable guidance.

We are blessed to have customers who have been loyal through generations and who have continued to entrust us with their business and confidence even in our time of difficulty, for which we are indebted to them. They are our reason for existence and we assure them that they remain at the heart of what we do, every single day, as we strive to provide them products and services that suit their needs. Our shareholders have provided steadfast support and been a source of strength and to them we are deeply grateful.

HBL remains committed to its objective of financial inclusion for all sectors of society, across the length and breadth of Pakistan. With its growing balance sheet, improving capital strength and unmatched footprint across all channels, we will continue to support the economic growth of the country, and will Insha'Allah remain at the forefront of development initiatives as Pakistan's national institution.

**Sultan Ali Allana**  
Chairman









## Steering opportunity

Agriculture is the backbone of our economy, contributing 23% of GDP and employing 42% of the labour force.

With almost 700 rural branches and over 50,000 loans, HBL supports farmers through its customised offering.

# Directors' Report 2017

On behalf of the Board of Directors, I am pleased to present the Consolidated Financial Statements for the year ended December 31, 2017.

## Macroeconomic Review

The year 2017 ended on a mixed note for the economy as improvements in growth and output were tempered by increasing concerns on the external account. Headline inflation has remained stable, averaging 3.84% during 8M FY18 compared to 3.90% for the same period last year, mainly due to muted food inflation. Despite rising domestic petroleum prices and a weakening rupee, average annual inflation is likely to remain within SBP's target range of 4.5-5.5%. Improved energy supplies have led to higher industrial output and a 6.3% growth in the Large Scale Manufacturing index during 7M FY18. With the agriculture and services sectors also expected to meet annual targets, GDP growth is likely to exceed 5.5% for FY18.

Exports returned to a growth trajectory, rising by 12% for 8M FY18 over the corresponding period of last year. However, with import growth of 17% outpacing improvements in exports, the trade deficit increased by 22%. After a decline in 2017, remittances grew by 3%, but were not sufficient to alleviate the pressure on the current account deficit which has widened by 50% during 8M FY18. Total foreign exchange reserves have declined to USD 18.2 billion, a 15% drop since the end of FY17, despite USD 2.5 billion of external debt issuance in late 2017. Rising external pressures and declining reserves have finally resulted in an adjustment of the currency as by March, the Rupee had depreciated by 9% since late December 2017.

The fiscal deficit of 2.2% of GDP for H1 FY18 is lower than the 2.4% recorded for H1 FY17, on the back of improved tax collection. However, given the election year, a widening of the tax base seems unlikely, while generosity in infrastructure investment and development spending will continue to strain expenditure. The fiscal imbalance thus remains a major challenge, with the FY18 target of 4.2% seeming ambitious.

The IMF, in its post-program monitoring report, highlighted the weakening macro-economic situation on the back of widening fiscal and external deficits, a decline in foreign exchange reserves and risks to medium-term debt sustainability. The IMF has recommended greater exchange rate flexibility, monetary tightening and strengthening of fiscal discipline. Fitch, while affirming Pakistan's 'B' rating, downgraded its Outlook to Negative on the grounds that gains made under the IMF program have been partially reversed.

Pakistan's equity market remained extremely volatile in 2017 after fading of the initial euphoria over inclusion in the MSCI Emerging Market Index, when the PSX index had crossed 52,000 in an extended bull run. Subsequent retreats by Frontier Market funds, an extended period of political uncertainty and concerns over external account stability resulted in dampening investor confidence with the PSX ultimately losing 15% over the year, a fall of 23% from peak levels. The index has partially recovered in 2018, increasing by 10%, supported by currency adjustments and improvement in Foreign Portfolio Investment.

In its January monetary policy statement, the SBP raised its policy rate by 25 bps to 6.0% in a surprise move, after keeping it unchanged since May 2016. The SBP cited Rupee depreciation, higher oil prices, rate increases by other central banks and narrowing of the output gap as factors behind the rate move. Private sector credit accelerated by 15% in 2017 to Rs. 4.8 trillion, supported by low interest rates, increase in manufacturing output and higher demand for consumer goods. After several years of sluggish performance, banking sector advances showed a strong growth of 19%, while deposits increased by 10%. Average spreads for the banking sector continued to contract and were 18 bps lower than in 2016.

## Financial Performance

In September 2017, as discussed in the Directors' Report for the nine months ending September 30, 2017, HBL signed a Consent Order with the New York State Department of Financial Services (NYSDFS), under which HBL made a settlement payment of USD 225 million to NYSDFS. This has materially impacted HBL's financial results for the year. Consequently, HBL has recorded a pre-tax profit of Rs. 28.8 billion for the year 2017 with profit after tax at Rs. 8.2 billion. Earnings per share for 2017 are at Rs. 5.34 compared to Rs. 23.23 for 2016. Excluding the impact of this payment, profit before tax for 2017 would be Rs. 52.5 billion, compared to a pre-tax profit of Rs. 56.5 billion declared in 2016 and EPS would be Rs. 21.51.

HBL's balance sheet has grown by 7% over December 2016 to Rs. 2.7 trillion. Domestic deposits have increased by 12%, with market share improving from 14.1% in December 2016 to 14.3% in December 2017. The growth in domestic deposits has been mainly through an increase in CASA deposits with the CASA ratio improving from 85.5% to 86.4%. Domestic current deposits have increased by 14% to Rs. 628 billion and now constitute 35.6% of the mix. In Q4 17, post the cessation of US Dollar clearing by HBL's New York branch, the Bank carried out an extensive de-risking exercise in its international business, with deposits falling by more than \$750 million from September 2017 levels. Consequently, HBL's total deposits grew by 6%, to nearly Rs. 2.0 trillion.

The domestic lending book grew by 22% and crossed Rs. 700 billion; however, with international advances declining sharply, total net advances increased by only 14%, to Rs. 852 billion. Average domestic loans grew by 29% over 2016 with all business segments registering significant increases. While a 16% growth in average domestic current deposits helped to reduce deposit cost, margins continued to decline because of competition driven pricing and falling investment yields. The impact of spread compression was offset by an 11% growth in the average balance sheet, resulting in net interest income increasing marginally over 2016, to Rs. 83.1 billion.

Non-mark-up income for 2017 was Rs. 32.9 billion. Fees and commissions increased by 3% to Rs. 19.5 billion, with contributions from account operations and card related fees and higher asset management fees. Income from treasury related activities increased by 31% to Rs. 10.5 billion, with the majority of growth coming from capital gains on fixed income bonds.

Administrative expenses rose by 13% over 2016 including the impact of the full year consolidation of the First MicroFinance Bank and higher spend on remediation efforts at the New York branch. Excluding these, expense growth was contained to under 9%. An excellent recovery performance in the domestic business resulted in a reduction of Rs. 2.1 billion in domestic non-performing loans and 57% reduction in total provisions for the year, to Rs. 0.4 billion. The Asset Quality ratio improved to 8.2%, its lowest level since HBL's privatization. The coverage ratio as at December 31, 2017 further improved to 91.6% compared to 91.2% in December 2016.

## Movement in Reserves

	2017 Rupees in million	2016
<b>Profit after tax</b>	<b>8,182</b>	<b>34,206</b>
Unappropriated profit brought forward	106,142	96,495
Profit attributable to equity holders of the Bank	7,829	34,070
Exchange translation realized on sale of Bank branch	371	-
Re-measurement loss on defined benefit obligations – net	(1,014)	(624)
Transferred from surplus on revaluation of assets – net of tax	42	38
	<b>7,228</b>	<b>33,484</b>
Profit available for appropriation	<b>113,371</b>	<b>129,979</b>
<b>Appropriations:</b>		
Transferred to statutory reserves	(883)	(3,289)
Transferred from/(to) statutory funds of associates	20	(12)
Cash dividend – Final	(5,134)	(5,134)
1 <sup>st</sup> interim cash dividend	(5,134)	(5,134)
2 <sup>nd</sup> interim cash dividend	(5,134)	(5,134)
3 <sup>rd</sup> interim cash dividend	-	(5,134)
Total appropriations	<b>(16,265)</b>	<b>(23,837)</b>
<b>Unappropriated profit carried forward</b>	<b>97,106</b>	<b>106,142</b>
Earnings per share (Rupees)	<b>5.34</b>	<b>23.23</b>

## Capital Ratios

The consolidated Capital Adequacy Ratio (CAR) improved from 15.5% as at December 31, 2016 to 16.0% at the end of 2017, while the Tier 1 CAR was maintained at 12.0%. The robust CAR levels are the consequence of a comprehensive exercise carried out by the Bank to restore its capital ratios which had fallen sharply subsequent to the settlement payment. Both ratios remain well above regulatory requirements.

## Business Developments

Branch Banking continues to be the growth engine for the bank, both for new customer acquisition as well as low cost deposit growth. HBL has maintained its leadership position with a market share of over 14%, while adding Rs. 172 billion in CASA balances and improving the deposit mix. This year HBL added a record 1.3 million new customers, bringing its total domestic customer base to over 10 million.

HBL Asaan Account offers ease of account opening for smaller ticket customers and is therefore a key product for increasing access of the unbanked population to financial services. Since the launch of this product, HBL has been a market leader both in terms of accounts and volume, with a market share of around 25 percent. In 2017, HBL added more than a quarter of a million new customers in this category, and now has nearly 600,000 Asaan Accounts, contributing over Rs. 7 billion in deposits. To further its strategic commitment to promoting financial inclusion through technology, HBL introduced mobile biometric devices for verification at remote customer locations, adding ease and convenience to the account opening process.

HBL's commitment to financial inclusion for women included the launch of digital campaigns aimed at promoting and reinforcing the Bank's unique NISA proposition. HBL now proudly serves over 2.8 million women customers, the largest of any bank. The number of women customers under the Nisa Program, all of whom are new to banking, has more than doubled to nearly 300,000 by the end of 2017.

HBL continues to be the dominant player in the Bancassurance market, with a share of almost 50%. Banca-Takaful, the Islamic variant of this product has now gained increasing acceptance, comprising 33% of total sales in 2017. During the year the Bank's focus was on improving the sales process and ensuring compliance to regulations in letter and spirit. Comprehensive product training was provided to branch staff, and detailed guidelines were issued to improve quality of sales and reinforce the Bank's code of ethics.

HBL is the largest SME player in the industry and was awarded Best Bank for Small Business and Agriculture by the Institute of Bankers Pakistan for the second year in a row. The business added more than 1,000 new SME clients across a variety of industries through its proprietary Small Business Finance product. HBL is also the largest private sector agricultural finance provider with nearly 25% of the commercial bank market share in this segment. HBL is committed to financial inclusion of the rural population as this segment is of critical importance to Pakistan's economic development.

Service Quality remains a strategic priority of the Bank. Customer feedback from external surveys, mystery shopping and internal engagement with stakeholders led to strengthening of service quality programs and enhanced internal monitoring of customer touch points. Complaints volume dropped by 54% compared to 2016 through focused work by the service quality team, business owners and functions. Key initiatives included reduction in turnaround time, a well-defined escalation matrix and linkage of complaint resolution to staff performance. The Conduct Assessment Framework (CAF) committee worked on cross-bank initiatives for Fair Treatment to Customers as per SBP guidelines resulting in the Bank's CAF rating improving to 1.70 in 2017. In 2017, 60,959 complaints were received directly by the Bank. On average, 3 days were taken to resolve the complaints.

HBL's Consumer Banking business, which helps people achieve their financial aspirations, continues its consistent and steady growth. In 2017, the portfolio grew by 14% to Rs. 45 billion, with the major contribution coming from personal loans and car loans. The overall asset quality continues to be well managed with extremely low loss rates even after several years of high growth.

HBL's credit card usage grew by 40% over 2016, significantly increasing market share. The flagship Platinum Card, with market leading features and discounts, remains the most sought after credit card in the industry. HBL continues to be the clear market leader in debit cards, with 4.6 million cards in circulation. In 2017, HBL successfully launched PayPak as an entry level debit card, supporting Pakistan's first domestic payment scheme. A re-engineering of the card delivery process has resulted in an improvement in the delivery rate from 55% to 85% while simplification of product variants, price rationalization and a streamlined, customer friendly activation process have improved the customer experience and led to a 50% growth in Point of Sale usage.



In 2017, HBL attained market leadership in the merchant acquiring business, in which it continues to invest, enabling the growth of the cards ecosystem in Pakistan for greater customer convenience. With 18,000 installed POS machines and an improved activation rate of 85%, total sales rose by 36% to nearly Rs. 90 billion. HBL also launched 3D Secure in collaboration with Visa and MasterCard, providing an added layer of security, but with a convenient user-friendly process. Highly successful joint campaigns were run with Pakistan's largest on-line retailer Daraz.com which contributed to an overall 80% growth in e-commerce spend through HBL.

In 2017, HBL's Islamic Banking business continued rapid growth with a 31% increase in deposits and an expansion of Rs. 52 billion in financing. Focus remained on increasing presence in the market and the business is now a name of choice for structuring / advising on big ticket Islamic syndications. The team also ensured its duty of imparting Islamic Banking knowledge to employees, with more than 1,000 staff trained in this area, while awareness of customers and the general public was enhanced by offering well designed sessions under the able guidance of HBL's Shariah Board.

HBL continues to dominate the cash management business with a market share of over 30% and volumes increasing to over Rs. 2.25 trillion. Major cash management product rollouts during the year included collection of online taxes, bulk utility bill payments and electronic disbursement of dividends. New modules were also launched to complete the product suite for corporate payments. During the year, 171 new mandates were signed and the business now serves 780 customers for cash collections and payments. The Bank won over 200 mandates during the year for its signature HBL@Work employee banking solution, which now has around 700,000 employee accounts across 1,100 companies. In 2017, customer convenience was enhanced by making services available at any HBL branch across the country. A product variant was also developed for the rapidly growing market segment of Chinese nationals working in Pakistan.

HBL's Investment Banking business continues to maintain its leadership position and was on the forefront of almost all major capital markets, infrastructure and China-centric mandates during the year. In 2017, the team successfully arranged debt financing of more than Rs. 225 billion for various transactions including the Dasu Hydro Power Project, one of the largest syndications ever arranged from the domestic market. The Bank continues to build on its expertise and experience of CPEC and is currently involved in projects exceeding USD 4 billion. HBL's leadership in this area was acknowledged through awards from various international publications.

HBL's Treasury continued to distinguish itself by retaining its rating as the top Primary Dealer in rankings announced by the SBP, a testament to HBL's prowess in the domestic fixed income market. The Bank increased its customer foreign exchange flows by nearly 10% over 2016 and was again awarded Euromoney's No. 1 ranking for Overall FX Trading in Pakistan. New funding and money market products were added to the suite of Islamic Treasury solutions during the year.

HBL has revamped its Branchless Banking proposition with an in-house developed platform. Agent on-boarding has been in progress ahead of the commercial launch and over 25,000 agents are active. A fully digitized process has enabled the Bank to be the first entity in the market to introduce end-to-end paperless onboarding. This will allow rapid scale up and also ensure that all mandatory KYC data is captured at the initiation of the relationship.

HBL intends to play a leadership role in the rapidly evolving fintech ecosystem. This year, the Bank ran an Innovation Challenge which was the first of its kind to be organized by any commercial bank in Pakistan. Two of the 3 finalists are already working with various units within HBL to deliver cutting edge solutions. HBL has also sponsored two major startup related events which have enabled participants to benefit from global industry leaders such as Google, Facebook and Amazon, venture capitalists and leading Pakistani and international investors. HBL is collaborating with leading players in the market in setting up the Karachi National Incubation Center which will host the HBL Fintech Lab.

HBL's in-house development team launched the market's first open API by a commercial bank, enabling customers to pay merchants through their deposit account. Enhancements to the Internet Banking platform and to HBL Mobile included new financial products such as e-IPO and e-insurance and a wider array of bill payment alliances. Account service requests such as cheque book ordering, account statements and card blocking can now be made directly through the mobile app instead of having to visit a branch, which was a major customer dissatisfier. HBL Mobile already has the highest downloads on the app store among local commercial banks with new services such as biometric authentication and location based discount information continuously being added.

The Bank has begun to consolidate its overseas footprint in line with its strategic direction of right-sizing its international business. In July 2017, HBL completed the sale of its Kenya business to Diamond Trust Bank, Kenya, an affiliate. As part of consolidating European operations under its UK subsidiary, the Bank's Paris branch was sold to HBL UK. The Representative Office in Iran has been closed and one branch in Kabul was closed due to heightened security concerns.



HLB opened its first branch in China in March 2017, becoming the first Pakistani bank to open a branch in China and the first South Asian bank to have a branch in North West China. The Urumqi Branch will apply for an RMB license in the near future and subsequently will be able to undertake domestic RMB business in China and cross border RMB transactions.

A number of technology initiatives were rolled out in support of the business. Credit processing has been digitized via an automated tool, covering customer screening and exposure calculation, as well as verification checks. An in-house developed Enhanced Teller System has been deployed in 350 branches and has enhanced customer experience and improved back end controls. The Trade and Treasury platforms were both upgraded and Oracle Financials was implemented to strengthen the procurement, payment and financial reporting process. HBL remains the only bank in Pakistan to be PCI-DSS certified, having retained the certification for the second year running.

HLB continued to consolidate its strong brand equity through engaging and integrated marketing communication during the course of 2017. In research conducted during the year by an external agency, HBL maintained its leadership position within the financial sector by again achieving the highest brand equity score, twice that of its nearest competitor. HBL's marketing efforts were also recognized by the Pakistan Advertisers Society through accolades such as Passion for Pakistan and Best Corporate Campaign. HBL celebrated the 70<sup>th</sup> anniversary of the country with a print and digital campaign honouring the dreamers of Pakistan. The campaign culminated with a digital video featuring Pakistanis belonging to different walks of life.

HLB Pakistan Super League (PSL) continued to be the signature event on the calendar, bringing international cricket back to Pakistan and fulfilling the dreams and aspirations of millions of Pakistanis. Each year, this tournament provides a platform for the youth of the country to showcase their talent, enabling the discovery of new cricketing stars. In 2017, the new finds from HBL PSL went on to make significant contributions in winning the ICC Champions Trophy.

## Human Resources

HLB is committed to investing in its human capital by attracting top talent, investing extensively in training and development and providing growth opportunities to its people.

As part of its enhanced focus on compliance, over 100 resources were added in this area to build bench strength. In addition to hiring experienced mid-career employees, a batch of fresh graduates was inducted and given extensive classroom and hands-on training, in a newly created Compliance Academy. The branch sales force was also increased by adding over 350 Relationship Managers to the network. HBL continued its drive towards improving its gender mix by inducting a larger percentage of female employees who now constitute approximately 15% of its global work force.

Comprehensive career and learning ladders for branch Relationship Managers and Cash Officers were implemented in 2017. These will not only ensure retention but will also create a motivated work force by providing focused development and career opportunities. A comprehensive Talent Management program rolled out earlier has identified the Bank's senior top talent for whom development plans are being formulated. HBL's industry acclaimed "The League" Management Trainee program continued with the addition of another 33 Management Trainees inducted from foreign as well as top tier local universities.

HLB's ongoing focus on training and development and especially e-Learning was evidenced by an increase of over 200% in e-Learning man hours, a refreshed Anti Money Laundering training and the launch of 13 new e-Learning modules. In addition, the Bank delivered over 675,000 man-days of classroom training to its staff. Two Digital Development Hubs were launched in Hyderabad and Sukkur to enable staff in remote areas to take advantage of HBL's learning opportunities. These offer state of the art computer labs with a complete range of e-Learning modules. Enhanced customized trainings for the International network were also offered during the year.

In line with the Bank's drive towards automation of HR systems and processes, a majority of the Human Capital Management modules were successfully implemented in both the domestic as well as the international network. An automated Biometric Attendance Management System has also now been implemented covering more than 15,000 staff across all locations in Pakistan.

The relationship with the Unions remained cordial throughout the year and a two-year collective labour agreement was also signed.

## Risk Management Framework

Effective risk management is fundamental to the delivery of HBL's strategic priorities. The Bank continuously evaluates its risk architecture and governance framework in line with international best practices, new regulatory requirements and changes to its business needs and focus.

The Board of Directors provides strategic direction and approves the risk appetite of the Bank. The Board is supported by the Board Risk Management Committee which monitors, assesses and manages the risk profile of the Bank on an ongoing basis. Various risk committees at the senior management level are responsible for oversight and execution whereas day-to-day risk management activities are delegated to different levels through multi-tier management supervision and clearly articulated policies and procedures.

During 2017, HBL continued to invest in technology to improve its risk management processes. The strong risk management of the consumer business was further supplemented by the implementation of a decision support software, a move to third-generation application scorecards and development and deployment of behavioral scorecards. The Bank plans to implement the Basel II Internal Models Approach for market risk and is already calculating Value-At-Risk on an ongoing basis for its fixed income, equity and foreign exchange portfolios. An Asset Liability Management (ALM) system under implementation will enable more efficient balance sheet management and a capital calculator will allow for more accurate and real-time stress testing.

Policies, procedures and systems are in place to govern Operational Risk Management practices in a systematic and consistent manner. Key tools such as Risk Control Self-Assessment (RCSA), Key Risk Indicators and Operational Loss Data Management, are used to gauge the likelihood and severity of operational risk. The Bank increasingly uses stress testing and scenario analysis to proactively assess the impact of operational loss scenarios. Detailed RCSA exercises are conducted at regular intervals across the Bank, the results of which are evaluated against actual losses, control weaknesses and gaps.

Information and cybersecurity remains a critical area of focus. Continuous efforts are being made to strengthen HBL's ability to prevent, detect and respond to cyber-attacks by improving governance and leveraging technology advancements in cybersecurity controls. This allows the Bank to protect the integrity of its banking applications and provide customers the confidence that their financial information is protected.

HBL has embarked on a group wide compliance transformation program to proactively review and further enhance the Bank's compliance processes and improve its risk profile. For this purpose, the Bank has engaged internationally recognized consultants with experience and expertise in this area. These measures are expected to improve transaction monitoring and screening processes as well as controls around customer onboarding. HBL has already taken significant steps to de-risk its business operations and exited its relationships with a number of perceived high-risk industries and customer segments.

HBL is undertaking a number of initiatives for further improving the bank's compliance culture and controls, including enhancing the capacity and scope of the Compliance function, and has established a dedicated International Compliance department, and an independent Quality Assurance and Control unit. System upgrades and enhancements for screening and transaction monitoring have been initiated and the suite of e-Learning modules is being enhanced. A management Compliance Committee has been established to provide oversight and governance of compliance activities at the seniormost levels of the organization.

## Corporate Social Responsibility (CSR)

HBL prides itself on being a socially responsible entity and continued to play its role as a responsible corporate citizen through the support of 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. During 2017, the Bank donated Rs. 89 million, both to the HBL Foundation and also directly to deserving causes. In recognition of its CSR efforts, HBL received an award from the Pakistan Centre for Philanthropy as the third largest corporate donor in the country.

The HBL Foundation donated funds to the Marie Adelaide Leprosy Centre to conduct 10 eye surgical camps in Balochistan and 3 in Gilgit-Baltistan. Financial support was provided to Indus Hospital for its outreach centers in Badin and Rahim Yar Khan and to the Patients Aid Foundation at Jinnah Postgraduate Medical Centre for the construction of four new operation theatres. Contributions were made to Ittefaq Kidney and General Welfare Hospital in Peshawar, which will enable it to provide free dialysis to poor patients.

HBL strongly believes that education is the driving force for the economic progress of Pakistan. In this sector, donations were made to Karigar Training Institute which provides vocational and technical education, and to Lasbela University of Agriculture, Water and Marine Sciences to set up an IT Lab. The Quetta Institute of Medical Science has received financial support through establishment of an endowment fund for its scholarship program for deserving students from rural areas of Balochistan. Through the HBL Platinum Scholarship Program, 68 students were awarded scholarships in 10 leading universities across Pakistan for the academic year 2017.

The HBL Foundation has supported community welfare projects by providing donations to Indus Earth for safe drinking water projects in five villages in Thatta district and to Taraqee Foundation for solar powered ultra-filtration water purification plants at Ziarat. It is also supporting initiatives for improving access to water and for disaster resilience to residents of Gilgit-Baltistan and Chitral.

**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 in June 2017 by JCR-VIS at AAA/A-1+ for long-term and short-term respectively with the rating of its subordinated debt at AAA. Subsequent to the NYSDFS Consent Order, the Outlook on the ratings was changed to Negative and the subordinated debt was rated at AA+. Moody's also reaffirmed HBL's local and foreign currency deposit ratings at B3 and Caa1 respectively while changing the baseline credit assessment to caa1.

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 2017, HBL was conferred with several awards, the most significant of which were:

- Best Domestic Bank – Pakistan, Asiamoney
- Best Retail Bank – Pakistan, Asian Banker International Awards
- Best Bank for Small Business & Agriculture – Institute of Bankers Pakistan
- Best Investment Bank in Pakistan – Global Finance
- Best Belt and Road Initiative in South Asia – Asiamoney
- Best Trade Finance Provider in Pakistan – Global Finance
- Best Corporate Campaign – Pakistan Advertisers Society

## Future Outlook

Pakistan has seen a relatively extended period of improving macroeconomic indicators, with benign inflation, a positive growth trajectory with higher credit offtake, and improving investor and consumer confidence. However, several headwinds are now evident and will need to be carefully navigated. 2018 will carry several challenges, including the holding of timely elections. With growing demand, inflationary expectations have risen on the back of increasing international oil prices and recent adjustments to the exchange rate.

The external account is becoming a major concern, as a soaring trade deficit, with export growth continuing to lag import growth, and only modest increases in home remittances has resulted in a ballooning current account deficit. Foreign exchange reserves have eroded significantly from their peak, despite further tapping of international capital markets. The budget deficit will almost certainly breach its target and efforts must be made to avoid falling into the country's historical trap of the twin deficits. Economic growth is expected to improve; however, political stability, acceleration of the CPEC momentum and further strengthening of the export pipeline will be critical to consolidating advances made over the last few years.

HBL is expected to face a challenging year as the Bank moves to raise the bar for conduct, compliance and control. The Board reiterates its objective of promoting a "zero tolerance" compliance culture and has already initiated steps to inculcate this across all levels of the organization.

HBL remains committed to its objective of financial inclusion for all sectors of society, across the length and breadth of Pakistan. It believes in female empowerment, both as employees and as customers and is already playing a leading role in this area by enhancing gender diversity throughout the institution and ensuring the access of women to the financial sector. With its growing balance sheet, improving capital strength and unmatched footprint across all channels, HBL will continue to support the economic growth of the country, and will be at the forefront of development initiatives as Pakistan's national institution. HBL will leverage technology to deliver innovative, customer-centric products and services that provide convenience, value and an increasingly better experience to its customers.

## Dividend

The Board has recommended a final cash dividend of Rs. 1.00 per share for the year ended December 31, 2017, bringing the total cash dividend for the year to Rs. 8.00 per share. The Board had earlier declared and paid interim cash dividends totalling Rs. 7.00 per share.

## Change in Directors

Mr. Nauman K Dar resigned from the Board of Directors on October 20, 2017, but remained President and Chief Executive until his retirement on December 31, 2017. As he had proceeded on leave, Mr. Rayomond Kotwal was appointed as Acting President and Chief Executive on December 1, 2017 and served as a deemed Director in this capacity.

The casual vacancy created by the resignation of Mr. Nauman K Dar as Director was filled through the appointment of Mr. Salim Raza effective October 20, 2017. Mr. Raza is an accomplished banker, having served in senior positions in Pakistan and globally and has also served as a Governor of the State Bank of Pakistan.

## Meetings of the Board

	Board Meeting	
	Meetings held during tenure	Attendance
Mr. Sultan Ali Allana	15	15
Mr. Shaffiq Dharamshi	15	15
Mr. Moez Ahamed Jamal	15	15
Mr. Salim Raza **	2	2
Dr. Najeeb Samie	15	15
Mr. Agha Sher Shah	15	15
Mr. Sajid Zahid	15	15
Mr. Nauman K. Dar *	14	14
Mr. Rayomond Kotwal ***	1	1

\* Mr. Nauman K. Dar resigned as a Director on October 20, 2017 and retired as President & CEO effective December 31, 2017

\*\* Mr. Salim Raza was co-opted on the Board on October 20, 2017 to fill the casual vacancy created by the resignation of Mr. Nauman K. Dar

\*\*\* Mr. Rayomond Kotwal was appointed as Acting President & CEO effective December 1, 2017

## Meetings of Board Committees

	Audit Committee Meeting		Risk Management Committee Meeting		Human Resource and Remuneration Committee Meeting		Board IT 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	N/A	N/A	N/A	N/A	6	6	N/A	N/A
Mr. Shaffiq Dharamshi	N/A	N/A	5	5	N/A	N/A	N/A	N/A
Mr. Moez Ahamed Jamal	9	9	N/A	N/A	6	6	N/A	N/A
Mr. Salim Raza **	N/A	N/A	1	1	N/A	N/A	0	0
Dr. Najeeb Samie	9	9	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Agha Sher Shah	N/A	N/A	3	3	3	3	1	1
Mr. Sajid Zahid	9	9	2	2	3	3	N/A	N/A
Mr. Nauman K. Dar *	N/A	N/A	4	4	N/A	N/A	1	1
Mr. Rayomond Kotwal ***	N/A	N/A	1	1	N/A	N/A	0	0

\* Mr. Nauman K. Dar resigned as a Director on October 20, 2017 and retired as President & CEO effective December 31, 2017

\*\* Mr. Salim Raza was co-opted on the Board on October 20, 2017 to fill the casual vacancy created by the resignation of Mr. Nauman K. Dar

\*\*\* Mr. Rayomond Kotwal was appointed as Acting President & CEO effective December 1, 2017

The Board IT Committee was set up on August 11, 2017

The Board Committees were reconstituted on August 11, 2017 and again on November 18, 2017.

In addition to the above, a Board Oversight Committee (BOC) was formed for dedicated focus on matters relating to the New York branch. The committee, comprising Mr Shaffiq Dharamshi and Dr Najeeb Samie, met 15 times during the year, with both members attending all meetings.

## 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 2018.

### 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 the requirements of corporate governance set by the Securities and Exchange Commission of Pakistan are fully met and the Directors are pleased to report that:

- The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The Bank has followed International Financial Reporting Standards (as applicable to Banks in Pakistan) in the preparation of its financial statements and there is no departure from the said standards.
- As a continuous process, efforts have been made to effectively implement the internal control system. HBL 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 of ICFR, including a Management Testing and Reporting Framework.
- 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 2008 to 2017 – 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) Audit, Human Resource and Remuneration, Risk Management, IT, and Board Oversight Committees constituted by the Board are functioning efficiently in accordance with their Terms of Reference. The Board has met regularly and held fifteen meetings in the year, including at least once in every quarter.

The Board is pleased to endorse the statement made by the management relating to Internal Controls. 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 table below shows the value of the investments of the provident, pension, gratuity and benevolent funds maintained by the Bank, based on their audited financial statements as at December 31, 2017.

	Rupees in million
Employees' Provident Fund	8,242
Employees' Pension Fund	3,800
Employees' Gratuity Fund	2,024
Employees' Benevolent Fund – Executives and Officers	1,437
Employees' Benevolent Fund – Clerical and Non-Clerical	689

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2017 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

As mentioned in the Statement of Compliance with the Code, a majority of the Directors have previously attended Directors' Training. During this year, the Directors attended training on cybersecurity delivered by an expert from IBM South Africa, to ensure focus on this increasingly critical area.

### 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.

HBL has faced a challenging period since 2017. During this time, our customers have continued to entrust us with their business and confidence, while our shareholders have provided steadfast support. To all our stakeholders, we are deeply grateful. The Board and the management remain committed to maintaining the highest standards of governance and we assure our stakeholders that we will continue with the necessary structural changes and remediation measures. I would also like to acknowledge the efforts and dedication demonstrated by the employees towards the growth of HBL.

On behalf of the Board

**Rayomond H. Kotwal**  
Acting President & Chief Executive Officer  
March 19, 2018

سالوں کی سست روکار کردگی کے بعد، بینکاری کے شعبے میں ہونے والی پیش رفت نے 19% کی مستحکم بڑھوتری ظاہر کی ہے جبکہ ڈپازٹس میں 10% تک اضافہ ہوا۔ بینکاری کے شعبے کے حوالے سے اوسط اسپرڈز کی کمی کا عمل جاری ہے اور یہ 2016 کے مقابلے میں 18 bps کم تھا۔

## مالیاتی کارکردگی

ستمبر، 2017 میں، جیسا کہ نومبر کے اختتام پر 30 ستمبر، 2017 کے حوالے سے ڈائریکٹرز رپورٹ میں زیر بحث رہا کہ ایچ بی ایل نے نیویارک اسٹیٹ ڈپارٹمنٹ آف فنانشل سروسز (NYSDFS) کے ساتھ رضامندی کے حکم نامے پر دستخط کئے، جس کے تحت ایچ بی ایل نے NYSDFS کو 225 ملین امریکی ڈالر کی تصفیہ جاتی ادائیگی کی۔ اس عمل نے اس سال کے حوالے سے ایچ بی ایل کے مالیاتی نتائج کو نمایاں طور پر متاثر کیا۔ اسی تسلسل میں ایچ بی ایل نے سال 2017 کے حوالے سے 8.2 ارب روپے کے بعد از محصل نفع کے ساتھ 28.8 ارب روپے کا پیشگی محصل نفع ریکارڈ کیا ہے۔ سال 2017 میں فی حصص آمدن 5.34 روپے رہی جو کہ سال 2016 میں 23.23 روپے تھی۔ اس ادائیگی کے اثرات کو منہا کر کے، سال 2017 کے حوالے سے نفع قبل از محصل 52.5 ارب روپے رہا، جبکہ سال 2016 میں 56.5 ارب روپے کا پیشگی محصل نفع اعلان کیا گیا تھا اور EPS کی سطح 21.51 روپے ہوگی۔

ایچ بی ایل کی بیلنس شیٹ دسمبر، 2016 کے مقابلے میں 7% سے بڑھوتری کے ساتھ 2.7 کھرب روپے تک رہی۔ دسمبر 2016 میں 14.1% کے مارکیٹ شیئر میں دسمبر 2017 میں 14.3% تک بہتری کے ساتھ مقامی ڈپازٹس میں 12% کا اضافہ ہوا۔ CASA میں 85.5% سے 86.4% بہتری کے تناسب کے ساتھ CASA ڈپازٹس میں اضافہ مقامی ڈپازٹس میں اضافے کی بنیادی وجہ بنایا۔ موجودہ مقامی ڈپازٹس 14% اضافے کے ساتھ 628 ارب روپے ہو گئے ہیں اور اب یہ مرکب کا 35.6% ہیں۔ سال 2017 کی چوتھی سہ ماہی میں، ایچ بی ایل نیویارک برانچ کی جانب سے ستمبر، 2017 سے 750 ملین امریکی ڈالر سے زائد کے ڈپازٹس میں کمی کے ساتھ امریکی ڈالر کلیئرنگ کے بند کئے جانے کے اندراج سے بینک نے اپنی بین الاقوامی کاروباری امور کو وسیع پیمانے کے نقصان کے خطرات سے باہر لانے کا کام کیا۔ اسی تسلسل میں ایچ بی ایل کے مجموعی ڈپازٹس 6% اضافے کے ساتھ 2.0 کھرب روپے کے قریب پہنچ گئے۔

مقامی قرضہ جات 22% کے اضافے کے ساتھ 700 ارب روپے کو پار کر گئے، جبکہ بین الاقوامی قرضہ جات تیزی سے گر گئے مگر کل قرضہ جات صرف 14% تک اضافے کے ساتھ 852 ارب روپے تک بڑھے۔ سال 2016 میں نمایاں طور پر بڑھوتریوں کو ظاہر کرتے ہوئے تمام کاروباری حلقوں کے ساتھ اوسط مقامی قرضہ جات میں 29% تک اضافہ ہوا۔ جبکہ موجودہ اوسط مقامی کرنٹ ڈپازٹس میں 16% تک بڑھوتری سے ڈپازٹ کی لاگت کو کم کرنے میں مدد ملی، مسابقتی نرخ اور سرمایہ کاری کی ایلڈز میں کمی کی وجہ سے مارجنز کی تنزلی کا عمل بھی جاری رہا۔ پھیلاؤ میں کمی کے اثر کو اوسط بیلنس شیٹ میں 11% بڑھوتری کے ذریعے متوازن کیا گیا، جس کے نتیجے میں مارک اپ کی خالص آمدن 2016 کی حد کے مقابلے میں معمولی اضافہ سے 83.1 ارب روپے تک رہی۔

سال 2017 کی غیر مارک اپ آمدن 32.9 ارب روپے تھی۔ اکاؤنٹ آپریشنز اور کارڈ سے متعلق فیس نیز اثاثہ جات کے انتظام و انصرام کی بلند فیس سے حاصل ہونے والے زر تعاون کے ساتھ فیس اور کمیشنز کی سطح 3% اضافے سے 19.5 ارب روپے تک جا پہنچی ہے۔ ٹریڈری سے متعلق سرگرمیوں سے حاصل ہونے والی آمدن 31% تک اضافے کے ساتھ 10.5 ارب روپے تک بڑھ گئی۔ جس میں زیادہ تر بڑھوتری مختص شدہ آمدن کے بانڈز پر اصل منافع جات سے آنے والی آمدن ہے۔

انتظامی اخراجات بشمول فرسٹ مائیکرو فنانس بینک کے کئی سال کی شمولیت اور نیویارک برانچ کی وجہ سے سال 2016 کے مقابلے میں 13% تک بڑھی۔ ان کے علاوہ، اخراجات میں اضافے کی شرح 9% سے نیچے رہی۔ مقامی کاروباری امور میں وصولیائیوں کے حوالے سے بہتر کارکردگی کے نتیجے میں مقامی نان پرفارمنگ قرضہ جات میں 2.1 ارب روپے کی کمی واقع ہوئی اور دوران سال مجموعی فراہمی میں 57% کمی کے ساتھ پروویژن 0.4 ارب روپے تک رہی۔ ایچ بی ایل اثاثہ جات کے معیار کے تناسب میں 8.2% اضافہ ہوا جو ایچ بی ایل کی نجکاری سے کم ترین سطح ہے۔ 31 دسمبر، 2017 سے کوئٹنگ کا تناسب مزید بہتر ہو کر 91.6% ہو گیا، جو کہ دسمبر 2016 میں 91.2% تھا۔

## ڈائریکٹر رپورٹ - 2017

میں، بورڈ آف ڈائریکٹرز کی جانب سے سال ختمہ 31 دسمبر، 2017 کے حوالے سے مجموعی مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

### کلیاتی اقتصادیات کا جائزہ

معاشی لحاظ سے سال 2017 کا اختتام، ترقی اور پیداوار میں بہتری پر بیرونی اکاؤنٹ پر بڑھتے ہوئے خدشات کے ذریعے نتائج کی تبدیلی کی وجہ سے ملے جلے رجحان کے ساتھ ہوا۔ افراط زر کی اوپری سطح مالی سال 2018 کے 8 ماہ کے دوران اوسطاً 3.84% کے ساتھ مستحکم رہی، جو کہ گزشتہ سال اس مدت کے دوران 3.90% تھی، جس کی بنیادی وجہ خوراک پر خاموش افراط زر تھی۔ مقامی طور پر پیٹرولیم کی قیمتوں میں اضافے اور روپے کی قدر میں کمی کے باوجود، اوسط سالانہ افراط زر SBP کی 4.5% سے 5.5% کی اہدائی حد میں متوقع ہے۔ توانائی کی بہتر صورتحال کے نتیجے میں صنعتی پیداوار میں اضافہ ہوا اور مالی سال 2018 کے 7 ماہ کے دوران لارج اسکیل مینوفیکچرنگ انڈیکس میں 6.3% بڑھوتری ہوئی۔ زرعی اور خدمات کے شعبہ جات سے بھی سالانہ اہداف کی تکمیل متوقع ہے، مالی سال 2018 کے حوالے سے GDP کی ترقی، 5.5% سے زیادہ بڑھنے کی توقع ہے۔

گزشتہ سال کی اسی مدت کے مقابلے میں مالی سال 2018 کے 8 ماہ میں برآمدات، 12% اضافے کے ساتھ بڑھوتری کے مدار کی جانب واپس ہوئی۔ تاہم درآمدات میں ہونے والی 17% بڑھوتری نے برآمدات میں ہونے والی بہتری کے عمل کو پیچھے چھوڑتے ہوئے تجارتی خسارے کو 22% بڑھا دیا۔ سال 2017 میں تنزلی کے بعد، ترسیل زر میں 3% اضافہ ہوا تاہم یہ کرنٹ اکاؤنٹ کے خسارے کے دباؤ کو ختم کرنے کے لیے کافی نہیں تھا، جو مالی سال 2018 کے 8 ماہ کے دوران 50% تک وسعت اختیار کر چکا ہے۔ مجموعی غیر ملکی زرمبادلہ کے ذخائر کے ساتھ 18.2 ارب امریکی ڈالر تک گر گئے۔ سال 2017 کے آخر میں 2.5 ارب امریکی ڈالر کے غیر ملکی قرض کے اجراء کے باوجود مالی سال 2017 کے اختتام تک 15% کی کمی واقع ہوئی۔ بڑھتے ہوئے بیرونی دباؤ اور کم ہوتے ہوئے ذخائر مارچ تک کرنسی کو ایڈجسٹ کرنے کے حتمی نتائج کے طور پر سامنے آئی اور روپے کی قدر میں دسمبر، 2017 کے اختتام سے 9% سے کمی واقع ہوئی۔

محصولات کی بہتر وصولی کی وجہ سے مالی سال 2018 کی پہلی ششماہی کے حوالے سے GDP کا عددی خسارہ مالی سال 2017 کی پہلی ششماہی کے ریکارڈ شدہ 2.4% سے کم ہو کر 2.2% رہا۔ تاہم الیکشن کا سال ہونے کی وجہ سے محصولات کی اس بنیاد کی وسعت میں کمی دکھائی دیتی ہے، جبکہ انفراسٹرکچر اور ترقیاتی کاموں پر خرچ میں فیضی کے ساتھ سرمایہ کاری سے اخراجات میں تناؤ جاری رہے گا۔ چنانچہ مالی سال 2018 میں بظاہر 4.2% کے ہدف کی امنگ کے ساتھ عددی عدم توازن ایک اہم چیلنج رہے گا۔

آئی ایم ایف نے اپنی پوسٹ پروگرام مانیٹرنگ رپورٹ میں وسیع عددی اور غیر ملکی خسارے کی وجہ سے درپیش خراب اور کمزور اقتصادی صورتحال، غیر ملکی زر مبادلہ میں کمی اور درمیانی مدت کے قرضہ جات کو جاری رکھنے کے عمل کو لاحق خدشات کی نشاندہی کی۔ آئی ایم ایف نے زیادہ سے زیادہ ایڈجسٹمنٹ کی شرح چلک، سخت نظام زر اور مالی نظم و ضبط کو مضبوط بنانے کی سفارش کی ہے۔ Fitch نے پاکستان کی B ریٹنگ کی توثیق کرتے ہوئے اس کے آؤٹ لک کو بتدیج کی کے ساتھ منفی کر دیا کیونکہ آئی ایم ایف کے پروگرام کے تحت حاصل کردہ فوائد جزوی زائل ہو گئے ہیں۔

سال 2017 میں پاکستان کی ایکویٹی مارکیٹ PSX انڈیکس 52,000 کی توسیعی تیز رفتاری کو پار کرنے کے بعد سے MSCI کی ابھرتی ہوئی مارکیٹ انڈیکس میں شمولیت کی ابتدائی حوصلہ افزاء احساس کے مدہم پڑنے کے بعد شدید غیر مستحکم رہی۔ اسی طرح فرنٹیر مارکیٹ فنڈز میں بھی پیچھے ہٹنے کا رجحان رہا۔ غیر یقینی سیاسی صورتحال کا وسیع دورانیہ اور غیر ملکی اکاؤنٹ کے استحکام پر تحفظات کے نتیجے میں PSX پر سرمایہ کاروں کا اعتماد کمی کی جانب راغب ہوا جس کی وجہ سے بلند ترین سطحوں سے 23% کی تنزلی کے ساتھ دوران سال 15% کا نقصان ہوا۔ سال 2018 میں انڈیکس، 10% سے کرنسی کی ایڈجسٹمنٹ اور سرمایہ کاری کے غیر ملکی پورٹ فولیو میں بہتری کی مدد سے جزوی طور پر بحال ہوا ہے۔

SBP نے اپنے جنوری کے نظام زر سے متعلق پالیسی بیان میں، اپنی پالیسی کی شرح کو 25 bps تک اضافے کے ساتھ 6.0% تک بڑھا دیا، جو کہ مئی 2016 سے غیر تغیر پذیر کی بعد ایک حیران کن عمل ہے۔ SBP نے اس شرح کے پیچھے کارفرما عوامل کے طور پر روپے کی قدر میں کمی، تیل کے بلند نرخ، دیگر مرکزی بینکوں کی جانب سے شرح میں اضافہ اور پیداوار کے درمیان موجود تنگ ہوتے ہوئے خلاء کا حوالہ دیا۔ سال 2017 میں کم شرح سود، پیداوار میں اضافے اور صارفین کے زیر استعمال اشیاء کی زیادہ طلب کی مدد سے نجی شعبے کے قرضے 15% تک اضافے کے ساتھ 4.8 کھرب روپے پر پہنچ گئے۔ کئی

## کاروباری ترقی

برانچ بینکنگ، نئے صارف کے حصول اور ساتھ ہی کم لاگت کے ڈپازٹ کی بڑھوتری دونوں کے لیے بینک کی ترقی کے انجن کے طور پر عمل کرتی ہے۔ ایچ بی ایل نے CASA بیلنسز میں 172 ارب روپے شامل کر کے نیز مرکب ڈپازٹس کی صورتحال کو بہتر بناتے ہوئے 14% سے زیادہ مارکیٹ شیئر کو برقرار رکھتے ہوئے اپنی سربراہانہ حیثیت کو قائم رکھا ہے۔ امسال ایچ بی ایل نے 1.3 ملین نئے صارفین کو شامل کر کے ریکارڈ قائم کیا، جس سے اس کے مجموعی مقامی صارف کی بنیاد 10 ملین سے تجاوز کر رہی ہے۔

ایچ بی ایل آسان اکاؤنٹ اسمال ٹکٹ کسٹمرز کے لیے آسانی فراہم کرتا ہے اور اسی وجہ سے یہ بینکاری نہ کرنے والی آبادی کو مالیاتی خدمات تک رسائی کو بڑھانے کے لیے کلیدی مصنوعات ہے۔ اس مصنوعات کے آغاز سے، ایچ بی ایل، اکاؤنٹس اور حجم کے لحاظ سے تقریباً 25% کے مارکیٹ شیئر کے ساتھ مارکیٹ لیڈر رہا ہے۔ سال 2017 میں ایچ بی ایل نے اس کینگری میں ایک ملین کے کوارٹر سے زائد نئے صارفین شامل کئے اور اب تقریباً 600,000 آسان اکاؤنٹس ڈپازٹس میں 7 ارب روپے سے زائد کا تعاون دے رہے ہیں۔ ٹیکنالوجی کے ذریعے مالیاتی شمولیت کے ارتقاء کے حوالے سے اپنی حکمت عملی کے عہد کو پورا کرنے کے لیے، ایچ بی ایل نے اکاؤنٹ کھولنے کے طریقہ کار میں سہولت دینے اور اسے آسان بنانے کے لیے مضافاتی کسٹمر لوکیشنز پر تصدیق کی غرض سے موبائل بائیومیٹرک ڈیوائسز متعارف کرائیں۔

ایچ بی ایل کی جانب سے خواتین کے لیے مالیاتی سہولت کی شمولیت کے حوالے سے کئے جانے والے عزم میں بینک کے منفرد NISA منصوبے کی تشہیر اور اس پر توجہ دلانے کے مقصد کے لیے کی جانے والی ڈیجیٹل مہم کا آغاز شامل ہے۔ ایچ بی ایل اس وقت فخریہ طور پر 2.8 ملین خواتین صارفین کو بینکاری کی سہولیات بہم فراہم کرنے والا دیگر تمام بینکوں میں بڑا بینک ہے۔ NISA پروگرام کے تحت خواتین صارفین کی تعداد، جن سب کے لیے بینکاری نئی ہے، دو گنی ہو کر سال 2017 کے اختتام تک تقریباً 300,000 ہو گئی ہے۔

ایچ بی ایل نے بییکا اینڈسٹریس میں بھی 50% حصے کے ساتھ مارکیٹ میں اپنے غلبے کو برقرار رکھا ہوا ہے۔ نکافل، جو کہ اس پراڈکٹ کی اسلامک قسم ہے، اب اپنی بڑھتی ہوئی قبولیت کے ساتھ سال 2017 کی مجموعی فروخت کے 33% پر مشتمل ہے۔ دوران سال فروختگی کے عمل میں بہتری اور قواعد کی من و عن تقیل کو یقینی بنانے کا عمل بینک کی توجہ کا مرکز رہا۔ برانچ کے عمل کو پراڈکٹ کی جامع تربیت فراہم کی گئی اور فروختگی کے معیار کو بہتر بنانے اور بینک کے ضابطہ کار پر عمل درآمد کے لیے مفصل گائیڈ لائنز جاری کی گئی۔

ایچ بی ایل اینڈسٹری میں سب سے بڑا SME پلیئر ہے اور اسے انسٹیٹیوٹ آف بینکرز پاکستان کی جانب سے ترتیب کے لحاظ سے دوسرے سال کے حوالے سے چھوٹے کاروبار اور زراعت کے لیے بہترین بینک کے خطاب سے نوازا گیا تھا۔ اس کاروباری امور نے مختلف اینڈسٹریز سے ان کی پروپرائیٹری اسمال بزنس فننس پراڈکٹ کے ذریعے 1,000 سے زائد نئے SME کلائنٹس شامل کئے۔ ایچ بی ایل نجی سطح پر زرعی مالی سہولت فراہم کرنے والا سب سے بڑا فراہم کنندہ بینک بھی ہے، جو اس شعبے میں کمرشل بینک مارکیٹ شیئر کے تقریباً 25% کا حصہ دار ہے۔ ایچ بی ایل نے دیہی آبادی کو مالیاتی سہولیات کی فراہمی کا عہد کیا ہے، جو کہ یہ حصہ پاکستان کی اقتصادی ترقی میں شدید اہمیت کا حامل ہے۔

خدمت کے بہتر معیار کو برقرار رکھنا، بینک کی اولین ترجیح ہے۔ بیرونی سرویز، مسٹری شاپنگ اور اسٹیک ہولڈرز کے ساتھ اندرونی سطح پر منسلک رہنے کا عمل جہاں بہتر خدمات کے معیار کے پروگرام کو تقویت دیتا ہے، وہیں یہ کسٹمر کے ٹچ پوائنٹس کی اندرونی طور پر نگرانی کے عمل کو بھی بڑھاتا ہے۔ سروس کوالٹی ٹیم کا روبرار کے کرتا دھرتا کی جانب سے کام پر ارتکاز کے ذریعے سال 2016 کے مقابلے میں شکایات کا حجم کم ہو کر 54% تک گر گیا۔ ان اہم اقدامات میں کام میں لگنے والے وقت میں کمی، بہترین طور پر وضاحت شدہ تیز تر ذرائع اور شکایت کے حل کو عمل کی کارکردگی کے ساتھ منسلک کرنے جیسے کام شامل ہیں۔ کنڈکٹ اسسمنٹ فریم ورک (CAF) کمیٹی نے SBP کی گائیڈ لائنز کے مطابق کسٹمرز کے ساتھ بہتر اور منصفانہ سلوک کے حوالے سے کراس بینک اقدامات پر کام کیا۔ جس کے نتیجے میں سال 2017 میں بینک کی CAF ریٹنگ بہتر ہو کر 1.70 رہی۔ سال 2017 میں بینک کو براہ راست 60,959 شکایات موصول ہوئیں۔ اوسطاً شکایات کو حل کرنے کے تین دن لگے۔



## ذخائر میں اتار چڑھاؤ

2016	2017	
ملین (روپے)		
34,206	8,182	بعد از محصول نفع
96,495	106,142	افتتاحی غیر تخصیص شدہ منافع
34,070	7,829	بینک ایکویٹی کے حامل افراد کے لیے قابل ادائیگی منافع
-	371	بینک برانچ کی فروخت پر ظاہر ہونے والے مبادلہ کی تبدیلی
(624)	(1,014)	وضاحت شدہ منفعت کی ذمہ داریوں پر نقصان کی دوبارہ پیمائش - خالص
38	42	اثاثہ جات کی دوبارہ تشخیص پر سرپلس سے منتقل شدہ - محصول کا خالص
33,484	7,228	
129,979	113,371	مناسب کارروائی کے لیے دستیاب منافع
		مختلف مدوں میں رکھی گئی رقم
(3,289)	(883)	قانونی ذخائر میں منتقل شدہ
(12)	20	ایسوسی ایٹس کے قانونی فنڈز میں منتقل شدہ
(5134)	(5,134)	نقد منافع منقسمہ - حتمی
(5134)	(5134)	پہلا نقد عبوری منافع منقسمہ
(5134)	(5134)	دوسرا نقد عبوری منافع منقسمہ
(5134)	-	تیسرا نقد عبوری منافع منقسمہ
(23,837)	(16,265)	مجموعی مناسب کارروائیاں
106,142	97,106	اختتامی غیر تخصیص شدہ منافع
23.23	5.34	فی حصص (شیر) آمدنی (روپے)

## سرمائے کا تناسب

31 دسمبر، 2016 سے مجموعی کپیٹل ایڈویسی ریشو (CAR) 15.5% سے بہتر ہو کر سال 2017 کے اختتام پر 16.0% رہا۔ جبکہ 12.0% CAR Tier 1 کی سطح پر برقرار رہا۔ CAR کی مستحکم سطحیں بینک کی جانب سے سرمائے کے تناسب کی بحالی کے لیے کئے جانے والے جامع عمل کا تسلسل ہیں، جو تیزی کے ساتھ بعد ازاں آنے والی تصفیہ جاری ادائیگی کی وجہ سے تنزلی میں چلی گئی تھی۔ یہ دونوں تناسب قواعد و ضوابط کی ضروریات سے بہت زیادہ بہتر رہے ہیں۔

ایچ بی ایل کی ٹریڈری نے خود کو SBP کی جانب سے اعلان کردہ رینٹنگ میں سرفہرست پرائمری ڈیلر کے طور پر برقرار رکھا، جو کہ مقامی فکسڈ انکم مارکیٹ میں ایچ بی ایل کی صلاحیتوں کا ثبوت ہے۔ سال 2016 میں بینک نے تقریباً 10% تک اپنے زرمبادلہ کے ترسیلی کسٹمز میں اضافہ کیا اور ہمیں ایک بار پھر سے پاکستان میں مجموعی FX ٹریڈنگ کے حوالے سے پورومٹی کا نمبر 1 ایوارڈ دیا گیا۔ دوران سال نئی فنڈنگ اور مئی مارکیٹ پراڈکٹس کو اسلامک ٹریڈری سلوشنز میں شامل کیا گیا۔

ایچ بی ایل نے اپنے برانچ لیس بینکنگ کے منصوبے کو ایک ان ہاؤس پلیٹ فارم کی تیاری کے ساتھ بحال کیا۔ تجارتی بنیادوں پر اس کے افتتاح کے لیے ایجنٹ کو ساتھ شامل کرنے کا عمل جاری ہے اور 25,000 سے زائد ایجنٹس اس میں فعال ہیں۔ ایک مکمل طور پر ڈیجیٹل طریقہ کار کے ذریعے بینک کو اینڈ ٹو اینڈ پیپر لیس آن بورڈنگ متعارف کرانے والے مارکیٹ کا پہلا ادارہ ہونے کے قابل بنایا گیا۔ اس سے جہاں تیزی سے اضافے کی صلاحیت ملے گی وہیں اس بات کو بھی یقینی بنایا جائے گا کہ تمام ضروری KYC کوائف تعلق کے ابتدائی مراحل میں حاصل کئے جائیں۔

ایچ بی ایل، تیزی سے ابھرتے ہوئے فن ٹیک ایکوسٹم میں برتر کردار ادا کرنے کا خواہشمند ہے۔ اس سال بینک نے ایک جدت سے بھرپور چیلنج دیا، جو پاکستان میں کسی بھی کمرشل بینک کی جانب سے منعقد کیا جانے والا اپنی نوعیت کا پہلا قدم تھا۔ حتیٰ قرار پانے والے تین میں سے دو فائنلسٹ ایچ بی ایل میں مختلف یونٹس کے ساتھ جدت سے بھرپور سلوشنز کی فراہمی کے لیے پہلے ہی کام کر رہے ہیں۔ ایچ بی ایل نے دو ابتدائی یونٹس کا اہم اسپانسر بھی رہا، جس میں شرکاء کو عالمی سطح پر انڈسٹری میں برتری رکھنے والے جیسے گوگل، فیس بک اور ایمیزون، ونچر کیپیٹلسٹ اور سرفہرست پاکستانی اور بین الاقوامی سرمایہ کاروں سے مستفید ہونے کے قابل بنایا گیا۔ ایچ بی ایل، کراچی نیشنل انکوبیشن سینٹر قائم کرنے والے مارکیٹ کے اہم کرداروں کے ساتھ شراکت داری کر رہا ہے، جو HBL فن ٹیک لیب کی میزبانی کریں گے۔

ایچ بی ایل کی ان ہاؤس ڈیولپمنٹ ٹیم نے ایک کمرشل بینک کی جانب سے تیار کیا جانے والا مارکیٹ کے پہلے اوپن API کا آغاز کیا۔ جس کے ذریعے کسٹمرز کو مارجنل کوائف ڈپازٹ کاؤنٹس کے ذریعے ادائیگی کے قابل بنایا گیا۔ انٹرنیٹ بینکنگ پلیٹ فارم اور ایچ بی ایل موبائل کی سہولیات میں اضافے کے طور پر نئی فنانشل پراڈکٹس جیسے e-IPO اور e-insurance اور بل کی ادائیگی کے اشتراک اداروں کی ایک وسیع رینج شامل کی گئیں۔ اکاؤنٹ سروس سے متعلق درخواستیں جیسے چیک بک کا آرڈر کرنا، مالی گوشوارے اور کارڈ بلاکنگ کو اب برانچ پر جانے (جو کہ کسٹمر کے لیے ایک بہت اہم عدم اعتماد کا عمل تھا) کی بجائے براہ راست اپنی موبائل ایپ کے ذریعے کیا جاسکتا ہے۔ ایچ بی ایل موبائل ایپ اسٹور پر پہلے ہی مقامی کمرشل بینکوں کے درمیان نہ صرف سب سے زیادہ ڈاؤن لوڈ فراہم کرنے والا ادارہ ہے بلکہ اس کے ساتھ نئی سروسز جیسے بایومیٹرک تصدیق اور لوکیشن کی بنیاد پر ڈسکاؤنٹس کی معلومات مسلسل فراہم کی جا رہی ہیں۔

بینک نے اپنے بین الاقوامی کاروبار کے حجم کو موزوں بنانے کی غرض سے اپنی حکمت عملی کی سمت کے تعین کے ساتھ اور سیزنل پرنٹس کو یکجا کرنے کا عمل شروع کر دیا ہے۔ جولائی 2017 میں ایچ بی ایل نے اپنے کینیا کے کاروبار کو ڈائمنڈ ٹرسٹ بینک، کینیا، جو کہ ایک الحاقی ادارہ ہے کو فروخت کی عمل مکمل کیا۔ یورپ میں اپنے کام کو یو کے کے ذیلی ادارے کے تحت مجتمع کرنے کے جزو کے طور پر بینک کی پیرس برانچ ایچ بی ایل یو کے کو فروخت کر دی گئی تھی۔ ایران میں بینک کا نمائندہ دفتر بند کر دیا گیا ہے اور سیکیورٹی کے خدشات کے باعث کابل میں بھی ایک برانچ بند کر دی گئی ہے۔

ایچ بی ایل مارچ، 2017 میں چائنا میں اپنی پہلی برانچ کے آغاز کے ساتھ، چائنا میں بینک کی برانچ کھولنے والا پہلا ادارہ اور ناتھ ویسٹ چائنا میں برانچ رکھنے والا پہلا ساؤتھ ایشین بینک بن گیا ہے۔ مستقبل قریب میں اُنکی برانچ آراہیم بی لائسنس کے لیے اپلائی کرے گی جو کہ بعد ازاں چائنا میں مقامی آر ایم بی بزنس نیز کراس بارڈر آر ایم بی ٹرانزیکشنز کے قابل ہوگی۔

کاروباری معاونت کے لیے ٹیکنالوجی کے لحاظ سے کئی اقدامات کئے گئے۔ کریڈٹ کے عمل کو بھی ایک خود کار آلے کے ذریعے ڈیجیٹل کیا گیا، جس میں کسٹمر کی اسکریننگ اور اس کے حساب کتاب کے ساتھ تصدیقی چیکس بھی موجود ہیں۔ 350 برانچز میں ان ہاؤس جدید ٹیلر سسٹم بھی نصب کیا گیا ہے، جس سے جہاں صارف کی سہولت میں اضافہ ہوا وہیں بیک اینڈ کنٹرول بھی بہتر ہوا ہے۔ ٹریڈ اور ٹریڈری کے پلیٹ فارمز دونوں کو اپ گریڈ کرتے ہوئے فراہمی، ادائیگی اور فنانشل رپورٹنگ کے عمل کو مزید مضبوط بنانے کی غرض سے اوریکل فنانشلز کا اطلاق کیا گیا۔ ایچ بی ایل پاکستان کا وہ واحد بینک ہے جو PCI-DSS سرٹیفائیڈ ہے اور اس کے پاس اس سند کو رکھے ہوئے یہ دوسرا سال ہے۔

ایچ بی ایل کا کنزیومر بینکنگ برنس، جو صارفین کی مالی خواہشات کی تکمیل کے حصول میں معاونت کرتا ہے، نے مستقبل اور مسلسل اپنی ترقی کا عمل جاری رکھا ہوا ہے۔ سال 2017 میں پرسنل لونز اور کار لونز سے حاصل ہونے والی اہم اعانت سے یہ پورٹ فولیو 14% تک اضافے کے ساتھ 45 ارب روپے تک بڑھا۔ اثاثہ جات کا مجموعی معیار زیادہ بڑھوتری کے کئی سالوں کے بعد بھی، انتہائی کم شرح نقصان کے ساتھ بہترین انداز میں منظم رہا۔

سال 2016 میں ایچ بی ایل کریڈٹ کارڈ کے استعمال میں 40% اضافے سے مارکیٹ شیئر میں کافی حد تک اضافہ ہوا۔ مارکیٹ کی سرفہرست خصوصیات اور ڈسکاؤنٹس کے ساتھ متعارف شدہ فلیگ شپ پلیٹینم کارڈ، کی انڈسٹری میں کریڈٹ کارڈ کے بعد سب سے زیادہ مانگ رہی۔ ایچ بی ایل 4.6 ملین کارڈز کی ترسیل کے ساتھ ڈیٹ کارڈز میں مارکیٹ کا واضح لیڈر رہا۔ سال 2017 میں ایچ بی ایل نے بنیادی سطح کے ڈیٹ کارڈ کے طور پر پاکستان کی پہلی مقامی ادائیگی کی اسکیم کی معاونت کرنے والا پے پاک ڈیٹ کارڈ متعارف کرایا۔ کارڈ کی ڈیلیوری کے طریقہ میں جدید طریقہ عمل کے نتیجے میں ڈیلیوری ریٹ میں 55% سے 85% تک بہتری آئی جبکہ پراڈکٹ کی مختلف اقسام میں سادہ طریقہ کار، قیمت پر استدلالی دلائل اور کارگریز صارف دوست کام طریقہ کار نے کسٹمر کے تجربے کو بہتر بنایا اور پوائنٹ آف سیل کے استعمال میں 50% کا اضافہ ہوا۔

سال 2017 میں ایچ بی ایل نے بیوپاری کے کاروبار کے حصول میں مارکیٹ میں اپنی لیڈر شپ حاصل کی، جس میں اس نے سرمایہ کاری کا عمل جاری رکھتے ہوئے، پاکستان میں کسٹمر کو آسانی کی بہم فراہمی کے لیے کارڈز ایکوسٹم میں بڑھوتری کے قابل بنایا۔ نصب شدہ 18,000 POS مشینز اور ایکٹیویشن کی 85% کی بہتر شرح کے ساتھ، مجموعی فروختی 36% اضافے کے ساتھ تقریباً 90 ارب روپے پر پہنچ گئی۔ ایچ بی ایل نے ویزا اور ماسٹر کارڈ کے اشتراک سے 3D سکیور کا بھی آغاز کیا، جس کے ذریعے ایک آسان اور صارف دوست طریقہ کار کے ساتھ سکیورٹی کی ایک اضافی سطح فراہم کی گئی۔ پاکستان کے سب سے بڑے آن لائن ریٹیلر Daraz.com کے ساتھ سب سے زیادہ کامیاب مشترکہ مہم چلائی گئیں۔ جس نے ایچ بی ایل کے ذریعے ای کامرس خرچ میں مجموعی طور پر 80% اضافہ شامل کیا۔

سال 2017 میں ایچ بی ایل اسلامک برنس نے ڈپازٹس میں 31% اضافے اور فنانسنگ میں 52 ارب روپے کی توسیع کے ساتھ تیزی سے بڑھوتری کا عمل جاری رکھا۔ مارکیٹ میں اپنی بڑھتی ہوئی موجودگی کو برقرار رکھنے پر توجہ مرکوز رہی اور اب اس کا نام بگ ٹکٹ اسلامک سنڈیکیشن پراسٹرکچرنگ اور مشورہ دہی کے حوالے سے بہترین انتخاب کے طور پر لیا جاتا ہے۔ ٹیم نے ملازمین کو اسلامک بینکنگ کی معلومات کی فراہمی کے فرائض کو بھی یقینی بنایا اور اس شعبے میں 1,000 سے زائد عملے کو تربیت دی گئی، جبکہ کسٹمرز اور عوام الناس کی معلومات کو ایچ بی ایل کے شریعہ بورڈ کی گائیڈ لائنز کے مطابق بہترین انداز میں طے شدہ آگاہی نشستوں کی پیشکش کے ذریعے بڑھایا گیا۔

ایچ بی ایل نے 30% سے زائد مارکیٹ شیئر کے ساتھ کیش مینجمنٹ برنس میں اپنی برتری کو جاری رکھتے ہوئے حجم میں 2.25 کھرب روپے سے زائد کا اضافہ کیا۔ دوران سال اہم کیش مینجمنٹ پراڈکٹس بشمول آن لائن ٹیکسز، بلک یوٹیلیٹی بل کی ادائیگیوں اور منافع منقسمہ کی الیکٹرانک تقسیم متعارف کرائی گئیں۔ کارپوریٹ ادائیگیوں کے لیے پراڈکٹ سوٹ کی تکمیل کی غرض سے نئے ماڈیولز کا آغاز کیا گیا۔ دوران سال، 171 نئے مینڈیٹس پر دستخط کئے گئے اور اب یہ برنس 780 کسٹمر کو نقدی کی وصولی اور ادائیگیوں کی خدمات فراہم کرتا ہے۔ بینک نے اپنے سکنچر HBL@Work ایمپلائی بینکنگ سلوشن کے لیے دوران سال 200 سے زائد مینڈیٹس حاصل کیں، جو اس وقت تقریباً 1,100 کمپنیز کے 700,000 ملازمین تک ہو چکی ہے۔ سال 2017 میں، ملک بھر میں کسی بھی ایچ بی ایل برانچ پر خدمات کی دستیابی کے ذریعے کسٹمر کی سہولت میں اضافہ کیا گیا۔ پاکستان میں کام کرنے والے مارکیٹ میں چائینیز نیشنلز کے تیزی سے بڑھتے ہوئے سیگمنٹ کے لیے ایک الگ پراڈکٹ بھی تیار کیا گیا۔

ایچ بی ایل انویسٹمنٹ بینکنگ برنس دوران سال اپنی لیڈر شپ کی پوزیشن کو برقرار رکھتے ہوئے تقریباً تمام اہم کمپیوٹل مارکیٹس، انفراسٹرکچر اور چارٹا پروجیکٹس پر توجہ مرکوز رکھنے والی تحقیقات میں صف اول پر رہی۔ سال 2017 میں ٹیم نے مختلف لین دین (ٹرانزیکشنز) کے حوالے سے 225 ارب سے زائد کی ڈیٹ فنانسنگ کا کامیاب انتظام و انصرام کیا، جس میں مقامی مارکیٹ میں سب سے بڑے سنڈیکیشنز میں سے ایک ڈاسو ہائیڈرو پاور پراجیکٹ شامل ہے۔ بینک نے اپنی فن مہارت اور CPEC کے تجربے کے تحت ترقیاتی عمل کو جاری رکھا اور اس وقت یہ 4 ارب امریکی ڈالر سے زائد کے پراجیکٹس میں شامل ہے۔ اس شعبے میں ایچ بی ایل کی برتر حیثیت کو مختلف بین الاقوامی اشاعتوں میں ایوارڈز کے ذریعے تسلیم کیا گیا۔

## رسک مینجمنٹ فریم ورک

موثر رسک مینجمنٹ ایجنسی ایل کی حکمت عملی کی ترجیحات کا بنیادی جزو ہے۔ بینک اپنے رسک آرکیٹیکچر کی مسلسل تشخیص کے ساتھ اس کے فریم ورک کی بھی نگرانی کرتا ہے تاکہ بین الاقوامی طریقہ کار کو یقینی بناتے ہوئے نئے قواعد، مطلوبہ ضروریات اور ترسیمات کو اپنے کاروباری ضروریات میں شامل کر کے اس پر توجہ دی جائے۔

بورڈ آف ڈائریکٹرز حکمت عملی پر مبنی سمت کی فراہمی کے ساتھ بینک کی رسک ایپیاٹ کی منظوری بھی دیتے ہیں۔ بورڈ کو، بورڈ رسک مینجمنٹ کمیٹی کی معاونت حاصل ہوتی ہے، جو روز کی بنیاد پر بینک کی رسک پروفائل کی نگرانی، اسکی تشخیص اور انتظام و انصرام کا کام کرتی ہے۔ سینئر لیول پر مختلف رسک مینجمنٹ کمیٹیز اس پر نظر رکھنے اور روزمرہ کی رسک مینجمنٹ کی سرگرمیوں، جو کہ مختلف سطحوں پر مختلف انتظامی نگرانی اور وضع شدہ پالیسیز اور طریقہ کار کے ذریعے تقویض کی جاتی ہے، اور وہ اس کی انجام دہی کی ذمہ دار ہوتی ہیں۔

سال 2017 کے دوران، ایجنسی ایل نے اپنے رسک مینجمنٹ کے طریقہ کار کو بہتر بنانے کے لیے ٹیکنالوجی میں سرمایہ کاری کو جاری رکھا۔ کنزیومر بزنس کے مستحکم رسک مینجمنٹ کوڈیزین سپورٹ سافٹ ویئر، تھریڈ جزیشن اپیلیکیشن اسکور کارڈز اور سیپورل اسکور کارڈز کی تیاری اور انتصاب کے فیصلے کے اطلاق کے ذریعے مزید تقویت دی گئی۔ بینک مارکیٹ رسک کے حوالے سے اپنے فکسڈ انکم، ایکویٹی اور غیر ملکی زر مبادلہ کے پورٹ فولیوز کے لیے Basel II انٹرنل ماڈلز کا طریقہ کار کے اطلاق کا منصوبہ رکھتا ہے۔ ایسٹ لائبلٹی مینجمنٹ (ALM) سسٹم کا اطلاق جاری ہے، جس سے بیلنس شیٹ کا انتظام و انصرام مزید موثر ہوگا اور کمپیٹل کیکلو لیٹر کے ذریعے مزید درست اور ریئل ٹائم اسٹریٹجی ٹیسٹنگ کی سہولت میسر ہوگی۔

آپریٹل رسک مینجمنٹ پریکٹس کی منظم اور مستقل انداز میں نگرانی کے لیے پالیسیز، طریقہ کار اور سسٹمز لگائے جا رہے ہیں۔ اہم ٹولز جیسے رسک کنٹرول سیلف ایسمنٹ (RCSA)، اہم رسک علامات اور آپریٹل لاس ڈیٹا مینجمنٹ کو آپریٹل رسک کے امکانات اور اس کی شدت کو جانچنے کے لیے استعمال کیا جاتا ہے۔ بینک آپریٹل نقصان کی صورتحال میں اس کے اثرات کی فعال انداز میں تشخیص کے لیے اسٹریٹجی ٹیسٹنگ اور سینئر یو این ایلسز کا زیادہ استعمال کرتا ہے پورے بینک میں، بینک کے نتائج جس کی اصل نقصان کے حوالے سے تشخیص کی جاتی ہے، کمزور صورتحال کو کنٹرول کرنے اور خلاء کو پر کرنے کے لیے مفصل RCSA ایکسرسائز کا باقاعدہ بنیاد پر انعقاد کیا جاتا ہے۔

معلومات اور سائبر سیکیورٹی بینک کا سب سے اہم اور مرتکز شعبہ ہے۔ سائبر کے حملوں کی نشاندہی کرنا، اس سے بچاؤ اور اسے جواب دینے کی ایجنسی ایل کی صلاحیتوں کو مزید مستحکم بنانے کے لیے مسلسل کوششیں جاری ہیں اور اس حوالے سے نگرانی کے عمل بہتر بناتے ہوئے سائبر سیکیورٹی کنٹرولز میں جدید ٹیکنالوجی کو شامل کرنے کا عمل جاری ہے۔ اس کے ذریعے بینک کی بینکنگ اپیلیکیشنز کو محفوظ بنایا جاتا ہے اور کسٹمرز کو یہ اعتماد بخشا جاتا ہے کہ ان کے مالی معاملات کی معلومات محفوظ ہیں۔

ایجنسی ایل نے گروپ کی وسعت پر، فعال طریقے سے جائزہ لینے، بینک کے کمپلائنس کے طریقہ کار کو بڑھانے اور اپنے رسک پروفائلز کو بہتر بنانے کے لیے کمپلائنس ٹرانسفارمیشن پروگرام کی شروعات کی ہے۔ اس مقصد کے لیے بینک نے اس شعبے میں تجربہ اور فن مہارت رکھنے والے بین الاقوامی سطح کے کنسلٹنٹس کو اپنے ساتھ شامل کیا ہے۔ ان اقدامات کے ذریعے ٹرانزیکشنز کی نگرانی اور اسکریننگ نیز آنے والے کسٹمرز آن بورڈنگ کے کنٹرولز میں بہتری متوقع ہے۔ ایجنسی ایل نے اپنے کاروباری امور کو نقصان کے خدشات سے مبرا کرنے کے حوالے سے پہلے ہی اہم اقدامات کئے ہیں اور زیادہ خطرے والی انڈسٹریز اور کسٹمرز کی ایک بڑی تعداد سے اپنا رشتہ ختم کیا ہے۔

ایجنسی ایل، بینک کے کمپلائنس کے کلچر کو مزید بہتر بنانے اور اس پر کنٹرولز کے لیے بشمول کمپلائنس کے کاموں کی صلاحیت اور اسکوپ کو بڑھانے، مخصوص بین الاقوامی کمپلائنس ڈپارٹمنٹ اور ایک آزادانہ کوائٹی ایٹورس اینڈ کنٹرول یونٹ کا قیام، کے ساتھ کئی اقدامات کر رہا ہے۔ اسکریننگ اور ٹرانزیکشنز کی نگرانی کے لیے سسٹم کو اپ گریڈ کرنے کا آغاز کر دیا گیا ہے اور ای لرننگ ماڈلز میں بھی اضافہ کیا جا چکا ہے۔ اس پر نظر رکھنے اور کمپلائنس کے کاموں کی ادارے کی اعلیٰ انتظامی سطح پر نگرانی کے لیے ایک مینجمنٹ کمپلائنس کمیٹی بھی قائم کی گئی ہے۔



ایچ بی ایل نے سال 2017 کی مدت کے دوران لوگوں سے رابطے اور مربوط مارکیٹنگ کے ذریعے اپنی مستحکم برانڈ ایکویٹی کو مجتمع رکھا ہے۔ دوران سال ایک بیرونی ایجنسی کی جانب سے کی جانے والی ایک تحقیق میں ایچ بی ایل نے دوبارہ سے بلند ترین ایکویٹی اسکور کو حاصل کرتے ہوئے فنانشل سیکٹر میں اپنی پوزیشن کو برقرار رکھا ہے، جو کہ اس کے قریب ترین مد مقابل سے دوگنا ہے۔ پاکستانی اشتہار سازوں کی سوسائٹی کی جانب سے بھی ایچ بی ایل کی مارکیٹنگ کے حوالے سے کی جانے والے کاوشوں کو سراہتے ہوئے اعزازات جیسے پاکستان کا جذبہ اور بہترین کارپوریٹ مہم کے اعزازات سے نوازا گیا ہے۔ ایچ بی ایل نے پرنٹ اور ڈیجیٹل مہم کے ذریعے پاکستان کے خوابوں کے امین لوگوں کی شان میں ملک کی 70 ویں سالگرہ کو منایا۔ اس مہم کا اختتام پاکستان کے مختلف شعبہ ہائے جات زندگی سے تعلق رکھنے والے پاکستانیوں کی ڈیجیٹل ویڈیو کے ساتھ ہوا۔

ایچ بی ایل پاکستان سپر لیگ (HBL PSL) پاکستان میں بین الاقوامی کرکٹ کی واپسی کا ایک تاریخی اور یادگار موقع ہے، جو کروڑوں پاکستانیوں کے خوابوں اور خواہشات کی تکمیل کا ذریعہ ہے۔ یہ ٹورنامنٹ ہر سال ملک کے جوانوں کو اپنے فن کے اظہار کے لیے ایک پلیٹ فارم فراہم کرنے کے ساتھ ساتھ کرکٹ کے نئے اسٹار کو سامنے آنے کے بھی قابل بناتا ہے۔ سال 2017 میں HBL PSL سے نئے کھلاڑی ICC چیمپئن شپ ٹرافی میں اہم کردار ادا کرنے گئے۔

## ہیومن ریسورسز

ایچ بی ایل سرفہرست ٹیلنٹ کو اپنے ساتھ شامل کر کے اپنی افرادی قوت میں بھی سرمایہ کاری کر رہا ہے۔ ان کی تربیت، ارتقاء اور اپنے لوگوں کو ترقی کے مواقعوں کی فراہمی کے لیے بھرپور سرمایہ کاری کر رہا ہے۔

اس عمل کی تعمیل پر توجہ کو بڑھانے کے غرض سے اور اس کی طاقت کو بڑھانے کے لیے کمپلائنس کے شعبے میں 100 سے زیادہ افراد شامل کئے گئے۔ تجربہ کار اور متوسط کیریئر کے حامل ملازمین کو ملازمت کا موقع فراہم کرنے کے علاوہ فریش گریجویٹس کا ایک بچہ بھی شامل کیا گیا ہے اور انہیں ایک نئی تخلیق شدہ کمپلائنس اکیڈمی میں وسیع کلاس روم اور عملی تربیت فراہم کی گئی۔ براؤننگ کی سیلز کی ٹیم کو نیٹ ورک میں 350 ریلیشن شپ نیٹ ورک کے اضافے کے ساتھ بڑھایا گیا۔ ایچ بی ایل نے مختلف خواتین اور مرد حضرات پر مشتمل افراد کے ساتھ کام کرنے کے عمل کو جاری رکھا اور خواتین ملازمین کی ایک بڑی تعداد کو ادارے میں شامل کیا جو اب تقریباً اس کی عالمی ورک فورس کا 15% پر مشتمل ہے۔

سال 2017 میں براؤننگ نیٹ ورک اور کیش آفیسرز کو جامع کیریئر اور لرننگ کے مواقع فراہم کئے۔ اس سے نہ صرف ان کی برقراریت یقینی ہوگی بلکہ مرتکز ارتقاء اور کیریئر کے مواقعوں کی فراہمی کے ذریعے ایک ہمہ جہت ورک فورس بھی تیار ہوگی۔ قبل ازیں ایک جامع ٹیلنٹ مینجمنٹ پروگرام کا آغاز کیا گیا جس سے بینک کے سینئر ٹاپ ٹیلنٹ کی نشاندہی ہوئی، جن کے لیے ڈیولپمنٹ کے منصوبے بنائے گئے۔ ایچ بی ایل انڈسٹری کا سراہا گیا "دی لیگ" مینجمنٹ ٹریننگ پروگرام جاری رکھا، جس میں دیگر 33 انتظامی ٹرینیز کو غیر ملکی اور سرفہرست مقامی یونیورسٹیز سے شامل کیا گیا۔

ایچ بی ایل کی ٹریننگ اور ڈیولپمنٹ نیز بالخصوص ای لرننگ پر جاری مرتکز توجہ کا ثبوت یہ تھا کہ اس نے ای لرننگ مین آرز میں 200% سے زیادہ کا اضافہ کیا، ایڈیٹوری ٹریننگ کی تازہ ترین تربیت اور 13 نئے ای لرننگ ماڈیولز کا آغاز کیا۔ اس کے علاوہ بینک نے اپنے عملے کو 675,000 سے زیادہ مین ڈیز آف کلاس روم ٹریننگ فراہم کی۔ حیدرآباد اور سکھر میں دو ڈیجیٹل ڈیولپمنٹ حب کا آغاز کیا گیا تاکہ مضافاتی علاقوں میں موجود عملہ ایچ بی ایل کی لرننگ کے مواقع سے مستفید ہو سکے۔ ان پیشکشوں کے ذریعے فن مہارت کی حامل کمپیوٹر لیب کے ساتھ ای لرننگ ماڈیولز کی مکمل رینج فراہم کی گئی۔ دوران سال بین الاقوامی نیٹ ورک کو وسعت کی حامل کسٹمائزڈ تربیت بھی فراہم کی گئی۔

HR سسٹم اور طریقہ کار کو خود کار بنانے کی جانب بینک کی طرف سے کئے جانے والے اقدامات کے طور پر ہیومن کیپیٹل ماڈیولز کا اہم حصہ کامیابی کے ساتھ مقامی اور بین الاقوامی نیٹ ورک میں شامل کیا گیا۔ پاکستان بھر میں تمام مقامات پر 15,000 سے زائد عملے کے لیے ایک خود کار بائیومیٹرک اٹینڈنس مینجمنٹ سسٹم کا بھی اطلاق کیا گیا ہے۔

یونینز کے ساتھ تعلقات پورا سال خوشگوار رہے اور ان کے ساتھ دو سالہ مشترکہ لیبر معاہدہ بھی طے کیا گیا تھا۔

- بیسٹ بیلٹ اینڈ روڈ اینٹیشی ایڈوان پاکستان۔ گلوبل فنانس
- بیسٹ کارپوریٹ کمپین۔ پاکستان ایڈورٹائزرز سوسائٹی

## مستقبل کی پیش بینی

پاکستان کو اقتصادی خراب حالات کو بہتر بنانے کے لیے نسبتاً ایک طویل مدت لگے گی، جس میں افراط زر کی نرمی کے ساتھ ہائر کریڈٹ آف ٹیک کے ساتھ مثبت نمو نیز بہتر سرمایہ کار اور صارفین کا اعتماد شامل ہے۔ ہر چند یہ کہ مختلف نوعیت کے خطرات اب ظاہر ہیں اور ان سے احتیاط کے ساتھ برداڑا ہونے کی ضرورت ہوگی۔ 2018 اپنے ساتھ مختلف چیلنجز لائے گا، جیسے کہ بروقت الیکشن کا انعقاد، بڑھتی ہوئی طلب، افراط زر کی توقعات، تیل کے بڑھتے ہوئے نرخوں اور زرمبادلہ کے نرخ کی حالیہ ایڈجسٹمنٹ شامل ہے۔

غیر ملکی اکاؤنٹ ایک اہم مسئلہ بنتا جا رہا ہے، تجارتی خسارے کے پھیلاؤ اور درآمدات میں مسلسل رخنہ ڈالتی برآمدات کی بڑھوتری ترسیل زر میں صرف معمولی اضافوں نے کرنٹ اکاؤنٹ کے خسارے کو بڑھا دیا ہے۔ بین الاقوامی کمپیٹل مارکیٹس سے سرمایہ کاری کے باوجود غیر ملکی زرمبادلہ کے ذخائر اپنے بلند ترین مقام سے بہت زیادہ حد تک کم ہو گئے ہیں۔ بجٹ کا خسارہ یقینی طور پر اپنے اہداف سے انحراف کرے گا اور ملکی تاریخ سے دوہرے خسارے میں گرنے سے بچنے کے لیے لازمی طور پر کوششیں کرنے کی ضرورت ہے۔ معاشی نمو میں بہتری متوقع ہے، ہر چند یہ کہ سیاسی استحکام، CPEC کے عمل میں تیزی اور ایکسپورٹ پائپ لائن کے مزید استحکام سے گزشتہ چند سالوں میں پیش رفت کرنے کے لیے اہم اقدامات ہو گئے۔

ایچ بی ایل کا یہ سال ایک چیلنج سے بھرپور سال کے طور پر متوقع ہے کیوں کہ اس میں بینک کنڈکٹ، کمپلائنس اور کنٹرول کے حوالے سے اپنے معیار کو بڑھوتری کی جانب لے جا رہا ہے۔ بورڈ عدم برداشت کے کمپلائنس کلچر کے فروغ کے اپنے مقصد کا اعادہ کرتا ہے اور اس کو پورے ادارے میں تمام سطحوں پر رائج کرنے کے لیے پہلے ہی اقدامات شروع کر چکا ہے۔

ایچ بی ایل پاکستان کے طول و عرض پر معاشرے کے تمام شعبہ جات کے لیے مالیاتی سہولیات کی فراہمی کے اپنے مقصد پر کاربند رہا ہے۔ ایچ بی ایل خواتین کی خود مختاری، خواہ وہ ملازم ہو یا کسٹمر دونوں صورتوں میں قابل ہے اور اس شعبے میں کلیدی کردار ادا کرتے ہوئے پورے ادارے میں ان کے فروغ کے لیے عمل پیرا ہے اور مالی شعبہ جات تک خواتین کی رسائی کو یقینی بنا رہا ہے۔ اپنی بڑھتی ہوئی بیلنس شیٹ، بہتر ہوتے ہوئے سرمائے اور تمام چیلنجز پر بے مثال کام کے ساتھ، ایچ بی ایل ملک کی معاشی ترقی کی معاونت کو جاری رکھے گا اور پاکستان کا قومی ادارہ ہونے کے ناطے پاکستان کی ترقی کے لیے کئے جانے والے اقدامات میں صف اول کا کردار ادا کرے گا۔ ایچ بی ایل کسٹمر ٹیکنالوجی کے بنیاد پر جدید، کسٹمر سینٹرک پراڈکٹس اور سروسز اپنے صارفین کو مہیا کرے گا اور سہولت، قدر اور بہترین تجربات فراہم کرے گا۔

## منافع منقسمہ

بورڈ نے سال مختتمہ 31 دسمبر، 2017 کے حوالے سے ایک حصص (شیر) پر 1.00 روپے کا حتمی نقد منافع منقسمہ تجویز کیا ہے، اسی طرح سال بھر میں ہر ایک حصص (شیر) پر مجموعی نقد منافع منقسمہ 8.00 روپے بنتا ہے۔ بورڈ نے اعلان کردہ تمام عبوری نقد منافع منقسمہ، جو ہر ایک حصص (شیر) پر 7.00 روپے ہے، پہلے ہی ادا کر دیا ہے۔

## ڈائریکٹرز میں تبدیلی

جناب نعمان کے۔ ڈار نے مورخہ 20 اکتوبر، 2017 کو بورڈ کے ڈائریکٹر کی حیثیت سے استعفیٰ دے دیا تاہم وہ اپنے ریٹائرمنٹ مورخہ 31 دسمبر، 2017 تک صدر اور چیف ایگزیکٹو ہے۔ جیسا کہ وہ چھٹیوں پر جا چکے تھے، ریومنڈ کووال کو مورخہ یکم دسمبر، 2017 سے بطور قائم مقام صدر اور چیف ایگزیکٹو تعینات کیا گیا تھا اور انہوں نے اس عہدے پر بطور ڈائریکٹر تصور کرتے ہوئے خدمات انجام دیں۔

جناب نعمان کے۔ ڈار کی بطور ڈائریکٹر استعفیٰ کے بعد خالی ہونے والے اسمی کو مورخہ 20 اکتوبر، 2017 سے جناب سلیم رضا کی تقرری کے ذریعے پر کیا گیا تھا۔ جناب رضا ایک مکمل ٹینکر ہیں اور پاکستان میں سینئر پوزیشنز پر خدمات انجام دے چکے ہیں اور ساتھ ہی اسٹیٹ بینک آف پاکستان کے گورنر کے طور پر بھی خدمات انجام دے چکے ہیں۔

## سماجی بہبود کی ذمہ داری (CSR)

ایچ بی ایل کو ایک سماجی بہبود کا ایک خصوصی طور پر ذمہ دار ادارہ ہونے پر فخر ہے اور یہ تعلیم کے فروغ، صحت اور معاشرے کی بہبود کے فلاحی مقاصد کی معاونت کے ذریعے ایک ذمہ دار کارپوریٹ شہری کی حیثیت سے اپنا کردار ادا کرتا رہا ہے۔ ایچ بی ایل فاؤنڈیشن کا قیام پسماندہ لوگوں کے ارتقاء اور خوشحالی کے فروغ اور ان کے معیار زندگی کو بہتر بنانے کی غرض سے سال 2009 میں عمل میں آیا۔ بینک اپنے منافع کا ایک فیصد سالانہ بنیادوں پر ایچ بی ایل فاؤنڈیشن کو فراہم کرتا ہے۔ سال 2017 کے دوران، بینک نے ایچ بی ایل فاؤنڈیشن اور براہ راست مستحق مقاصد کے لیے 89 ملین روپے کا عطیہ دیا۔ اس کی CSR کی کاوشوں کے اعتراف میں، ایچ بی ایل کو Pakistan Centre for Philanthropy کی جانب سے ملک کے تیسرے سب سے بڑے عطیہ کنندہ ہونے کے اعزاز سے نوازا گیا۔

ایچ بی ایل فاؤنڈیشن نے Marie Adelaide لہروسی سینٹر کو بلوچستان میں 10 اور گلگت-بلتستان میں 3 آئی سرجیکل کیمپس کے انعقاد کے لیے فنڈز عطیہ کئے۔ انڈس ہسپتال کو اس کے دور دراز علاقوں بدین اور رحیم یار خان میں نیز نئے آپریشن تھیمز کی تعمیر کے لیے جناح پوسٹ گریجویٹ میڈیکل سینٹر میں پشٹون ایڈ فاؤنڈیشن کو مالی معاونت فراہم کی۔ اتفاق کڈنی اینڈ جنرل ویلفیئر اسپتال پشاور کو مالی معاونت فراہم کی، جس کے ذریعے غریب مریضوں کو ڈائلیسیز کی مفت سہولیات فراہم کی جائیں گی۔

ایچ بی ایل کا یہ یقین ہے کہ تعلیم پاکستان کی معاشی ترقی کا ایک لازمی جزو ہے۔ اس شعبے میں کارگریٹریننگ انسٹی ٹیوٹ کو عطیات فراہم کئے گئے، جو ٹیکنیکل اور وکیشنل تعلیم فراہم کرتا ہے۔ ساتھ ہی IT لیب کے قیام کے لیے لسبیلہ یونیورسٹی آف ایگریکلچر، واٹر اینڈ میرین سائنسز کی بھی مالی معاونت کی گئی۔ کوئٹہ انسٹی ٹیوٹ آف میڈیکل سائنسز کو بلوچستان کے دیہی علاقوں سے مستحق طلباء کے لیے اپنے اسکالرشپ پروگرام کے انڈومنٹ فنڈ کے قیام کے ذریعے مالی معاونت فراہم کی گئی۔ ایچ بی ایل پلانٹیم اسکالرشپ کے ذریعے تعلیمی سال 2017 میں پاکستان بھر کی 10 سرفہرست یونیورسٹیز میں 68 طلباء کو اسکالرشپس فراہم کی گئیں۔

ایچ بی ایل فاؤنڈیشن نے ضلع ٹھٹھہ کے پانچ گاؤں میں پینے کے صاف پانی کے پراجیکٹس کے لیے انڈس ارتھ اور زیارت میں سورج کی روشنی سے چلنے والے الٹرافٹریشن واٹر پیوریفیکیشن پلانٹ کے لیے ترقی فاؤنڈیشن کو عطیات فراہم کئے۔ گلگت-بلتستان اور چترال کے مصیبت زدہ رہائشیوں کے لیے پانی تک رسائی کے عمل کو بہتر بنانے میں معاونت بھی انہی اقدامات کا حصہ ہے۔

ایچ بی ایل فاؤنڈیشن اور دیگر کوڈی جانے 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 تھی۔ NYSDFS Consent Order کے نتیجے میں ریٹنگز پر آؤٹ لک تبدیل ہو کر منفی اور ذیلی قرض کی ریٹنگ AA+ ہو گئی ہے۔ Moody's نے بھی بینک لائن کریڈٹ تشخیص کو 1caa پر تبدیل کرتے ہوئے، ایچ بی ایل کی مقامی اور غیر ملکی کرنسی ڈپازٹ ریٹنگز کو بالترتیب B3 اور Caa1 پر برقرار رکھا۔

ایک انٹرنیشنل ریٹنگ ایجنسی بنام کمپیٹل 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 کو بھی BB پر برقرار رکھا گیا ہے اور دونوں ریٹنگز کے جائزے مستحکم آؤٹ لک دکھاتے ہیں۔

## اعزازات

2017 کے دوران ایچ بی ایل کو کئی اعزازات سے نوازا گیا اور ان میں سے زیادہ نمایاں درج ذیل ہیں:

- بیسٹ ڈومیسٹک بینک - پاکستان، ایشیائی
- بیسٹ ریٹیل بینک پاکستان، ایشیائی بینکر انٹرنیشنل ایوارڈز
- بیسٹ بینک فار اسمال بزنس اینڈ ایگریکلچر - انسٹی ٹیوٹ آف بینکرز پاکستان
- بیسٹ انویسٹمنٹ بینک ان پاکستان - گلوبل فنانس

\* جناب نعمان کے۔ ڈار نے مورخہ 20 اکتوبر، 2017 کو بطور ڈائریکٹر استعفیٰ دیا اور مورخہ 31 دسمبر، 2017 سے صدر اور CEO کے عہدے سے ریٹائر ہو گئے۔

\*\* جناب سلیم رضا کی بورڈ میں تقرری مورخہ 20 اکتوبر، 2017 کو جناب نعمان کے۔ ڈار کے استعفیٰ کی وجہ سے خالی ہونے والی بے ضابطہ اسمیٰ کوپہ کرنے کے لیے ہوئی۔

\*\*\* جناب ریومنڈ کوٹوال کا مورخہ یکم دسمبر، 2017 سے بطور قائم مقام صدر اور CEO تقرر کیا گیا۔

بورڈ IT کمیٹی کا قیام مورخہ 11 اگست، 2017 کو عمل میں آیا۔

بورڈ کمیٹی کا دوبارہ قیام مورخہ 11 اگست، 2017 اور پھر مورخہ 18 نومبر، 2017 کو ہوا۔

مذکورہ بالا کے علاوہ نیویارک برانچ سے متعلق معاملات کو مخصوص توجہ دینے کے لیے بورڈ اور سائٹ کمیٹی (BOC) بنائی گئی۔ جناب شفیق دھرمشی اور جناب نجیب سیج پر مشتمل یہ کمیٹی دوران سال دونوں اراکین کے ساتھ تمام اجلاس میں شرکت کرتے ہوئے 15 بار ملی۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور انہوں نے سالانہ اجلاس عام میں اہلیت کی بنیاد پر خود کو دوبارہ انتخاب کے لیے 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 2018 کے لیے 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 لیے پرعزم ہے کہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مرتب کردہ کارپوریٹ گورننس کی ضروریات کو پورا کیا جائے اور ڈائریکٹر یہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں کہ:

(a) بینک کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، بینک کے معاملات کی صورتحال، انتظامی نتائج، کیش فلو اور ایکویٹی میں تبدیلی کے حوالے سے درست انداز میں تیار کئے گئے ہیں۔

(b) بینک کے بکس آف اکاؤنٹس باقاعدہ طور پر برقرار رکھی گئی ہیں۔

(c) مالیاتی گوشواروں اور اکاؤنٹنگ کے تخمینہ جات کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیز کا موزوں اور محتاط فیصلے کی بنیاد پر مسلسل اطلاق کیا گیا ہے۔

(d) بینک نے مالیاتی گوشواروں کی تیاری میں انٹرنیشنل فنانشل اسٹینڈرڈز (جو پاکستان میں بینکوں پر لاگو ہیں) کی پیروی کی ہے اور کہیں بھی معاملات کی خلاف ورزی نہیں کی گئی۔

(e) ایک مستقل کام کے طور پر انٹرنل کنٹرول سسٹم پر موثر انداز میں عمل درآمد کرنے کی کوششیں جاری رہتی ہیں۔ ایچ بی ایل، اسٹیٹ بینک آف پاکستان کی انٹرنل کنٹرول سے متعلق ہدایات اور انٹرنل کنٹرولز اور فنانشل رپورٹنگ (ICFR) کی ہدایات اور روڈ میپ پر عمل درآمد کرتا ہے۔ بینک نے اپنے ICFR طریقہ کار کا جائزہ لیا ہے اور ICFR کی مینجمنٹ کی فریم ورک دستاویز تیار کی ہے اور اس کے ساتھ مینجمنٹ ٹیسٹنگ اور رپورٹنگ فریم ورک بھی تیار کیا ہے۔

(f) بینک کے اپنے امور کو جاری رکھنے کی صلاحیت پر کسی قسم کے شکوک و شبہات نہیں ہیں۔

(g) کوڈ میں مذکورہ کارپوریٹ گورننس پر بہترین طریقے سے عمل درآمد کے حوالے سے کسی قسم کا اہم انحراف نہیں کیا گیا ہے۔

(h) مالیاتی گوشواروں کے سیکشن "پروگریس 2008 سے 2017- مجموعی" میں گزشتہ 10 سالوں کے اہم عملیاتی اور مالیاتی گوشوارے پیش کئے گئے ہیں۔

## بورڈ کے اجلاس

بورڈ میٹنگ		
حاضری	اجلاس منعقدہ دوران مدت	
15	15	جناب سلطان علی الانہ
15	15	جناب شفیق دھرمشی
15	15	جناب معیز احمد جمال
2	2	جناب سلیم رضا**
15	15	ڈاکٹر نجیب سمیع
15	15	جناب آغا شیر شاہ
15	15	جناب ساجد زاہد
14	14	جناب نعمان کے۔ ڈار*
1	1	جناب ریومنڈ کوٹوال***

\* جناب نعمان کے۔ ڈار نے مورخہ 20 اکتوبر، 2017 کو بطور ڈائریکٹر استعفیٰ دیا اور مورخہ 31 دسمبر، 2017 سے صدر اور CEO کے عہدے سے ریٹائرڈ ہو گئے۔

\*\* جناب سلیم رضا کی بورڈ میں تقرری مورخہ 20 اکتوبر، 2017 کو جناب نعمان کے۔ ڈار کے استعفیٰ کی وجہ سے خالی ہونے والی اسامی کو پُر کرنے کے لیے ہوئی۔

\*\*\* جناب ریومنڈ کوٹوال کا مورخہ یکم دسمبر، 2017 سے بطور قائم مقام صدر اور CEO تقرر کیا گیا۔

## بورڈ کمیٹیز کے اجلاس

آڈٹ کمیٹی میٹنگ		رہنما کمیٹی میٹنگ		ہیومن ریسورس اور ریمپو نریشن کمیٹی میٹنگ		بورڈ آئی ٹی کمیٹی میٹنگ		
حاضری	دوران مدت منعقد شدہ میٹنگز	حاضری	دوران مدت منعقد شدہ میٹنگز	حاضری	دوران مدت منعقد شدہ میٹنگز	حاضری	دوران مدت منعقد شدہ میٹنگز	
N/A	N/A	N/A	N/A	6	6	N/A	N/A	جناب سلطان علی الانہ
N/A	N/A	5	5	N/A	N/A	N/A	N/A	جناب شفیق دھرمشی
N/A	N/A	N/A	N/A	6	6	N/A	N/A	جناب معیز احمد جمال
N/A	N/A	1	1	N/A	N/A	0	0	جناب سلیم رضا**
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	ڈاکٹر نجیب سمیع
N/A	N/A	3	3	3	3	1	1	جناب آغا شیر شاہ
N/A	N/A	2	2	3	3	N/A	N/A	جناب ساجد زاہد
N/A	N/A	4	4	N/A	N/A	1	1	جناب نعمان کے۔ ڈار*
N/A	N/A	1	1	N/A	N/A	0	0	جناب ریومنڈ کوٹوال***



سال 2017 سے ایچ بی ایل نے مشکلات کا سامنا کیا ہے، اس مدت کے دوران ہمارے کسٹمرز نے ہم پر اپنے کاروباری امور کے حوالے سے مسلسل اعتماد کا مظاہرہ کیا ہے، جبکہ ہمارے حصص یافتگان (شیئر ہولڈرز) نے بھی ہماری بھرپور معاونت کی ہے۔ ہم اپنے تمام اسٹیک ہولڈرز کے تہہ دل سے مشکور و ممنون ہیں۔ بورڈ اور انتظامیہ گورننس کے اعلیٰ ترین معیارات کو برقرار رکھنے کا عہد کئے ہوئے ہیں اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ ہم ضروری اسٹرکچرل تبدیلیوں اور مسائل کے حل کے لیے اقدامات کرنے کا عمل جاری رکھیں گے۔ میں ایچ بی ایل کی ترقی میں اپنے ملازمین کی خلوص اور لگن کے جذبے کے ساتھ کی جانے والے کاوشوں کو بھی سراہتا ہوں۔

منجانب بورڈ

رُیومنڈ کوٹوال  
قائم مقام صدر اور چیف ایگزیکٹو آفیسر  
19 مارچ، 2018

- (i) ڈائریکٹرز، سی ای او، سی ایف او اور کمپنی سیکریٹری نے تصدیق کی ہے کہ وہ دوران کی ازواج کسی طرح کے بھی اسٹاک بروکریج میں شامل نہیں ہیں۔
- (j) بورڈ کی طرف سے قائم کردہ رسک مینجمنٹ، آڈٹ اینڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹیاں اپنے اختیارات کے تحت مؤثر انداز میں کام کر رہی ہیں۔ سال بھر کے دوران بورڈ کے اجلاس مستقل طور پر ہوتے رہے ہیں اور بورڈ پندرہ اجلاس کر چکا ہے اور کم از کم ہر سہ ماہی میں ایک بار تولازی ملے ہیں۔

بورڈ انٹرل کنٹرولز سے متعلق انتظامیہ کے جانب سے دیئے جانے والے بیان کی توثیق کرتے ہوئے خوشی محسوس کرتا ہے۔ انٹرل کنٹرول کا گوشوارہ، کوڈ پر عمل درآمد کا گوشوارہ برائے جائزہ رپورٹ اور آڈیٹرز کی رپورٹس، مالیاتی گوشوارے کے ساتھ منسلک ہیں۔

### ایمپلائز ریٹائرمنٹ بینیفٹ فنڈز میں سرمایہ کاریوں کی قدر

مورخہ 31 دسمبر، 2017 سے بینک کی جانب سے برقرار رکھے جانے والے پروویڈنٹ، گریجویٹ، پینشن اور مینوولنٹ فنڈز میں سرمایہ کاریوں کی قدر، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر درج ذیل جدول میں ظاہر کی گئی ہے:

ملین (روپے)	
8,242	ایمپلائز پروویڈنٹ فنڈ
3,800	ایمپلائز پینشن فنڈ
2,024	ایمپلائز گریجویٹ فنڈ
1,437	ایمپلائز مینوولنٹ فنڈ، ایگزیکٹو اور آفیسرز
689	ایمپلائز مینوولنٹ فنڈ، کلریکل اور نان کلریکل

### پیٹرن آف شیئر ہولڈنگ

31 دسمبر، 2017 کو پیٹرن آف شیئر ہولڈنگ اور ایگزیکٹو کی جانب سے بینک کے حصص (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۔

### ترہیتی پروگرامز میں ڈائریکٹرز کی شرکت

کوڈ کی تعمیل کے مطابق گوشوارے کی عبارت کے مطابق اس سے قبل ڈائریکٹرز کی ایک بڑی تعداد نے ڈائریکٹرز کے ترہیتی پروگرامز میں شرکت کی ہے۔ دوران سال اہم ترین شعبے کی جانب توجہ کو بڑھانے کے لیے ڈائریکٹرز نے IBM ساؤتھ افریقہ سے ایک ماہر کی جانب سے سائبر سیکیورٹی پر دی جانے والی تربیت میں شرکت کی۔

### اظہار تشکر

بورڈ اور انتظامیہ کی جانب سے، میں اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص وزارت خزانہ، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا تہہ دل سے شکریہ ادا کرتا ہوں کہ ان کی کوششوں سے ریگولیٹری اور گورننس فریم ورک میں مسلسل ترقی اور بہتری کی بدولت بینکنگ اور فنانشل انڈسٹری کو استحکام ملا اور ترقی کی راہ پر گامزن ہے۔







## Supporting self-reliance

HBL, through its subsidiary The First MicroFinance Bank Ltd (FMFB), reaches out to over 300,000 customers, which include small holder farmers, livestock farmers and micro entrepreneurs. 35% of these customers are women.

# Progress at a Glance 2008 to 2017 - Consolidated

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
----- (Rs. In Millions) -----										
<b>Balance Sheet</b>										
Total Equity	66,309	84,370	96,251	109,414	132,730	142,209	169,595	182,620	196,269	188,815
Total Assets	749,807	863,925	924,699	1,139,647	1,610,474	1,715,271	1,864,618	2,218,433	2,506,098	2,684,102
Total Deposits	597,091	682,750	747,375	933,632	1,214,964	1,401,230	1,524,645	1,634,944	1,885,959	1,998,935
Advances (net of provision)	456,356	454,662	459,750	457,368	499,818	563,701	600,020	637,384	748,466	851,502
Investments (net of provision)	129,833	216,468	254,909	418,604	797,095	826,062	922,691	1,270,824	1,344,405	1,374,808
<b>Operating Results</b>										
Total Revenue	48,133	53,830	59,757	71,181	73,720	74,339	92,008	114,753	113,387	115,957
Total Expenditure	21,814	23,149	24,953	30,380	31,114	36,854	42,227	49,713	55,970	63,045
Operating Profit	26,320	30,682	34,804	40,801	42,607	37,485	49,781	65,040	57,417	52,912
Provision against advances & others	9,388	9,300	7,764	6,745	7,045	1,351	1,531	4,754	892	381
Extra Ordinary and unusual item	-	-	-	-	-	-	-	-	-	23,717
Profit before taxation	16,932	21,382	27,040	34,056	35,562	36,133	48,250	60,286	56,525	28,813
Profit after taxation	10,864	13,401	17,034	22,161	22,792	23,027	31,483	35,102	34,206	8,182
<b>Others</b>										
Home Remittances	94,530	128,970	158,693	226,536	271,090	307,630	386,197	474,068	545,651	451,010
Imports	410,073	349,650	412,127	417,646	393,047	476,574	401,464	385,846	390,224	435,963
Exports	273,711	321,733	388,585	419,969	404,019	427,845	442,093	450,522	359,214	266,457
Number of Branches	1,508	1,494	1,501	1,506	1,540	1,594	1,644	1,716	1,731	1,751
<b>Financial Ratios</b>										
Return on average assets (RoA)	1.5%	1.7%	1.9%	2.1%	1.7%	1.4%	1.8%	1.7%	1.4%	0.3%
Return on average equity (RoE)	17.2%	17.8%	18.9%	21.6%	18.8%	16.8%	20.2%	19.9%	18.1%	4.2%
Non-interest income to total revenue	23.4%	20.7%	21.4%	20.8%	21.6%	26.0%	25.5%	31.9%	27.7%	28.4%
Net NPL to net advances ratio	2.8%	3.3%	2.7%	2.7%	3.2%	2.7%	2.7%	1.7%	1.4%	1.1%
Asset quality ratio (NPL ratio)	8.3%	10.1%	10.7%	11.2%	10.9%	12.7%	11.9%	10.9%	9.2%	8.2%
Coverage ratio	70.1%	71.5%	79.6%	81.5%	77.1%	83.5%	83.2%	90.1%	91.2%	91.6%
Advances to deposits - gross	81.1%	71.8%	67.2%	53.9%	44.9%	45.0%	43.7%	43.2%	43.3%	46.1%
Capital adequacy ratio (CAR)	11.4%	13.3%	14.6%	15.6%	15.3%	15.4%	16.2%	17.0%	15.5%	16.0%



# Annual Statement on Internal Controls 2017

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. 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 system of internal controls approved by the Board of Directors, the goal of which is to achieve effectiveness and efficiency of operations while adhering to laws and regulations, resulting in 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. It also requires continuous improvement to align it with the changing environment and needs of the business. During the current year, the Bank reached a settlement with the New York State Department of Financial Services (NYDFS) relating to weaknesses in the compliance program at its New York Branch.

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 corrective actions are promptly implemented. The management has also constituted an Internal Control Unit (ICU) to conduct of on-site and off-site reviews of operations processes in branches as well as in the Head Office. ICU monitors and identifies design and implementation gaps in processes and ensures that timely remedial actions are undertaken.

Global Compliance strives to strengthen the compliance environment and minimize compliance risk across the institution through effective compliance with laws, regulations, guidelines and the Bank's own policies and procedures. The Bank has also embarked on a compliance transformation program across the organization to proactively review and further enhance the Bank's compliance processes. For this purpose, the Bank has engaged internationally recognized consultants who have experience and expertise in this area. These measures are expected to improve transaction monitoring processes as well as controls around customer onboarding.

Internal Audit conducts audit of relevant activities and processes to evaluate the effectiveness of the control environment throughout the Bank. During the year, significant and material findings of Internal Audit and of the External Auditors and regulators were addressed 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 has complied 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. As required under the SBP's directives, the Bank's external auditors are engaged annually to provide their Long Form Report on ICFR, which is submitted to the SBP within the required timelines. A quarterly progress report on ICFR, duly approved by the BAC, is also submitted to the SBP. 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 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 2017, management considers that, apart from the compliance weaknesses mentioned above, the existing system of internal controls, including ICFR, is adequate and has been effectively implemented and monitored, although room for improvement always exists.

**Irfan Ahmed Meer**  
Acting Chief Financial Officer

**Nauman Riaz**  
Chief Compliance Officer

**Fahad K. Juma**  
Acting Chief Internal Auditor

**Rayomond Kotwal**  
Acting President and  
Chief Executive Officer

# 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, 2017 to comply with the requirements of Rule 5.19 of the Pakistan Stock Exchange Limited Regulations issued by the Pakistan Stock Exchange where the Bank is listed.

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

As 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, 2017.

A.F. Ferguson & Co.  
Chartered Accountants

Engagement Partner: Salman Hussain

Date: March 22, 2018  
Karachi

# Statment of Compliance

## With the best practices of the Code of Corporate Governance for the year ended December 31,2017

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Chapter 5 of the Regulations of the Pakistan Stock Exchange Limited. 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:

1. 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:

Category	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 Salim Raza Mr Shaffiq Dharamshi
Executive Director	Mr Rayomond Kotwal

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

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. 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.
4. A casual vacancy occurring on the Board on October 20, 2017 was filled by the Directors on the same day.
5. 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.
6. 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
8. The Board of Directors has approved the appointment, remuneration and terms and conditions of employment of the Chief Executive Officer.

9. The remuneration of the Independent / Non-executive Directors has been approved by the Shareholders at the Annual General Meeting.
10. All meetings of the Board of Directors were chaired by Mr. Sultan A. Allana, Chairman of the Board. The Board met fifteen 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.
11. The majority of the Directors have attended the SECP approved Directors' Training Programme offered by the Institute of Business Administration, Karachi and are certified as Directors in accordance with the Code.
12. 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.
13. 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.
14. 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.
15. 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.
16. The Chief Executive Officer and Chief Financial Officer have duly endorsed the financial statements of the Bank before their approval by the Board.
17. The Bank has complied with the applicable corporate and financial reporting requirements of the Code.
18. 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.
19. 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.
20. 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 four 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 three members, all of whom, including the Chairman of the Committee, are non-executive Directors.

21. An effective Internal Audit Group is in place. The Head of Internal Audit reports directly to the Board Audit Committee.
22. The Board Audit Committee met nine 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 and advised to the Board Audit Committee for compliance. The Board approves the financial statements of the Bank on the recommendation of the Audit Committee.
23. 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.
24. The Bank confirms that all other material principles contained in the Code have been complied with.
25. 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.
26. Material / price sensitive information has been disseminated among all market participants at once through the Pakistan Stock Exchange.
27. 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

**Rayomond Kotwal**

Acting President & Chief Executive Officer  
March 19, 2018



# Report of Shariah Board

## Presented to the Board of Directors (For the period ended December 2017)

By the grace of Almighty ALLAH, Habib Bank Limited – Islamic Banking (HBL-IB) has completed yet another year of successful operations. The Board of Directors and management are responsible to provide effective and comprehensive Shariah governance to regulate Islamic Finance and guide them in its development.

### Business & Product Profile

HBL-IB has one of the widest dedicated nationwide Islamic Banking network consisting of 47 Islamic Banking Branches and 495 Islamic Banking Windows having a deposit of PKR 163 billion which is 32% higher as compared to last year's deposit of PKR 124 billion.

At present, HBL-IB is offering products ranging from the traditional financing to savings and investment solutions catering individuals, Commercial, SME and Corporate customers. During the year, HBL-IB has also provided structured financings to corporate customers and participated in various syndicated transactions. Alhamdulillah, HBL-IB has taken new initiatives and enhanced its product range by launching Running Musharakah and Currency Salam product focused on strengthening the assets portfolio and trade business. It is due to the management's eagerness to increase its asset financings that the volume of financings rose to 84 billion with an increase of 163% as compared to last year.

HBL-IB has provided Shariah compliant Salary Account and Car Ijarah facilities to Bank's staff and has also strengthened and streamlined its existing products by revamping and updating Product Manuals, Policies and Processes.

During the year, the Shariah Board (SB) has approved new products to enhance the availability of range of products for its customers including the Running Musharkah, Tijarah Finished Goods Financing, Staff Salary account, Margin account, Placement and Acceptance of Funds for treasury. Besides new products, SB has also reviewed the existing products and policies to improve the Shariah compliance environment including Diminishing Musharkah, Corporate Ijarah, Al Mukhtar, Al Irtifa, Al Samarat, PLS account, FCY PLS account, Aasaan account and Charity Policy.

### Shariah Board Meetings

During the year SB of HBL-IB has conducted four meetings which were attended by full quorum. The minutes of the meeting were recorded and timely submitted to the regulator in accordance with the regulatory requirements.

### Shariah Compliance

SB has reviewed and evaluated the basis and Shariah principles used in products & services, agreements & contracts, transactional structures and policies introduced by HBL-IB during the year. The SB has also conducted the planned Shariah reviews through the Shariah Compliance Department (SCD), which included examination of transactions on sample basis. SCD has reviewed relevant documentation and procedures adopted by HBL-IB and obtained all necessary information and explanations which was considered sufficient evidence to form an opinion and provide reasonable assurance whether HBL-IB has complied with respective Shariah rules and guidelines issued by SB and SBP.

A comprehensive Shariah Compliance mechanism consisting of various independent organs such as SCD, Internal Shariah Audit Unit (ISAU) and External Shariah Audit is in place to ensure the Shariah Compliance of the transactions. SCD, under the supervision of SB, has conducted Shariah reviews of more than 170 Islamic Banking Windows (IBWs) and Islamic Banking Branches (IBBs) besides, Shariah reviews of financing transactions, Islamic treasury and pool management.

A Shariah Scholar is also employed (on permanent basis) in SCD to assist all the stakeholders in carrying out Shariah and Product reviews effectively.

In compliance with SBP's instructions, SCD is also conducting pre-disbursement review of profit and loss distribution to the depositors on monthly basis while ISAU also conducted quarterly post-disbursement audits of the profit distribution and presented their reports to the SB.

### Islamic Banking Trainings

Training need assessment is a significant activity performed for capacity building of the staff to equip them for better planning and implementation. HBL has continued its focus on human resource development by providing in-house and external Islamic Banking trainings to its employees. SCD, under the supervision of SB, has imparted 33 training sessions on Islamic Banking wherein more than 1,000 employees from all parts of the country participated. The Bank should also continue its public awareness drive on Islamic Banking operations and products. Apart from these employee centric trainings, public awareness session on Islamic Banking was also arranged by HBL-IB to address the queries of general public and business community.

### Charity

An amount of Rs. 244.800 million was credited to the Charity account during the current year which were received from the customers on account of delay in payment and by means prohibited by Shariah. Out of the funds collected as charity, an amount of Rs. 12 million was disbursed to various non-profitable charitable organizations in health and education sectors.

### Shariah Opinion

Based on Shariah reviews, External Shariah Audit report, Internal Shariah Audit reports and SBP reports and explanations & realistic assurances given by the management, the SB is of the view that;

- i. HBL-IB has complied with Shariah rules and principles in the light of Shariah rulings and guidelines issued by Shariah Board.
- ii. HBL-IB has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
- iii. HBL-IB has a mechanism in place to ensure Shariah compliance in its operations.
- iv. HBL-IB has placed a satisfactory system that, any earnings realized from sources or by means prohibited by Shariah have been credited to charity account. The HBL-IB has a well-defined system in place to utilize charity account properly.
- v. HBL-IB has complied with the SBP guidelines on profit and loss distribution and pool management.
- vi. The level of awareness of staff and management regarding the Islamic Banking and importance of Shariah Compliance in products and processes of the Bank is satisfactory and that the management is vigorously working on capacity building of the staff.
- vii. SB has been provided adequate resources enabling it to discharge its duties effectively.

### Recommendations to the Board

On the basis of the feedback / comments received from SCD, External & Internal Shariah Audits and SBP Inspection reports we recommend the following for consideration;

**Account Opening:** The management has taken measures to restrict the usage of Islamic Account Opening Form for opening an Islamic account. The branches have followed the management's instruction resulting in reduction of number of incidents in use of inaccurate account opening forms. However, it was noted in Shariah reviews of Islamic Banking Windows that the practice of usage of conventional account opening

forms still persists. It is recommended to ensure use of accurate account opening forms for opening Islamic banking accounts.

**Staff Facility:** Even though significant work has been done on Staff Islamic House Finance, however, it is recommended that this facility be made available to the Islamic Banking staff on priority basis.

**Staff Rotation:** Management has already issued instruction that only Islamic Banking trained staff will be transferred / posted to Islamic Banking Branches and Islamic Banking Windows, however, it is observed that un-trained staff are being posted and transferred to Islamic Banking Branches and Islamic Banking Windows. It is recommended that all the newly hired and posted staff should go through the mandatory training on Islamic banking, enabling them to effectively market the Islamic banking products and to respond queries from customers.

**Pool Management:**

Certain improvements have been noted in Pool management system with reference to automation and HBL-IB's management is working to enhance its capacity, we recommend to complete this automation on priority.

Dr. Muhammad Zubair Usmani  
Chairman Shariah Board

Mufti Muhammad Yahya Asim  
Resident Member Shariah Board

Dr. Ejaz Ahmad Samadani  
Member Shariah Board

Date: March 05, 2018

## شریہ بورڈ رپورٹ

برائے بورڈ آف ڈائریکٹرز

جنوری ۲۰۱۷ء تا دسمبر ۲۰۱۷ء

اللہ تعالیٰ کے فضل و کرم سے حبیب بینک لمیٹڈ کی اسلامک بینکنگ نے اپنے آپریشنز کا ایک اور سال کامیابی کے ساتھ مکمل کر لیا ہے۔ بینک کے بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ کی یہ ذمہ داری ہے کہ وہ حبیب بینک کی اسلامک بینکنگ کے تمام معاملات کو شرعی تقاضوں کے مطابق چلانے کا اہتمام کریں۔ نیز یہ بھی ذمہ داری ہے کہ وہ شریعہ گورنس کا ایسا موثر اور جامع نظام مہیا کریں جو اسلامک بینکنگ کی راہنمائی اور ترقی کا راستہ فراہم کرے۔

### بزنس اور مصنوعات کا خاکہ

حبیب بینک کی اسلامک بینکنگ اپنے وسیع اور مخصوص نیٹ ورک کے ساتھ اسلامک بینکنگ کی مختلف سروسز فراہم کر رہا ہے جس میں ۴۷ مکمل اسلامک برانچز اور ۴۹۵ اسلامک ونڈوز شامل ہیں جبکہ ڈپازٹ گذشتہ سال کے مقابلہ میں ۳۲ فی صد اضافہ کے ساتھ ۱۱۶۳ ارب روپے رہا جو 2016 میں ۱۱۲۴ ارب روپے تھا۔ اس وقت حبیب بینک اسلامک بینکنگ سرمایہ کاری کی مختلف پروڈکٹ ملکی سطح پر فراہم کر رہا ہے جس میں ہر طرح کے کسٹمرز خواہ افراد ہوں یا تجارتی ادارے، SME اور کارپوریٹ کے لئے بچتوں اور سرمایہ کاری کے مواقع شامل ہیں۔ حبیب بینک اسلامک بینکنگ نے دوران سال بہت سی اہم اور منفرد معاملات کے خاکہ بنائے اور بعض میں شراکت بھی کی۔

الحمد للہ، حبیب بینک اسلامک بینکنگ نے بہت سے نئے اقدامات بھی کئے اور اپنی مصنوعات کا دائرہ وسیع کرتے ہوئے رنگ مشارکہ اور کرنسی سلم کی مصنوعات متعارف کروائیں نیز اپنے اثاثوں کو مزید مستحکم کرتے ہوئے ٹریڈ بزنس پر توجہ مرکوز رکھی اور یہ سب بینک انتظامیہ کی دلچسپی کی بدولت ہی ممکن ہو سکا کہ اثاثوں میں تمویل کا تناسب بڑھنے لگا اور اس میں ۸۴ ارب روپے کی حد تک اضافہ ہوا جو گذشتہ سال کے مقابلے میں ۱۶۳ فی صد اضافہ کی صورت میں سامنے آیا۔

حبیب بینک اسلامک بینکنگ نے شرعی اصولوں کے مطابق اسٹاف کے لیے سیلری اکاؤنٹ اور کار اجارہ کی سہولت بھی فراہم کی نیز اپنی موجودہ مصنوعات کو مزید مستحکم کرنے کے لیے مصنوعات کے مینول، پالیسی اور طریقہ کار پر نظر ثانی کی اور انہیں اپ ڈیٹ کیا۔

دوران سال شریعہ بورڈ نے حبیب بینک اسلامک بینکنگ کی مصنوعات کے دائرہ کار کو اپنے کسٹمرز کے لیے وسیع کرنے کی خاطر بہت سی نئی مصنوعات کی منظوری دی، جس میں رنگ مشارکہ، تجارتہ فنانسنگ (تیار شدہ اشیاء) اسٹاف سیلری اکاؤنٹ، مارجن اکاؤنٹ، اسلامک ٹریڈری کے لیے فنڈ کی وصولی اور سرمایہ کاری کی مصنوعات شامل ہیں۔ نیز شریعہ بورڈ نے بہت سی موجودہ مصنوعات اور پالیسیز کی بھی نظر ثانی کی تاکہ اس کے نتیجے میں شریعہ کمپلائنس کا ماحول مزید بہتر ہو سکے جس میں شرکت تناقصہ، کارپوریٹ اجارہ، الحفظ اکاؤنٹ، الار قفاع اکاؤنٹ، الشمرات اکاؤنٹ، پی ایل ایس اکاؤنٹ، آسان اکاؤنٹ اور چیریٹی پالیسی شامل ہیں۔

### شریہ بورڈ کے اجلاس

دوران سال شریعہ بورڈ کے چار اجلاس ہوئے جس میں شریعہ بورڈ کے تمام ممبران نے شرکت کی اور ان کے منٹس / روئیداد محفوظ اور منظور کرنے کے بعد SBP کی پالیسی کے مطابق بروقت جمع کر دیے گئے۔

### شریہ کمپلائنس

شریہ بورڈ نے ان شرعی اصولوں کا بھی جائزہ لیا جو مختلف مصنوعات، سروسز، معاہدوں، عقود، تجارتی معاملات اور پالیسیز میں استعمال کیے جاتے ہیں اور دوران سال حبیب بینک اسلامک بینکنگ کی جانب سے متعارف کرائے گئے ہیں۔

اسی طرح شریعہ بورڈ نے حبیب بینک اسلامک بینکنگ کے امور کے شرعی جائزہ کا پروگرام بھی ترتیب دیا جس کے تحت شریعہ کمپلائنس ڈپارٹمنٹ اسلامک بینکنگ میں انجام دیئے جانے والے مالی امور کی نمونہ کی بنیاد پر جانچ پڑتال کرتا ہے۔ چنانچہ شریعہ ڈپارٹمنٹ نے متعلقہ دستاویزات اور طریقہ کار کا جائزہ لیا جو اسلامک بینکنگ نے اختیار کیے ہیں اور شریعہ ڈپارٹمنٹ نے متعلقہ ایسی معلومات اور وضاحتیں بھی جمع کیں جن کی بنیاد پر شریعہ بورڈ بینک کے معاملات کے شرعی اصولوں کے مطابق ہونے یا نہ ہونے پر اپنی رائے قائم کر سکے۔

بینک میں ایک ایسا جامع اور مکمل شریعہ کمپلائنس کا نظام اور طریقہ کار موجود ہے جو متنوع گروڈ مختار ذیلی یونٹس میں اپنے امور انجام دیتا ہے جیسے شریعہ کمپلائنس ڈپارٹمنٹ، انٹرئل شریعہ آڈٹ یونٹ، ایکسٹرنل شریعہ آڈٹ جو اس بات کو یقینی بناتے ہیں کہ بینک کے مالی معاملات شرعی اصولوں کے مطابق ہوں۔

## سفارشات و تجاویز

شریعہ کمپلائنس ڈپارٹمنٹ کی آراء، ایکسٹرنل اور انٹرنیشنل شریعہ آڈٹ کی رپورٹس اسی طرح SBP مشاہدہ رپورٹس کی بنیاد پر شریعہ بورڈ مندرجہ ذیل تجاویز و سفارشات پیش کرتا ہے۔

## اکاؤنٹ اوپننگ

بینک کی انتظامیہ نے اگرچہ اسلامک اکاؤنٹ کے سلسلہ میں ایسے اقدامات کئے ہیں کہ جن کے نتیجہ میں برانچوں نے ان ہدایات پر عمل کیا چنانچہ اسلامک اکاؤنٹ کنونیشنل کے اکاؤنٹ فارم پر کھلنے کے امکانات کم ہوئے اور درست فارم کا استعمال بہتر ہوا۔ تاہم اب بھی اس طرح کے واقعات بعض اسلامک ونڈوز میں تسلسل کے ساتھ نظر آرہے ہیں۔ لہذا ہماری سفارش اس سلسلے میں یہ ہے کہ اس نظام کو مزید مضبوط اور مستحکم کیا جائے جس سے یہ خرابی مکمل طور پر دور ہو سکے۔

## اسٹاف کے لیے تمویلی سہولیات

اگرچہ اسٹاف کے لیے اسلامی بنیادوں پر ہاؤسنگ فیسیلیٹی کا کام کسی حد تک عمل پذیر ہوا ہے تاہم ہماری سفارش ہے کہ ہاؤسنگ فیسیلیٹی کی اسلامی بنیادوں پر دستیابی جلد از جلد فراہم کی جائے۔

## اسٹاف کا تبادلہ

اگرچہ بینک کی انتظامیہ یہ ہدایت جاری کر چکی ہے کہ اسلامک بینکنگ کا تربیت یافتہ اسٹاف صرف اسلامک بینکنگ برانچز یا اسلامک ونڈوز میں ٹرانسفر ہو سکتا ہے اور اس پر کسی حد تک عمل بھی ہے، اس کے باوجود بعض غیر تربیت یافتہ عملہ اسلامک بینکنگ برانچز اور ونڈوز میں منتقل کیا گیا ہے۔ ہم سفارش کرتے ہیں کہ آئندہ ٹرانسفر کئے جانے والے اسٹاف کو اسلامک بینکنگ کی لازمی ٹریننگ سے روشناس کرایا جائے تاکہ وہ اسلامک بینکنگ پر آڈکٹس کو مثبت انداز میں مارکیٹ میں پیش کر سکیں اور کسٹمرز کی بہتر انداز میں راہنمائی کر سکیں۔

## پول کا انتظام و انصرام

پول کے انتظام و انصرام کو خود کار بنانے کے سلسلے میں بہتری سامنے آئی ہے اور حبیب بینک اسلامک بینکنگ کی انتظامیہ اس کی کارکردگی / صلاحیت کو بڑھانے کے لئے کام بھی کر رہی ہے۔ تاہم ہم تجویز پیش کرتے ہیں کہ اس آئوٹیشن / خود کار نظام کو ترجیحی بنیادوں پر مکمل کیا جائے۔

ڈاکٹر محمد زبیر عثمانی

چیئر مین شریعہ بورڈ

ڈاکٹر اعجاز احمد صدیقی

ممبر شریعہ بورڈ

۵ مارچ ۲۰۱۸ء

(مفتی) محمد یحییٰ عاصم

ریزیڈنٹ ممبر شریعہ بورڈ



شریعہ کپلائنس ڈپارٹمنٹ نے شریعہ بورڈ کی نگرانی میں ۷۰ سے زائد اسلامک برانچز اور اسلامک ونڈوز کا جائزہ لیا۔ اس کے ساتھ ساتھ فنانسنگ، اسلامک ٹریڈری اور پول مینجمنٹ کے معاملات کی بھی جانچ پڑتال کی۔

اسی ڈپارٹمنٹ نے اپنے نظام کو مزید موثر بنانے کے لیے ایک شریعہ اسکالر کی خدمات حاصل کیں تاکہ وہ شرعی نقطہ نظر سے تمام ڈپارٹمنٹ کو تعاون فراہم کر سکیں اور مثبت و موثر انداز میں شرعی نگرانی کے عمل میں متعلقہ ذمہ داروں کو اپنی خدمات سے مستفید کر سکیں۔

مرکزی بینک کی ہدایات کی روشنی میں شریعہ کپلائنس ڈپارٹمنٹ نے نفع و نقصان کی تقسیم سے قبل ماہانہ بنیاد پر معاملہ کی نگرانی کی اور جائزہ بھی لیا جبکہ انٹرئل شریعہ آڈٹ یونٹ نے نفع کی تقسیم کے بعد اس پورے نظام کا جائزہ لے کر اپنی رپورٹ شریعہ بورڈ کو پیش کی۔

### اسلامک بینکنگ ٹریننگ

ٹریننگ ایک ایسی تشخیصی ضرورت ہے جس کے ذریعے خصوصی عملی تربیت انجام دی جاتی ہے۔ اسٹاف کی صلاحیت اور استعداد کو بہتر کرنے اور ان میں مزید مہارت پیدا کرنے کے لیے تاکہ بہتر انداز میں معاملات کی تفہیم ہو سکے اور اچھی منصوبہ بندی کی جاسکے۔

حبیب بینک اسلامک بینکنگ نے اس سلسلے میں اپنے اسٹاف کی تربیت کا بینک کے اندرونی اور بیرونی نظام کے تحت خصوصی انتظام کیا ہوا ہے اور اپنی توجہ اس جانب مرکوز رکھی ہے۔

دوران سال شریعہ کپلائنس ڈپارٹمنٹ نے ۳۳ ٹریننگ سیشن شریعہ بورڈ کی نگرانی میں انجام دیے جس میں پورے ملک سے ایک ہزار سے زائد اسٹاف نے تربیت حاصل کی۔ اسی طرح بینک نے عام لوگوں میں اسلامک بینکنگ کی آگاہی کے پروگرام بھی منعقد کئے۔

اسٹاف کی ٹریننگ اور آگاہی کے پروگراموں سے بینک نے جہاں اپنے اسٹاف کی علمی و عملی تربیت کی وہاں اپنے کسٹمرز اور تجارتی حلقہ میں اسلامک بینکنگ آپریشنز سے آگاہی بھی فراہم کی۔

### چیرٹی

دوران سال ۲۰۲۳ء ۸۰۰ ملین روپے کی چیرٹی رقم وصول ہوئی جس میں کچھ رقم بینک کے کسٹمرز کی طرف سے واپسی میں تاخیر پر واجب صدقہ کی صورت میں موصول ہوئی اور کچھ ایسے ذرائع سے وصول ہوئی جو شرعی طور پر جواز کی حدود میں نہیں تھے۔ ان میں سے اب تک ۱۲ ملین روپے شریعہ بورڈ سے منظور شدہ خیراتی اداروں میں ادا کر دیے گئے ہیں۔

### شرعی تجویز و رائے

شریعی بورڈ ذیل میں ذکر کردہ بنیادوں، شریعہ ریویوز، ایکسٹرئل شریعہ آڈٹ رپورٹ، انٹرئل شریعہ آڈٹ رپورٹ مرکزی بینک کی رپورٹ اور انتظامیہ کی طرف سے دی جانے والی وضاحتوں اور یقین دہانیوں کی روشنی میں اپنی مندرجہ ذیل رائے پیش کرتا ہے۔

- ۱۔ حبیب بینک کی اسلامک بینکنگ مجموعی طور پر شرعی اصولوں اور ان شرعی تعلیمات کے مطابق امور انجام دے رہی ہے جو شریعہ بورڈ نے وقتاً فوقتاً جاری کیں۔
- ۲۔ حبیب بینک اسلامک بینکنگ مجموعی طور پر ان اصولی ہدایات، تعلیمات اور قواعد و ضوابط پر بھی عمل پیرا رہا جو مرکزی بینک نے شریعہ کپلائنس کے سلسلے میں جاری کیں۔
- ۳۔ حبیب بینک اسلامک بینکنگ میں شریعہ کپلائنس کا ایک ایسا نظام موجود ہے جو اس کے تمام آپریشنز کو اسلامی بنیادوں پر ہونے کو یقینی بناتا ہے۔
- ۴۔ حبیب بینک اسلامک بینکنگ نے ایک ایسا قابل اطمینان نظام بنایا ہے جو اس بات کو یقینی بناتا ہے کہ اگر کوئی آمدنی غیر شرعی ذرائع سے حاصل ہو تو اس کو چیرٹی اکاؤنٹ میں رکھا جائے اور پھر اس کو مستند خیراتی اداروں میں (جن کی اجازت شریعہ بورڈ سے لی گئی ہو) منتقل کیا جائے۔
- ۵۔ حبیب بینک اسلامک عمومی طور پر نفع و نقصان کی تقسیم کے طریقہ کار اور اسٹیٹ بینک آف پاکستان کی پول مینجمنٹ (Pool Management) کی ہدایات پر عمل پیرا رہا ہے۔
- ۶۔ عمومی طور پر حبیب بینک اسلامک کے اسٹاف، انتظامیہ کی اسلامک بینکنگ پراڈکٹس، اس کی ضرورت و اہمیت اور شریعہ کپلائنس کی افادیت سے آگاہی قابل اطمینان ہے۔
- ۷۔ شریعہ بورڈ کو بینک کی طرف سے اپنی ذمہ داریوں کی ادائیگی کے لیے قابل اطمینان وسائل فراہم کئے گئے ہیں۔





# Consolidated Financial Statements

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# 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, 2017 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 on the financial statements of Habib Bank Limited and its subsidiary companies namely HBL Asset Management Limited, The First MicroFinanceBank Limited and review opinion on HBL Currency Exchange (Private) Limited. The financial statements of Habib Allied Holding Limited were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such subsidiary, is based solely on the report of such other auditor. The financial statements of Habib Bank Financial Services (Private) Limited and Habib Finance International 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, 2017 and the results of their operations for the year then ended.

**A.F. Ferguson & Co.**

Chartered Accountants

Engagement Partner: Salman Hussain

Date: March 22, 2018

Karachi

# Consolidated Statement of Financial Position

As at December 31, 2017

2017 (US \$ in '000)	2016		Note	2017 (Rupees in '000)	2016
<b>ASSETS</b>					
2,228,303	2,159,431	Cash and balances with treasury banks	5	246,043,030	238,438,283
369,546	416,231	Balances with other banks	6	40,804,269	45,959,095
307,021	298,539	Lendings to financial institutions	7	33,900,345	32,963,803
12,451,028	12,175,683	Investments	8	1,374,807,643	1,344,404,771
7,711,683	6,778,530	Advances	9	851,502,420	748,466,297
568,687	326,829	Operating fixed assets	10	62,792,843	36,087,509
-	-	Deferred tax asset		-	-
672,460	541,387	Other assets	11	74,251,149	59,778,445
<b>24,308,728</b>	<b>22,696,630</b>			<b>2,684,101,699</b>	<b>2,506,098,203</b>
<b>LIABILITIES</b>					
305,679	282,528	Bills payable	12	33,752,219	31,195,900
3,602,724	3,004,302	Borrowings	13	397,802,667	331,726,654
18,103,475	17,080,301	Deposits and other accounts	14	1,998,935,057	1,885,959,026
90,511	90,547	Subordinated loan	15	9,994,000	9,998,000
-	-	Liabilities against assets subject to finance lease		-	-
8,797	55,163	Deferred tax liability	16	971,368	6,090,983
487,523	406,268	Other liabilities	17	53,830,894	44,858,770
<b>22,598,709</b>	<b>20,919,109</b>			<b>2,495,286,205</b>	<b>2,309,829,333</b>
<b>1,710,019</b>	<b>1,777,521</b>	<b>NET ASSETS</b>		<b>188,815,494</b>	<b>196,268,870</b>
<b>REPRESENTED BY:</b>					
<b>Shareholders' equity</b>					
132,846	132,846	Share capital	18	14,668,525	14,668,525
473,354	434,338	Reserves		52,266,420	47,958,414
879,446	961,285	Unappropriated profit		97,105,942	106,142,374
<b>1,485,646</b>	<b>1,528,469</b>	Total equity attributable to the equity holders of the Bank		<b>164,040,887</b>	<b>168,769,313</b>
31,583	31,116	Non-controlling interest		3,487,281	3,435,710
192,790	217,936	Surplus on revaluation of assets - net of tax	19	21,287,326	24,063,847
<b>1,710,019</b>	<b>1,777,521</b>			<b>188,815,494</b>	<b>196,268,870</b>
<b>CONTINGENCIES AND COMMITMENTS</b>					
			20		

The annexed notes 1 to 46 and annexures I to III form an integral part of these consolidated financial statements.

Rayomond Kotwal  
Acting President and  
Chief Executive Officer

Irfan Ahmed Meer  
Acting Chief Financial Officer

Moez Ahamed Jamal  
Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director



# Consolidated Profit and Loss Account

For the year ended December 31, 2017

2017 (US \$ in '000)	2016		Note	2017 (Rupees in '000)	2016
1,340,464	1,277,783	Mark-up / return / profit / interest earned	22	148,010,269	141,089,244
588,158	535,586	Mark-up / return / profit / interest expensed	23	64,942,797	59,137,882
752,306	742,197	<b>Net mark-up / return / profit / interest income</b>		83,067,472	81,951,362
(449)	4,448	(Reversal) / provision against advances	9.3	(49,554)	491,155
(4,816)	(201)	Reversal of provision against off-balance sheet obligations	17.1	(531,722)	(22,208)
4,219	2,252	Provision for diminution in the value of investments	8.4	465,867	248,616
-	-	Bad debts written off directly		-	-
(1,046)	6,499			(115,409)	717,563
753,352	735,698	<b>Net mark-up / return / profit / interest income after provisions</b>		83,182,881	81,233,799
<b>Non mark-up / interest income</b>					
176,775	172,314	Fee, commission and brokerage income		19,519,052	19,026,456
11,045	11,651	Dividend income		1,219,610	1,286,488
18,583	34,126	Share of profit of associates and joint venture		2,051,887	3,768,085
13,758	12,673	Income from dealing in foreign currencies		1,519,089	1,399,329
70,986	48,378	Gain on sale of securities - net	24	7,838,034	5,341,724
(664)	(109)	Unrealised loss on held-for-trading securities	8.5	(73,353)	(12,057)
7,379	5,662	Other income	25	814,818	625,212
297,862	284,695	Total non mark-up / interest income		32,889,137	31,435,237
1,051,214	1,020,393			116,072,018	112,669,036
<b>Non mark-up / interest expenses</b>					
561,270	496,210	Administrative expenses	26	61,973,814	54,790,111
4,498	1,577	Other provisions / write offs - net	11.2	496,671	174,161
284	963	Other charges	27	31,356	106,332
9,415	9,722	Workers' Welfare Fund	28	1,039,582	1,073,521
575,467	508,472	Total non mark-up / interest expenses		63,541,423	56,144,125
475,747	511,921			52,530,595	56,524,911
<b>Profit before extra ordinary / unusual item and taxation</b>					
(214,795)	-	Extra ordinary / unusual item - settlement payment to New York State Department of Financial Services	29	(23,717,115)	-
260,952	511,921	<b>Profit before taxation</b>		28,813,480	56,524,911
<b>Taxation</b>					
167,732	175,049	- Current	30	18,520,474	19,328,416
17,277	20,133	- Prior years		1,907,630	2,223,030
1,841	6,948	- Deferred		203,249	767,211
186,850	202,130			20,631,353	22,318,657
74,102	309,791	<b>Profit after taxation</b>		8,182,127	34,206,254
<b>Attributable to:</b>					
70,904	308,558	Equity holders of the Bank		7,829,064	34,070,145
3,198	1,233	Non-controlling interest		353,063	136,109
74,102	309,791			8,182,127	34,206,254
<b>-----Rupees-----</b>					
Basic and diluted earnings per share			31	5.34	23.23

The annexed notes 1 to 46 and annexures I to III form an integral part of these consolidated financial statements.

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Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

2017 (US \$ in '000)		2016 (US \$ in '000)		2017 (Rupees in '000)		2016 (Rupees in '000)	
70,904	308,558			7,829,064	34,070,145		
3,198	1,233			353,063	136,109		
74,102	309,791			8,182,127	34,206,254		
<b>Profit after taxation for the year attributable to:</b>							
Equity holders of the Bank							
Non-controlling interest							
<b>Other comprehensive income / (loss)</b>							
<b>Items that may be reclassified to the profit and loss account in subsequent periods</b>							
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net, attributable to:							
Equity holders of the Bank				3,742,908	(2,370,553)		
Non-controlling interest				143,989	(204,863)		
33,897	(21,469)			3,886,897	(2,575,416)		
1,304	(1,855)						
35,201	(23,324)						
351	80			38,788	8,834		
<b>Items that are not to be reclassified to the profit and loss account in subsequent periods</b>							
Remeasurement loss on defined benefit obligations - net							
Equity holders of the Bank				(1,010,912)	(623,038)		
Non-controlling interest				(3,548)	-		
(9,155)	(5,643)			(1,014,460)	(623,038)		
(32)	-						
(9,187)	(5,643)						
(25)	(13)			(2,671)	(1,459)		
100,442	280,891			11,090,681	31,015,175		
<b>Comprehensive income transferred to equity</b>							
<b>Components of comprehensive income / (loss) not reflected in equity</b>							
<b>Items that may be reclassified to the profit and loss account in subsequent periods</b>							
Movement in surplus / (deficit) on revaluation of investments - net of tax attributable to:							
Equity holders of the Bank				(11,628,370)	(635,538)		
Non-controlling interest				(14,890)	19,726		
(105,313)	(5,756)			(11,643,260)	(615,812)		
(135)	178						
(105,448)	(5,578)						
(8,910)	10,584			(983,872)	1,168,702		
<b>Items that are not to be reclassified to the profit and loss account in subsequent periods</b>							
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax attributable to:							
Equity holders of the Bank				10,177,252	1,772		
Non-controlling interest				1,165	-		
92,171	16			10,178,417	1,772		
11	-						
92,182	16						
91	2,380			10,078	262,797		
953	427			105,175	47,171		
Transferred from surplus on revaluation of non-banking assets - net of tax							
Movement in surplus on revaluation of operating fixed assets of associates - net of tax							
Equity holders of the Bank				(391,112)	947,131		
Non-controlling interest				(10,078)	(262,797)		
(3,542)	8,578			(401,190)	684,334		
(91)	(2,380)						
(3,633)	6,198						
75,677	294,918			8,356,029	32,564,139		
<b>Total comprehensive income</b>							
<b>Total comprehensive income attributable to:</b>							
Equity holders of the Bank				7,876,250	32,613,167		
Non-controlling interest				479,779	(49,028)		
71,332	295,362			8,356,029	32,564,139		
4,345	(444)						
75,677	294,918						

The annexed notes 1 to 46 and annexures I to III form an integral part of these consolidated financial statements.

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Director

Agha Sher Shah  
Director

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Attributable to shareholders of the Bank								Non-controlling interest	Total	
	Share capital	Exchange translation reserve	Reserves					Sub Total			
			Capital			Revenue					
			Statutory reserves		Non-distributable capital reserve	Capital reserve on acquisition of common control entity	General reserve				Unappropriated profit
Associates, joint venture and subsidiary	Bank										
(Rupees in '000)											
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
<b>Comprehensive income for the year</b>											
Profit after taxation for the year ended December 31, 2016	-	-	-	-	-	-	-	34,070,145	34,070,145	136,109	34,206,254
<b>Other comprehensive income / (loss)</b>											
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	-	(2,370,553)	-	-	-	-	-	-	(2,370,553)	(204,863)	(2,575,416)
- Share of exchange translation reserve of associates	-	8,834	-	-	-	-	-	-	8,834	-	8,834
- Remeasurement loss on defined benefit obligations - net	-	-	-	-	-	-	-	(623,038)	(623,038)	-	(623,038)
-Share of remeasurement loss on defined benefit obligations of associate - net	-	-	-	-	-	-	-	(1,459)	(1,459)	-	(1,459)
	-	(2,361,719)	-	-	-	-	-	33,445,648	31,083,929	(68,754)	31,015,175
<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)	-	(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 a subsidiary	-	-	-	-	-	-	-	-	-	1,806,022	1,806,022
Excess of consideration paid over net assets of a subsidiary	-	-	-	-	-	(156,706)	-	-	(156,706)	-	(156,706)
Capital contribution to statutory funds of associates	-	-	-	-	-	-	-	(12,190)	(12,190)	-	(12,190)
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	172,205,023
<b>Comprehensive income for the year</b>											
Profit after taxation for the year ended December 31, 2017	-	-	-	-	-	-	-	7,829,064	7,829,064	353,063	8,182,127
<b>Other comprehensive income / (loss)</b>											
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	-	3,742,908	-	-	-	-	-	-	3,742,908	143,989	3,886,897
- Share of exchange translation reserve of associates	-	38,788	-	-	-	-	-	-	38,788	-	38,788
- Remeasurement loss on defined benefit obligations - net	-	-	-	-	-	-	-	(1,010,912)	(1,010,912)	(3,548)	(1,014,460)
-Share of remeasurement loss on defined benefit obligations of associate - net	-	-	-	-	-	-	-	(2,671)	(2,671)	-	(2,671)
	-	3,781,696	-	-	-	-	-	6,815,481	10,597,177	493,504	11,090,681
<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, 2016	-	-	-	-	-	-	-	(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)
	-	-	-	-	-	-	-	(15,401,952)	(15,401,952)	-	(15,401,952)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	41,869	41,869	-	41,869
Acquisition of additional interest in a subsidiary from a minority shareholder	-	-	-	-	-	-	-	-	-	(441,933)	(441,933)
Transferred to statutory reserves	-	-	176,326	706,440	-	-	-	(882,766)	-	-	-
Exchange translation realised on sale of Bank branch to Habibsons Bank	-	(371,022)	-	-	-	-	-	371,022	-	-	-
Exchange translation realised on sale of Bank branches	-	14,566	-	-	-	-	-	-	14,566	-	14,566
Capital contribution from statutory funds of associates	-	-	-	-	-	-	-	19,914	19,914	-	19,914
Balance as at December 31, 2017	14,668,525	14,264,968	758,707	30,778,524	547,115	(156,706)	6,073,812	97,105,942	164,040,887	3,487,281	167,528,168

The annexed notes 1 to 46 and annexures I to III form an integral part of these consolidated financial statements.

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Moez Ahamed Jamal  
Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

# Consolidated Cash Flow Statement

For the year ended December 31, 2017

2017 (US \$ in '000)	2016 (US \$ in '000)		Note	2017 (Rupees in '000)	2016 (Rupees in '000)
475,747	511,921	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		52,530,595	56,524,911
(11,045)	(11,651)	Profit before extra ordinary / unusual item and taxation		(1,219,610)	(1,286,488)
(18,583)	(34,126)	Dividend income		(2,051,887)	(3,768,085)
(29,628)	(45,777)	Share of profit of associates and joint venture		(3,271,497)	(5,054,573)
446,119	466,144			49,259,098	51,470,338
30,111	27,700	<b>Adjustments for:</b>		3,324,805	3,058,583
6,194	4,266	Depreciation		683,948	470,994
(449)	4,448	Amortisation		(49,554)	491,155
(4,816)	(201)	(Reversal) / provision against advances		(531,722)	(22,208)
4,219	2,252	Reversal of provision against off-balance sheet obligations		465,867	248,616
4,498	1,577	Provision for diminution in the value of investments		496,671	174,161
664	109	Other provisions / write offs - net		73,353	12,057
(2,293)	2,984	Unrealised loss on held-for-trading securities		(253,239)	329,478
132	-	Exchange (gain) / loss on Goodwill		14,566	-
(300)	(544)	Exchange translation realised on sale of Bank branches		(33,107)	(60,028)
9,415	9,722	Gain on sale of operating fixed assets - net		1,039,582	1,073,521
47,375	52,313	Workers' Welfare Fund		5,231,170	5,776,329
493,494	518,457			54,490,268	57,246,667
(8,482)	(132,064)	<b>(Increase) / decrease in operating assets</b>		(936,542)	(14,582,170)
(248,499)	15,347	Lendings to financial institutions		(27,438,553)	1,694,543
(932,704)	(951,097)	Investments in held-for-trading securities		(102,986,569)	(105,017,431)
(71,556)	(7,955)	Advances		(7,900,933)	(878,409)
(1,261,241)	(1,075,769)	Other assets (excluding advance taxation)		(139,262,597)	(118,783,467)
23,151	28,205	<b>Increase / (decrease) in operating liabilities</b>		2,556,319	3,114,352
598,421	157,653	Bills payable		66,076,013	17,407,555
1,023,174	2,181,575	Borrowings		112,976,031	240,883,350
60,340	2,673	Deposits and other accounts		6,662,660	295,246
1,705,086	2,370,106	Other liabilities		188,271,023	261,700,503
937,339	1,812,794			103,498,694	200,163,703
(246,799)	(247,421)	Income tax paid		(27,250,907)	(27,319,492)
690,540	1,565,373	<b>Net cash flows from operating activities</b>		76,247,787	172,844,211
42,285	(318,478)	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		4,668,953	(35,165,407)
(201,932)	(279,216)	Net investments in available-for-sale securities		(22,296,738)	(30,830,267)
(21,675)	(5,254)	Net investments in held-to-maturity securities		(2,393,342)	(580,126)
11,411	11,148	Net investment in associates		1,259,924	1,230,935
-	(35,764)	Dividend income received		-	(3,948,939)
-	7,144	Net cash outflow on acquisition of PICIC AMC		-	788,814
(178,614)	(37,601)	Net cash inflow on acquisition of a subsidiary		(19,722,107)	(4,151,831)
753	672	Fixed capital expenditure		83,110	74,238
34,249	(21,389)	Proceeds from sale of operating fixed assets		3,781,696	(2,361,719)
(313,523)	(678,738)	Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates		(34,618,504)	(74,944,302)
1,304	(1,855)	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		143,989	(204,863)
(36)	(18)	Effect of translation of net investment by non-controlling interest in a subsidiary		(4,000)	(2,000)
(4,002)	-	Repayment of subordinated loan		(441,933)	-
(137,300)	(190,336)	Acquisition of additional interest in a subsidiary from a minority shareholder		(15,160,303)	(21,016,417)
(140,034)	(192,209)	Dividends paid		(15,462,247)	(21,223,280)
(214,795)	-	<b>Net cash flows used in financing activities</b>		(23,717,115)	-
22,188	694,426	Cash outflow for settlement payment to New York State Department of Financial Services	29	2,449,921	76,676,629
2,472,950	1,926,819	Increase in cash and cash equivalents during the year		273,056,213	212,753,984
102,712	(45,583)	Cash and cash equivalents at the beginning of the year		11,341,165	(5,033,235)
2,575,662	1,881,236	Effect of exchange rate changes on cash and cash equivalents		284,397,378	207,720,749
2,597,850	2,575,662	<b>Cash and cash equivalents at the end of the year</b>	32	286,847,299	284,397,378

The annexed notes 1 to 46 and annexures I to III form an integral part of these consolidated financial statements.

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Director

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Agha Sher Shah  
Director

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

## 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 1,703 (2016: 1,677) branches inside Pakistan including 47 (2016: 45) Islamic Banking Branches and 48 (2016: 54) branches outside the country including in the 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 During the year, the Bank sold its operations and business in Paris to Habibsons Bank, a fully owned subsidiary of Habib Allied Holding Limited (HAHL), for a consideration of Rs 812.798 million representing the net assets of the branch as at the date of sale. The Bank owns 90.50% shares in HAHL.

1.3 During the year, the Bank also sold its operations and business in Kenya to Diamond Trust Bank Kenya, Limited (DTBKL), an associated company, on July 31, 2017. The consideration for the transfer of business was agreed as equivalent to the net assets of the business at the date of transfer. In consideration of the sale, the Bank received 13,281,105 ordinary shares in DTBKL amounting to Ksh 1,824.691 million (equivalent to Rs 1,852.188 million). Consequently, the Bank's shareholding in DTBKL has increased from 11.97% to 16.15%. After the completion of audit, the final net assets of the transferred business were determined at Ksh 1,713.136 million (equivalent to Rs 1,737.766 million) and the difference between the provisional and the final value of the business has been recorded as a payable to DTBKL. In accordance with the Asset Purchase Agreement (APA) executed with DTBKL, the Bank is liable to reimburse, under specified circumstances, any credit loss to DTBKL against two customers whose credit exposure, net of provision held, aggregated to Ksh 467.357 million, (equivalent to Rs 474.400 million) as at the transfer date.

### 1.4 Subsidiaries

#### - Habib Allied Holding Limited – 90.50% shareholding (2016: 89.40% shareholding)

Habib Allied Holding Limited (HAHL) 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, the Bank has purchased 678,750 ordinary shares of Habib Allied Holding Limited (HAHL) from a minority shareholder. Consequently, the shareholding of the Bank in HAHL has increased from 89.40% to 90.50%.

#### - Habibsons Bank Limited – 90.50% 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 to 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 France, 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. The company has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.

#### - Habib 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 Shahr-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 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

#### - 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 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 186 (2016: 159) business locations comprising of 145 (2016: 120) branches / permanent booths and 41 (2016: 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.

### 1.5 Business Combinations

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

In 2016, HBL Asset Management Limited (HBL AML), the Group's wholly owned subsidiary, had purchased 100% of the shares of PICIC AMC for a consideration of Rs. 4.063 billion. Subsequent to the acquisition, the Group incorporated the balances relating to PICIC AMC at their carrying values as at the close of business on March 2, 2016.

In accordance with the requirements of IFRS 3, Business Combinations, the Group had initially recognised Goodwill of Rs. 2.723 billion, representing the excess of the consideration paid over the carrying values of the net identifiable tangible assets acquired. As allowed under IFRS, the Group had a period of one year to determine the fair value of net assets acquired and also to identify and record any intangible assets. The Group has conducted a valuation exercise and has identified Management Rights as an intangible asset separate from Goodwill. The Management Rights have been valued at Rs. 2.368 billion and the remaining amount of Rs. 355 million, representing the excess of consideration paid over the carrying values of the net identifiable assets acquired, has been recognised as Goodwill. The Group also concluded that the fair values of the remaining acquired assets and liabilities were not different from their carrying values at the time of acquisition and therefore no fair value adjustment is required to these assets.

### 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, 2017 and 2016 have all been converted using an exchange rate of Rupees 110.4172 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

#### 2.2.1 Accounting convention

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. Amounts are rounded to the nearest thousand Rupees.

### 2.3 Critical accounting 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 the application of accounting policies are as follows:

- i) Classification of investments (note 4.3)
- ii) Valuation and impairment of available-for-sale equity investments and associates (note 4.3.4)
- iii) Provision against non-performing advances (note 4.4)
- iv) Fixed assets valuation, depreciation and amortisation (note 4.5)
- v) Defined benefit plans and other retirement benefits (note 4.9)
- vi) Taxation (note 4.12)
- vii) Fair value of derivatives (note 4.19)

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 (ICAP) 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 Securities & Exchange Commission of Pakistan (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 requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the said directives shall prevail.

The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 23 of 2017, dated October 04, 2017, these consolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

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, except for as disclosed in note 2.1, 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 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 Standards, interpretations of and amendments to approved accounting standards that are not yet effective.

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective date (annual periods beginning on or after)
- IFRS 2 - Share-based Payments - (Amendments)	January 1, 2018
- IAS 28 - Investments in Associates and Joint Ventures - (Improvement)	January 1, 2018
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2018
- IFRS 3 - Business Combinations - (Amendments)	January 1, 2018
- IFRS 11 - Joint Venture- (Amendments)	January 1, 2018
- IAS 12 - Income Taxes - (Amendments)	July 1, 2018
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 9 - Financial Instruments: Classification and Measurement	July 1, 2018

The Group is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of IFRS 15 and is assessing the potential impacts of changes required upon adoption of IFRS 9.

The Group expects that the adoption of remaining amendments, improvements and interpretations will not affect its financial statements in the period of initial application.

In addition to above, the Companies Act 2017 has been enacted on May 31, 2017 and according to the circular referred to in note number 3.1 of these financial statements, the act would be applicable for periods after January 1, 2018. This would result in additional disclosures, certain changes in financial statements presentation and the deficit on revaluation on a fixed asset would no longer be allowed to be adjusted against surplus on other properties; and the same will be charged to profit and loss account in the year it occurs, the impact of the same is not considered material.

The SBP vide BPRD circular no. 2 dated January 25, 2018 has specified the new reporting format for the financial statements of banking companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the year ending December 31, 2018.

### 3.3 Standards, interpretations and amendments to approved accounting standards that are effective in the current year.

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Cash and cash equivalents

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

### 4.2 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:

#### 4.2.1 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.

#### 4.2.2 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.

#### 4.2.3 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.

#### 4.3 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.

#### 4.3.1 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.

#### 4.3.2 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.

#### 4.3.3 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.

#### 4.3.4 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, classified as available-for-sale 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. When a debt security classified as held to maturity is considered to be impaired, the impairment is charged to profit and loss account directly. 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.

#### 4.4 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.

##### 4.4.1 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.

##### 4.4.2 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

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.

In Running Musharakah, the Bank and the customer enters a Musharakah where Bank agrees to finance the operating activities of the customer's business and share the profit / (loss) in proportion to the agreed ratio at agreed frequency.

Under Diminishing Musharakah financing, the Bank creates joint ownerships with the customers over the tangible assets to fulfill capital expenditure / project requirements. The Bank receives periodical payments from the customers against the gradual diminishing of its share of ownership in favour of customers.

In Istisna transactions, the Bank finances the costs of goods manufactured by the customers. Once the goods are manufactured, these are sold by the customers in the market as an agent of the Bank to recover the cost plus profit.

Wakalah is an agency contract in which Bank provides funds to customer to invest it in a Sharia's compliant manner.

#### 4.5 Operating fixed assets and depreciation

##### 4.5.1 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 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.

#### 4.5.2 **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.

#### 4.5.3 **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.

#### 4.6 **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.

#### 4.7 **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.

#### 4.8 **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.

#### 4.9 **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.

### **4.10 Foreign currency**

#### **4.10.1 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.

#### **4.10.2 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.

#### **4.10.3 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.

#### **4.10.4 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.

### **4.11 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.

#### **4.11.1 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.

#### **4.11.2 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.

#### 4.11.3 Fee, Commission and Brokerage Income

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

#### 4.11.4 Dividend income

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

#### 4.12 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.

##### 4.12.1 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.

##### 4.12.2 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.

##### 4.12.3 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.

#### 4.13 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.

#### 4.14 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.

#### 4.15 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.

#### 4.16 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.

#### 4.17 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.

#### 4.18 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.

#### 4.19 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.

#### 4.20 Dividends paid

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

#### 4.21 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.

#### 4.22 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.

##### 4.22.1 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.

##### 4.22.2 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)

5.	CASH AND BALANCES WITH TREASURY BANKS	Note	2017	2016
			(Rupees in '000)	
	In hand			
	Local currency		25,969,521	21,190,524
	Foreign currency		4,174,919	6,767,062
			<u>30,144,440</u>	<u>27,957,586</u>
	With State Bank of Pakistan in			
	Local currency current accounts	5.1	75,138,113	68,687,679
	Foreign currency current accounts	5.2	5,327,299	5,277,831
	Foreign currency deposit accounts	5.3	15,968,819	16,616,861
			<u>96,434,231</u>	<u>90,582,371</u>
	With other Central Banks in			
	Foreign currency current accounts	5.4	54,120,944	60,247,280
	Foreign currency deposit accounts	5.5	6,089,104	17,745,558
			<u>60,210,048</u>	<u>77,992,838</u>
	With National Bank of Pakistan in local currency current accounts		59,161,916	41,833,942
	National Prize Bonds		92,395	71,546
			<u>246,043,030</u>	<u>238,438,283</u>

5.1 This represents current accounts maintained under the Cash Reserve Requirement of the SBP.

5.2 This represents foreign currency current accounts maintained under the Cash Reserve Requirement of the SBP.

5.3 This represents deposit accounts 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 rates ranging from 0.00% to 0.37% per annum (2016: 0.00% per annum).

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 include balances in remunerative accounts amounting to Rs. 6,216.790 million (2016: Rs. 11,969.165 million), which carry mark-up at rates ranging from 0.01% to 7.25% per annum (2016: 0.01% to 7.44% per annum).

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 1.00% to 2.90% per annum (2016: 0.50% to 6.67% per annum).

6.	BALANCES WITH OTHER BANKS	Note	2017	2016
			(Rupees in '000)	
	In Pakistan			
	In current accounts		1,395,415	911,956
	Outside Pakistan			
	In current accounts	6.1	20,954,810	20,311,529
	In deposit accounts	6.2	18,454,044	24,735,610
			<u>39,408,854</u>	<u>45,047,139</u>
			<u>40,804,269</u>	<u>45,959,095</u>

6.1 These include balances in remunerative current accounts amounting to Rs. 13,575.075 million (2016: Rs. 4,210.019 million), which carry mark-up at rates ranging from 0.05% to 0.72% per annum (2016: 0.01% to 0.30% per annum).

6.2 Deposit accounts carry mark-up at rates ranging from 0.70% to 13.25% per annum (2016: 0.10% to 13.00% per annum).

7.	LENDINGS TO FINANCIAL INSTITUTIONS	Note	2017	2016
			(Rupees in '000)	
	Repurchase agreement lendings (reverse repo)	7.2 & 7.3	31,785,507	25,405,701
	Call money lendings	7.4	500,000	100,000
	Bai Muajjal receivable from State Bank of Pakistan	7.5	1,614,838	-
	Bai Muajjal receivables from Financial Institutions		-	7,458,102
			<u>33,900,345</u>	<u>32,963,803</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 6.20% per annum (2016: 5.75% to 6.10% per annum) and are due to mature latest by March 13, 2018.



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

	2017			2016		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	485,507	-	485,507	22,840,760	-	22,840,760
Pakistan Investment Bonds	31,300,000	-	31,300,000	2,564,941	-	2,564,941
	<u>31,785,507</u>	<u>-</u>	<u>31,785,507</u>	<u>25,405,701</u>	<u>-</u>	<u>25,405,701</u>

7.3.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 32,478.463 million (2016: Rs. 25,420.039 million).

7.4 Call money lendings carry mark-up at 6.50% per annum (2016: 6.00% per annum) and are due to mature latest by January 2, 2018.

7.5 Bai Muajjal receivable from State Bank of Pakistan carry mark-up at 5.70% per annum (2016: Nil) and are due to mature latest by June 21, 2018. Last year, Bai Muajjal receivables from Financial Institutions carried mark-up at rates ranging from 5.50% to 5.65% per annum.

8. **INVESTMENTS**

8.1 **Investments by type**

	Note	2017			2016		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
		(Rupees in '000)					
<b>Held-for-trading (HFT)</b>							
<i>Federal Government securities</i>							
- Market Treasury Bills		48,402,667	-	48,402,667	32,635,003	-	32,635,003
- Pakistan Investment Bonds		17,918,321	-	17,918,321	8,174,573	-	8,174,573
- Sukuks		1,999,062	-	1,999,062	-	-	-
<i>Fully paid-up ordinary shares</i>							
- Listed companies		274,651	-	274,651	131,436	-	131,436
<i>Overseas Government securities</i>		149,311	-	149,311	376,504	-	376,504
		<u>68,744,012</u>	<u>-</u>	<u>68,744,012</u>	<u>41,317,516</u>	<u>-</u>	<u>41,317,516</u>
<b>Held-to-maturity (HTM)</b>	8.3						
<i>Federal Government securities</i>							
- Market Treasury Bills	8.6	90,938	-	90,938	29,295,870	-	29,295,870
- Pakistan Investment Bonds	8.6 - 8.8	229,759,743	-	229,759,743	173,180,878	-	173,180,878
- Government of Pakistan US Dollar Bonds		1,177,868	-	1,177,868	1,670,392	-	1,670,392
<i>Debentures and corporate debt instruments</i>							
- Listed		9,551,953	-	9,551,953	12,877,180	-	12,877,180
- Unlisted		21,326,345	-	21,326,345	12,449,379	-	12,449,379
<i>Overseas Government securities</i>		16,823,411	-	16,823,411	26,959,821	-	26,959,821
		<u>278,730,258</u>	<u>-</u>	<u>278,730,258</u>	<u>256,433,520</u>	<u>-</u>	<u>256,433,520</u>
<b>Available-for-sale (AFS)</b>							
<i>Federal Government securities</i>							
- Market Treasury Bills	8.6	331,139,959	131,244,262	462,384,221	261,883,530	180,967,213	442,850,743
- Pakistan Investment Bonds		238,503,885	134,373,604	372,877,489	326,030,937	58,708,656	384,739,593
- Government of Pakistan US Dollar Bonds		2,257,828	-	2,257,828	22,197,008	-	22,197,008
- Sukuks		83,205,706	-	83,205,706	77,911,455	-	77,911,455
<i>Fully paid-up ordinary shares</i>							
- Listed companies		19,661,232	-	19,661,232	16,876,992	-	16,876,992
- Unlisted companies		2,711,847	-	2,711,847	2,251,466	-	2,251,466
<i>Debentures and corporate debt instruments</i>							
- Listed		23,898,704	15,378,666	39,277,370	41,386,981	-	41,386,981
- Unlisted	8.10	10,771,917	-	10,771,917	12,741,068	-	12,741,068
<i>Overseas Government securities</i>		8,891,515	-	8,891,515	5,337,240	-	5,337,240
<i>National Investment Trust units</i>		11,113	-	11,113	11,113	-	11,113
<i>Real Estate Investment Trust units</i>		154,000	-	154,000	396,000	-	396,000
<i>Preference shares</i>		97,500	-	97,500	100,000	-	100,000
		<u>721,305,206</u>	<u>280,996,532</u>	<u>1,002,301,738</u>	<u>767,123,790</u>	<u>239,675,869</u>	<u>1,006,799,659</u>
<b>Investment in associates and joint venture</b>	8.12	27,169,019	-	27,169,019	22,606,655	-	22,606,655
		<u>1,095,948,495</u>	<u>280,996,532</u>	<u>1,376,945,027</u>	<u>1,087,481,481</u>	<u>239,675,869</u>	<u>1,327,157,350</u>
Provision for diminution in the value of investments	8.4	(1,503,051)	-	(1,503,051)	(866,152)	-	(866,152)
		<u>1,094,445,444</u>	<u>280,996,532</u>	<u>1,375,441,976</u>	<u>1,086,615,329</u>	<u>239,675,869</u>	<u>1,326,291,198</u>
Deficit on revaluation of held-for-trading securities	8.5	(73,353)	-	(73,353)	(12,057)	-	(12,057)
(Deficit) / surplus on revaluation of available-for-sale securities	19.2	(974,143)	224,364	(749,779)	12,633,945	4,412,998	17,046,943
Surplus on revaluation of investments of associates		188,799	-	188,799	1,078,687	-	1,078,687
<b>Total investments (net of provision)</b>		<u>1,093,586,747</u>	<u>281,220,896</u>	<u>1,374,807,643</u>	<u>1,100,315,904</u>	<u>244,088,867</u>	<u>1,344,404,771</u>

8.2	Investments by segments	Note	2017 (Rupees in '000)	2016
	Federal Government securities			
	- Market Treasury Bills		510,877,826	504,781,616
	- Pakistan Investment Bonds		620,555,553	566,095,044
	- Government of Pakistan US Dollar Bonds		3,435,696	23,867,400
	- Sukuks		85,204,768	77,911,455
	Fully paid-up ordinary shares			
	- Listed companies		19,935,883	17,008,428
	- Unlisted companies		2,711,847	2,251,466
	Debentures and corporate debt instruments			
	- Listed		48,829,323	54,264,161
	- Unlisted		32,098,262	25,190,447
	Overseas Government securities		25,864,237	32,673,565
	National Investment Trust units		11,113	11,113
	Real Estate Investment Trust units		154,000	396,000
	Preference shares		97,500	100,000
	Investment in associates and Joint venture	8.12	27,169,019	22,606,655
			<u>1,376,945,027</u>	<u>1,327,157,350</u>
	Less: Provision for diminution in the value of investments	8.4	<u>(1,503,051)</u>	<u>(866,152)</u>
			1,375,441,976	1,326,291,198
	Deficit on revaluation of held-for-trading securities	8.5	(73,353)	(12,057)
	(Deficit) / surplus on revaluation of available-for-sale securities	19.2	(749,779)	17,046,943
	Surplus on revaluation of investments of associates		188,799	1,078,687
	<b>Total investments (net of provision)</b>		<u><b>1,374,807,643</b></u>	<u><b>1,344,404,771</b></u>
8.3	The market value of securities classified as held-to-maturity amounted to Rs. 280,806.402 million (2016: Rs. 261,991.234 million) as at December 31, 2017.			

8.4	Particulars of provision held against diminution in the value of investments	Note	2017 (Rupees in '000)	2016
	Opening balance		866,152	617,536
	Charge for the year		1,289,086	289,986
	Reversal for the year		(203,605)	(21,999)
	Reversed on disposal during the year		(619,614)	(19,371)
	Net charge		465,867	248,616
	Recoveries against written off investments		171,032	-
	Closing balance	8.4.1	<u>1,503,051</u>	<u>866,152</u>

8.4.1 Particulars of provision in respect of type and segment

	<b>Available-for-sale securities</b>			
	Fully paid-up ordinary shares			
	- Listed companies		1,117,390	459,981
	- Unlisted companies		82,274	102,784
	Total equity securities		1,199,664	562,765
	Debentures and corporate debt instruments		303,387	303,387
			<u>1,503,051</u>	<u>866,152</u>
8.5	<b>Unrealized (loss) / gain on revaluation of held-for-trading securities</b>			
	Market Treasury Bills		(24,920)	(6,406)
	Pakistan Investment Bonds		(13,149)	3,199
	Ordinary shares of listed companies		(19,058)	3,553
	Sukuks		(262)	-
	Overseas Government securities		(15,964)	(12,403)
			<u>(73,353)</u>	<u>(12,057)</u>

- 8.6 Investments include securities amounting to Rs. 293,708 million (2016: Rs. 261,439 million) which are held to comply with the SBP's statutory liquidity requirements and are available for rediscounting with the SBP.
- 8.7 Investments include Rs. 238.518 million (2016: Rs. 235.608 million) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.
- 8.8 Investments include Rs. 10.484 million (2016: Rs. 10.356 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the Bank.
- 8.9 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.
- 8.10 This includes privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) amounting to Rs. 6,071.278 million (2016: Rs 7,892.662 million) which is guaranteed by the Government of Pakistan and further is subject to a relaxation given by the SBP from Regulation-8 of the Prudential Regulations. However, mark-up income has been suspended on this amount and is only recognised when received.
- 8.11 **Summary of financial information of associates and joint venture**

		2017					
		Based on the annual / interim financial statements as on	Assets	Liabilities	Equity / Net Assets	Revenue	Profit / (loss)
Diamond Trust Bank Kenya Limited	September 30, 2017	383,101,389	327,433,269	55,668,120	30,218,318	5,239,849	
Himalayan Bank Limited, Nepal	October 17, 2017	122,007,480	108,878,428	13,129,052	2,513,282	416,857	
Kyrgyz Investment and Credit Bank	December 31, 2017	43,044,952	36,055,814	6,989,138	3,273,636	480,270	
Jubilee General Insurance Company Limited	September 30, 2017	18,968,650	12,113,495	6,855,155	4,445,791	795,606	
Jubilee Life Insurance Company Limited	September 30, 2017	114,238,218	108,552,565	5,685,653	2,598,693	1,608,479	
HBL Income Fund	December 31, 2017	3,477,739	57,228	3,420,511	271,973	179,215	
HBL Islamic Asset Allocation Fund	December 31, 2017	2,877,444	17,145	2,860,299	220,739	75,698	
HBL Islamic Money Market Fund	December 31, 2017	887,232	5,807	881,425	38,247	27,141	
HBL Islamic Pension Fund - Debt Sub Fund	December 31, 2017	93,651	1,010	92,641	5,496	3,568	
HBL Islamic Pension Fund - Equity Sub Fund	December 31, 2017	161,156	6,841	154,315	11,478	6,428	
HBL Islamic Pension Fund - Money Market Sub Fund	December 31, 2017	73,109	927	72,182	3,726	2,305	
HBL Islamic Stock Fund	December 31, 2017	1,494,818	55,752	1,439,066	85,868	(28,052)	
HBL Money Market Fund	December 31, 2017	5,032,999	67,337	4,965,662	211,754	197,860	
HBL Multi Asset Fund	December 31, 2017	337,752	13,742	324,010	43,997	15,186	
HBL Pension Fund - Debt Sub Fund	December 31, 2017	201,090	2,229	198,861	12,628	8,564	
HBL Pension Fund - Equity Sub Fund	December 31, 2017	220,042	3,026	217,016	12,205	7,300	
HBL Pension Fund - Money Market Sub Fund	December 31, 2017	157,373	2,197	155,176	10,289	7,229	
HBL Stock Fund	December 31, 2017	5,512,758	155,247	5,357,511	612,930	124,599	
HBL Energy Fund (formerly PICIC Energy Fund)	December 31, 2017	1,269,958	112,546	1,157,412	(50,358)	(56,116)	
HBL Government Securities Fund (formerly PICIC Income Fund)	December 31, 2017	779,404	126,504	652,900	54,091	35,481	
HBL Islamic Equity Fund (formerly PICIC Islamic Stock Fund)	December 31, 2017	1,294,937	14,775	1,280,162	(166,180)	(195,370)	
HBL Equity Fund (formerly PICIC Stock Fund)	December 31, 2017	331,016	26,121	304,895	(23,833)	(37,374)	
HBL Cash fund (formerly PICIC Cash Fund)	December 31, 2017	10,444,221	37,996	10,406,225	218,977	163,438	
HBL Islamic Income Fund (formerly PICIC Islamic Income Fund)	December 31, 2017	4,767,919	10,821	4,757,098	164,957	135,275	
HBL Financial Planning Fund - Strategic Allocation Plan	December 31, 2017	207,057	1,560	205,497	2,459	2,034	
PICIC Investment Fund	December 31, 2017	5,365,476	239,089	5,126,387	(314,685)	(441,111)	
2016							
		Based on the annual / interim financial statements as on	Assets	Liabilities	Equity / Net Assets	Revenue	Profit
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	2,107,190	1,280,691	
HBL Income Fund	December 31, 2016	5,375,870	98,889	5,276,981	469,125	201,690	
HBL Islamic Asset 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	735,168	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	980,714	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	881,787	82,882	60,410	
HBL Mustahakum Sarmaya Fund	December 31, 2016	2,003,167	13,680	1,989,487	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	

## 8.12 Investment in associates and joint venture

2017 2016  
(Rupees in '000)

**Diamond Trust Bank Kenya Limited - Holding: 16.15% (2016: 11.97%) - Listed**

Opening balance	5,707,355	4,934,477
Investment	1,852,188	-
Share of profit	965,438	881,896
Movement in share of surplus / (deficit) on investments / fixed assets	105,175	(46,898)
Share of other comprehensive income	42,119	14,342
Exchange translation impact	217,274	(2,384)
Dividend received	(88,748)	(74,078)
Closing balance	8,800,801	5,707,355

**Himalayan Bank Limited, Nepal - Holding: 20% (2016: 20%) - Listed**

Opening balance	1,916,452	1,608,874
Investment	128,468	-
Share of profit	436,693	396,091
Exchange translation impact	258,168	(42,988)
Dividend received	-	(45,525)
Closing balance	2,739,781	1,916,452

**Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding: 18% (2016: 18%) - Unlisted**

Opening balance	1,040,268	1,022,754
Share of profit	86,449	42,928
Exchange translation impact	63,906	(1,507)
Share of other comprehensive income	(3,203)	(6,732)
Dividend received	-	(17,175)
Closing balance	1,187,420	1,040,268

**Jubilee General Insurance Company Limited - Holding: 19.25% (2016: 18.31%) - Listed**

Opening balance	2,426,845	2,249,611
Investment	134,963	77,325
Share of profit	218,975	186,017
Share of capital contribution from / (to) statutory reserve	1,397	(1,797)
Share of other comprehensive income	(2,799)	(235)
Dividend received	(100,586)	(84,076)
Closing balance	2,678,795	2,426,845

**Jubilee Life Insurance Company Limited - Holding: 18.52% (2016: 18.52%) - Listed**

Opening balance	1,261,559	894,116
Investment	-	209,335
Share of profit	451,018	345,887
Share of capital contribution from / (to) statutory reserve	18,517	(10,393)
Dividend received	(197,644)	(177,386)
Closing balance	1,533,450	1,261,559

**HBL Income Fund - Holding: 48.48% (2016: 27.47%) - Listed**

Opening balance	1,506,482	1,419,177
Investment	770,697	85,000
Share of profit	69,643	89,188
Redemption	(500,000)	(85,988)
Movement in share of surplus / (deficit) on investment	(541)	(895)
Dividend received	(93,134)	-
Closing balance	1,753,147	1,506,482

**HBL Islamic Asset Allocation Fund - Holding: 21.47% (2016: 9.98%) - Listed**

Opening balance	113,341	-
Investment	507,086	100,000
Share of profit	10,712	8,966
Dividend received	(7,086)	-
Movement in share of surplus / (deficit) on investment	(8,634)	4,375
Closing balance	615,419	113,341

**HBL Islamic Money Market Fund - Holding: 45.01% (2016: 51.48%) - Listed**

Opening balance	387,003	368,782
Share of profit	18,133	18,221
Investment	15,473	-
Dividend received	(15,473)	-
Closing balance	405,136	387,003

	2017	2016
	(Rupees in '000)	
<b>HBL Islamic Pension Fund - Debt Sub Fund - Holding: 45.25% (2016: 46.82%) - Unlisted</b>		
Opening balance	42,963	40,481
Share of profit	1,397	2,011
Movement in share of surplus / (deficit) on investment	(122)	471
Closing balance	44,238	42,963
<b>HBL Islamic Pension Fund - Equity Sub Fund - Holding: 72.03% (2016: 63.31%) - Unlisted</b>		
Opening balance	121,032	82,801
Share of (loss) / profit	(8,813)	18,025
Movement in share of surplus / (deficit) on investment	(13,510)	20,206
Closing balance	98,709	121,032
<b>HBL Islamic Pension Fund - Money Market Sub Fund - Holding: 56.95% (2016: 62.06%) - Unlisted</b>		
Opening balance	42,355	40,340
Share of profit	1,323	2,023
Movement in share of surplus / (deficit) on investment	6	(8)
Closing balance	43,684	42,355
<b>HBL Islamic Stock Fund - Holding: 47.86% (2016: 83.22%) - Listed</b>		
Opening balance	861,459	636,091
Share of (loss) / profit	(75,162)	71,751
Investment	75,205	-
Dividend received	(47,205)	-
Movement in share of surplus / (deficit) on investment	(79,270)	153,617
Closing balance	735,027	861,459
<b>HBL Money Market Fund - Holding: 5.83% (2016: 4.35%) - Listed</b>		
Opening balance	284,056	785,124
Investment	361,397	40,000
Share of profit	22,659	52,494
Redemption	(298,715)	(568,921)
Dividend received	(10,568)	(24,626)
Movement in share of surplus / (deficit) on investment	-	(15)
Closing balance	358,829	284,056
<b>HBL Multi Asset Fund - Holding: 41.97% (2016: 86.81%) - Listed</b>		
Opening balance	806,906	650,379
Share of (loss) / profit	(42,320)	64,640
Investment	27,023	-
Redemption	(550,000)	-
Dividend received	(27,023)	-
Movement in share of surplus / (deficit) on investment	(36,933)	91,887
Closing balance	177,653	806,906
<b>HBL Mustaheekum Sarmaya Fund - Holding: Nil (2016: 28.35%) - Listed</b>		
Opening balance	578,278	527,972
Investment	34,923	-
Share of profit	15,701	44,416
Redemption	(593,979)	-
Dividend received	(34,923)	-
Movement in share of surplus / (deficit) on investment	-	5,890
Closing balance	-	578,278
<b>HBL Pension Fund - Debt Sub Fund - Holding: 23.57% (2016: 25.97%) - Unlisted</b>		
Opening balance	48,214	45,176
Share of profit	2,008	3,374
Movement in share of surplus / (deficit) on investment	(36)	(336)
Closing balance	50,186	48,214
<b>HBL Pension Fund - Equity Sub Fund - Holding: 48.05% (2016: 62.39%) - Unlisted</b>		
Opening balance	125,576	92,782
Share of (loss)/ profit	(3,267)	17,220
Movement in share of surplus / (deficit) on investment	(13,594)	15,574
Closing balance	108,715	125,576



	2017	2016
	(Rupees in '000)	
<b>HBL Pension Fund - Money Market Sub Fund - Holding: 27.88% (2016: 27.11%) - Unlisted</b>		
Opening balance	44,824	42,608
Share of profit	1,840	2,226
Movement in share of surplus / (deficit) on investment	2	(10)
Closing balance	46,666	44,824
<b>HBL Stock Fund - Holding: 71.87% (2016: 77.13%) - Listed</b>		
Opening balance	4,789,316	3,620,811
Share of profit	2,584	355,590
Investment	249,887	-
Dividend received	(249,887)	-
Movement in share of surplus / (deficit) on investment	(706,327)	812,915
Closing balance	4,085,573	4,789,316
<b>HBL Cash fund (formerly PICIC Cash Fund) - Holding: 0.83% (2016: Nil) - Listed</b>		
Opening balance	-	-
Transfer in on acquisition of PICIC AMC	-	736,725
Investment	180,000	-
Share of profit / (loss)	1,182	(24,958)
Redemption	(95,113)	(711,767)
Closing balance	86,069	-
<b>HBL Energy Fund (formerly PICIC Energy Fund) - Holding: 38.14% (2016: 17.96%) - Listed</b>		
Opening balance	153,594	-
Transfer in on acquisition of PICIC AMC	-	116,138
Investment	305,076	-
Dividend received	(5,076)	-
Share of (loss) / profit	(9,941)	37,456
Closing balance	443,653	153,594
<b>HBL Government Securities Fund (formerly PICIC Income Fund) - Holding: 15.13% (2016: 4.01%) - Listed</b>		
Opening balance	81,470	-
Transfer in on acquisition of PICIC AMC	-	412,867
Investment	338,058	-
Share of profit / (loss)	6,825	(2,013)
Redemption	(325,129)	(329,384)
Closing balance	101,224	81,470
<b>HBL Islamic Equity Fund (formerly PICIC Islamic Stock Fund) - Holding: 6.35% (2016: 57.13%) - Listed</b>		
Opening balance	284,942	-
Transfer in on acquisition of PICIC AMC	-	224,494
Investment	1,199	-
Share of (loss) / profit	(31,733)	65,715
Redemption	(167,288)	-
Dividend received	(1,199)	(5,267)
Closing balance	85,921	284,942
<b>HBL Islamic Income Fund (formerly PICIC Islamic Income Fund) - Holding 5.27% (2016: Nil) - Listed</b>		
Opening Balance	-	-
Transfer in on acquisition of PICIC AMC	-	26,607
Investment	250,000	-
Share of profit / (loss)	652	(1,310)
Redemption	-	(25,297)
Closing balance	250,652	-
<b>HBL Financial Planning Fund - Strategic Allocation - Holding 49.11% (2016: Nil) - Listed</b>		
Opening balance	-	-
Investment	99,920	-
Share of profit	4	-
Closing balance	99,924	-

	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>HBL Equity Fund (formerly PICIC Stock Fund) - Holding: 28.02% (2016: 24.73%) - Listed</b>		
Opening balance	101,800	-
Transfer in on acquisition of PICIC AMC	-	80,456
Investment	7,878	-
Share of (loss) / profit	(14,564)	22,259
Dividend received	(7,878)	(915)
Closing balance	87,236	101,800
<b>PICIC Investment Fund - Holding: 17.13% (2016: 17.13%) - Listed</b>		
Opening balance	959,252	-
Investment	-	637,387
Share of (loss) / profit	(75,549)	214,002
Movement in share of surplus / (deficit) on investment	(78,100)	128,301
Dividend received	(65,693)	(20,438)
Closing balance	739,910	959,252
	<b>27,357,818</b>	<b>23,685,342</b>

- 8.13 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.

9. ADVANCES	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
Loans, cash credits, running finances, etc.			
- In Pakistan		642,772,680	563,574,263
- Outside Pakistan		124,963,052	119,767,792
		<b>767,735,732</b>	<b>683,342,055</b>
Net investment in finance lease - in Pakistan	9.1.3	17,127,661	16,571,941
Islamic financing and related assets	43.1.1	84,408,003	32,077,220
Bills discounted and purchased			
- Payable in Pakistan		16,751,077	16,985,715
- Payable outside Pakistan		34,985,466	68,273,107
		<b>51,736,543</b>	<b>85,258,822</b>
Advances - gross		<b>921,007,939</b>	<b>817,250,038</b>
Provision against advances			
- Specific	9.3	(66,417,176)	(65,160,197)
- General		(3,088,343)	(3,623,544)
		<b>(69,505,519)</b>	<b>(68,783,741)</b>
Advances - net of provision		<b>851,502,420</b>	<b>748,466,297</b>
<b>9.1 Particulars of advances</b>			
9.1.1 In local currency		683,894,293	539,266,324
In foreign currency		167,608,127	209,199,973
		<b>851,502,420</b>	<b>748,466,297</b>
9.1.2 Short term (upto one year)		435,605,482	518,877,867
Long term (over one year)		415,896,938	229,588,430
		<b>851,502,420</b>	<b>748,466,297</b>
<b>9.1.3 Net investment in finance lease</b>			

	2017				2016			
	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)							
Gross investment in finance lease	38,140	16,524,839	3,961,144	20,524,123	57,154	16,512,852	3,666,234	20,236,240
Unearned finance income	(1,256)	(2,595,059)	(800,147)	(3,396,462)	(1,478)	(2,852,363)	(810,458)	(3,664,299)
Net investment in finance lease	<b>36,884</b>	<b>13,929,780</b>	<b>3,160,997</b>	<b>17,127,661</b>	<b>55,676</b>	<b>13,660,489</b>	<b>2,855,776</b>	<b>16,571,941</b>

- 9.2 Advances include Rs. 75,845.392 million (2016: Rs. 75,446.933 million) which have been placed under non-performing status as detailed below:

Category of classification	2017								
	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	1,069,200	32,434	1,101,634	-	-	-	1,069,200	32,434	1,101,634
Substandard	2,891,184	794,075	3,685,259	1,164,228	166,073	1,330,301	1,726,956	628,002	2,354,958
Doubtful	1,560,805	1,022,442	2,583,247	778,980	417,505	1,196,485	781,825	604,937	1,386,762
Loss	44,829,967	23,645,285	68,475,252	43,694,869	20,195,521	63,890,390	1,135,098	3,449,764	4,584,862
	<u>50,351,156</u>	<u>25,494,236</u>	<u>75,845,392</u>	<u>45,638,077</u>	<u>20,779,099</u>	<u>66,417,176</u>	<u>4,713,079</u>	<u>4,715,137</u>	<u>9,428,216</u>

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
	<u>52,499,167</u>	<u>22,947,766</u>	<u>75,446,933</u>	<u>47,375,522</u>	<u>17,784,675</u>	<u>65,160,197</u>	<u>5,123,645</u>	<u>5,163,091</u>	<u>10,286,736</u>

- 9.2.1 Exposure amounting to Rs. 8,847.914 million relating to Power Holding (Private) Limited, 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, mark-up income has been suspended on this amount and is only recognized when received.

9.3 Particulars of provision against advances	Note	2017			2016		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		65,160,197	3,623,544	68,783,741	65,881,113	3,298,099	69,179,212
Exchange Adjustment		1,417,860	102,173	1,520,033	(815,785)	(38,618)	(854,403)
Charge for the year		5,294,493	337,509	5,632,002	5,039,092	449,178	5,488,270
Reversal for the year	9.3.1	(4,711,205)	(970,351)	(5,681,556)	(4,829,119)	(167,996)	(4,997,115)
Net charge / (reversal) against advances		583,288	(632,842)	(49,554)	209,973	281,182	491,155
Charged off during the year	9.5	(400,719)	-	(400,719)	(526,238)	-	(526,238)
Written off during the year	9.6	(352,587)	-	(352,587)	(262,906)	-	(262,906)
Transfer in due to acquisition of FMFB		-	-	-	21,601	91,399	113,000
Transfer from / (to) other liabilities		-	-	-	173,486	(8,518)	164,968
Transfer out on sale of Kenya business		(550,276)	(21,002)	(571,278)	-	-	-
Recoveries against write off		512,684	-	512,684	457,833	-	457,833
Other movements		46,729	16,470	63,199	21,120	-	21,120
Closing balance		<u>66,417,176</u>	<u>3,088,343</u>	<u>69,505,519</u>	<u>65,160,197</u>	<u>3,623,544</u>	<u>68,783,741</u>
In local currency		44,804,563	1,543,896	46,348,459	46,366,406	1,857,796	48,224,202
In foreign currency		<u>21,612,613</u>	<u>1,544,447</u>	<u>23,157,060</u>	<u>18,793,791</u>	<u>1,765,748</u>	<u>20,559,539</u>
		<u>66,417,176</u>	<u>3,088,343</u>	<u>69,505,519</u>	<u>65,160,197</u>	<u>3,623,544</u>	<u>68,783,741</u>

- 9.3.1 This includes reversal of provision amounting to Rs. 68.374 million (2016: Rs. 106.894 million) due to acquisition of non-banking assets in satisfaction of claims.

- 9.4 General provision represents provision amounting to Rs. 1,405.701 million (2016: Rs. 1,655.911 million) against consumer finance portfolio, Rs. Nil (2016: Rs. 126.699 million) against advances to Small Enterprises (SE) and Rs. 138.195 million (2016: 75.186 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs. 1,544.447 million (2016: Rs. 1,765.748 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.

The SBP, vide IH&SMEFD Circular No. 09 of 2017, has revised the Prudential Regulations for SME financing. The requirement of maintaining a general reserve of 1% against the secured SE portfolio has been discontinued and the general reserve required to be maintained against the unsecured SE portfolio has been reduced from 2% of the portfolio to 1%.

- 9.5 These represent non-performing advances for agriculture finance which have been classified as loss and fully charged off for 3 years from the date of default. 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.

9.6 Particulars of write offs	Note	2017	2016
		(Rupees in '000)	
9.6.1 Against provisions	9.3	352,587	262,906
Against charge-off		<u>31,064</u>	<u>23,427</u>
		<u>383,651</u>	<u>286,333</u>
9.6.2 Analysis of write offs			
Rs. 500,000 and above - Domestic	9.7	109,429	151,503
Rs. 500,000 and above - Overseas	9.8	639	9,185
Below Rs. 500,000		<u>273,583</u>	<u>125,645</u>
		<u>383,651</u>	<u>286,333</u>

9.7 **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, 2017 is given in Annexure II of unconsolidated financial statements.

9.8 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.

9.9 **Particulars of advances to directors, associated companies, etc.**

2017						
	Balance at the beginning of the year	Loans granted / transferred in during the year	Repayments / transferred out during the year	Balance at the end of the year	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	771,450	(829,180)	2,819,039	3,099,210	771,450
- in respect of Key Management Personnel	38,221	180,966	(73,618)	145,569	209,438	168,890
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	10,404,154	170,929,393	(164,231,225)	17,102,322	26,606,439	13,766,655

2016						
	Balance at the beginning of the year	Loans granted / transferred in during the year	Repayments / transferred out during the year	Balance at the end of the year	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)	2,651,500	651,410	(426,141)	2,876,769	2,881,595	651,410
- in respect of Key Management Personnel	67,817	8,253	(37,849)	38,221	71,991	8,253
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	5,274,518	13,379,374	(8,249,738)	10,404,154	10,914,454	6,678,160

\* 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	2017 (Rupees in '000)	2016 (Rupees in '000)
10. <b>OPERATING FIXED ASSETS</b>			
Capital work-in-progress	10.1	17,061,851	1,591,940
Tangible fixed assets	10.2	40,036,539	29,171,973
Intangible assets	10.3	5,694,453	5,323,596
		<u>62,792,843</u>	<u>36,087,509</u>
10.1 <b>Capital work-in-progress</b>			
Civil works		12,685,722	526,241
Equipment		2,440,975	-
Intangible assets		656,048	753,174
Advances to suppliers and contractors		1,279,106	312,525
	10.1.1	<u>17,061,851</u>	<u>1,591,940</u>

10.1.1 This includes Rs.14,440.034 million on account of acquisition of a new office building in Karachi.

## 10.2 Tangible fixed assets

Description	2017											
	COST / REVALUATION					ACCUMULATED DEPRECIATION					Book value as at December 31, 2017	Rate of depreciation
	As at January 1, 2017	Additions / (deletions) during the year	Exchange / other adjustments	Movement in surplus / (deficit) during the year	As at December 31, 2017	As at January 1, 2017	Charge / (depreciation on deletions) for the year	Exchange / other adjustments	Reversal due to revaluation	As at December 31, 2017		
	----- Rupees in '000 -----											%
Land	15,727,965	495 -	- (255,914)	9,343,629	24,816,175	-	- -	-	-	-	24,816,175	-
Building	6,783,214	323,960 (2,245)	30,395 (461,596)	1,143,416	7,817,144	483,198	197,727 (93)	(1,999) (279,994)	(243,669)	155,170	7,661,974	1.67 - 5
Machinery	508,278	39,522 -	- 6,545	(213,993)	340,352	82,957	69,165 -	- (20)	(151,456)	646	339,706	10
Leasehold improvements	4,512,351	374,349 (61,001)	100,752 668,339	-	5,594,790	3,247,839	535,137 (43,820)	55,327 (7,766)	-	3,786,717	1,808,073	20
Furniture, fixtures and office equipment	15,989,621	2,603,950 (226,956)	135,523 289,266	-	18,791,404	10,792,205	2,448,880 (216,674)	143,230 419,142	-	13,586,783	5,204,621	20-33
Vehicles	716,090	56,076 (74,648)	13,846 (23,785)	-	687,579	459,347	73,896 (54,260)	504 2,102	-	481,589	205,990	10 - 20
	44,237,519	3,398,352 (364,850)	280,516 222,855	10,273,052	58,047,444	15,065,546	3,324,805 (314,847)	197,062 133,464	(395,125)	18,010,905	40,036,539	

Description	2016											
	COST / REVALUATION					ACCUMULATED DEPRECIATION					Book value as at December 31, 2016	Rate of depreciation
	As at January 1, 2016	Additions / (deletions) / during the year	Exchange / other adjustments	Movement in surplus / (deficit) during the year	As at December 31, 2016	As at January 1, 2016	Charge / (depreciation on deletions) for the year	Exchange / other adjustments	Reversal due to revaluation	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)	(63,939) (276,783)	-	6,783,214	608,785	214,783 (43,577)	(28,388) (268,405)	-	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)	(25,114) 322,403	-	15,989,621	8,907,607	2,246,884 (498,100)	(24,630) 160,444	-	10,792,205	5,197,416	20-33
Vehicles	560,043	56,510 (39,400)	(4,166) 143,103	-	716,090	334,010	72,045 (35,497)	(3,520) 92,309	-	459,347	256,743	10 - 20
	40,050,745	4,442,233 (623,346)	(93,219) 196,537	264,569	44,237,519	12,688,289	3,058,583 (609,136)	(56,538) (15,652)	-	15,065,546	29,171,973	

### 10.3 Intangible assets

Description	Note	2017								Book value as at December 31, 2017	Rate of amortization
		COST			ACCUMULATED AMORTISATION						
		As at January 1, 2017	Additions / (deletions) during the year	Exchange / other adjustments	As at December 31, 2017	As at January 1, 2017	Charge / (amortisation on deletions) during the year	Exchange / other adjustments	As at December 31, 2017		
		(Rupees in '000)									
										%	
Computer software		3,354,894	796,647	-	3,720,009	2,341,223	683,948	-	2,588,720	1,131,289	33.33
			-	(431,532)			-	(436,451)			
Management rights		2,367,577	-	-	2,367,577	-	-	-	-	2,367,577	-
			-	-			-	-			
Goodwill	10.3.1	1,942,348	-	253,239	2,195,587	-	-	-	-	2,195,587	-
			-				-				
		7,664,819	796,647	253,239	8,283,173	2,341,223	683,948	-	2,588,720	5,694,453	
			-	(431,532)			-	(436,451)			
Description		2016								Book value as at December 31, 2016	Rate of amortization
		COST			ACCUMULATED AMORTISATION						
		As at January 1, 2016	Additions / (deletions) during the year	Exchange / other adjustments	As at December 31, 2016	As at January 1, 2016	Charge / (amortisation on deletions) during the year	Exchange / other adjustments	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			
Management rights		-	2,367,577	-	2,367,577	-	-	-	-	2,367,577	-
			-	-			-	-			
Goodwill	10.3.1	1,916,319	355,507	(329,478)	1,942,348	-	-	-	-	1,942,348	-
			-	-			-				
		4,324,133	3,635,604	(329,478)	7,664,819	1,831,387	470,994	-	2,341,223	5,323,596	
			-	34,560			-	38,842			

10.3.1 Goodwill arising on acquisition of	2017 (Rupees in '000)	2016 (Rupees in '000)
- Habibsons Bank Limited	1,840,080	1,586,841
- PICIC AMC	355,507	355,507
	<u>2,195,587</u>	<u>1,942,348</u>

### 10.4 Details of revaluation

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

	Domestic	KEPZ	Lebanon	Singapore	Sri Lanka	UK	Total
Year in which last revaluation conducted	2017	2017	2017	2017	2017	2017	
Name of valuer	Iqbal A. Nanjee & Co. (Private) Limited and Colliers International Pakistan (Private) Limited	J & M Associates	Imad Saffiuddine	United Valuers (Pte) Limited	Sunil Fernando & Associates (Private) Limited	Shepherd, Chartered Surveyors and AJP Surveyors Limited	
	(Rupees in '000)						
Increase / (decrease) in surplus	10,462,107	1,185	11,114	70,410	88,987	18,870	10,652,673

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

	Domestic	KEPZ	Lebanon	Singapore	Sri Lanka	UK	Total
	(Rupees in '000)						
Land	5,199,519	-	-	192,517	21,037	-	5,413,073
Building	4,580,323	4,580	7,810	6,464	22,157	158,854	4,780,188



#### 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 carrying amount of operating fixed assets held for disposal amounted to Rs. 11.179 million (2016: Rs. Nil).

10.8 The cost of fully depreciated operating fixed assets that are still in the Group's use amounted to Rs. 10,390.403 million (2016: Rs. 7,279.639 million).

	Note	2017 (Rupees in '000)	2016
<b>11. OTHER ASSETS</b>			
Mark-up / return / profit / interest accrued in local currency		30,448,216	27,135,835
Mark-up / return / profit / interest accrued in foreign currency		2,426,564	2,713,569
Advances, deposits, advance rent and other prepayments		2,691,028	2,620,594
Advance taxation		27,622,742	20,254,444
Advances for subscription of shares		50,000	199,871
Stationery and stamps on hand		65,092	72,876
Accrued fees and commissions		726,955	595,060
Due from Government of Pakistan / SBP		1,151,538	477,899
Unrealised gain on forward foreign exchange contracts		4,086,999	268,141
Unrealised gain on derivative instruments	21.2	102,616	115,903
Non-banking assets acquired in satisfaction of claims	11.1	2,012,432	2,446,040
Clearing and settlement accounts		2,531,088	2,170,301
Dividend receivable		40,010	80,324
Claims against fraud and forgeries		332,067	102,206
Others		789,322	1,063,033
		<u>75,076,669</u>	<u>60,316,096</u>
Provision held against other assets	11.2	<u>(825,520)</u>	<u>(537,651)</u>
Other assets - net		<u>74,251,149</u>	<u>59,778,445</u>

11.1 The market value of non-banking assets acquired in satisfaction of claims is Rs. 1,967.665 million (2016: Rs. 2,383.392 million). During the year, the Bank acquired non-banking assets having a value of Rs. 68.374 million (2016: Rs. 111.528 million) in satisfaction of claims.

	2017 (Rupees in '000)	2016
<b>11.2 Provision against other assets</b>		
Opening balance	537,651	456,805
Exchange adjustment	14,294	(7,365)
Charge for the year	566,741	200,229
Reversal for the year	(70,070)	(26,068)
Net charge	496,671	174,161
Written off during the year	(81,494)	(85,950)
Transfer out on sale of Kenya business	(157,002)	-
Other movement	15,400	-
Closing balance	<u>825,520</u>	<u>537,651</u>

#### 12. BILLS PAYABLE

In Pakistan	31,316,400	30,262,473
Outside Pakistan	2,435,819	933,427
	<u>33,752,219</u>	<u>31,195,900</u>

#### 13. BORROWINGS

In Pakistan	352,574,830	296,149,964
Outside Pakistan	45,227,837	35,576,690
	<u>397,802,667</u>	<u>331,726,654</u>

#### 13.1 Particulars of borrowings

In local currency	314,696,249	294,454,054
In foreign currency	83,106,418	37,272,600
	<u>397,802,667</u>	<u>331,726,654</u>

13.2	Details of borrowings	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
	<b>Secured</b>			
	Borrowings from the SBP under			
	- Export refinance scheme	13.3	26,343,510	21,592,306
	- Long term financing facility	13.4	9,852,123	5,250,535
	- Refinance facility for modernization of SMEs	13.5	9,500	13,500
			36,205,133	26,856,341
	Repurchase agreement borrowings	13.6	279,802,790	243,753,648
			316,007,923	270,609,989
	<b>Unsecured</b>			
	- Call money borrowings	13.7	11,385,000	18,076,206
	- Overdrawn nostro accounts		1,829,975	7,463,769
	- Borrowings of overseas branches and subsidiaries	13.8	28,375,417	19,886,915
	- Other long-term borrowings	13.9	40,204,352	15,689,775
			81,794,744	61,116,665
			397,802,667	331,726,654
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% per annum (2016: 1.00% to 2.00% per annum) and are due to mature latest by June 20, 2018.			
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% per annum (2016: 2.00% to 10.10% per annum) and are due to mature latest by October 24, 2027.			
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 2.00% to 3.25% per annum (2016: 1.75% to 6.25% per annum) and are due to mature latest by March 31, 2021.			
13.6	Repurchase agreement borrowings carry mark-up at rates ranging from 2.13% to 5.86% per annum (2016: 5.45% to 5.85% per annum) and are due to mature latest by June 12, 2018. 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 5.60% to 6.00% per annum (2016: 1.10% to 5.75% per annum) and are due to mature latest by April 2, 2018.			
13.8	Borrowings by overseas branches and subsidiaries carry mark-up at rates ranging from 0.25% to 8.50% per annum (2016: 0.10% to 10.00% per annum) and are due to mature latest by December 27, 2018.			
13.9	This includes following:			
13.9.1	A loan from the International Finance Corporation amounting to US\$ 150 million (2016: 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.			
13.9.2	A loan from the China Development Bank amounting to US\$ 196 million. The principal amount is payable in six installments from December 2017 to June 2020. Interest at LIBOR+2.45% is payable semi annually commencing from June 15, 2017.			
13.9.3	A loan from the Allied Bank Limited amounting to Rs 2 billion. The principal amount is payable in ten equal half yearly installments starting from June 2020 to December 2024. Interest at 6 months KIBOR + 0.75% is payable bi-annually commencing from June 2018.			
14.	<b>DEPOSITS AND OTHER ACCOUNTS</b>		2017 (Rupees in '000)	2016 (Rupees in '000)
	<b>Customers</b>			
	Current accounts - non-remunerative		727,425,393	680,376,925
	Savings accounts		876,338,346	825,991,662
	Fixed deposits		328,867,254	328,510,571
			1,932,630,993	1,834,879,158
	<b>Financial institutions</b>			
	Current accounts - non-remunerative		5,778,651	17,204,132
	Savings accounts		59,294,770	29,025,736
	Fixed deposits		1,230,643	4,850,000
			66,304,064	51,079,868
			1,998,935,057	1,885,959,026

		2017 (Rupees in '000)	2016
14.1	<b>Particulars of deposits</b>		
	In local currency	1,682,767,552	1,483,003,280
	In foreign currency	316,167,505	402,955,746
		<u>1,998,935,057</u>	<u>1,885,959,026</u>

15. **SUBORDINATED LOAN**

The Bank had issued Over The Counter (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	AA+ (Double A plus) {2016: 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".

	Note	2017 (Rupees in '000)	2016
16.	<b>DEFERRED TAX LIABILITY</b>		
	<b>Deductible temporary differences on</b>		
	- Recognised tax losses	(101,331)	(152,873)
	- Provision against investments	(378,911)	(142,699)
	- Provision against doubtful debts and off-balance sheet obligations	(3,268,549)	(3,373,254)
	- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001	(1,273,915)	(1,256,871)
	- Provision against other assets	(63,953)	(72,853)
	- Revaluation of investments	(168,988)	5,906,145
		<u>(5,255,647)</u>	<u>907,595</u>
	<b>Taxable temporary differences on</b>		
	- Accelerated tax depreciation	124,158	110,152
	- Surplus on revaluation of fixed assets	1,008,574	551,346
	- Surplus on revaluation of operating fixed assets of associates	11,227	16,510
	- Revaluation of non-banking assets	847	6,203
	- Management rights and goodwill	81,693	-
	- Share of profit of associates	4,690,782	4,420,572
	- Others	309,734	78,605
		<u>6,227,015</u>	<u>5,183,388</u>
	<b>Net deferred tax liability</b>	<u>971,368</u>	<u>6,090,983</u>

## 16.1 Movement in temporary differences during the year

	Balance as at January 1, 2016	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2016	Recognised in profit and loss	Recognised in equity	Other movement	Balance as at December 31, 2017
	(Rupees in '000)							
<b>Deductible temporary differences on</b>								
- Recognised tax losses	(113,028)	(65,026)	25,181	(152,873)	97,431	(14,930)	(30,959)	(101,331)
- Provision against investments	(60,320)	(82,379)	-	(142,699)	(250,681)	-	14,469	(378,911)
- Provision against doubtful debts and off-balance sheet obligations	(3,411,575)	38,321	-	(3,373,254)	128,476	-	(23,771)	(3,268,549)
- Liabilities written back under section 34(5) of the ITO 2001	(1,442,062)	185,191	-	(1,256,871)	(17,065)	146	(125)	(1,273,915)
- Provision against other assets	(83,469)	10,616	-	(72,853)	8,900	-	-	(63,953)
- Revaluation of investments	6,307,247	-	(401,102)	5,906,145	-	(6,075,133)	-	(168,988)
<b>Taxable temporary differences on</b>								
- Accelerated tax depreciation	313,199	(205,693)	2,646	110,152	23,481	(3,940)	(5,535)	124,158
- Surplus on revaluation of fixed assets	571,774	(20,428)	-	551,346	(22,454)	479,682	-	1,008,574
- Surplus on revaluation of operating fixed assets of associates	-	-	16,510	16,510	-	(5,283)	-	11,227
- Revaluation of non-banking assets	-	(84)	6,287	6,203	(90)	(5,266)	-	847
- Management rights and goodwill	-	-	-	-	81,693	-	-	81,693
- Share of profit of associates	3,589,362	831,210	-	4,420,572	270,210	-	-	4,690,782
- Others	-	75,483	3,122	78,605	(116,652)	370,892	(23,111)	309,734
<b>Net deferred tax liability</b>	<b>5,671,128</b>	<b>767,211</b>	<b>(347,356)</b>	<b>6,090,983</b>	<b>203,249</b>	<b>(5,253,832)</b>	<b>(69,032)</b>	<b>971,368</b>

	Note	2017 (Rupees in '000)	2016
<b>17. OTHER LIABILITIES</b>			
Mark-up / return / profit / interest payable in local currency		9,535,298	10,058,743
Mark-up / return / profit / interest payable in foreign currency		1,237,469	1,357,611
Security deposits		1,069,214	1,011,789
Accrued expenses		10,322,514	7,373,303
Unrealised loss on forward foreign exchange contracts		891,964	1,302,366
Unrealised loss on derivative instruments	21.2	50,418	10,804
Unclaimed dividends		417,969	338,086
Dividend payable		294,740	132,974
Provision for employees' compensated absences	34.4.7	4,065,541	2,545,746
Provision for post retirement medical benefits	34.4.3	3,264,502	3,130,623
Provision against off-balance sheet obligations	17.1	385,361	928,634
Branch adjustment account		270,935	4,541,691
Provision for staff retirement benefits		1,065,082	1,003,355
Payable to defined benefit plans	34.4.3	1,376,963	200,388
Provision for Workers' Welfare Fund	28	4,323,993	3,295,002
Unearned income		922,990	653,931
Qarza-e-Hasna Fund		339,402	340,307
Levies and taxes payable		1,758,747	1,563,854
Insurance payable		616,494	466,505
Provision for rewards program expenses		851,787	670,178
Liability against trading of securities		5,931,172	-
Payable to HBL Foundation		82,672	296,678
Contingent consideration payable		500,000	500,000
Charity fund	43.3	233,247	526
Others		4,022,420	3,135,676
		<b>53,830,894</b>	<b>44,858,770</b>

## 17.1 Provision against off-balance sheet obligations

Opening balance	928,634	946,073
Exchange adjustment	(103)	(775)
Charge for the year	89,440	14,757
Reversal for the year	(621,162)	(36,965)
Net reversal	(531,722)	(22,208)
Written off during the year	-	(34,325)
Other movement	(11,448)	39,869
Closing balance	<b>385,361</b>	<b>928,634</b>

## 18. SHARE CAPITAL

### 18.1 Authorised capital

2017	2016		Note	2017 (Rupees in '000)	2016 (Rupees in '000)
Number of shares in '000					
<u>2,900,000</u>	<u>3,000,000</u>	Ordinary shares of Rs. 10 each	18.1.1	<u>29,000,000</u>	<u>30,000,000</u>

18.1.1 During the year, the authorised capital of the Bank was reduced from Rs. 30 billion divided into 3 billion ordinary shares of Rs. 10 each to Rs. 29 billion divided into 2.9 billion ordinary shares of Rs. 10 each.

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

2017	2016		2017 (Rupees in '000)	2016 (Rupees in '000)
Number of shares in '000				
690,000	690,000	Ordinary shares of Rs. 10 each	6,900,000	6,900,000
776,852	776,852	Fully paid in cash	7,768,525	7,768,525
<u>1,466,852</u>	<u>1,466,852</u>	Issued as bonus shares	<u>14,668,525</u>	<u>14,668,525</u>

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

Name of shareholder	2017		2016	
	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

	2017 (Number of shares)	2016 (Number of shares)
Jubilee General Insurance Company Limited	4,465,537	4,743,037
Jubilee Life Insurance Company Limited	7,727,000	12,344,492
HBL Stock Fund	1,685,419	1,812,219
HBL Multi Asset Fund	77,971	170,971
HBL Mustahekum Sarmaya Fund	-	34,000
PICIC Investment Fund	784,500	953,800
HBL Equity Fund (formerly PICIC Stock Fund)	81,100	109,000
PICIC Growth Fund	1,493,400	1,787,300
HBL Government securities Fund (formerly PICIC Income Fund)	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.

## 19. SURPLUS ON REVALUATION OF ASSETS - net of tax

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
Surplus / (deficit) arising on revaluation of assets - net of tax, on			
- Operating fixed assets, attributable to			
- Equity holders		21,408,766	11,157,219
- Non-controlling interest		3,387	2,965
	19.1	<u>21,412,153</u>	<u>11,160,184</u>
- Investments, attributable to			
- Equity holders		(402,933)	12,209,309
- Non-controlling interest		(4,714)	10,176
	19.2	<u>(407,647)</u>	<u>12,219,485</u>
- Non-banking assets acquired in satisfaction of claims	19.3	282,820	684,178
Surplus on revaluation of assets - net of tax		<u>21,287,326</u>	<u>24,063,847</u>

	2017	2016
	(Rupees in '000)	
<b>19.1 Surplus on revaluation of operating fixed assets</b>		
Surplus as at the beginning of the year	11,680,869	11,474,665
Surplus recognised during the year	10,652,673	1,772
Transferred from surplus on revaluation of non-banking assets	15,504	262,797
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(41,701)	(37,937)
Related deferred tax liability on incremental depreciation charged during the year	(22,454)	(20,428)
	22,284,891	11,680,869
Less: related deferred tax liability on		
- Revaluation as at the beginning of the year	551,346	571,774
- Revaluation recognized during the year	474,256	-
- Amount transferred from surplus on revaluation of non-banking assets	5,426	-
- Incremental depreciation charged during the year	(22,454)	(20,428)
	1,008,574	551,346
Surplus on revaluation of operating fixed assets of associates	147,063	47,171
Related deferred tax liability	(11,227)	(16,510)
	135,836	30,661
	21,412,153	11,160,184
<b>19.2 Surplus / (deficit) on revaluation of investments</b>		
Market Treasury Bills	(81,386)	(79,920)
Pakistan Investment Bonds	569,276	11,777,817
Government of Pakistan US Dollar Bonds	496	1,089,485
Sukuks	485,521	1,691,234
Listed equity securities	(1,794,580)	2,471,333
National Investment Trust units	36,190	47,715
Real Estate Investment Trust units	-	(4,680)
Overseas Government securities	(7,641)	(1,635)
Other debt investments	42,345	55,594
	(749,779)	17,046,943
Related tax asset / (liability)	219,413	(5,934,049)
	(530,366)	11,112,894
Surplus on revaluation of investments of associates	188,799	1,078,687
Related deferred tax (liability) / asset	(66,080)	27,904
	122,719	1,106,591
	(407,647)	12,219,485
<b>19.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>		
Surplus as at the beginning of the year	690,381	-
Surplus (reversed) / recognised during the year	(390,952)	953,418
Transferred to surplus on revaluation of operating fixed assets	(15,504)	(262,797)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(168)	(156)
Related deferred tax liability on incremental depreciation charged during the year	(90)	(84)
	283,667	690,381
Less: related deferred tax liability on		
- Revaluation as at the beginning of the year	6,203	-
- Revaluation recognised during the year	160	6,287
- Amount transferred to surplus on revaluation of operating fixed assets	(5,426)	-
- Incremental depreciation charged during the year	(90)	(84)
	847	6,203
	282,820	684,178



		2017	2016
		(Rupees in '000)	
20.	<b>CONTINGENCIES AND COMMITMENTS</b>		
20.1	<b>Direct credit substitutes - financial guarantees</b>		
	Guarantees in favour of		
	- Government	273,782	275,473
	- Financial institutions	441,000	295,000
	- Others	38,462,882	38,031,430
		<u>39,177,664</u>	<u>38,601,903</u>
20.2	<b>Transaction-related contingent liabilities</b>		
	Guarantees in favour of		
	- Government	269,851	683,908
	- Financial institutions	1,713,959	1,604,150
	- Others	123,407,833	105,514,189
		<u>125,391,643</u>	<u>107,802,247</u>
20.3	<b>Trade-related contingent liabilities</b>		
	Letters of credit in favour of		
	- Government	49,835,960	57,202,851
	- Financial institutions	5,340,244	10,692,986
	- Others	81,773,117	87,920,238
		<u>136,949,321</u>	<u>155,816,075</u>
20.4	<b>Other contingencies</b>		
20.4.1	Claims against the Group not acknowledged as debts	<u>28,370,682</u>	<u>32,775,298</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.		
20.4.2	For contingencies relating to New York branch, please refer note 29 of these consolidated financial statements.		
20.4.3	For an update on pension matter, please refer note 44.2 of 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>	2017	2016
		(Rupees in '000)	
	Purchase	142,571,667	133,097,813
	Sale	84,353,498	87,958,325
20.7	<b>Commitments in respect of forward Government Securities transactions</b>		
	Purchase	20,243,788	18,815,026
	Sale	-	9,067,465

	2017 (Rupees in '000)	2016
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	1,633,987	1,084,128
Sale	1,707,050	1,096,192
<b>Interest rate swaps</b>		
Purchase	-	34,866
Sale	10,315,539	5,218,200
20.9 <b>Commitments for capital expenditure</b>	5,026,435	824,776

20.10 The income tax returns of the Bank have been submitted upto and including the accounting year 2016. The tax authorities have concluded the audit of the returns under section 122(5A) of the Income Tax Ordinance, 2001 upto accounting year 2015.

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, 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 derivative products to satisfy customer requirements, specific approval of 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 recommendation 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, associated limits and its 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 daily.

#### 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 daily.

## 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

2017						
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)
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	5	3,018,211
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	16	10,315,539	-	-	1	322,826
Total						
Hedging	-	-	-	-	-	-
Market Making	16	10,315,539	-	-	6	3,341,037

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

## 21.2 Maturity Analysis

		2017			
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
(Rupees in '000)					
Upto 1 Month	-	-	-	-	-
1 to 3 Months	-	-	-	-	-
3 Months to 6 Months	-	-	-	-	-
6 Months to 1 Year	2	641,496	(11,101)	-	(11,101)
1 to 2 Years	6	4,456,205	(35,303)	45,922	10,619
2 to 3 Years	-	-	-	-	-
3 to 5 Years	2	2,836,875	(4,014)	11,938	7,924
5 to 8 Years	12	5,722,000	-	44,756	44,756
	22	13,656,576	(50,418)	102,616	52,198

		2016			
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
(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 8 Years	1	500,000	-	516	516
	18	7,867,066	(10,804)	115,903	105,099

	2017	2016
	(Rupees in '000)	
22. MARK-UP / RETURN / PROFIT / INTEREST EARNED		
On advances	59,015,601	49,075,984
On investments in		
- Held-for-trading securities	6,792,241	3,764,081
- Held-to-maturity securities	17,905,451	19,079,767
- Available-for-sale securities	62,306,058	66,773,467
On deposits with financial institutions	719,258	883,526
On lendings to financial institutions	1,271,660	1,512,419
	148,010,269	141,089,244
23. MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
On deposits	45,801,147	40,729,028
On securities sold under repurchase agreement borrowings	14,624,057	14,902,826
On other short-term borrowings	3,120,036	1,733,620
On long-term borrowings	1,397,557	1,772,408
	64,942,797	59,137,882
24. GAIN / (LOSS) ON SALE OF SECURITIES - NET		
Federal Government securities		
- Market treasury bills	10,858	284,972
- Pakistan Investment Bonds	7,236,815	3,115,312
Units of mutual funds and listed shares	(275,749)	1,283,099
Others	866,110	658,341
	7,838,034	5,341,724

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
25. <b>OTHER INCOME</b>			
Incidental charges		461,426	275,548
Gain on sale of operating fixed assets - net		33,107	60,028
Loss on sale of Bank branches - net		(7,583)	-
Rent on properties		69,627	113,949
Income from dealing in derivatives		181,376	170,302
Grant Income		76,865	5,385
		<u>814,818</u>	<u>625,212</u>
26. <b>ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	26.1	25,514,122	24,082,293
Charge for defined benefit / contribution plan and other benefits		3,637,089	1,654,786
Non-executive directors' fees		54,400	37,200
Outsourced service charges		1,298,193	929,458
Brokerage and commission		142,897	142,843
Rent, taxes, insurance, electricity, etc		5,942,254	6,054,151
Legal and professional charges		1,204,427	461,756
Consultancy charges		3,342,190	2,361,700
Communications		2,130,296	1,948,955
Repairs and maintenance		3,914,922	3,717,604
Stationery and printing		1,241,600	1,290,470
Auditors' remuneration	26.2	254,769	182,284
Advertisement and publicity		3,097,298	2,922,142
Amortisation	10.3	683,948	470,994
Depreciation	10.2	3,324,805	3,058,583
Entertainment		256,293	237,986
Travelling		617,203	560,627
Conveyance		184,682	173,485
Training		290,893	344,566
Security charges		2,568,911	2,255,496
Remittance charges		648,668	425,566
Donations	26.3	89,059	380,231
Documentation and processing charges		1,193,712	833,389
Subscription		163,758	76,601
Others		177,425	186,945
		<u>61,973,814</u>	<u>54,790,111</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 (CEO) is determined on the basis of employees' evaluation and the Bank's performance during the year. The amount paid during the year to the CEO in respect of the year 2016 was Rs 170 million (2016: Rs 160 million in respect of the year 2015). No bonus is payable to the CEO in respect of the year 2017. The aggregate amount paid during the year to the Executives in respect of the year 2016 was Rs 2,113.547 million (2016: Rs 2,078.483 million in respect of the year 2015).			
26.2 <b>Auditors' remuneration</b>		2017 (Rupees in '000)	2016 (Rupees in '000)
Audit fee		24,143	22,459
Special certifications / examinations and sundry advisory services		40,596	19,841
Tax services		6,500	15,672
Out of pocket expenses		5,039	4,803
Sales tax on audit fee		1,931	1,797
		<u>78,209</u>	<u>64,572</u>
Subsidiaries and overseas branches		176,560	117,712
		<u>254,769</u>	<u>182,284</u>
26.3 <b>Details of Donations</b>			
Details of donations individually exceeding Rs. 100,000.			
HBL Foundation		82,672	363,518
The Indus Hospital		2,500	-
Aghosh Special Children School through Shahsawar Fund HQ 6 Armored Division		2,500	-
Reham Khan Foundation		1,167	-
W.R.R.A Secondary School		200	-
Sindh Madressatul Islam University		-	10,812
CSR activities during countrywide heat wave		-	4,781
Lahore Businessmen Association for Rehabilitation of the Disabled		-	1,000
Karachi High School		-	120
		<u>89,039</u>	<u>380,231</u>

Mr. Sajid Zahid, Director, Mr. Rayomond Kotwal, Acting President and Chief Executive Officer, Mr. Jamal Nasir, Head Human & Organisational Development and Ms. Nausheen Ahmad, Company Secretary are Trustees of the HBL Foundation.

		2017 (Rupees in '000)	2016
27.	<b>OTHER CHARGES</b>		
	Penalties imposed by the State Bank of Pakistan	2,505	106,332
	Penalties imposed by other regulatory bodies	28,851	-
		<u>31,356</u>	<u>106,332</u>

28. **WORKERS' WELFARE FUND**

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

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.

29. **EXTRA ORDINARY / UNUSUAL ITEM - SETTLEMENT PAYMENT TO NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES**

The Bank operates a branch in New York, which is licensed by the New York State Department of Financial Services (NYSDFS) and which is subject to oversight and supervision by the Federal Reserve Bank of New York (FRBNY), as is the case with foreign banks in New York.

On September 7, 2017, NYSDFS, the Bank, and its New York Branch agreed to a Consent Order under which the Bank made a settlement payment of US\$ 225 million as specified in the Consent Order dated September 7, 2017 and offered to promptly commence the orderly wind down of the affairs of the New York Branch pursuant to the procedures set forth in the New York Banking Law, and to continue to engage the independent third party approved by NYSDFS to conduct an expanded review to cover two additional time periods. To-date there are no findings from the review. The U.S. Attorney's Office for the Eastern District of New York, a component of the U.S. Department of Justice (DOJ), has sought documents in relation to the Branch's compliance with anti-money laundering laws and the Bank Secrecy Act. The Bank and the New York Branch are cooperating in this regard. To-date the DOJ inquiry has not resulted in any findings.

The Bank is not aware of any other proceedings from any other regulatory agency against the Bank and/or its New York Branch.

In view of the above and based on the facts currently known, the resolution of these matters cannot be determined at this stage, including any possible impact on the Bank.

		Note	2017 (Rupees in '000)	2016
30.	<b>TAXATION</b>			
	Pakistan - for the current year		16,965,562	16,534,523
	- current			
	- deferred		203,249	767,211
	Pakistan - for prior years	30.2	1,907,630	2,223,030
	- current			
	Subsidiaries and Overseas			
	for the current year		1,554,912	2,793,893
	- current		<u>20,631,353</u>	<u>22,318,657</u>

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

		Note	2017 (Rupees in '000)	2016
30.1	<b>Relationship between tax expense and accounting profit</b>			
	Accounting profit for the current year		<u>28,813,480</u>	<u>56,524,911</u>
	Tax on income @ 35% (2016: 35%)		10,084,718	19,783,719
	Permanent differences			
	- Penalty imposed by the SBP and other regulatory bodies		10,975	37,216
	- Tax losses		97,431	(65,026)
	- Prior year charge	30.2	1,907,630	2,223,030
	- Others	30.3	8,530,599	339,718
	Tax charge for the current year		<u>20,631,353</u>	<u>22,318,657</u>



30.2 The Federal Government, vide the Finance Act 2017, has re-imposed a tax at the rate of 4% on the income of banks for the year ended December 31, 2016. This tax has been levied for financing the rehabilitation of internally displaced persons.

30.3 While making provision for current tax, the settlement payment described in note 29 to these consolidated financial statements has not been considered as tax deductible.

Notwithstanding the above, the Bank in consultation with its tax advisors is of the view that the settlement payment would be tax deductible in Pakistan, under Pakistan taxation law.

31. BASIC AND DILUTED EARNINGS PER SHARE		2017 (Rupees in '000)	2016 (Rupees in '000)
		(Number)	(Number)
	Profit for the year attributable to equity holders of the Bank	<u>7,829,064</u>	<u>34,070,145</u>
	Weighted average number of ordinary shares	<u>1,466,852,508</u>	<u>1,466,852,508</u>
		(Rupees)	(Rupees)
	Basic and diluted earnings per share	<u>5.34</u>	<u>23.23</u>

32. CASH AND CASH EQUIVALENTS	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
		(Rupees)	(Rupees)
	Cash and balances with treasury banks	246,043,030	238,438,283
	Balances with other banks	40,804,269	45,959,095
		<u>286,847,299</u>	<u>284,397,378</u>

### 32.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities		Equity		
	Subordinated loan	Other liabilities	Reserves	Unappropriated profit	Non-controlling interest
	----- (Rupees in '000) -----				
Balance as at January 1, 2017	9,998,000	44,858,770	47,958,414	106,142,374	3,435,710
<b>Changes from financing cash flows</b>					
Repayment of subordinated loan	(4,000)	-	-	-	-
Dividend paid	-	-	-	(15,160,303)	-
Effect of translation of net investment by non-controlling interest in subsidiary	-	-	-	-	143,989
Acquisition of additional interest in subsidiary from minority shareholder	-	-	-	-	(441,933)
	(4,000)	-	-	(15,160,303)	(297,944)
<b>Other changes</b>					
<b>Liability-related</b>					
Changes in other liabilities					
- Cash based	-	6,662,660	-	-	-
- Dividend payable	-	241,649	-	(241,649)	-
- Non-cash based	-	2,067,815	-	-	-
Transfer of profit to reserve	-	-	882,766	(882,766)	-
Total liability related other changes	-	8,972,124	882,766	(1,124,415)	-
Total equity related other changes	-	-	3,425,240	7,248,286	349,515
Balance as at December 31, 2017	<u>9,994,000</u>	<u>53,830,894</u>	<u>52,266,420</u>	<u>97,105,942</u>	<u>3,487,281</u>

33. STAFF STRENGTH		2017 (Number)	2016 (Number)
		(Number)	(Number)
	Permanent	18,073	17,220
	Others	56	83
	Total staff strength	<u>18,129</u>	<u>17,303</u>

## 34. DEFINED BENEFIT PLANS AND OTHER BENEFITS

### 34.1 General Information

The Bank operates the following schemes for its employees:

#### 34.1.1 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 34.1.3 below) and the provident fund (refer 34.1.4 below).

#### 34.1.2 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.

#### 34.1.3 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 34.1.1 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.

#### 34.1.4 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 34.1.1 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.

#### 34.1.5 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.

#### 34.1.6 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.

#### 34.1.7 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.

#### 34.1.8 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.

#### 34.1.9 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.

#### 34.2 Principal actuarial assumptions

The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2017 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:

	2017	2016
	-----Per annum-----	
Valuation discount rate	8.00%	8.00%
Expected rate of increase in salary level	7.00%	8.00%
Expected rate of return on funds invested	8.00%	8.00%

#### 34.3 Number of employees under the scheme

	2017	2016
	-----Number-----	
- Pension fund	2,580	2,743
- Gratuity fund	30	37
- Benevolent fund	15,156	14,754
- Post retirement medical benefit scheme	15,156	14,754
- Compensated absences	6,124	7,090
- Other Post-Retirement Benefits	1,789	1,612

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

34.4.1 The fair value of plan assets and the present value of defined benefit obligations of these schemes as at December 31, 2017 are as follows:

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2017	2016	2017	2016	2017	2016	2017	2016
	----- (Rupees in '000) -----							
Fair value of plan assets	3,853,740	4,781,748	40,115	46,221	2,014,273	1,796,055	-	-
Present value of defined benefit obligations	(5,217,261)	(4,969,585)	(53,557)	(58,772)	(1,312,146)	(1,316,849)	(3,264,502)	(3,130,623)
(Payable to) / receivable from the fund	(1,363,521)	(187,837)	(13,442)	(12,551)	702,127	479,206	(3,264,502)	(3,130,623)

34.4.2 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	
	2017	2016	2017	2016	2017	2016	2017	2016
	----- (Rupees in '000) -----							
Current service cost	77,246	74,688	1,288	3,255	7,995	39,678	25,282	78,757
Net mark up	15,027	48,538	502	(45)	(41,908)	(85,000)	235,110	255,701
Past service cost	-	-	-	2,123	-	1,538	-	-
Contributions - employees	-	-	-	-	(44,645)	(43,132)	-	-
Charge / (reversal) for the year	92,273	123,226	1,790	5,333	(78,558)	(86,916)	260,392	334,458

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

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)							
Opening balance	187,837	485,386	12,551	(452)	(479,206)	(811,175)	3,130,623	2,739,575
Charge / (reversal) for the year	92,273	123,226	1,790	5,333	(78,558)	(86,916)	260,392	334,458
Contributions during the year	(187,837)	(485,386)	(12,551)	-	(44,645)	(43,127)	-	-
Remeasurement losses / (gains) - net	1,271,248	64,611	11,652	7,670	(99,718)	462,012	256,976	421,722
Benefits paid	-	-	-	-	-	-	(383,489)	(365,132)
Closing balance	1,363,521	187,837	13,442	12,551	(702,127)	(479,206)	3,264,502	3,130,623

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

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)							
Opening balance	4,969,585	4,127,198	58,772	94,869	1,316,849	985,726	3,130,623	2,739,575
Current service cost	77,246	74,688	1,288	3,255	7,995	39,678	25,282	78,757
Mark-up cost	382,829	393,137	3,844	6,705	99,746	92,000	235,110	255,701
Benefits paid	(368,445)	(391,653)	(21,452)	(55,638)	(140,047)	(137,662)	(383,489)	(365,132)
Past Service Cost	-	-	-	2,123	-	1,538	-	-
Remeasurement loss / (gain)	156,046	766,215	11,105	7,458	27,603	335,569	256,976	421,722
Closing balance	5,217,261	4,969,585	53,557	58,772	1,312,146	1,316,849	3,264,502	3,130,623

#### 34.4.5 Movement in fair value of plan assets

	Pension		Gratuity		Benevolent	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Opening balance	4,781,748	3,641,812	46,221	95,321	1,796,055	1,796,901
Expected return on plan assets	367,802	344,599	3,342	6,750	141,654	177,000
Employer contribution	187,837	485,386	12,551	-	44,645	43,127
Employee contributions	-	-	-	-	44,645	43,132
Benefits paid	(368,445)	(391,653)	(21,452)	(55,638)	(140,047)	(137,662)
Remeasurement (losses) / gains	(1,115,202)	701,604	(547)	(212)	127,321	(126,443)
Closing balance	3,853,740	4,781,748	40,115	46,221	2,014,273	1,796,055

#### 34.4.6 Actual return on plan assets

	Pension		Gratuity		Benevolent	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Expected return on plan assets	367,802	344,599	3,342	6,750	141,654	177,000
Remeasurement gain / (loss) on plan assets	(1,115,202)	701,604	(547)	(212)	127,321	(126,443)
Actual return on plan assets	(747,400)	1,046,203	2,795	6,538	268,975	50,557

#### 34.4.7 Other long term benefits - Employee compensated absences

The liability of the Bank in respect of employee compensated absences as at December 31, 2017, amounted to Rs. 4,065.541 million (2016: Rs. 2,545.746 million). Provision for this balance is held by the Bank.

The charge for the year amounting to Rs. 2,202.218 million, (2016: Rs. 409.706 million) is included in administrative expenses (note 26) under 'Charge for defined benefit plans and other benefits'.

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

The liability of the Bank in respect of other post-retirement benefits as at December 31, 2017, amounted to Rs. 482.475 million (2016: Rs. 475.701 million). Provision for this balance is held by the Bank.

The charge for the year amounting to Rs. 73.301 million (2016: Rs. 62.350 million) is included in administrative expenses (note 26) under 'Charge for defined benefit plans and other benefits'. The remeasurement loss on other post retirement benefit for the year amounted to Rs. 10.319 million (2016: Rs. 129.035 million) is included in other comprehensive income.

#### 34.4.9 Composition of fair value of plan assets

	2017		2016	
	Fair value (Rupees in '000)	%	Fair value (Rupees in '000)	%
<b>Pension Fund</b>				
Market Treasury Bills	181,211	4.70	638,984	13.36
Pakistan Investment Bonds	1,838,160	47.70	1,329,607	27.81
Fully paid-up ordinary shares of listed companies	1,800,614	46.72	2,776,853	58.07
Units of mutual funds	27,057	0.70	33,348	0.70
Others (including bank balances)	6,698	0.18	2,956	0.06
	<b>3,853,740</b>	<b>100.00</b>	<b>4,781,748</b>	<b>100.00</b>
<b>Gratuity Fund</b>				
Market Treasury Bills	15,045	37.50	19,256	41.66
Pakistan Investment Bonds	24,535	61.16	24,795	53.64
Others (including bank balances)	535	1.34	2,170	4.70
	<b>40,115</b>	<b>100.00</b>	<b>46,221</b>	<b>100.00</b>
<b>Benevolent Fund</b>				
Market Treasury Bills	45,472	2.26	65,807	3.66
Pakistan Investment Bonds	576,536	28.62	297,658	16.57
Special savings certificates	1,384,923	68.76	1,427,911	79.50
Others (including bank balances)	7,342	0.36	4,679	0.27
	<b>2,014,273</b>	<b>100.00</b>	<b>1,796,055</b>	<b>100.00</b>

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.

#### 34.4.10 Sensitivity analysis of defined benefit obligations

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

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	4,803,504	5,698,459	5,391,199	5,055,414	-	-
Gratuity Fund	53,369	53,757	53,833	53,291	-	-
Benevolent Fund	1,225,218	1,409,875	1,312,146	1,312,146	-	-
Post retirement medical benefit	2,938,299	3,663,108	-	-	3,544,215	3,028,181
Employee compensated absences	3,900,531	4,244,834	4,263,560	3,880,329	-	-
Other Post-Retirement Benefits	458,547	509,635	504,741	462,678	-	-

#### 34.4.11 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.

	2018					
	Pension	Gratuity	Benevolent	Post retirement medical benefit	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Expected charge / (reversal) for the year	184,159	1,058	(62,660)	363,822	446,763	73,465

#### 34.4.12 Maturity profile

The weighted average duration of the obligation (in years)

	2017					
	Pension	Gratuity	Benevolent	Post retirement medical benefit	Employee compensated absences	Other Post-Retirement Benefits
	8.58	0.36	7.04	11.10	4.23	5.29

#### 34.4.13 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.

### 35. DEFINED CONTRIBUTION PLANS

#### 35.1 Provident Fund

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

#### 35.2 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.

#### 35.3 Subsidiary companies

##### 35.3.1 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. Actuarial valuations are conducted by an independent actuary, annually using projected unit credit method.

##### 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 an approved defined benefit gratuity fund for all employees with a qualifying service period of five years. Eligible employees are entitled to one month's basic salary for each completed year of service upon retirement. Actuarial valuations are conducted by an independent actuary, annually using projected unit credit method.

##### 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.



#### - Habib 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.

#### 35.3.2 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 5.00% 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.

#### 35.3.3 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.

#### 35.3.4 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 5.00% of basic salary. Minimum employee contribution is 1.00% of basic salary.

#### 36. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Fees of non executive directors	-	-	54,400	37,200	-	-
Managerial remuneration (including allowances)	91,050	72,900	-	-	9,878,452	8,170,943
Contribution to retirement funds	4,860	4,230	-	-	473,523	471,387
Medical	289	235	-	-	659,521	674,216
House-rent, maintenance, furnishing, others	1,999	1,956	-	-	1,908,601	1,633,980
Utilities	1,108	1,258	-	-	441,511	377,746
Conveyance	16	731	-	-	1,135,073	1,000,302
	<u>99,322</u>	<u>81,310</u>	<u>54,400</u>	<u>37,200</u>	<u>14,496,681</u>	<u>12,328,574</u>
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>5</u>	<u>4,380</u>	<u>3,949</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 (2016: Rs 30 million) in lieu of certain long term benefits to which he was entitled as per the terms of his contract and Rs 45 million (2016: Nil) in lieu of leave encashment to which he was entitled at the time of his retirement.

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

#### 37. 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 unquoted debt securities, fixed term advances, 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.

All assets and liabilities for which fair value is measured or disclosed in this consolidated 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 unconsolidated financial statements.

#### Fair Value Measurement

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

	As at December 31, 2017			Total
	Level 1	Level 2	Level 3	
	(Rupees in '000)			
<b>Items carried at Fair Value</b>				
<b>Financial assets and liabilities</b>				
- Fully paid up ordinary shares	17,004,855	-	-	17,004,855
- Real Estate Investment Trust units	154,000	-	-	154,000
- National Investment Trust units	-	47,303	-	47,303
- Federal Government securities	-	989,980,872	-	989,980,872
- Overseas Government securities	-	9,017,220	-	9,017,220
- Debentures and corporate debt instruments	-	40,285,987	-	40,285,987
- Unrealised gain on forward foreign exchange contracts	-	4,086,999	-	4,086,999
- Unrealised gain on derivative instruments	-	102,616	-	102,616
- Unrealised loss on forward foreign exchange contracts	-	891,964	-	891,964
- Unrealised loss on derivative instruments	-	50,418	-	50,418
<b>Non-financial assets</b>				
- Operating fixed assets	-	-	32,478,149	32,478,149
- Non-banking assets acquired in satisfaction of claims	-	-	1,967,665	1,967,665
<b>Items for which Fair Value is disclosed</b>				
- Federal Government securities	-	232,971,770	-	232,971,770
- Overseas Government securities	-	16,956,040	-	16,956,040
- Debentures and corporate debt instruments	-	30,878,592	-	30,878,592
	<u>17,158,855</u>	<u>1,325,269,781</u>	<u>34,445,814</u>	<u>1,376,874,450</u>

	As at December 31, 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	19,023,342	-	-	19,023,342
- Real Estate Investment Trust units	391,320	-	-	391,320
- National Investment Trust units	-	58,828	-	58,828
- Federal Government securities	-	982,983,784	-	982,983,784
- Overseas Government securities	-	5,699,113	-	5,699,113
- Debentures and corporate debt instruments	-	45,493,189	-	45,493,189
- 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	-	27,082,536	-	27,082,536
- Debentures and corporate debt instruments	-	26,664,689	-	26,664,689
	19,414,662	1,297,923,362	24,411,373	1,341,749,397

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

	For the year ended December 31, 2017					
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others
	(Rupees in million)					
Net markup income - external	(8,271)	18,093	62,819	8,629	(208)	2,005
Inter-segment revenue / (expense) - net	57,113	(12,254)	(48,491)	-	-	3,632
Non-funded income	12,137	3,115	8,393	5,492	836	2,916
Total income	60,979	8,954	22,721	14,121	628	8,553
Total expenses including provision	25,850	(1,949)	1,178	15,227	410	22,710
Inter-segment administrative cost	14,422	2,101	407	1,510	-	(18,440)
Total expenses including provision	40,272	152	1,585	16,737	410	4,270
Profit before extra ordinary / unusual item and taxation	20,707	8,802	21,136	(2,616)	218	4,283
Extra ordinary / unusual item	-	-	-	-	-	(23,717)
Profit before tax	20,707	8,802	21,136	(2,616)	218	(19,434)
Segment return on assets %	0.84%	1.24%	1.03%	-0.39%	1.69%	-8.53%
Segment cost of funds %	2.69%	4.92%	5.07%	1.06%	4.67%	0.65%
<b>As at December 31, 2017</b>						
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others
(Rupees in million)						
Segment assets (gross of provision)	510,273	477,658	1,295,184	334,731	3,740	134,350
Segment non-performing advances	7,592	42,465	-	25,494	-	294
Segment provision held including general provision	6,933	40,516	872	22,606	-	907
Inter-segment assets / (liabilities)	1,062,311	(130,699)	(978,849)	21,101	(2,564)	28,700
Segment liabilities and equity	1,565,651	306,443	315,463	333,226	1,176	162,143

	For the year ended December 31, 2016						
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	Total
	----- (Rupees in million) -----						
Net markup income - external	(8,730)	16,823	64,287	9,424	(261)	408	81,951
Inter-segment revenue / (expense) - net	51,977	(11,513)	(44,921)	-	-	4,457	-
Non-funded income	11,674	3,789	4,566	4,968	901	5,538	31,436
Total income	54,921	9,099	23,932	14,392	640	10,403	113,387
Total expenses including provision	25,481	(486)	728	12,357	395	18,387	56,862
Inter-segment administrative cost	11,958	1,753	340	1,252	-	(15,303)	-
Total expenses including provision	37,439	1,267	1,068	13,609	395	3,084	56,862
Profit before tax	17,482	7,832	22,864	783	245	7,319	56,525
Segment return on assets %	0.80%	1.45%	1.17%	0.12%	1.85%	1.85%	-
Segment cost of funds %	2.86%	5.21%	5.14%	0.94%	5.93%	0.39%	-

	As at December 31, 2016						
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	Total
	----- (Rupees in million) -----						
Segment assets (gross of provision)	400,558	417,371	1,236,899	437,408	4,412	79,638	2,576,286
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	304,796	402,809	1,848	145,359	2,506,098

### 39. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities.

### 40. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its associated undertakings, joint venture company, Group entities, employee benefit schemes of the Group / related party, and members of the Key Management Personnel of the Group and its Directors.

Transactions with the related parties, other than those under terms of employment, are executed on an arm's length basis i.e. do not involve more than normal risk and are substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties.

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 as at the year end, other than those disclosed elsewhere in these consolidated financial statements, are as follows:

As at December 31, 2017						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	----- (Rs. in 000) -----					
<b>Statement of financial position</b>						
Deposits	127,426	37,694	22,190,433	9,245,055	22,702	1,501,398
Maximum Deposits during the year	165,193	50,047	24,219,104	13,758,153	63,856	2,229,057
Borrowings	-	-	1,141,977	3,312,516	1,104,172	-
Investments	-	-	-	24,618,037	2,739,781	5,291,967
Provision for diminution in the value of investments	-	-	-	-	-	(68,800)
Nostro balances	-	-	169,804	-	-	-
Advances	-	145,569	3,147,907	3,962,169	-	16,536,672
Provision against advances	-	-	-	-	-	(1,726,437)
Mark-up receivable	-	247	18,843	63,280	-	211,963
Other receivable	-	-	4,243	418,657	-	-
Mark-up payable	120	243	95,621	45,720	1,195	4,951
Other payable	-	-	13,722	380,935	-	1,459,635
<b>Contingencies &amp; Commitments</b>						
Letter of Credit	-	-	366,972	-	-	13,447,606
Letter of Guarantee	-	-	198,059	712,509	-	-
Forward purchase of government securities	-	-	13,232,566	-	-	2,104,644
Interest rate swaps - Purchase	-	-	1,743,539	1,500,000	-	-
<b>Others</b>						
Purchase of Government securities	-	99,374	53,440,556	-	-	17,195,728
Sale of Government securities	-	105,359	60,554,773	25,778,575	-	24,214,472
Securities held as custodian	-	8,220	16,223,810	28,200,745	-	8,478,905
Insurance claims	-	-	-	150,330	-	-

	For the year ended December 31, 2017					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	----- (Rs. in 000) -----					
<b>Profit and Loss Account</b>						
Mark-up income	-	11,453	296,785	182,202	-	1,155,475
Fee and commission income	-	-	5,636	2,798,504	-	3,198
Share of profit	-	-	-	1,615,194	436,693	-
Dividend income	-	-	-	-	-	119,413
Other income	-	206	-	-	-	-
Mark-up expense	2,394	539	238,618	288,993	23,840	84,498
Salaries and allowances	-	1,763,670	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	636,960
Non-executive directors' fees	54,400	-	-	-	-	-
Other expense	-	-	74,074	-	-	485,158
Insurance premium expense	-	-	1,861	955,462	-	-

	For the year ended December 31, 2016					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	----- (Rs. in 000) -----					
<b>Profit and Loss Account</b>						
Mark-up income	-	2,405	95,709	8,839	-	1,023,045
Fee and commission income	-	-	5,390	2,591,272	-	-
Share of profit	-	-	-	2,518,024	396,091	-
Dividend income	-	-	-	-	-	73,549
Mark-up expense	6,386	241	62,317	102,789	15,233	26,804
Salaries and allowances	-	1,489,159	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	656,209
Non-executive directors' fees	37,200	-	-	-	-	-
Other expense	-	-	38,332	-	-	363,518
Insurance premium expense	-	-	-	929,442	-	-

- 40.1 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.

## 41 CAPITAL ADEQUACY

### 41.1 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
<b>Credit Risk</b>				
<b>On-balance sheet</b>				
Other sovereigns, GOP, PG, SBP other than PKR	5,999,412	8,594,663	53,209,865	80,701,060
PSEs	1,170,309	548,489	10,379,682	5,150,129
Multilateral Development Banks	21,524	-	190,897	-
Banks	5,028,036	6,812,140	44,594,558	63,963,757
Corporates	41,290,805	41,780,135	366,215,563	392,301,739
Retail	14,081,217	10,181,993	124,888,845	95,605,572
Residential mortgages	242,293	239,220	2,148,939	2,246,198
Past due loans	779,747	952,355	6,915,720	8,942,298
Commercial entities exceeding 10%	-	-	-	-
Listed equity investments	17,286	11,843	153,311	111,204
Unlisted equity investments	457,882	343,252	4,061,039	3,223,023
Significant investments and others	4,340,089	2,763,332	38,493,025	25,946,784
Operating fixed assets	6,363,874	3,196,144	56,442,342	30,010,739
Other assets	1,697,037	1,363,733	15,051,330	12,805,011
	81,489,511	76,787,299	722,745,116	721,007,514
<b>Off-balance sheet</b>				
Non-market related	7,180,071	10,040,957	63,681,339	94,281,290
Market related	241,187	134,015	2,139,131	1,258,360
	7,421,258	10,174,972	65,820,470	95,539,650
<b>Market Risk</b>				
Interest Rate Risk	7,043,417	9,900,112	88,042,713	123,751,398
Equity Position Risk	3,128,122	3,530,076	39,101,525	44,125,950
Foreign Exchange Risk	5,969,256	5,752,156	74,615,700	71,901,950
	16,140,795	19,182,344	201,759,938	239,779,298
<b>Operational Risk</b>				
	13,814,276	12,362,939	172,678,453	154,536,742
	118,865,840	118,507,554	1,163,003,977	1,210,863,204
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held	185,637,530	188,074,159		
Total risk weighted assets	1,163,003,977	1,210,863,204		
Capital adequacy ratio	15.96%	15.53%		

### 41.2 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, 2017 stood at Rs. 14.669 billion (2016: 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, 2017:

- Common Equity Tier 1 (CET1) ratio of 7.275% including Capital Conservation Buffer (CCB) of 1.275%
- Tier 1 ratio of 8.775% including CCB of 1.275%
- Total Capital Adequacy Ratio (CAR) of 11.275% including CCB of 1.275%



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 not issued any instruments qualifying as AT 1 capital.

- Tier 2 capital includes general provisions for loan losses, surplus / (loss) 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 reflecting the credit worthiness of counterparties are applied using various External Credit Assessment Institutions (ECAIs) 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, bank guarantees, deposits / margins, lien on deposits, and saving certificates.

- The Group calculates capital requirements for market risk in its trading book 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 position risk.

#### 41.3 Capital structure

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

	Note	2017 (Rupees in '000)	2016
<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 and Capital Reserves		38,001,452	37,118,686
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		97,105,942	106,142,374
Non-controlling interest arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		1,815,859	2,099,174
<b>CET 1 before Regulatory Adjustments</b>		<b>151,591,778</b>	<b>160,028,759</b>
Total regulatory adjustments applied to CET1	41.4.1	12,103,812	14,524,938
<b>Common Equity Tier 1</b>		<b>139,487,966</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		-	-
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)		197,365	127,922
of which: instrument issued by subsidiaries subject to phase out		-	-
<b>AT1 before regulatory adjustments</b>		<b>197,365</b>	<b>127,922</b>
Total of Regulatory Adjustment applied to AT1 capital	41.4.2	(197,365)	(127,922)
<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>139,487,966</b>	<b>145,503,821</b>

	Note	2017 (Rupees in '000)	2016
<b>Tier 2 Capital</b>			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		9,982,000	9,998,000
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)		120,243	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		3,088,343	3,623,544
Revaluation Reserves (net of taxes)			
of which: Revaluation reserves on fixed assets		19,056,816	8,681,028
of which: Unrealized gains/losses on AFS		(362,806)	9,555,114
		18,694,010	18,236,142
Foreign Exchange Translation Reserves		14,264,968	10,839,728
<b>Tier 2 before regulatory adjustments</b>		46,149,564	42,703,325
Total regulatory adjustment applied to T2 capital	41.4.3	-	132,987
Tier 2 capital recognized for capital adequacy		46,149,564	42,570,338
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy		46,149,564	42,570,338
<b>TOTAL CAPITAL (Tier 1 + admissible Tier 2)</b>		185,637,530	188,074,159
<b>Total Risk Weighted Assets</b>		1,163,003,977	1,210,863,204
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
CET1 to total RWA		11.99%	12.02%
Tier-1 capital to total RWA		11.99%	12.02%
Total capital to RWA		15.96%	15.53%
Bank specific buffer requirement (minimum CET1 requirement plus CCB plus any other buffer requirement)		7.275%	6.65%
of which: capital conservation buffer requirement		1.275%	0.65%
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)		4.72%	5.37%
<b>Other information:</b>			
<b>National minimum capital requirements prescribed by SBP</b>			
CET1 minimum ratio		7.275%	6.65%
Tier 1 minimum ratio		8.775%	8.15%
Total capital minimum ratio		11.275%	10.65%

#### 41.4 Regulatory Adjustments and Additional Information

##### 41.4.1 Common Equity Tier 1 capital: Regulatory adjustments

	2017		2016	
	Basel III Transit	Pre- Basel III treatment	Basel III Transit	Pre- Basel III treatment
	(Rupees in '000)			
Goodwill (net of related deferred tax liability)	2,113,894	-	4,309,925	-
All other intangibles (net of any associated deferred tax liability)	4,154,914	-	1,766,845	-
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)	81,065	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	2,852,702	-	3,573,211	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	447,632	-	870,652	-
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)	613,243	-	-	-
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	1,840,362	-	4,004,305	-
Total regulatory adjustments applied to CET1	<u>12,103,812</u>	-	<u>14,524,938</u>	-

##### 41.4.2 Additional Tier-1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	2,037,727	-	4,132,227	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Transfer to CET1 due to insufficient AT1 to cover deductions	(1,840,362)	-	(4,004,305)	-
Total regulatory adjustment applied to AT1 capital	<u>197,365</u>	-	<u>127,922</u>	-

##### 41.4.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	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	-	-	-	-
Total regulatory adjustment applied to T2 capital	<u>-</u>	-	<u>132,987</u>	-

		2017	2016
		(Rupees in '000)	
41.4.4	<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)	153,311	-
	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	153,311	-
	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	1,613,336	2,276,811
	Significant investments in the common stock of financial entities	14,150,345	10,378,713
	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)	3,088,343	3,623,544
	Cap on inclusion of provisions in Tier 2 under standardized approach	9,857,070	10,206,840
	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	-	-
41.5	<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	246,043,030	246,043,030
	Balances with other banks	40,804,269	40,804,269
	Lendings to financial institutions	33,900,345	33,900,345
	Investments	1,374,807,643	1,374,807,643
	Advances	851,502,420	851,502,420
	Operating fixed assets	62,792,843	62,792,843
	Deferred tax asset	-	-
	Other assets	74,251,149	74,251,149
	<b>Total assets</b>	<b>2,684,101,699</b>	<b>2,684,101,699</b>
	<b>Liabilities &amp; Equity</b>		
	Bills payable	33,752,219	33,752,219
	Borrowings	397,802,667	397,802,667
	Deposits and other accounts	1,998,935,057	1,998,935,057
	Subordinated loan	9,994,000	9,994,000
	Liabilities against assets subject to finance lease	-	-
	Deferred tax liability	971,368	971,368
	Other liabilities	53,830,894	53,830,894
	<b>Total liabilities</b>	<b>2,495,286,205</b>	<b>2,495,286,205</b>
	Share capital	14,668,525	14,668,525
	Reserves	52,266,420	52,266,420
	Unappropriated profit	97,105,942	97,105,942
	Non-controlling interest	3,487,281	3,487,281
	Surplus on revaluation of assets	21,287,326	21,287,326
	<b>Total liabilities &amp; equity</b>	<b>2,684,101,699</b>	<b>2,684,101,699</b>

	As per published financial statements	Under regulatory scope of consolidation	Reference
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks	246,043,030	246,043,030	
Balances with other banks	40,804,269	40,804,269	
Lendings to financial institutions	33,900,345	33,900,345	
Investments	1,374,807,643	1,374,807,643	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	
of which: significant capital investments in financial sector entities exceeding regulatory threshold	613,243	613,243	(a)
of which: Mutual Funds exceeding regulatory threshold	2,037,727	2,037,727	(b)
of which: reciprocal crossholding of capital instrument	2,852,702	2,852,702	(c)
of which: investment in own shares	447,632	447,632	(d)
Advances	851,502,420	851,502,420	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	3,088,343	3,088,343	(e)
Operating fixed assets	62,792,843	62,792,843	
of which: Goodwill	2,195,587	2,195,587	(f)
of which: Intangibles	4,154,914	4,154,914	(g)
Deferred Tax Assets	-	-	
of which: DTAs excluding those arising from temporary differences	-	-	
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	
Other assets	74,251,149	74,251,149	
of which: Goodwill	-	-	
of which: Intangibles	-	-	
of which: Defined-benefit pension fund net assets	-	-	
<b>Total assets</b>	<b>2,684,101,699</b>	<b>2,684,101,699</b>	
<b>LIABILITIES &amp; EQUITY</b>			
Bills payable	33,752,219	33,752,219	
Borrowings	397,802,667	397,802,667	
Deposits and other accounts	1,998,935,057	1,998,935,057	
Subordinated loans	9,994,000	9,994,000	
of which: eligible for inclusion in AT1	-	-	
of which: eligible for inclusion in Tier 2	9,982,000	9,982,000	(h)
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	971,368	971,368	
of which: DTLs related to goodwill	81,693	81,693	(i)
of which: DTLs related to intangible assets	-	-	
of which: DTLs related to defined pension fund net assets	-	-	
of which: DTAs that rely on future profitability excl. those arising from temporary differences (net of related tax liability)	(101,331)	(101,331)	(j)
Other liabilities	53,830,894	53,830,894	
<b>Total liabilities</b>	<b>2,495,286,205</b>	<b>2,495,286,205</b>	
Share capital	14,668,525	14,668,525	
of which: amount eligible for CET1	14,668,525	14,668,525	(k)
of which: amount eligible for AT1	-	-	
Reserves	52,266,420	52,266,420	
of which: portion eligible for inclusion in CET1	38,001,452	38,001,452	(l)
of which: portion eligible for inclusion in Tier 2	14,264,968	14,264,968	(m)
Unappropriated profit	97,105,942	97,105,942	(n)
Non-controlling interest	3,487,281	3,487,281	
of which: portion eligible for inclusion in CET1	1,815,859	1,815,859	(o)
of which: portion eligible for inclusion in AT1	197,365	197,365	(p)
of which: portion eligible for inclusion in Tier 2	120,243	120,243	(q)
Surplus on revaluation of assets	21,287,326	21,287,326	
of which: Revaluation reserves on Property	21,412,153	21,412,153	(r)
of which: Unrealized Gains/Losses on AFS	(407,647)	(407,647)	(s)
<b>Total liabilities &amp; Equity</b>	<b>2,684,101,699</b>	<b>2,684,101,699</b>	

## 41.5.2 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	(k)
Balance in Share Premium Account	-	
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	38,001,452	(l)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	97,105,942	(n)
Non-controlling interest	1,815,859	(o)
<b>CET 1 before Regulatory Adjustments</b>	<b>151,591,778</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
Goodwill	2,113,894	(f) - (i)
All other intangibles	4,154,914	(g)
Shortfall of provisions against classified assets	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	81,065	(j) x 80%
Defined-benefit pension fund net assets	-	
Reciprocal cross holdings	2,852,702	(c)
Cash flow hedge reserve	-	
Investment in own shares	447,632	(d)
Securitization gain on sale	-	
Capital shortfall of regulated subsidiaries	-	
Deficit on account of revaluation from bank's holdings of property/ AFS	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	613,243	(a)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amount exceeding 15% threshold	-	
of which: significant investments in the common stocks of financial entities	-	
of which: deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments applied to CET1 capital	-	
Investment in TFCs of other banks exceeding the prescribed limit	-	
Any other deduction specified by SBP (mention details)	-	
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,840,362	
<b>Total regulatory adjustments applied to CET1</b>	<b>12,103,812</b>	
<b>Common Equity Tier 1</b>	<b>139,487,966</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)	197,365	(p)
of which: instrument issued by subsidiaries subject to phase out	-	
<b>AT1 before regulatory adjustments</b>	<b>197,365</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)	2,037,727	(b)
Investment in own AT1 capital instruments	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
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	-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Total of Regulatory Adjustment applied to AT1 capital	2,037,727	
Additional Tier 1 capital	(1,840,362)	
Transfer to CET1 due to insufficient AT1 to cover deductions	1,840,362	
<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>139,487,966</b>	
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III	9,982,000	(h)
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)	120,243	(q)
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	3,088,343	(e)
Revaluation Reserves eligible for Tier 2		
of which: portion pertaining to Property	19,056,816	portion of (r)
of which: portion pertaining to AFS securities	(362,806)	portion of (s)
	18,694,010	
Foreign Exchange Translation Reserves	14,264,968	(m)
<b>Tier 2 before regulatory adjustments</b>	<b>46,149,564</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	-	
Investment in own Tier 2 capital instrument	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
Amount of Regulatory Adjustment applied to Tier 2 capital	-	
Tier 2 capital	46,149,564	
Tier 2 capital recognized for capital adequacy	46,149,564	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	46,149,564	
<b>TOTAL CAPITAL (Tier 1 + admissible Tier 2)</b>	<b>185,637,530</b>	

## 41.6 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	9,994,000
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

## 41.7 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 4.16% (2016: 4.67%) is above the current minimum requirement of 3.00% set by the SBP.

## 42 RISK MANAGEMENT FRAMEWORK

HBL has a well-developed, robust, risk management framework given the high degree of complexity of its operations, its size, and regional, and target market diversification. The Bank's risk management framework 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 committees i.e. Board Risk Management Committee (BRMC), Board Audit Committee as well as various management committees.

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

Risk Management function comprises the following areas:

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

The Operational Risk Management Division (ORMD) operates within the Global Compliance Group, independent from Business Units and other support functions. The Head ORMD reports into the Chief Compliance Officer with 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 Standardized Approach for credit risk. In addition, the Bank has adopted the simple approach for recognizing eligible collaterals for credit risk mitigation. 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. 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 consumer business of the bank has been on a double-digit growth trajectory for the past few years, and now hosts one of the largest portfolios of the industry with one of the lowest loss rates. The bank plans to further penetrate this segment. To supplement this growth and to better manage its existing portfolio, the bank during the year invested in sophisticated systems and statistical tools such as behavioral scorecards. The project concluded in December 2017 and led to an upgradation of its existing application scorecards to third-generation scorecards and development and deployment of behavioral scorecards. Further, a 'Decision Smart' system – a decision support software – has also been added, which gives the Bank capabilities to better serve its customers and improve marketing of its products, while maintaining high standards of risk management. In line with HBL's digital transformation agenda, real time offering of Personal Loan via ATM has successfully been implemented. Testing for upgrade to a newer version of Credit Cards system is underway and expected to be completed in the first quarter of 2018.

Currently, the Bank is following Standardized Approach for market risk, however, in order to better capture this risk across different portfolios and products, the Bank is moving towards the Internal Models Approach. Value-At-Risk (VaR) is calculated on an ongoing basis for its fixed income, equity and FX portfolios. It is also the Bank's intention, going forward to set up VaR based limits for the individual investment portfolios.

Rollout of the credit risk management software to automate loan origination continued during the year with the addition of new branches and related lending portfolio. The software is designed to improve approval efficiency, capture, storage and retrieval of approval data, and generation of valuable MIS which will be helpful in decision making. In addition, a Capital calculator and an ALM system is under phased implementation which is expected to bring in efficiency and 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.

#### **42.1 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, compliance and documentation requirements.

Credit risk appetite is defined through a Risk Appetite Statement that is approved by the Board. It also covers the concentration risk the Bank is willing to take with reference to risk ratings, sectors and large exposures.

The core pillars of credit risk management at HBL are:

- Approval rules based on three-initial system and joint business / risk sign-offs
- An independent Audit which includes Business Risk Review (BRR) function.

Credit Approval Authorities are delegated to individuals based on their qualification and experience. Disbursement authorization, collateral and security management, documentation and monitoring are managed by the Credit Administration Department under RMG. Proactive monitoring is ensured 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 to ensure a focused remedial strategy.

Stress testing on the credit portfolio is performed in line with SBP guidelines. In addition to the mandatory stress tests defined by the regulator, the Bank has also developed advanced stress tests including macroeconomic stress tests, shock scenarios and reverse stress tests to test the capital against shocks to the credit portfolio.

The Bank has undertaken a number of initiatives to strengthen its credit risk management framework including in-house development of internal risk rating models for the portfolio in respective segments and transition & migration matrices to study the realized default rates and performance of the risk rating models over the years.

BRR 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.

#### 42.1.1 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

#### 42.1.2 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2017 (Rupees in '000)			2016 (Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	30,237,167	-	30,237,167	28,029,132	-	28,029,132
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	456,533,924	46,051,729	410,482,195	559,515,606	230,347,911	329,167,695
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	21,296,118	-	21,296,118	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	21,456,228	-	21,456,228	64,560,282	-	64,560,282
	2	22,488,625	-	22,488,625	2,091,965	-	2,091,965
	3	9,953,242	-	9,953,242	9,023,638	-	9,023,638
	4,5	29,577,766	-	29,577,766	21,071,769	-	21,071,769
	6	9,438,502	-	9,438,502	31,839,795	-	31,839,795
	Unrated	-	-	-	6,939,386	-	6,939,386
		92,914,363	-	92,914,363	135,526,835	-	135,526,835
Corporates	1	106,985,096	3,655,000	103,330,096	95,615,780	3,640,128	91,975,652
	2	35,561,620	250,000	35,311,620	24,252,952	500,746	23,752,206
	3,4	7,171,895	-	7,171,895	2,473,861	-	2,473,861
	5,6	989,467	-	989,467	-	-	-
	Unrated-1	172,915,665	12,780,232	160,135,433	280,340,817	17,242,453	263,098,364
	Unrated-2	147,972,740	20,690,976	127,281,764	145,171,120	11,375,263	133,795,857
		471,596,483	37,376,208	434,220,275	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	10,987,592	-	10,987,592	24,948,850	-	24,948,850
	4,5	2,659,438	-	2,659,438	3,278,596	-	3,278,596
	6	-	-	-	-	-	-
	Unrated	9,467,548	-	9,467,548	6,221,648	-	6,221,648
		23,114,578	-	23,114,578	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%	38,891,760	31,785,507	7,106,253	151,616,211	94,316,952	57,299,259
Banks - others	1	23,487,001	-	23,487,001	57,782,394	97,469	57,684,925
	2,3	22,533,999	-	22,533,999	61,969,217	-	61,969,217
	4,5	3,984,432	-	3,984,432	8,008,646	-	8,008,646
	6	-	-	-	3,600,375	-	3,600,375
	Unrated	35,989,249	-	35,989,249	3,093,973	-	3,093,973
		85,994,681	-	85,994,681	134,454,605	97,469	134,357,136
Public sector enterprises	1	38,298,110	3,696,695	34,601,415	27,994,148	7,718,693	20,275,455
	2,3	7,967,518	2,578,125	5,389,393	9,329,998	3,515,625	5,814,373
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	115,056,985	113,527,580	1,529,405	81,573,145	63,675,919	17,897,226
		161,322,613	119,802,400	41,520,213	118,897,291	74,910,237	43,987,054
Retail	75%	172,545,384	6,026,923	166,518,461	139,021,376	10,020,528	129,000,848
Residential mortgages	35%	6,139,826	-	6,139,826	6,417,708	-	6,417,708
Past due loans	50% - 150%	9,428,217	1,122,671	8,305,546	10,286,736	-	10,286,736
Equity investments	100% - 150%	2,860,670	-	2,860,670	2,259,887	-	2,259,887
Significant investments and others	250%	15,397,210	-	15,397,210	10,378,713	-	10,378,713
Operating fixed assets	100%	56,442,342	-	56,442,342	30,010,739	-	30,010,739
Others	100%	15,051,330	-	15,051,330	13,535,248	-	13,535,248
		1,659,766,666	242,165,438	1,417,601,228	1,944,148,403	442,451,687	1,501,696,716

#### 42.1.3 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.

#### 42.1.4 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.

## 42.2 Segmental information

### 42.2.1 Segment by class of business

	2017					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemicals and pharmaceuticals	26,612,219	2.89	23,658,680	1.18	10,891,076	1.94
Agribusiness	109,663,437	11.91	16,353,330	0.82	1,391,514	0.25
Textile	90,802,446	9.86	9,841,036	0.49	16,644,479	2.96
Cement	18,814,625	2.04	13,710,552	0.69	10,269,548	1.83
Defence	18,776	0.00	13,530,457	0.68	47,023,061	8.36
Sugar	8,729,924	0.95	1,505,311	0.08	526,144	0.09
Shoes and leather garments	2,729,119	0.30	813,290	0.04	1,046,998	0.19
Automobile and transportation equipment	7,605,398	0.83	25,236,927	1.26	7,153,409	1.27
Financial	35,527,762	3.86	69,585,029	3.48	313,375,952	55.73
Hotel and tourism	6,887,369	0.75	1,967,878	0.10	2,408,935	0.43
Research and development	-	-	322,880	0.02	9,963	0.00
Insurance	3,506,585	0.38	19,634,465	0.98	1,541,573	0.27
Electronics and electrical appliances	6,931,091	0.75	32,317,668	1.62	7,467,789	1.33
Oil and gas	110,328,231	11.98	37,226,000	1.86	11,583,762	2.06
Power and energy	94,944,655	10.31	38,966,785	1.95	29,047,584	5.17
Education and medical	2,289,864	0.25	64,516,260	3.23	2,334,594	0.42
Telecommunication	21,876,348	2.38	13,096,971	0.66	6,643,663	1.18
Printing and publishing	3,946,442	0.43	2,039,471	0.10	278,079	0.05
Construction	20,636,748	2.24	38,582,483	1.93	897,197	0.16
Mining and quarrying	3,094,832	0.34	759,656	0.04	1,837,645	0.33
Food, tobacco and beverages	28,268,977	3.07	5,054,151	0.25	10,210,827	1.82
Wholesale and retail trade	57,144,486	6.20	46,291,820	2.32	2,340,825	0.42
Metal and allied	17,022,491	1.85	4,576,162	0.23	8,848,613	1.57
Individuals	80,698,799	8.76	1,008,081,484	50.43	947,372	0.17
Farming, cattle and dairy	3,442,595	0.37	619,478	0.03	251,158	0.04
Ports and shipping	-	-	6,206,167	0.31	1,688,551	0.30
Trust funds and non profit organisations	1,896,503	0.21	48,248,024	2.41	16,985,798	3.02
Others	157,588,217	17.09	456,192,642	22.81	48,698,048	8.64
	<b>921,007,939</b>	<b>100.00</b>	<b>1,998,935,057</b>	<b>100.00</b>	<b>562,344,157</b>	<b>100.00</b>

	2016					
	Advances		Deposits		Contingencies and Commitments	
	(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	10,523,975	1.88
Agribusiness	114,526,177	14.01	15,213,157	0.81	1,200,944	0.21
Textile	86,471,903	10.58	8,209,883	0.44	18,622,582	3.33
Cement	12,893,120	1.58	5,434,122	0.29	3,534,631	0.63
Defence	1,312,388	0.16	12,731,680	0.68	55,404,811	9.91
Sugar	7,294,329	0.89	3,783,063	0.20	124,655	0.02
Shoes and leather garments	2,411,725	0.30	357,922	0.02	1,086,864	0.19
Automobile and transportation equipment	6,427,552	0.79	24,788,555	1.31	9,232,391	1.65
Financial	81,386,115	9.96	51,079,868	2.71	308,262,960	55.14
Hotel and tourism	3,901,276	0.48	2,099,095	0.11	708,313	0.13
Research and development	-	-	190,922	0.01	-	-
Insurance	613,327	0.08	17,146,310	0.91	46,164	0.01
Electronics and electrical appliances	9,991,136	1.22	32,200,465	1.71	4,865,940	0.87
Oil and gas	37,291,479	4.56	22,433,605	1.19	8,495,045	1.52
Power and energy	95,609,668	11.70	40,703,579	2.16	46,578,120	8.33
Education and medical	1,765,486	0.22	59,597,944	3.16	983,911	0.18
Telecommunication	16,803,551	2.06	14,647,526	0.78	7,168,203	1.28
Printing and publishing	4,437,673	0.54	487,102	0.03	517,304	0.09
Construction	12,084,255	1.48	15,780,104	0.84	1,412,739	0.25
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	5,042,950	0.90
Wholesale and retail trade	60,056,466	7.35	33,784,046	1.79	1,242,906	0.22
Metal and allied	12,866,741	1.57	5,251,234	0.28	2,999,392	0.54
Individuals	60,810,622	7.44	917,394,318	48.64	729,696	0.13
Farming, cattle and dairy	4,538,117	0.56	388,976	0.02	490,882	0.09
Ports and shipping	-	-	6,614,467	0.35	53,001	0.01
Trust funds and non profit organizations	3,686,627	0.45	28,265,387	1.50	14,130,028	2.53
Others	119,104,894	14.55	538,739,058	28.54	55,567,513	9.96
	<b>817,250,038</b>	<b>100.00</b>	<b>1,885,959,026</b>	<b>100.00</b>	<b>559,025,920</b>	<b>100.00</b>



#### 42.2.2 Segment by sector

	2017					
	Advances (Rupees in '000)		Deposits (Rupees in '000)		Contingencies and Commitments (Rupees in '000)	
	Percent		Percent		Percent	
Government / public sector	199,223,638	21.63	220,711,060	11.04	66,239,149	11.78
Private sector	721,784,301	78.37	1,778,223,997	88.96	496,105,008	88.22
	921,007,939	100.00	1,998,935,057	100.00	562,344,157	100.00

	2016					
	Advances (Rupees in '000)		Deposits (Rupees in '000)		Contingencies and Commitments (Rupees in '000)	
	Percent		Percent		Percent	
Government / public sector	129,648,325	15.86	173,596,573	9.20	62,147,185	11.12
Private sector	687,601,713	84.14	1,712,362,453	90.80	496,878,735	88.88
	817,250,038	100.00	1,885,959,026	100.00	559,025,920	100.00

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

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Chemicals and pharmaceuticals	1,215,858	1,164,219	1,154,086	1,137,187
Agribusiness	4,524,837	3,067,974	4,263,974	2,915,785
Textile	20,787,634	20,346,025	21,581,803	21,129,587
Cement	788,694	788,694	860,694	806,694
Sugar	295,770	225,473	332,069	260,714
Shoes and leather garments	857,951	819,781	910,487	874,506
Automobile and transportation equipment	1,047,136	1,022,548	1,044,744	1,037,021
Financial	39,414	39,414	1,233,851	1,233,851
Hotel and tourism	270,904	270,271	290,197	290,197
Electronics and electrical appliances	3,201,907	3,201,283	3,571,199	3,211,867
Oil and gas	1,474,178	950,629	2,362,489	967,806
Power and energy	2,219,437	1,774,387	1,786,177	1,775,307
Education and medical	28,948	21,631	74,899	74,899
Telecommunication	1,217,462	1,217,462	1,227,442	1,227,442
Printing and publishing	483,352	460,903	375,713	249,445
Construction	1,262,455	1,262,230	1,383,284	1,219,216
Food, tobacco and beverages	1,953,139	1,843,893	1,846,955	1,767,373
Wholesale and retail trade	9,919,448	8,652,475	10,146,986	8,210,281
Metal and allied	2,579,990	1,512,887	2,570,770	1,432,085
Individual	3,718,170	3,566,495	2,534,091	2,455,854
Farming, cattle and dairy	297,635	102,557	174,116	75,437
Mining and quarrying	997	997	1,716	1,716
Others	17,660,076	14,104,948	15,719,191	12,805,927
	75,845,392	66,417,176	75,446,933	65,160,197

#### 42.2.4 Segment by sector

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Government / public sector	2,377,740	1,312,046	2,708,553	1,642,856
Private sector	73,467,652	65,105,130	72,738,380	63,517,341
	75,845,392	66,417,176	75,446,933	65,160,197

#### 42.2.5 GEOGRAPHICAL SEGMENT ANALYSIS

	For the year ended December 31, 2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	----- (Rupees in '000) -----			
Pakistan	29,918,756	2,347,087,227	140,252,172	462,491,126
Europe, Middle East and America	(1,184,468)	235,449,786	25,821,755	93,592,116
Asia and Africa	79,192	101,564,686	22,741,567	6,260,915
	<u>28,813,480</u>	<u>2,684,101,699</u>	<u>188,815,494</u>	<u>562,344,157</u>

	For the year ended December 31, 2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	----- (Rupees in '000) -----			
Pakistan	55,163,153	2,094,179,406	133,951,205	443,138,270
Europe, Middle East and America	(48,261)	315,963,729	39,394,244	67,026,921
Asia and Africa	1,410,019	95,955,068	22,923,421	48,860,729
	<u>56,524,911</u>	<u>2,506,098,203</u>	<u>196,268,870</u>	<u>559,025,920</u>

#### 42.3 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, commodity prices 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 by Risk Management under the supervision of ALCO and supported by the Treasury Middle Office.

##### 42.3.1 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 manages this risk by setting and monitoring currency-wise limits. The Bank's assets in a particular currency are typically funded in the same currency to minimize foreign currency exposure. However, the Bank maintains 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.

	2017				2016			
	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	2,211,079,629	2,030,411,815	(58,218,169)	122,449,645	1,960,796,818	1,785,952,821	(44,043,292)	130,800,705
United States Dollar	215,774,362	240,637,522	16,613,284	(8,249,876)	281,189,597	286,424,656	11,719,510	6,484,451
Great Britain Pound	61,634,261	61,151,180	21,791,700	22,274,781	37,033,004	55,761,421	12,609,751	(6,118,666)
UAE Dirham	59,054,431	60,933,612	14,067,340	12,188,159	72,116,999	63,918,442	10,956,201	19,154,758
Japanese Yen	154,635	77,525	(69,539)	7,571	142,402	66,434	(65,446)	10,522
Euro	18,555,171	22,214,394	6,117,227	2,458,004	17,733,253	26,862,275	9,156,253	27,231
Other Currencies	117,849,210	79,860,157	(301,843)	37,687,210	137,086,130	90,843,284	(332,977)	45,909,869
	<u>2,684,101,699</u>	<u>2,495,286,205</u>	<u>-</u>	<u>188,815,494</u>	<u>2,506,098,203</u>	<u>2,309,829,333</u>	<u>-</u>	<u>196,268,870</u>

##### 42.3.2 Equity Position Risk

Equity position risk is the risk that the fair value will fluctuate as a result of changes in the prices of individual stocks or the levels of equity indices. The Bank's equity investments are classified as Available-For-Sale (AFS) and Held-For-Trading (HFT) investments. The objective of the AFS portfolio is to maintain a medium-term view of capital gains and dividend income while Bank takes advantage of short term capital gains through its HFT portfolio investments. It is managed by the bank through the 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.

##### 42.4 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). The Bank also has a 'Contingency Funding Plan' in place to address liquidity issues in times of crisis. This plan helps to identify early warning indicators to pre-empt unforeseen liquidity crises. Triggers are used to ascertain the stress scenarios in the future.

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. Because 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.

The Bank has assets and liabilities that have contractual and non-contractual maturities. In order to assess the expected maturity of assets and liabilities with non-contractual maturities, empirical and statistical studies are conducted. The behavioral maturities of demand deposits are determined on the basis of an empirical study using five years' historical data. The attrition rate of deposits is determined based on historically observed monthly data of all current and saving deposit. A minimum balance and monthly change therein are the two parameters used to determine the stickiness of deposits.

Overdraft is a part of the loan portfolio that is short-term in nature, however, due to its use for working capital financing is rolled-over periodically. Hence this asset has both a core portion which is stable and constantly appears on the balance sheet and a non-core portion that is relatively volatile. Statistical analysis is used to ascertain the change in maturity profiling over time based on the cyclical changes in the outstanding amount against overdraft.

#### 42.4.1 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.

	Total	2017								
		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	246,043,030	64,719,781	30,061,076	40,463,896	8,806,740	4,765,810	2,233,166	4,484,244	45,568,795	44,939,522
Balances with other banks	40,804,269	29,606,111	7,370,330	3,827,828	-	-	-	-	-	-
Lendings to financial institutions	33,900,345	31,285,507	1,000,000	1,614,838	-	-	-	-	-	-
Investments	1,374,807,643	123,905,871	414,259,957	160,010,261	136,744,653	217,545,538	98,593,895	154,883,287	61,182,348	7,681,833
Advances	851,502,420	63,547,403	72,104,070	90,233,556	62,749,585	130,574,378	68,700,707	265,588,677	69,253,140	28,750,904
Operating fixed assets	62,792,843	17,402,608	681,515	1,022,272	2,044,544	3,567,547	1,304,439	407,399	726,463	35,639,056
Other assets	74,251,149	33,407,218	8,810,646	9,723,140	9,102,193	4,679,052	1,333,868	206,828	494,143	6,494,061
	2,684,101,699	363,874,499	534,287,594	306,895,791	219,447,715	361,132,325	172,166,075	425,570,435	177,224,889	123,502,376
Liabilities										
Bills payable	33,752,219	5,400,700	11,475,409	16,876,110	-	-	-	-	-	-
Borrowings from financial institutions	397,802,667	289,832,465	41,692,442	12,755,611	4,344,997	999,929	20,576,797	8,714,536	18,885,890	-
Deposits and other accounts	1,998,935,057	257,596,639	139,487,577	133,732,706	185,524,800	44,888,269	46,751,198	85,187,165	559,786,831	545,979,872
Subordinated loan	9,994,000	-	2,000	-	2,000	4,000	4,000	8,000	9,974,000	-
Deferred tax liability	971,368	(101,137)	(118,569)	(1,249)	76,240	(37,776)	(427,911)	(838,865)	(1,939,816)	4,360,451
Other liabilities	53,830,894	21,469,423	13,791,794	2,751,364	5,589,283	2,918,041	1,781,922	2,803,983	2,365,297	350,787
	2,495,286,205	574,198,090	206,330,653	166,114,542	195,537,320	48,772,463	68,686,006	95,874,819	589,072,202	550,700,110
	188,815,494	(210,323,591)	327,956,941	140,781,249	23,910,395	312,359,862	103,480,069	329,695,616	(411,847,313)	(427,197,734)
Net gap										
Share capital	14,668,525									
Reserves	52,266,420									
Unappropriated profit	97,105,942									
Non-controlling interest	3,487,281									
Surplus on revaluation of assets - net of tax	21,287,326									
	188,815,494									

	2016									
	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years	
Assets	(Rupees in '000)									
Cash and balances with treasury banks	238,438,283	85,254,280	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	-	145,216	-	-	-	-	-	
Lendings to financial institutions	32,964,803	22,379,046	100,000	252,175	312,453	519,500	-	-	-	
Investments	1,344,404,771	238,480,144	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	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	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	21,421,470	-	-	-	-	-	
	2,506,098,203	529,930,692	228,653,649	216,000,092	255,691,492	230,388,115	411,006,238	184,413,456	107,783,966	
<b>Liabilities</b>										
Bills payable	31,195,900	5,941,462	15,152,663	1,477,542	-	-	-	-	-	
Borrowings from financial institutions	331,726,654	278,061,903	26,871,472	180,138,002	37,741,626	417,450	687,577	641,659	-	
Deposits and other accounts	1,885,959,026	341,247,193	102,570,347	2,000	4,000	38,855,968	69,930,967	506,963,515	500,796,956	
Subordinated loan	9,998,000	-	-	2,000	(479,361)	4,000	8,000	9,978,000	-	
Deferred tax liability	6,090,983	57,454,226	1,449,212	(509,791)	1,049,694	(1,410,312)	(560,541)	(4,926)	477,136	
Other liabilities	44,858,770	23,156,648	2,964,534	196,663,356	38,689,234	1,049,694	1,852,743	2,025,690	1,079,690	
	2,309,829,333	654,132,632	149,008,228	183,074,109	38,689,234	38,916,800	71,918,746	519,603,938	502,293,782	
<b>Net gap</b>	<b>196,268,870</b>	<b>(124,221,940)</b>	<b>79,645,421</b>	<b>32,925,983</b>	<b>217,002,258</b>	<b>191,471,315</b>	<b>339,087,492</b>	<b>(335,190,482)</b>	<b>(394,509,816)</b>	
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	-	-	-	-	-	-	-	-	
	<b>196,268,870</b>	<b>(124,221,940)</b>	<b>79,645,421</b>	<b>32,925,983</b>	<b>217,002,258</b>	<b>191,471,315</b>	<b>339,087,492</b>	<b>(335,190,482)</b>	<b>(394,509,816)</b>	

42.4.2 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:

	2017									
	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years	
Assets	(Rupees in '000)									
Cash and balances with treasury banks	246,043,030	245,645,231	-	-	-	-	-	-	-	
Balances with other banks	40,804,269	38,965,990	664,554	-	-	-	-	-	-	
Lendings to financial institutions	33,900,345	31,285,507	1,614,838	-	-	-	-	-	-	
Investments	1,374,807,643	138,118,771	157,031,517	116,491,594	221,701,296	97,164,820	151,037,611	59,315,922	33,830,990	
Advances	851,502,420	262,993,412	73,175,015	38,015,948	129,435,970	66,882,478	125,526,128	65,492,355	28,560,007	
Operating fixed assets	62,792,843	17,402,608	1,022,272	2,044,544	3,567,547	1,304,439	407,399	726,463	35,636,056	
Other assets	74,251,149	10,040,247	12,134,086	25,346,364	4,579,707	1,289,834	200,000	477,830	6,494,061	
	2,684,101,699	744,451,766	478,080,489	245,642,282	359,682,319	166,641,571	277,171,138	126,012,570	104,521,114	
<b>Liabilities</b>										
Bills payable	33,752,219	33,752,219	-	-	-	-	-	-	-	
Borrowings from financial institutions	397,802,667	289,832,465	12,755,611	4,344,997	999,929	20,576,797	8,714,536	18,885,890	-	
Deposits and other accounts	1,998,935,057	1,756,495,607	46,872,931	47,634,430	10,061,253	7,855,891	16,165,211	15,958,369	24,328	
Subordinated loan	9,994,000	-	-	2,000	4,000	4,000	8,000	9,974,000	-	
Deferred tax liability	971,368	(101,137)	(1,249)	452,514	(414,050)	(427,911)	(838,865)	(1,939,816)	4,360,451	
Other liabilities	53,830,894	53,830,894	-	-	-	-	-	-	-	
	2,495,286,205	2,133,810,048	59,627,293	52,433,941	10,651,132	28,008,777	24,048,882	42,878,443	4,384,779	
<b>Net gap</b>	<b>188,815,494</b>	<b>(1,389,358,282)</b>	<b>186,014,989</b>	<b>129,464,509</b>	<b>349,031,187</b>	<b>138,632,794</b>	<b>253,122,256</b>	<b>83,134,127</b>	<b>100,136,335</b>	
Share capital	14,668,525	-	-	-	-	-	-	-	-	
Reserves	52,266,420	-	-	-	-	-	-	-	-	
Unappropriated profit	97,105,942	-	-	-	-	-	-	-	-	
Non-controlling interest	3,487,281	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	21,287,326	-	-	-	-	-	-	-	-	
	<b>188,815,494</b>	<b>(1,389,358,282)</b>	<b>186,014,989</b>	<b>129,464,509</b>	<b>349,031,187</b>	<b>138,632,794</b>	<b>253,122,256</b>	<b>83,134,127</b>	<b>100,136,335</b>	

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
<b>Assets</b>										
Cash and balances with treasury banks	238,43,8283	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	32,963,803	22,379,046	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	-	-	-	-	-
	2,506,098,203	962,569,728	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	31,195,900	-	-	-	-	-	-	-	-
Borrowings from financial institutions	331,726,654	278,061,903	23,195,776	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	70,482,488	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	1,444,140	1,449,212	(509,791)	(479,361)	(1,410,312)	(560,541)	(4,926)	417,136
Other liabilities	44,858,770	44,858,770	-	-	-	-	-	-	-	-
	2,309,829,333	2,030,788,916	95,124,404	74,996,809	69,322,757	6,702,716	6,930,282	8,284,908	16,975,073	703,468
<b>Net gap</b>	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
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									

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.

## 42.5 Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because 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. The Bank uses duration gap models to measure and monitor the interest rate sensitivity on the potential earnings and the Bank's economic value of equity. Government securities are marked-to-market daily. 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.

## 42.5.1 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	2017										Not exposed to yield / interest risk
		Exposed to yield / interest risk								Over five to ten years		
		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				
									(Rupees in '000)			
On-balance sheet assets												
Financial assets												
		Cash and balances with treasury banks	0.37%	246,043,030	28,274,713	-	-	-	-	-	-	217,768,317
		Balances with other banks		40,804,269	9,227,022	3,690,809	5,536,213	-	-	-	-	22,350,225
		Lendings to financial institutions	5.82%	33,900,345	31,285,507	1,000,000	1,614,838	-	-	-	-	-
		Investments	6.39%	1,374,807,643	117,359,439	418,273,458	200,375,100	92,031,872	218,184,885	91,441,324	139,049,032	50,691,857
		Advances	7.57%	851,502,420	61,301,805	295,069,168	288,609,997	102,928,976	32,143,095	33,282,223	31,306,069	6,719,881
		Other assets		41,904,622	-	-	-	-	-	-	-	141,206
				2,588,962,329	247,448,486	718,033,435	496,136,148	194,960,848	250,327,980	124,723,547	170,355,101	57,411,738
												169,956



2016

Effective yield / interest rate	Total	Exposed to yield / interest risk									Not exposed to yield / interest risk	
		(Rupees in '000)										
		Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years		
On-balance sheet assets												
Financial assets												
0.33%	238,438,283	40,960,748	2,910,643	95,322	2,364,871	-	-	-	-	-	-	192,106,699
	45,959,095	27,361,464	2,306,085	87,165	145,216	-	-	-	-	-	-	16,059,165
5.30%	32,963,803	22,379,046	9,400,629	100,000	252,175	312,453	519,500	-	-	-	-	-
6.89%	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	-
7.95%	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	-	-
	34,447,139	-	-	-	-	-	-	-	-	-	-	34,447,139
	2,444,679,388	443,857,474	523,547,431	325,949,822	164,258,743	224,285,256	191,857,095	163,472,013	119,594,505	798,073	287,058,976	-
Financial liabilities												
	31,195,900	-	-	-	-	-	-	-	-	-	-	31,195,900
5.30%	331,726,654	278,351,605	23,086,988	26,698,480	1,474,322	372,447	416,524	686,052	640,236	-	-	-
2.49%	1,885,959,026	140,720,349	92,410,719	865,666,805	58,023,395	7,315,519	8,427,322	9,178,014	6,349,980	285,866	697,581,057	-
6.78%	9,998,000	-	9,998,000	-	-	-	-	-	-	-	-	-
	39,999,914	-	-	-	-	-	-	-	-	-	-	39,999,914
	2,298,879,494	419,071,954	125,495,707	892,365,285	59,497,717	7,687,966	8,843,846	9,864,066	6,990,216	285,866	768,776,871	-
On-balance sheet gap	145,799,894	24,785,520	398,051,724	(566,415,463)	104,761,026	216,597,290	183,013,249	153,607,947	112,604,289	512,207	(481,717,895)	-
Net non - financial assets	50,468,976	-	-	-	-	-	-	-	-	-	-	-
Total net assets	196,268,870	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
	133,097,813	33,432,767	44,940,495	50,549,787	4,174,764	-	-	-	-	-	-	-
Foreign exchange contracts forward purchases	(87,958,325)	(31,106,885)	(26,398,325)	(30,372,697)	(80,418)	-	-	-	-	-	-	-
Foreign exchange contracts forward sales	18,815,026	18,815,026	-	-	-	-	-	-	-	-	-	-
Government Securities transactions forward purchases	(9,067,465)	(9,067,465)	-	-	-	-	-	-	-	-	-	-
Government Securities transactions forward sales	216,840	56,966	106,582	53,292	-	-	-	-	-	-	-	-
Forward currency options - long position	(216,840)	(56,966)	(106,582)	(53,292)	-	-	-	-	-	-	-	-
Forward currency options - short position	1,084,128	-	-	-	252,175	312,453	519,500	-	-	-	-	-
Cross Currency Swaps - long position	(1,096,192)	-	-	-	(261,496)	(311,704)	(522,992)	-	-	-	-	-
Cross Currency Swaps - short position	34,866	-	-	34,866	-	-	-	-	-	-	-	-
Interest rate swaps - long position	(5,218,200)	-	-	(34,866)	-	-	(4,683,334)	(500,000)	-	-	-	-
Interest rate swaps - short position	49,691,651	12,073,443	18,542,170	20,177,090	4,085,025	749	(4,686,826)	(500,000)	-	-	-	-
Off-balance sheet gap												
Total yield / interest rate risk sensitivity gap												
	36,858,963	416,593,894	(546,238,373)	108,846,051	178,326,423	216,598,039	153,107,947	112,604,289	512,207	(481,717,895)	-	-
Cumulative yield / interest rate risk sensitivity gap												
	36,858,963	453,452,857	(92,785,516)	16,060,535	232,658,574	410,984,997	564,092,944	676,697,233	677,209,440	195,491,545	-	-

#### 42.5.2 Liquidity Coverage Ratio

The Basel Committee on Banking Supervision has developed two standards intended for use in liquidity risk supervision: the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR").

The LCR is a regulatory requirement set to ensure that the Bank has sufficient unencumbered high quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. The bank monitors and reports its liquidity position under the State Bank of Pakistan (SBP) guidelines on Basel III Liquidity Standards implementation in Pakistan.

The LCR became effective on 31 March 2017, with a minimum ratio requirement in Pakistan of 90% as at 31 December 2017, however, the Bank reported a ratio of 184.81% on an average.

	Total unweighted <sup>1</sup> value (average)	Total weighted <sup>2</sup> value (average)
	(Rupees in '000)	
<b>HIGH QUALITY LIQUID ASSETS</b>		962,730,144
1 Total high quality liquid assets (HQLA)		
2 Retail deposits and deposits from small business customers of which:		
2.1 stable deposit	-	-
2.2 Less stable deposit	970,519,870	97,051,987
3 Unsecured wholesale funding of which:		
3.1 Operational deposits (all counterparties)	-	-
3.2 Non-operational deposits (all counterparties)	853,369,779	431,476,023
3.3 Unsecured debt	21,813,357	21,813,357
4 Secured wholesale funding	-	1,136,324
5 Additional requirements of which:		
5.1 Outflows related to derivative exposures and other collateral requirements	126,653	126,653
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	-	-
6 Other contractual funding obligations	33,053,097	3,305,310
7 Other contingent funding obligations	500,328,917	16,002,027
<b>8 TOTAL CASH OUTFLOWS</b>		570,911,681
<b>CASH INFLOWS</b>		
9 Secured lending	-	-
10 Inflows from fully performing exposures	90,510,254	49,380,788
11 Other Cash inflows	13,046,866	589,368
<b>12 TOTAL CASH INFLOWS</b>		49,970,156
		<b>Total Adjusted Value<sup>3</sup></b>
<b>TOTAL HQLA</b>		962,730,144
<b>TOTAL NET CASH OUTFLOWS</b>		520,941,525
<b>LIQUIDITY COVERAGE RATIO</b>		184.81%

1 Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

2 Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

3 Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows).

#### 42.5.3 Net Stable Funding Ratio

The Net Stable Funding Ratio ("NSFR") is the regulatory metric for assessing the Bank's structural funding profile. The NSFR is intended to reduce long-term funding risks by requiring banks to maintain a stable funding profile in relation to their on and off-balance sheet activities. The ratio is defined as the amount of Available Stable Funding (ASF) (the portion of capital and liabilities expected to be a stable source of funding), relative to the amount of Required Stable Funding (RSF) (a function of the liquidity characteristics of various assets held). Banks are expected to meet the NSFR requirement of at least 100% on an ongoing basis from December 31, 2017, however, we remained above the requirement while maintaining the ratio at 158.34%.

**NSFR Disclosure**

Unweighted Value By Residual Maturity *				LR IX
No Maturity	Below 6 months	6 months to below 1 year	1 year and above 1 year	Weighted Value
(Rupees in '000)				

**ASF Item**

1 Capital:				
2 Regulatory capital	139,500,269	-	-	139,500,269
3 Other capital instruments	43,366,400	-	-	43,366,400
4 Retail deposits and deposit from small business customers:				
5 Stable deposits	-	-	-	-
6 Less stable deposits	-	225,888,228	93,331,982	1,105,417,146
7 Wholesale funding:				
8 Operational deposits	-	-	-	-
9 Other wholesale funding	-	213,449,091	88,192,408	611,351,518
10 Other liabilities:				
11 NSFR derivative liabilities	-	-	-	-
12 All other liabilities and equity not included in other categories	-	412,868,673	9,862,220	47,177,152
<b>13 Total ASF</b>				<b>1,946,812,485</b>

**RSF item**

14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	-
15 Deposits held at other financial institutions for operational purposes	-	-	-	-
16 Performing loans and securities:				
17 Performing loans to financial institutions secured by Level 1 HQLA	-	32,285,507	-	3,303,551
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	231,499,186	50,018,410	513,073,258
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	67,493,215	1,871,183	82,435,810
21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	-
22 Other assets:				
23 Physical traded commodities, including gold	-	-	-	-
24 Assets posted as initial margin for derivative contracts	-	-	-	-
25 NSFR derivative assets	-	3,062,607		3,062,607
26 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-
27 All other assets not included in the above categories	-	802,951,147	144,962,532	571,456,041
28 Off-balance sheet items	-	749,049,538	174,072,172	56,191,189
<b>29 Total RSF</b>				<b>1,229,522,456</b>
<b>30 Net Stable Funding Ratio (%)</b>				<b>158.34%</b>

\* The unweighted value by residual maturity is based on working prepared by Assets and Liabilities Management Committee (ALCO) of the Bank.

## 42.6 Operational Risk Management (ORM)

The Operational Risk Management department (ORMD) is housed within the Compliance Group of the bank. A comprehensive ORM Framework is in place across the bank. Statistical Analysis Software (SAS) for ORM 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, who are responsible for implementation of the ORM Framework in coordination with ORMD. SBP has granted permission to the Bank to move from the Basic Indicator Approach (BIA) to the Alternative Standardized 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. HBL is the first Pakistani bank to achieve this milestone.

The Bank's ORM framework and practices address all the significant aspects of ORM i.e. people, process, system and external events. Key ORM tools such as Risk Control Self-Assessment (RCSA), KRI's, Operational Loss Data Management, and Capital Calculation are used to gauge the likelihood and severity of operational risk. The bank is increasingly using stress testing and Scenario Analysis to proactively assess the impact of worse case scenarios. Detailed RCSA exercises are conducted at regular intervals across the Bank, the results of which are continually evaluated against the losses, control violations and gaps. The Bank has also established KRI's and monitoring them at regular intervals. Operational risk reports are regularly submitted to the senior management.

## 42.7 Information Security Risk

Information and cybersecurity remains a critical area of focus. Information security policies, standards and procedures were reviewed and updated based on latest ISO and PCI standards as well as FFIEC guidelines. During the year, Data Classification exercise was completed for all functions classifying the documents and information in terms of importance and criticality to prevent data leakage from the bank's network. The Board was also trained on cybersecurity aside from an ongoing campaign within the Bank on information security awareness. The Bank continue to operate 24x7 Information Security Operations Center with established formal incident reporting process.

## 43. ISLAMIC BANKING BUSINESS

### 43.1 STATEMENT OF FINANCIAL POSITION

	Note	2017 (Rupees in '000)	2016
<b>ASSETS</b>			
Cash and balances with treasury banks		7,475,822	6,183,359
Due from financial institutions		1,614,839	7,458,102
Investments		104,616,358	96,574,596
Islamic financing and related assets	43.1.1	84,297,519	31,972,463
Due from Head Office		66,226	-
Other assets		1,022,451	499,088
		199,093,215	142,687,608
<b>LIABILITIES</b>			
Bills payable		7,037	4,575
Due to financial institutions		24,798,000	5,754,000
Deposits and other accounts	43.1.4	163,448,909	124,292,123
Due to Head Office		-	3,815,481
Deferred tax liability		172,401	546,132
Other liabilities		1,433,836	969,169
		189,860,183	135,381,480
<b>NET ASSETS</b>		<u>9,233,032</u>	<u>7,306,128</u>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		250,000	250,000
Reserves		4,584	-
Unappropriated profit		8,662,859	6,041,883
		8,917,443	6,291,883
Surplus on revaluation of investments - net of deferred tax		315,589	1,014,245
		<u>9,233,032</u>	<u>7,306,128</u>

Commitments in respect of financial guarantees and letters of credit of the Islamic Banking Business amounted to Rs. 271.654 million (2016: Rs. 281.916 million) and Rs. 3,921.630 million (2016: Rs. 382.059 million) respectively. Commitments in respect of forward purchase and sale transactions amounted to Rs. 3,595.455 million (2016: Rs. 3,194.017 million) and Rs. 2,439.128 million (2016: Rs. 854.484 million) respectively.

	Note	2017	2016
		(Rupees in '000)	
43.1.1 <b>Islamic financing and related assets - net</b>			
Ijarah	43.1.2	1,728,525	852,607
Murabaha	43.1.3	316,442	187,072
Diminishing Musharakah		60,591,346	21,211,872
Wakalah		10,000,000	-
Istisna		-	439,155
Running Musharakah		1,138,052	-
Advance for Ijarah		542,507	172,049
Advance for Murabaha		2,968,494	3,714,525
Advance for Diminishing Musharakah		-	98,006
Advance for Istisna		4,546,399	3,949,781
Assets / Inventories		2,576,238	1,452,153
Islamic financing and related assets - gross		84,408,003	32,077,220
Provision against Islamic financing and related assets		(110,484)	(104,757)
Islamic financing and related assets - net		84,297,519	31,972,463

43.1.2 <b>Ijarah</b>	2017				2016			
	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	201,540	1,354,957	57,820	1,614,317	192,778	561,114	15,149	769,041
Residual value	34,988	386,296	14,143	435,427	37,071	147,940	5,139	190,150
Minimum Ijarah payments	236,528	1,741,253	71,963	2,049,744	229,849	709,054	20,288	959,191
Less: Profit for future periods	(26,565)	(274,707)	(19,947)	(321,219)	(4,590)	(95,854)	(6,140)	(106,584)
Present value of minimum Ijarah payments	209,963	1,466,546	52,016	1,728,525	225,259	613,200	14,148	852,607

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

43.1.3 This represents assets sold under Murabaha agreement.

43.1.4 <b>Deposits and other accounts</b>	2017	2016
	(Rupees in '000)	
Current accounts	48,389,707	34,805,992
Savings accounts	87,258,027	67,581,654
Term deposits	13,731,808	16,307,798
Deposits from financial institutions - remunerative	13,964,366	5,530,268
Deposits from financial institutions - non - remunerative	105,001	66,411
	163,448,909	124,292,123

43.1.5 <b>Particulars of deposits</b>	2017	2016
In local currency	161,924,981	120,680,480
In foreign currency	1,523,928	3,611,643
	163,448,909	124,292,123

43.2 <b>PROFIT AND LOSS ACCOUNT</b>	2017	2016
Profit earned	9,497,475	8,135,293
Profit expensed	4,314,193	4,181,616
Net profit earned	5,183,282	3,953,677
Depreciation on assets given on Ijarah	366,786	176,199
Provision / (reversal) against non-performing accounts	5,726	(3,577)
	372,512	172,622
Net profit after depreciation and provisions	4,810,770	3,781,055
<b>Other income</b>		
Fee, commission and brokerage income	173,904	126,356
Loss from dealing in foreign currencies	(43,200)	(59,997)
Dividend income	(208,023)	-
(Loss) / gain on sale of securities	(15,227)	159,395
Rent on Lockers	6,291	5,030
Others	767	692
Total other income	(85,488)	231,476
	4,725,282	4,012,531
Administrative expenses	693,010	648,316
<b>Net Profit for the year</b>	4,032,272	3,364,215

	Note	2017	2016
		(Rupees in '000)	
43.3	<b>Charity Fund</b>		
Opening balance		526	14,650
Additions during the year			
-Income purification		244,105	102
-Penalty on delayed payment		723	424
		244,828	526
Payments / Utilization during the year	43.3.1		
-Health sector		(11,107)	(14,650)
-Others		(1,000)	-
		(12,107)	(14,650)
Closing balance		233,247	526

#### 43.3.1 Details of charity payments

Details of charity individually exceeding Rs. 100,000.

Indus Hospital	3,026	2,500
Sindh Institute of Urology & Transplantation	2,500	2,500
Children Cancer Foundation Pakistan Trust	1,000	2,500
Shaukat Khanum Memorial Cancer Hospital	1,000	1,000
Marie Adelaide Leprosy Centre	1,000	1,500
Burns Centre	1,000	1,000
Welfare Society for Patient Care	1,000	1,000
Dalda Foundation	1,000	-
SINA Health, Education & Welfare Trust	581	-
The Patients' Behbud Society for AKUH	-	2,500
Help International Welfare Trust	-	150
	12,107	14,650

- 43.4 **Remuneration to Shariah Advisor / Board** 7,120 5,700
- 43.5 The Mudarib's share in profit is 43% (2016: 30%) and amounts to Rs. 2,227.360 million (2016: Rs. 1,783.990 million) after netting of Hiba to depositors from Mudarib's share amounting to Rs. 310.773 million (2016: Rs. Nil).
- 43.6 **The following pools are maintained by the Islamic Banking Business:**

#### General Pool PKR (Mudarabah)

This pool is made of funds received from customers in PKR remunerative accounts. The objective of this pool is to effectively manage the PKR deposit holder's funds to earn and distribute returns from strictly Shariah compliant avenues. This pool is operated based on unrestricted Mudarabah with possible commingling of funds from HBL Islamic Banking as its own equity. The funds in this pool are generally deployed in financing (like Murabaha, Ijarah, Istisna, Salam etc), placement in FIs and investment in Sukuks. The risk borne in this pool is minimal due to investment in less risky assets. Risk of assets in the pool is borne by the depositors upto their proportionate investments; however HBL IB maintains prudent and efficient portfolio management to mitigate this risk.

#### Special Pool(s) PKR (Mudarabah)

HBL IB currently has a Special pool, with the objective to offer relatively higher returns to special segment customers. The special pool is based on unrestricted Mudarabah with possible commingling of funds from the HBL Islamic Banking as its own equity. Special pool deposits are invested in assets yielding relatively higher rate of return, hence bearing slightly more risk than the General Pool. Risk of assets in the pool is borne by the depositors upto their proportionate investments, however HBL IB maintains prudent and efficient portfolio management to mitigate this risk.

#### Treasury Pool(s) (Mudarabah / Wakalah / Musharakah)

Treasury pool(s) is created when bank accepts investments from FIs for liquidity management. Treasury pool(s) may be based on the principle of Musharakah, Mudarabah and Wakalah. These pool(s) will be maintained separately due to their special nature (i.e. liquidity management). HBL Islamic Banking preferably accepts funds from Islamic Financial Institutions (FIs). However, funds may be also accepted from conventional FIs. Funds accepted from FIs are generally obtained for a short tenure and expect comparatively higher return as compared to depositors of general pool. Therefore, the funds obtained are deployed in assets yielding a higher return. Risk of assets in the pool is borne by the parties on the basis of the underlying agreement. However, HBL Islamic Banking maintains prudent, efficient portfolio management to mitigate this risk.



### General Pool FCY (Mudarabah)

The objective of this pool is to effectively manage FCY remunerative deposits. FCY pool is based on unrestricted Mudarabah with possible commingling of funds from the HBL IB. Funds are generally invested in FCY assets, however in case the asset is not available, bank may invest these funds in assets of other currencies. Risk of assets in the pool is borne by the depositors upto their proportionate investments. However, HBL maintains prudent and efficient portfolio management to mitigate this risk.

### Islamic Export Refinance Scheme (IERS) Pool PKR (Musharakah)

IERS facility enables the exporters to avail SBP's refinance through Islamic Banks against eligible commodities. HBL Islamic Banking has been providing this refinance facility to its customers. Hence, this pool is created for the same purpose on Musharakah basis. The IERS Musharakah Pool shall have a minimum of 10 companies, with diversified lines of business to avoid concentration in one or two sectors. HBL's investment in IERS Musharakah pool consisting of the financing to blue-chip companies shall be at least equal to the amount of export refinance availed from SBP. Assets are deployed in high quality corporate enterprises and sukuks. In the event of loss suffered on the Musharakah pool based on annual audited accounts, HBL and the State Bank shall share the loss in the proportion of their share of investment in the Musharakah pool expressed on daily product basis.

#### 43.7 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.
- Rs. 14.103 million of Profit Equalization Reserve is charged at the end of the year.

#### 43.8 Average profit rates earned on the earning assets of Islamic Banking Business during the year is 6.14% (2016: 6.27%) as compared to a profit rate of 2.54% (2016: 3.03%) distributed to the depositors.

#### 43.9 Deployment of Mudarabah based average deposits by economic sector

	2017 (Rupees in '000)	2016
Chemical and pharmaceuticals	2,436,966	2,197,775
Textile	4,819,192	3,387,106
Cement	450,000	505,050
Financial	147,774	7,953,268
Power and energy	34,155,107	22,083,503
Education and medical	186,557	249,415
Telecommunication	3,000,000	3,000,000
Printing and publishing	213,397	131,250
Food, tobacco and beverages	9,666,555	4,084,529
Government / Public sector	129,698,240	77,983,700
Individual	717,916	137,606
Ports and shipping	452	301,064
Information Technology	-	1,345
Transportation	247,614	297,614
Services	2,141,213	5,743
Others	658,954	4,500,868
	<u>188,539,937</u>	<u>126,819,836</u>

44. **NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

44.1 The Board of Directors in its meeting held on March 19, 2018 has proposed a final cash dividend of Rs. 1 per share for the year 2017. This is in addition to Rs. 7 already paid during the year bringing the total dividend for the year to Rs. 8 per share (2016: Rs.14 per share). This appropriation is expected to be approved by the shareholders in forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2017 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2018.

44.2 The Bank was a party to suo moto case No. 20/2016 in the Honourable Supreme Court of Pakistan. Through this case, the Honourable Supreme Court had consolidated cases relating to pension arrangements of certain banks (including HBL) which were previously under the control of the Federal Government.

Subsequent to the year end, and as part of the hearing of the aforementioned case, the Bank, along with two other banks, was encouraged by the Court to present a proposal for increasing the minimum monthly pension payable to their pensioners. Although the Bank maintains that it is not legally liable to change the benefit plan however, as advised by the Honourable Supreme Court of Pakistan, in February 2018 it had prepared and submitted a proposal solely on humanitarian grounds for a prospective increase in the minimum monthly pension to Rs 5,250 and a future indexation mechanism of the minimum monthly pension. The proposal also had certain exclusions and legal caveats.

On February 13, 2018 the Supreme Court announced a judgment based on the proposal submitted by the Bank in which it decided that the minimum monthly pension shall be Rs 8,000 per month. The detailed judgement issued subsequently does not, however, comment on the exclusions incorporated in the proposal and which were an integral part of the Bank's proposal. The Bank, based on legal advice, has filed a review petition, the outcome of which is awaited.

Pending the outcome of the review petition, the management, based on legal advice, has obtained actuarial valuations and the estimated impact of this potential revision to the pension plan ranges from approximately Rs 1.006 billion to Rs 4.516 billion.

In accordance with IAS 19 "Employee Benefits", the additional cost resulting from the revision of the pension plan will be recognised in the financial statements for the year ending December 31, 2018.

45. **DATE OF AUTHORISATION FOR ISSUE**

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on March 19, 2018.

46. **GENERAL**

46.1 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.

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

Rayomond Kotwal  
Acting President and  
Chief Executive Officer

Irfan Ahmed Meer  
Acting Chief Financial Officer

Moez Ahamed Jamal  
Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

## Annexure 'I' as referred to in note 8.9 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>				
Attock Cement (Pakistan) Limited	216,000	10	2,160	33,714
Crescent Steel & Allied Products Limited	6,700	10	67	1,028
Fauji Cement Company Limited	1,450,000	10	14,500	37,474
K-Electric Limited	2,000,000	3.5	7,000	12,546
Maple Leaf Cement Factory Limited	644,200	10	6,442	46,089
Nishat Chunian Limited	375,000	10	3,750	18,823
Pak Elektron Limited	805,000	10	8,050	46,306
Pioneer Cement Limited	360,000	10	3,600	27,055
Pakistan State Oil Company Limited	81,000	10	810	26,443
The Searle Company Limited	6,000	10	60	2,185
Sui Northern Gas Pipelines Limited	200,000	10	2,000	22,988
				<u>274,651</u>
<b>Available-for-sale securities</b>				
Allied Bank Limited	3,199,100	10	31,991	311,775
Agriotech Limited	6,400,678	10	64,007	224,083
Adamjee Insurance Company Limited	4,054,500	10	40,545	270,498
Attock Petroleum Limited	336,950	10	3,370	204,929
Attock Refinery Limited	482,000	10	4,820	137,978
Bank Al-Habib Limited	1,293,000	10	12,930	72,602
Cherat Cement Company Limited	4,509,600	10	45,096	632,676
Dawood Hercules Corporation Limited	1,343,900	10	13,439	197,138
D.G. Khan Cement Company Limited	3,735,400	10	37,354	639,345
Engro Fertilizers Limited	8,706,000	10	87,060	612,743
Engro Foods Limited	5,910,800	10	59,108	662,602
Engro Corporation Limited	1,965,000	10	19,650	718,657
Fauji Cement Company Limited	8,132,000	10	81,320	279,024
Fauji Fertilizer Bin Qasim Limited	14,985,500	10	149,855	724,954
Fauji Fertilizer Company Limited	14,075,500	10	140,755	1,380,403
Habib Metropolitan Bank Limited	1,500,000	10	15,000	45,417
Hub Power Company Limited	18,100,000	10	181,000	1,418,764
International Steels Limited	2,135,000	10	21,350	248,168
Kot Addu Power Company Limited	22,688,500	10	226,885	1,465,849
K-Electric Limited	56,357,500	3.5	197,251	499,532
Lalpir Power Limited	18,184,000	10	181,840	482,070
Lucky Cement Limited	955,150	10	9,552	658,574
Meezan Bank Limited	390,000	10	3,900	28,658
National Bank Of Pakistan	8,992,000	10	89,920	617,572
Nishat Chunian Limited	3,255,340	10	32,553	198,944
Nishat Chunian Power Limited	3,298,500	10	32,985	127,202
Nishat Mills Limited	1,911,800	10	19,118	295,566
National Refinery Limited	497,900	10	4,979	280,421
Oil and Gas Development Company Limited	4,892,000	10	48,920	768,766
Pioneer Cement Limited	2,465,800	10	24,658	299,725
Pakgen Power Limited	15,130,000	10	151,300	404,467
Pakistan Oilfields Limited	5,000	10	50	2,682
Pakistan Petroleum Limited	769,800	10	7,698	128,762
Pakistan State Oil Company Limited	2,618,740	10	26,187	887,570
Pakistan State Oil Company Limited	122,855	10	1,229	52,259
Pakistan Stock Exchange Limited	40,073,830	10	400,738	1,122,067
Pakistan Telecommunication Company Limited	50,000,000	10	500,000	947,814
Saif Power Limited	27,768,354	10	277,684	277,684
Thal Limited	249,900	5	1,250	138,216
United Bank Limited	5,007,100	10	50,071	1,195,076
Carrying value before Provision				<u>19,661,232</u>
<b>Investment in Real Estate Investment Trust</b>				
Dolmen City REIT	14,000,000	10	140,000	154,000
				<u>19,815,232</u>
Provision for diminution in value of investments				<u>(1,117,390)</u>
Book Value				<u>18,697,842</u>
<b>Investments in preference shares</b>				
Masood Textile Mills Limited	9,750,000	10	97,500	<u>97,500</u>
<b>Investments in units</b>				
National Investment Trust Limited	673,546	10	6,735	<u>11,113</u>

## Annexure 'I' as referred to in note 8.9 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	12.04%	12,036,972	10	120,370	256,346	439,179	June 30, 2017	Aftab Ahmed Dewan
Engro Powergen Thar (Private) Limited	11.20%	139,521,847	10	1,395,218	1,395,085	1,998,345	September 30, 2017	Shamsuddin A Shaikh
Pakistan Mortgage Refinance Company Limited	10.20%	1,530,000	10	15,300	15,300	15,735	December 31, 2016	N. Kokularupan Narayanasamy
Sindh Engro Coal Mining Company Limited	12.68%	64,561,380	10	645,614	956,800	1,120,293	September 30, 2017	Shamsuddin A Shaikh
Pak Agriculture Storage and Services Corporation Limited *	18.33%	5,500	1000	5,500	5,500	228,378	March 31, 2017	Muhammad Khan Khichi
DHA Cogen Limited	19.87%	66,260,300	10	662,603	-	-	-	Not available
<b>Share holding upto 10%</b>								
National Institutional Facilitation Technologies(Private) Limited	9.07%	2,266,609	10	22,666	1,527	68,784	June 30, 2017	Haider Wahab
First Women Bank Limited*	5.78%	23,095,324	10	230,953	63,300	219,603	September 30, 2017	Ms. Tahira Raza
National Investment Trust Limited	8.33%	79,200	100	7,920	100	1,079,031	June 30, 2017	Shahid Ghaffar
SME Bank Limited *	0.83%	1,987,501	10	19,875	13,475	(954)	September 30, 2017	Ihsan Ul Haq Khan
Benefit company	0.26%	80	29,284	2,343	2,343	13,421	December 31, 2016	Abdul Wahid Janahi
Credit Information Bureau	0.32%	800	71.98	58	58	9,146	December 31, 2016	C J P Siriwardena
Lanka Clear (Private) Limited	0.03%	5,000	7.49	37	360	377	March 31, 2017	Channa De Silva
SME Equity Fund Limited	0.12%	56,208	30.56	1,718	1,653	-	-	Not available
					2,711,847			
Provision against unlisted shares					(82,274)			
Book value					2,629,573			

\*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	
						Principal	Interest / Profit
		Rupees	(Rupees '000)				
Available-for-Sale							
Term finance certificates							
Pakistan International Airlines Corporation Limited	594,976	5,000	2,974,880	6,071,278	6MK +1.25%	16 equal quarterly installments	Quarterly
Azgard Nine Limited *	9,233	5,000	46,165	46,165	N/A	7 stepped up Semi Annual installment till maturity	Semi Annually
Worldcall Telecom Limited *	96,000	5,000	480,000	193,083	6MK +1.60%	3 equal Semi Annual installments till maturity	Semi Annually
				6,310,526			
Sukus							
Quetta Textile Mills Limited *	20,000	5,000	100,000	44,137	6MK +1.00%	16 equal quarterly installments	Semi Annually
Arzoo Textile Mills Limited *	4,000	5,000	20,000	20,000	6MK +1.75%	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			
				(303,387)			
*Fully provided		Provision Book Value	6,496,276				
Bonds							
Ascott Capital Pte Limited	-	-	-	42,299	2.35%	At maturity	Semi Annually
Ascott REIT MTN Pte Limited	-	-	-	42,183	2.00%	At maturity	Semi Annually
Capital and Treasury Limited	-	-	-	175,244	1.98%	At maturity	Semi Annually
City Development Limited	-	-	-	250,960	2.54%	At maturity	Semi Annually
City Development Limited	-	-	-	41,538	2.07%	At maturity	Semi Annually
City Development Limited	-	-	-	82,937	2.84%	At maturity	Semi Annually
Housing and Development Board	-	-	-	82,947	1.81%	At maturity	Semi Annually
Housing and Development Board	-	-	-	62,000	1.81%	At maturity	Semi Annually
Housing and Development Board	-	-	-	82,890	2.02%	At maturity	Semi Annually
Housing and Development Board	-	-	-	103,276	1.74%	At maturity	Semi Annually
Emirates NBD Bank PJSC	-	-	-	1,502,990	2.43%	At maturity	Semi Annually
First Gulf Bank PJSC	-	-	-	1,502,990	2.42%	At maturity	Semi Annually
				3,972,254			
Held-to-maturity							
Term finance certificates							
Water & Power Development Authority	263,889	10,000	2,638,890	2,638,890	6MK + 1.4%	Semi Annually	Semi Annually
Bank Al-Habib Limited	56,200	5,000	281,000	281,000	6MK + 1.5%	Semi Annually	Semi Annually
				2,919,890			
Sukus							
K-Electric Limited	100,000	5,000	500,000	500,000	3MK + 2.75%	At maturity	Quarterly
Liberty Power Tech Limited	21,859,230	100	2,185,923	1,048,357	3MK + 3.00%	Quarterly	Quarterly
Neelum Jhelum Hydro Power Company Limited	16,500	100,000	1,650,000	1,650,000	6MK + 1.13%	Semi Annually	Semi Annually
Neelum 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 Northern Gas Pipe Line Limited	25,608	5,000	128,040	128,041	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	20,487	5,000	102,435	102,433	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	69,585	5,000	347,925	347,925	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	51,216	5,000	256,080	256,082	6MK + 1.10%	Semi Annually	Semi Annually
Sui Southern Gas Company Limited	200,000	5,000	1,000,000	166,667	3MK + 0.70%	Quarterly	Quarterly
Sui Southern Gas Company Limited	309,859	5,000	1,549,295	1,549,292	6MK + 1.10%	Semi Annually	Semi Annually
Sui Southern Gas Company Limited	130,141	5,000	650,705	650,704	6MK + 1.10%	Semi Annually	Semi Annually
Water & Power Development Authority	352,430	10,000	3,524,300	3,524,300	6MK + 1.45%	Semi Annually	Semi Annually
Water & Power Development Authority	398,400	5,000	1,992,000	1,142,183	6MK + 1.75%	Semi Annually	Semi Annually
				14,358,984			



## Annexure 'I' as referred to in note 8.9 of the Consolidated Financial Statements

	Outstanding Amount	Rate of Interest	Terms of Redemption	
			Principal	Interest / Profit
Rupees '000				
SoQ Sukuk A QSC	552,145	2.10%	At maturity	Semi Annually
QNB Finance Ltd	551,637	2.13%	At maturity	Semi Annually
ADCB Finance Cayman Ltd	552,358	2.50%	At maturity	Semi Annually
Commercial Bank of Dubai PSC	1,108,696	3.38%	At maturity	Semi Annually
SABIC Capital II BV	222,093	2.63%	At maturity	Semi Annually
AHB Sukuk Co Ltd	555,886	3.27%	At maturity	Semi Annually
ADCB Finance Cayman Ltd	554,721	3.00%	At maturity	Semi Annually
Emirates Telecommunications Group Co PJSC	553,814	2.38%	At maturity	Semi Annually
Emirates NBD PJSC	223,679	3.25%	At maturity	Semi Annually
Banque Ouest Africaine de Developpment	283,689	5.50%	At maturity	Semi Annually
QNB Finance Ltd	331,890	2.84%	At maturity	Quarterly
African Export-Import Bank	276,696	4.00%	At maturity	Semi Annually
Emirates NBD PJSC	332,704	2.92%	At maturity	Quarterly
Agricultural Bank of China	331,270	2.13%	At maturity	Semi Annually
Bank Nederlandse Gemeenten	1,058,559	1.13%	At maturity	Annually
Bank of America	455,452	7.75%	At maturity	Annually
Bank of Baroda	488,613	4.88%	At maturity	Semi Annually
Bank of China (Hungary Branch)	662,356	0.67%	At maturity	Quarterly
Caisse d' Amortissement de la Dette Sociale	1,374,978	3.75%	At maturity	Annually
China Construction Bank (Hong Kong)	110,380	2.25%	At maturity	Quarterly
CIMB Bank	110,380	2.39%	At maturity	Quarterly
Close Brothers Group	808,768	3.88%	At maturity	Semi Annually
Clydesdale Bank	745,455	0.65%	At maturity	At maturity
Daimler AG	777,257	2.75%	At maturity	Annually
Debenhams	616,676	5.25%	At maturity	Semi Annually
Deutsche Bank	1,490,984	0.77%	At maturity	At maturity
Dubai Islamic Bank	561,475	3.60%	At maturity	Semi Annually
Emirates NBD	336,252	3.25%	At maturity	Semi Annually
European Investment Bank	691,682	5.38%	At maturity	Annually
FirstRand Bank	726,972	4.25%	At maturity	Semi Annually
Firstgroup	313,398	8.13%	At maturity	Annually
GKN Holdings	327,058	6.75%	At maturity	Annually
Glencore Funding	386,249	2.13%	At maturity	Semi Annually
Goldman Sachs	555,026	2.60%	At maturity	Semi Annually
Hikma Pharmaceuticals	336,005	4.25%	At maturity	Semi Annually
IBRD	297,092	0.75%	At maturity	Annually
ICBC	167,263	2.91%	At maturity	Semi Annually
ICICI Bank	357,335	5.75%	At maturity	Semi Annually
Islamic Development Bank	546,473	1.78%	At maturity	Semi Annually
Jaguar Land Rover	566,032	4.25%	At maturity	Semi Annually
KFW	300,959	1.13%	At maturity	Annually
Marks & Spencer	869,232	6.13%	At maturity	Annually
Mitsubishi UFJ Financial Group	110,851	2.62%	At maturity	Quarterly
NEDBank Limited	1,490,910	1.28%	At maturity	At maturity
Oesterreichische Kontrollbank	710,912	2.00%	At maturity	Annually
Prudential	223,433	1.75%	At maturity	Annually
Qatar National Bank	551,902	2.84%	At maturity	Quarterly
Qatar Islamic Bank	1,103,804	2.94%	At maturity	Quarterly
Rolls-Royce Holdings	752,587	6.75%	At maturity	Annually
Sumitomo Mitsui FG	554,188	2.14%	At maturity	Quarterly
Swedbank	373,026	1.63%	At maturity	Annually
TAQA	112,458	3.63%	At maturity	Semi Annually
Eastern and Southern African Trade and Development Bank	109,859	5.38%	At maturity	Semi Annually
Tesco	678,113	6.13%	At maturity	Annually
Vakifbank	167,923	5.00%	At maturity	Semi Annually
Virgin Money Holdings	305,419	2.25%	At maturity	Annually
	39,277,370			



## Annexure 'I' as referred to in note 8.9 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>		
Allied Bank Limited	271,860	AA+
AgriTech Limited	31,171	Unrated
Adamjee Insurance Company Limited	210,712	AA+
Attock Petroleum Limited	176,252	Unrated
Attock Refinery Limited	112,846	AA
Bank Al-Habib Limited	75,459	AA+
Cherat Cement Company Limited	500,160	A
Dawood Hercules Corporation Limited	150,356	AA-
D.G. Khan Cement Company Limited	499,498	Unrated
Engro Fertilizers Limited	589,570	AA-
Engro Foods Limited	474,696	Unrated
Engro Corporation Limited	539,884	AA
Fauji Cement Company Limited	203,381	Unrated
Fauji Fertilizer Bin Qasim Limited	532,585	Unrated
Fauji Fertilizer Company Limited	1,113,513	AA
Habib Metropolitan Bank Limited	51,750	AA+
Hub Power Company Limited	1,647,100	AA+
International Steels Limited	227,100	A+
Kot Addu Power Company Limited	1,222,910	AA+
K-Electric Limited	355,616	AA
Lalpur Power Limited	409,686	AA
Lucky Cement Limited	494,204	Unrated
Meezan Bank Limited	26,169	AA
National Bank Of Pakistan	436,652	AAA
Nishat Chunian Limited	148,997	Unrated
Nishat Chunian Power Limited	108,554	Unrated
Nishat Mills Limited	285,814	AA
National Refinery Limited	214,530	AA+
Oil and Gas Development Company Limited	796,369	AAA
Pioneer Cement Limited	155,641	A
Pakgen Power Limited	334,827	AA
Pakistan Oilfields Limited	2,971	Unrated
Pakistan Petroleum Limited	158,510	Unrated
Pakistan State Oil Company Limited	767,579	AA
Pakistan Stock Exchange Limited	897,654	Unrated
Pakistan Telecommunication Company Limited	652,500	Unrated
Saif Power Limited	803,338	A+
Thal Limited	127,674	Unrated
United Bank Limited	941,185	AAA
	16,749,273	
<b>Investment in Real Estate Investment Trust</b>		
Dolmen City REIT	154,000	RR1
	16,903,273	
<b>Preference Shares</b>		
Masood Textile Mills Limited	97,500	Unrated
<b>Unlisted Shares</b>		
<b>Shareholding more than 10%</b>		
Central Depository Company	256,346	Not available
Engro Powergen Thar (Private) Limited	1,395,085	A
Pakistan Mortgage Refinance Company Limited	15,300	Not available
Pak Agriculture Storage and Services Corporation Limited	5,500	Not available
Sindh Engro Coal Mining company Limited	956,800	Not available
<b>Shareholding upto 10%</b>		
National Institutional Facilitation Technologies(Private) Limited	1,527	Not available
First Women Bank Limited	63,300	A-
National Investment Trust Limited	100	AM2++
SME Bank Limited	13,475	B
Benefit company	2,343	Not available
Credit Information Bureau	58	Not available

## Annexure 'I' as referred to in note 8.9 of the Consolidated Financial Statements

### 5) Quality of Investments classified as available for sale (AFS)

#### Investee

Lanka Clear (Private) Limited  
SME Equity Fund Limited

Cost	Credit Rating
Rupees 000	
360	Not available
1,653	Not available
2,711,847	

#### Federal Government Securities

Market Treasury Bills  
Pakistan Investments Bonds

Market Value	Credit Rating
Rupees 000	
462,302,835	Score - 7
373,446,766	Score - 7
835,749,601	

#### Government of Pakistan Islamic Ijarah Sukuks

Government of Pakistan Ijarah Sukuk - XVI  
Government of Pakistan Ijarah Sukuk - XVII  
Government of Pakistan Ijarah Sukuk - XVIII  
Government of Pakistan Ijarah Sukuk - XIX

26,184,600	Score - 7
39,526,500	Score - 7
9,977,931	Score - 7
8,002,196	Score - 7
83,691,227	

#### Government of Pakistan Euro Bonds

##### Foreign Bonds

Bank of America Corp  
Citigroup Inc  
Ford Motor Credit Co LLC  
Ford Motor Credit Co LLC  
Goldman Sachs Group Inc  
Goldman Sachs Group Inc  
JPMorgan Chase & Co  
Korea National Oil Corp  
Macquarie Group Ltd  
Morgan Stanley  
Morgan Stanley  
Wells Fargo & Co  
Bank of Tokyo-Mitsubishi UFJ Ltd  
Petronas Capital Ltd  
Ooredoo International Finance Ltd  
MAF Global Securities Ltd  
SoQ Sukuk A QSC  
QNB Finance Ltd  
ADCB Finance Cayman Ltd  
Commercial Bank of Dubai PSC  
SABIC Capital II BV  
AHB Sukuk Co Ltd  
ADCB Finance Cayman Ltd  
Emirates Telecommunications Group Co PJSC  
Emirates NBD PJSC  
Banque Oueat Africaine de Developpement  
QNB Finance Ltd  
African Export-Import Bank  
Emirates NBD Bank PJSC  
Ascott Capital Pte Limited  
Ascott REIT MTN Pte Limited  
Capital and Treasury Limited  
City Development Limited  
City Development Limited  
City Development Limited  
Housing and Development Board  
Housing and Development Board  
Housing and Development Board  
Housing and Development Board  
Emirates NBD Bank PJSC  
First Gulf Bank PJSC  
Agricultural Bank of China  
Bank Nederlandse Gemeenten  
Bank of America  
Bank of Baroda  
Bank of Baroda  
Bank of China (Hungary Branch)  
Caisse d' Amortissement de la Dette Sociale

2,258,324	Score - 7
1,140,720	A3
1,121,287	Baa1
328,303	Baa2
561,361	Baa2
556,834	A3
1,030,424	A3
564,618	A3
331,351	Aa2
222,358	A3
907,983	A3
224,059	A3
563,790	A2
552,086	Unrated
335,227	A1
593,658	A2
577,095	BBB
552,196	Unrated
551,865	Aa3
552,086	A1
1,107,705	Baa1
221,386	A1
556,503	A2
555,675	A1
553,356	Aa3
223,352	A3
293,489	Baa1
331,285	Aa3
280,598	Baa1
333,073	A3
42,542	Unrated
42,237	Baa3
174,628	Unrated
252,349	Unrated
41,619	Unrated
84,382	Unrated
83,105	Aaa
62,103	Aaa
83,364	Aaa
103,301	Aaa
1,502,990	A3
1,502,990	Unrated
330,385	A2
1,052,664	Aaa
457,477	A3
341,100	Baa3
147,492	Baa3
662,833	A1
1,376,497	Aa2

## Annexure 'I' as referred to in note 8.9 of the Consolidated Financial Statements

### 5) Quality of Investments classified as available for sale (AFS)

Investee	Market Value Rupees 000	Credit Rating
China Construction Bank (Hong Kong)	110,418	A1
CIMB Bank	110,607	A3
Close Brothers Group	805,732	Aa3
Clydesdale Bank	745,455	Baa2
Daimler AG	781,124	a2
Debenhams	598,418	Ba3
Deutsche Bank	1,490,909	A3
Dubai Islamic Bank	557,864	A3
Emirates NBD Bank PJSC	334,863	A3
European Investment Bank	687,539	Aaa
FirstRand Bank	170,953	Baa3
FIRSTGROUP	313,270	BBB
FirstRand Bank	564,485	Baa3
GKN Holdings	327,688	Baa3
Glencore Funding	386,287	Baa2
Goldman Sachs	552,891	A3
Hikma Pharmaceuticals	333,392	Ba1
IBRD	296,991	Aaa
ICBC	166,909	A1
ICICI Bank	355,499	Baa3
Islamic Development Bank	540,828	Aaa
Jaguar Land Rover	570,440	Ba1
KFW	301,408	Aaa
MARKS & SPENCER	866,457	Baa3
Mitsubishi UFJ Financial Group	111,954	A1
NEDBank Limited	745,455	Baa3
NEDBank Limited	745,455	Baa3
Oesterreichische Kontrollbank	110,226	Aa1
Oesterreichische Kontrollbank	605,056	Aa1
Prudential	225,632	A2
Qatar National Bank	552,198	Aa3
Qatar Islamic Bank	547,021	A+
Qatar Islamic Bank	538,447	A+
Rolls-Royce Holdings	752,243	A3
Sumitomo Mitsui FG	553,569	A1
Swedbank	376,428	Aa3
TAQA	112,307	A3
Eastern and Southern African Trade and Development Bank	115,699	Baa3
Tesco	689,080	Ba1
Vakifbank	168,966	Ba1
Virgin Money Holdings	304,025	BBB+
	<b>43,291,969</b>	
<b>Overseas Government Securities</b>		
Bank of Netherland	334,524	Aaa
Central Bank of Bahrain	256,346	Unrated
Bank of Mauritius	1,318,699	Unrated
Government of Indonesia	22,744	Baa3
Government of Oman	222,557	Baa2
Government of Sri Lanka	1,185,214	B1
Government of US	2,754,427	Aaa
Government of Germany	491,258	Aa1
Government of Pakistan	391,049	B3
Monetary Authority of Singapore	1,732,108	Aaa
Perusahaan Penerbit SBSN Indonesia	174,947	Baa3
	<b>8,883,873</b>	
<b>Term Finance Certificates</b>		
Pakistan International Airlines Corporation Limited	6,071,278	Unrated
<b>Sukuks</b>		
Pakistan International Airlines Corporation Limited	425,000	Unrated
<b>NIT Units</b>	47,303	Unrated

## Details of Advances Written-Off

## ANNEXURE-II

Details of advances written-off for the year ended December 31, 2017 is disclosed in Annexure II of the Unconsolidated Financial Statements.

## ANNEXURE-III

## Details of Disposal of Operating Fixed Assets - Consolidated Financial Statements

For the year ended December 31, 2017

Description	Original cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Particulars of buyer
----- (Rupees in '000) -----						
Building	2,245	93	2,152	2,000	Insurance Claim	Jubilee General Insurance Company Limited
	2,245	93	2,152	2,000		
Furniture, fixtures and office equipment	3,147	2,354	793	-	Write-off	N/A
	7,301	6,695	606	-	Write-off	N/A
	6,435	6,132	303	-	Write-off	N/A
	5,775	5,472	303	-	Write-off	N/A
	4,448	4,145	303	-	Write-off	N/A
	4,166	3,863	303	-	Write-off	N/A
	4,166	3,863	303	-	Write-off	N/A
	3,758	3,455	303	-	Write-off	N/A
	1,967	656	1,311	-	Write-off	N/A
	1,435	1,435	-	-	Write-off	N/A
	1,383	1,083	300	-	Write-off	N/A
	1,323	353	970	-	Write-off	N/A
	1,232	657	575	-	Write-off	N/A
	1,142	286	856	-	Write-off	N/A
	1,135	1,135	-	-	Write-off	N/A
	912	334	578	644	Insurance Claim	Jubilee General Insurance Company Limited
	912	349	563	571	Insurance Claim	
	1,100	1,100	-	1	Sale	Electro Link
	51,737	43,367	8,370	1,216		
Leasehold improvements	6,147	6,147	-	300	Auction	Bank Alfalah
	30,454	13,445	17,009	-	Write-off	N/A
	1,031	1,031	-	3	Auction	Quarban General Store
	11,011	11,011	-	565	Insurance Claim	Jubilee General Insurance Company Limited
	48,643	31,634	17,009	868		
Vehicles	1,354	1,354	-	1,090	Auction	Kamran Pirzada
	1,269	1,269	-	980	Auction	
	1,399	1,399	-	1,075	Auction	Mrs. Javaria Hayee
	1,239	1,239	-	855	Auction	
	1,238	1,238	-	760	Auction	Muhammad Arif
	1,299	1,299	-	785	Auction	
	1,269	1,269	-	750	Auction	Muhammad Bilal
	1,384	1,384	-	1,114	Auction	
	1,239	1,239	-	900	Auction	Muhammad Nasir Khan
	1,300	1,300	-	950	Auction	
	1,269	1,269	-	840	Auction	Muhammad Umar
	1,080	1,080	-	640	Auction	
	1,269	1,269	-	810	Auction	Saeed ur Rehman
	1,337	1,337	-	1,070	Auction	Zulqarnain Hafeez Cheema
	1,885	1,885	-	226	Auction	Nadeem Danish
	1,731	433	1,298	1,471	Insurance Claim	Jubilee Insurance (Mauritius) Limited
	1,013	1,013	-	-	Write-off	N/A
	1,017	831	186	544	Sale	Ch.Ihsan Mehmood - Employee
	1,017	831	186	531	Sale	Ghulam Shah - Employee
	1,027	839	188	550	Sale	Muhammad Asad - Employee
	1,043	678	365	567	Sale	Aziz Majeed - Employee
	1,069	657	412	620	Sale	Kashif Zafar - Employee
	1,044	679	365	617	Sale	Khuram Gull Khan - Employee
	1,069	657	412	557	Sale	Masood Malik - Employee
	1,069	657	412	640	Sale	Nooruddin Badruddin - Employee
	1,034	638	396	512	Sale	Rakhshanda - Employee
	1,069	657	412	592	Sale	Shah Makeen - Employee
	1,034	638	396	553	Sale	Usman Bhutta - Employee
	1,074	662	412	597	Sale	Usman Manzoor - Employee

## Details of Disposal of Operating Fixed Assets - Consolidated Financial Statements

For the year ended December 31, 2017

Description	Original cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Particulars of buyer
(Rupees in '000)						
<b>Vehicles</b>						
	1,095	528	567	619	Sale	Ali Meher - Employee
	1,095	528	567	567	Sale	Muhammad Zaheer - Employee
	1,082	504	578	628	Sale	Nooruddin Dinal - Employee
	1,095	528	567	589	Sale	Raza Abbas - Employee
	1,052	246	806	807	Sale	Abdul Wakeel - Employee
	1,084	361	723	722	Sale	Naveed ul Islam - Employee
	1,084	361	723	722	Sale	Rizwan Maqsood - Employee
	1,079	360	719	719	Sale	Salman Mehmood - Employee
	1,053	211	842	842	Sale	Abdul Khaliq - Employee
	1,053	211	842	842	Sale	Ahmed Farhan - Employee
	1,792	1,099	693	1,061	Sale	Nawroz M Ali - Employee
	1,704	596	1,108	1,159	Sale	Sadiq Shahbaz - Employee
	1,745	1,512	233	1,068	Sale	Ali Raza Anjum - Employee
	1,809	452	1,357	1,357	Sale	Zehra Khalikdina - Employee
	1,809	332	1,477	1,478	Sale	Ayesha Baig - Employee
	1,544	1,414	130	957	Sale	Omer Janjua - Employee
	1,607	1,445	162	919	Sale	Adnan Zafar - Employee
	1,654	689	965	1,209	Sale	Nadeem Iqbal - Employee
	1,673	697	976	1,199	Sale	Wajahat Malik - Employee
	2,123	2,122	1	206	Sale	Aamir Masood Khan - Employee
	1,084	361	723	686	Sale	Irum Sardar - Employee
	64,456	44,257	20,199	39,552		
<b>Subtotal</b>	<b>167,081</b>	<b>119,351</b>	<b>47,730</b>	<b>43,636</b>		
Assets individually having cost of less than Rs. 1 million and book value of less than Rs. 250,000						
Others	197,769	195,496	2,273	39,474		
<b>Total</b>	<b>364,850</b>	<b>314,847</b>	<b>50,003</b>	<b>83,110</b>		

# HBL Domestic Network

As at December 31, 2017

## - Retail Branches Conventional

### Name of Region

Bahawalpur	62
Faisalabad	99
Gujranwala	72
Gujrat	76
Hyderabad	60
Islamabad	144
Jhelum	78
Karachi	171
Lahore	118
Mardan	95
Mirpur A.K.	59
Multan	111
Muzaffarabad	40
Peshawar - D.I.Khan	105
Quetta	45
Sahiwal	82
Sargodha	77
Sialkot	81
Sukkur	51

## Number of Branches

## - Islamic Banking Branches

47

## - Commercial Branches

19

## - Corporate Branches (Including KEPZ)

12

**1,704**

## Subsidiaries

Habib Bank Financial Services (Private) Limited  
HBL Currency Exchange (Private) Limited  
HBL Asset Management Limited  
The FirstMicroFinance Bank (FMFB)

## FMFB Branch Network

Sindh	35
Punjab	51
Khyber Pakhtunkhwa	6
Azad Kashmir	2
Gilgit Baltistan	18
	<b>112</b>

## Number of Branches

## Associates

Jubilee General Insurance Company Limited  
Jubilee Life Insurance Company Limited







# Unconsolidated Financial Statements

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# Directors' Report 2017

On behalf of the Board of Directors, I am pleased to present the Unconsolidated Financial Statements for the year ended December 31, 2017.

## Macroeconomic Review

The year 2017 ended on a mixed note for the economy as improvements in growth and output were tempered by increasing concerns on the external account. Headline inflation has remained stable, averaging 3.84% during 8M FY18 compared to 3.90% for the same period last year, mainly due to muted food inflation. Despite rising domestic petroleum prices and a weakening rupee, average annual inflation is likely to remain within SBP's target range of 4.5-5.5%. Improved energy supplies have led to higher industrial output and a 6.3% growth in the Large Scale Manufacturing index during 7M FY18. With the agriculture and services sectors also expected to meet annual targets, GDP growth is likely to exceed 5.5% for FY18.

Exports returned to a growth trajectory, rising by 12% for 8M FY18 over the corresponding period of last year. However, with import growth of 17% outpacing improvements in exports, the trade deficit increased by 22%. After a decline in 2017, remittances grew by 3%, but were not sufficient to alleviate the pressure on the current account deficit which has widened by 50% during 8M FY18. Total foreign exchange reserves have declined to USD 18.2 billion, a 15% drop since the end of FY17, despite USD 2.5 billion of external debt issuance in late 2017. Rising external pressures and declining reserves have finally resulted in an adjustment of the currency as by March, the Rupee had depreciated by 9% since late December 2017.

The fiscal deficit of 2.2% of GDP for H1 FY18 is lower than the 2.4% recorded for H1 FY17, on the back of improved tax collection. However, given the election year, a widening of the tax base seems unlikely, while generosity in infrastructure investment and development spending will continue to strain expenditure. The fiscal imbalance thus remains a major challenge, with the FY18 target of 4.2% seeming ambitious.

The IMF, in its post-program monitoring report, highlighted the weakening macro-economic situation on the back of widening fiscal and external deficits, a decline in foreign exchange reserves and risks to medium-term debt sustainability. The IMF has recommended greater exchange rate flexibility, monetary tightening and strengthening of fiscal discipline. Fitch, while affirming Pakistan's 'B' rating, downgraded its Outlook to Negative on the grounds that gains made under the IMF program have been partially reversed.

Pakistan's equity market remained extremely volatile in 2017 after fading of the initial euphoria over inclusion in the MSCI Emerging Market Index, when the PSX index had crossed 52,000 in an extended bull run. Subsequent retreats by Frontier Market funds, an extended period of political uncertainty and concerns over external account stability resulted in dampening investor confidence with the PSX ultimately losing 15% over the year, a fall of 23% from peak levels. The index has partially recovered in 2018, increasing by 10%, supported by currency adjustments and improvement in Foreign Portfolio Investment.

In its January monetary policy statement, the SBP raised its policy rate by 25 bps to 6.0% in a surprise move, after keeping it unchanged since May 2016. The SBP cited Rupee depreciation, higher oil prices, rate increases by other central banks and narrowing of the output gap as factors behind the rate move. Private sector credit accelerated by 15% in 2017 to Rs. 4.8 trillion, supported by low interest rates, increase in manufacturing output and higher demand for consumer goods. After several years of sluggish performance, banking sector advances showed a strong growth of 19%, while deposits increased by 10%. Average spreads for the banking sector continued to contract and were 18 bps lower than in 2016.

## Financial Performance

In September 2017, as discussed in the Directors' Report for the nine months ending September 30, 2017, HBL signed a Consent Order with the New York State Department of Financial Services (NYSDFS), under which HBL made a settlement payment of USD 225 million to NYSDFS. This has materially impacted HBL's financial results for the year. Consequently, HBL has recorded a pre-tax profit of Rs. 26.8 billion for the year 2017 with profit after tax at Rs. 7.1 billion. Earnings per share for 2017 are at Rs. 4.82 compared to Rs. 21.69 for 2016. Excluding the impact of this payment, profit before tax for 2017 would be Rs. 50.5 billion, compared to a pre-tax profit of Rs. 52.2 billion declared in 2016 and EPS would be Rs. 20.98.

HBL's balance sheet has grown by 7% over December 2016 to Rs. 2.6 trillion. Domestic deposits have increased by 12%, with market share improving from 14.1% in December 2016 to 14.3% in December 2017. The growth in domestic deposits has been mainly through an increase in CASA deposits with the CASA ratio improving from 85.5% to 86.4%. Domestic current deposits have increased by 14% to Rs. 628 billion and now constitute 35.6% of the mix. In Q4 17, post the cessation of US Dollar clearing by HBL's New York branch, the Bank carried out an extensive de-risking exercise in its international business, with deposits falling by more than \$650 million from September 2017 levels. Consequently, HBL's total deposits grew by 6%, to Rs. 1.9 trillion.

The domestic lending book grew by 22% and crossed Rs. 700 billion; however, with international advances declining sharply, total net advances increased by only 12% and crossed Rs. 800 billion. Average domestic loans grew by 29% over 2016 with all business segments registering significant increases. While a 16% growth in average domestic current deposits helped to reduce deposit cost, margins continued to decline because of competition driven pricing and falling investment yields. However, this was partially offset by an 11% growth in the average balance sheet, resulting in net interest income reduced marginally in 2017, to Rs. 78.9 billion.

Non-mark-up income of Rs. 29.7 billion for 2017 was 15% higher than the last year. Fees and commissions reduced marginally to Rs 17.5 billion, entirely as a result of reduction in international business as domestic fee income grew by 3% over 2016. Income from treasury related activities increased by 46% to Rs 11.2 billion, with majority of growth coming from capital gains on fixed income bonds but also supported by higher dividend income from mutual funds.

Administrative expenses rose by 12% over 2016 including a higher spend on remediation efforts at the New York branch. Excluding these, expense growth was contained to single digits. An excellent recovery performance in the domestic business resulted in a reduction of Rs. 2.2 billion in domestic non-performing loans and consequently, total provisions reduced to Rs. 0.1 billion in 2017 compared to a Rs 0.8 billion recorded last year. The Asset Quality ratio improved to 7.8%, its lowest level since HBL's privatization. The coverage ratio as at December 31, 2017 further improved to 94.8% compared to 93.0% in December 2016.

## Movement in Reserves

	2017 Rupees in million	2016
<b>Profit after tax</b>	<b>7,064</b>	<b>31,820</b>
Unappropriated profit brought forward	97,447	89,934
Profit after tax	7,064	31,820
Re-measurement loss on defined benefit obligations – net	(1,008)	(623)
Transferred from surplus on revaluation of assets – net of tax	37	34
	<b>6,093</b>	<b>31,231</b>
Profit available for appropriation	<b>103,540</b>	<b>121,165</b>
<b>Appropriations:</b>		
Transferred to statutory reserves	(706)	(3,182)
Cash dividend – Final	(5,134)	(5,134)
1st interim cash dividend	(5,134)	(5,134)
2nd interim cash dividend	(5,134)	(5,134)
3rd interim cash dividend	-	(5,134)
Total appropriations	<b>(16,108)</b>	<b>(23,718)</b>
<b>Unappropriated profit carried forward</b>	<b>87,432</b>	<b>97,447</b>
Earnings per share (Rupees)	<b>4.82</b>	<b>21.69</b>

## Capital Ratios

The unconsolidated Capital Adequacy Ratio (CAR) improved from 15.3% as at December 31, 2016 to 15.8% at the end of 2017, while the Tier 1 CAR increased slightly to 12.1%. The robust CAR levels are the consequence of a comprehensive exercise carried out by the Bank to restore its capital ratios which had fallen sharply subsequent to the settlement payment. Both ratios remain well above regulatory requirements.

## Business Developments

Branch Banking continues to be the growth engine for the bank, both for new customer acquisition as well as low cost deposit growth. HBL has maintained its leadership position with a market share of over 14%, while adding Rs. 172 billion in CASA balances and improving the deposit mix. This year HBL added a record 1.3 million new customers, bringing its total domestic customer base to over 10 million.

HBL Asaan Account offers ease of account opening for smaller ticket customers and is therefore a key product for increasing access of the unbanked population to financial services. Since the launch of this product, HBL has been a market leader both in terms of accounts and volume, with a market share of around 25 percent. In 2017, HBL added more than a quarter of a million new customers in this category, and now has nearly 600,000 Asaan Accounts, contributing over Rs. 7 billion in deposits. To further its strategic commitment to promoting financial inclusion through technology, HBL introduced mobile biometric devices for verification at remote customer locations, adding ease and convenience to the account opening process.

HBL's commitment to financial inclusion for women included the launch of digital campaigns aimed at promoting and reinforcing the Bank's unique NISA proposition. HBL now proudly serves over 2.8 million women customers, the largest of any bank. The number of women customers under the Nisa Program, all of whom are new to banking, has more than doubled to nearly 300,000 by the end of 2017.

HBL continues to be the dominant player in the Bancassurance market, with a share of almost 50%. Banca-Takaful, the Islamic variant of this product has now gained increasing acceptance, comprising 33% of total sales in 2017. During the year the Bank's focus was on improving the sales process and ensuring compliance to regulations in letter and spirit. Comprehensive product training was provided to branch staff, and detailed guidelines were issued to improve quality of sales and reinforce the Bank's code of ethics.

HBL is the largest SME player in the industry and was awarded Best Bank for Small Business and Agriculture by the Institute of Bankers Pakistan for the second year in a row. The business added more than 1,000 new SME clients across a variety of industries through its proprietary Small Business Finance product. HBL is also the largest private sector agricultural finance provider with nearly 25% of the commercial bank market share in this segment. HBL is committed to financial inclusion of the rural population as this segment is of critical importance to Pakistan's economic development.

Service Quality remains a strategic priority of the Bank. Customer feedback from external surveys, mystery shopping and internal engagement with stakeholders led to strengthening of service quality programs and enhanced internal monitoring of customer touch points. Complaints volume dropped by 54% compared to 2016 through focused work by the service quality team, business owners and functions. Key initiatives included reduction in turnaround time, a well-defined escalation matrix and linkage of complaint resolution to staff performance. The Conduct Assessment Framework (CAF) committee worked on cross-bank initiatives for Fair Treatment to Customers as per SBP guidelines resulting in the Bank's CAF rating improving to 1.70 in 2017. In 2017, 60,959 complaints were received directly by the Bank. On average, 3 days were taken to resolve the complaints.

HBL's Consumer Banking business, which helps people achieve their financial aspirations, continues its consistent and steady growth. In 2017, the portfolio grew by 14% to Rs. 45 billion, with the major contribution coming from personal loans and car loans. The overall asset quality continues to be well managed with extremely low loss rates even after several years of high growth.

HBL's credit card usage grew by 40% over 2016, significantly increasing market share. The flagship Platinum Card, with market leading features and discounts, remains the most sought after credit card in the industry. HBL continues to be the clear market leader in debit cards, with 4.6 million cards in circulation. In 2017, HBL successfully launched PayPak as an entry level debit card, supporting Pakistan's first domestic payment scheme. A re-engineering of the card delivery process has resulted in an improvement in the delivery rate from 55% to 85% while simplification of product variants, price rationalization and a streamlined, customer friendly activation process have improved the customer experience and led to a 50% growth in Point of Sale usage.

In 2017, HBL attained market leadership in the merchant acquiring business, in which it continues to invest, enabling the growth of the cards ecosystem in Pakistan for greater customer convenience. With 18,000 installed POS machines and an improved activation rate of 85%, total sales rose by 36% to nearly Rs. 90 billion. HBL also launched 3D Secure in collaboration with Visa and MasterCard, providing an added layer of security, but with a convenient user-friendly process. Highly successful joint campaigns were run with Pakistan's largest on-line retailer Daraz.com which contributed to an overall 80% growth in e-commerce spend through HBL.

In 2017, HBL's Islamic Banking business continued rapid growth with a 31% increase in deposits and an expansion of Rs. 52 billion in financing. Focus remained on increasing presence in the market and the business is now a name of choice for structuring / advising on big ticket Islamic syndications. The team also ensured its duty of imparting Islamic Banking knowledge to employees, with more than 1,000 staff trained in this area, while awareness of customers and the general public was enhanced by offering well designed sessions under the able guidance of HBL's Shariah Board.

HBL continues to dominate the cash management business with a market share of over 30% and volumes increasing to over Rs. 2.25 trillion. Major cash management product rollouts during the year included collection of online taxes, bulk utility bill payments and electronic disbursement of dividends. New modules were also launched to complete the product suite for corporate payments. During the year, 171 new mandates were signed and the business now serves 780 customers for cash collections and payments. The Bank won over 200 mandates during the year for its signature HBL@Work employee banking solution, which now has around 700,000 employee accounts across 1,100 companies. In 2017, customer convenience was enhanced by making services available at any HBL branch across the country. A product variant was also developed for the rapidly growing market segment of Chinese nationals working in Pakistan.

HBL's Investment Banking business continues to maintain its leadership position and was on the forefront of almost all major capital markets, infrastructure and China-centric mandates during the year. In 2017, the team successfully arranged debt financing of more than Rs. 225 billion for various transactions including the Dasu Hydro Power Project, one of the largest syndications ever arranged from the domestic market. The Bank continues to build on its expertise and experience of CPEC and is currently involved in projects exceeding USD 4 billion. HBL's leadership in this area was acknowledged through awards from various international publications.

HBL's Treasury continued to distinguish itself by retaining its rating as the top Primary Dealer in rankings announced by the SBP, a testament to HBL's prowess in the domestic fixed income market. The Bank increased its customer foreign exchange flows by nearly 10% over 2016 and was again awarded Euromoney's No. 1 ranking for Overall FX Trading in Pakistan. New funding and money market products were added to the suite of Islamic Treasury solutions during the year.

HBL has revamped its Branchless Banking proposition with an in-house developed platform. Agent on-boarding has been in progress ahead of the commercial launch and over 25,000 agents are active. A fully digitized process has enabled the Bank to be the first entity in the market to introduce end-to-end paperless onboarding. This will allow rapid scale up and also ensure that all mandatory KYC data is captured at the initiation of the relationship.

HBL intends to play a leadership role in the rapidly evolving fintech ecosystem. This year, the Bank ran an Innovation Challenge which was the first of its kind to be organized by any commercial bank in Pakistan. Two of the 3 finalists are already working with various units within HBL to deliver cutting edge solutions. HBL has also sponsored two major startup related events which have enabled participants to benefit from global industry leaders such as Google, Facebook and Amazon, venture capitalists and leading Pakistani and international investors. HBL is collaborating with leading players in the market in setting up the Karachi National Incubation Center which will host the HBL Fintech Lab.

HBL's in-house development team launched the market's first open API by a commercial bank, enabling customers to pay merchants through their deposit account. Enhancements to the Internet Banking platform and to HBL Mobile included new financial products such as e-IPO and e-insurance and a wider array of bill payment alliances. Account service requests such as cheque book ordering, account statements and card blocking can now be made directly through the mobile app instead of having to visit a branch, which was a major customer dissatisfier. HBL Mobile already has the highest downloads on the app store among local commercial banks with new services such as biometric authentication and location based discount information continuously being added.

The Bank has begun to consolidate its overseas footprint in line with its strategic direction of right-sizing its international business. In July 2017, HBL completed the sale of its Kenya business to Diamond Trust Bank, Kenya, an affiliate. As part of consolidating European operations under its UK subsidiary, the Bank's Paris branch was sold to HBL UK. The Representative Office in Iran has been closed and one branch in Kabul was closed due to heightened security concerns.



HLB opened its first branch in China in March 2017, becoming the first Pakistani bank to open a branch in China and the first South Asian bank to have a branch in North West China. The Urumqi Branch will apply for an RMB license in the near future and subsequently will be able to undertake domestic RMB business in China and cross border RMB transactions.

A number of technology initiatives were rolled out in support of the business. Credit processing has been digitized via an automated tool, covering customer screening and exposure calculation, as well as verification checks. An in-house developed Enhanced Teller System has been deployed in 350 branches and has enhanced customer experience and improved back end controls. The Trade and Treasury platforms were both upgraded and Oracle Financials was implemented to strengthen the procurement, payment and financial reporting process. HBL remains the only bank in Pakistan to be PCI-DSS certified, having retained the certification for the second year running.

HLB continued to consolidate its strong brand equity through engaging and integrated marketing communication during the course of 2017. In research conducted during the year by an external agency, HBL maintained its leadership position within the financial sector by again achieving the highest brand equity score, twice that of its nearest competitor. HBL's marketing efforts were also recognized by the Pakistan Advertisers Society through accolades such as Passion for Pakistan and Best Corporate Campaign. HBL celebrated the 70<sup>th</sup> anniversary of the country with a print and digital campaign honouring the dreamers of Pakistan. The campaign culminated with a digital video featuring Pakistanis belonging to different walks of life.

HLB Pakistan Super League (HLB PSL) continued to be the signature event on the calendar, bringing international cricket back to Pakistan and fulfilling the dreams and aspirations of millions of Pakistanis. Each year, this tournament provides a platform for the youth of the country to showcase their talent, enabling the discovery of new cricketing stars. In 2017, the new finds from HBL PSL went on to make significant contributions in winning the ICC Champions Trophy.

## Human Resources

HLB is committed to investing in its human capital by attracting top talent, investing extensively in training and development and providing growth opportunities to its people.

As part of its enhanced focus on compliance, over 100 resources were added in this area to build bench strength. In addition to hiring experienced mid-career employees, a batch of fresh graduates was inducted and given extensive classroom and hands-on training, in a newly created Compliance Academy. The branch sales force was also increased by adding over 350 Relationship Managers to the network. HBL continued its drive towards improving its gender mix by inducting a larger percentage of female employees who now constitute approximately 15% of its global work force.

Comprehensive career and learning ladders for branch Relationship Managers and Cash Officers were implemented in 2017. These will not only ensure retention but will also create a motivated work force by providing focused development and career opportunities. A comprehensive Talent Management program rolled out earlier has identified the Bank's senior top talent for whom development plans are being formulated. HBL's industry acclaimed "The League" Management Trainee program continued with the addition of another 33 Management Trainees inducted from foreign as well as top tier local universities.

HLB's ongoing focus on training and development and especially e-Learning was evidenced by an increase of over 200% in e-Learning man hours, a refreshed Anti Money Laundering training and the launch of 13 new e-Learning modules. In addition, the Bank delivered over 675,000 man-days of classroom training to its staff. Two Digital Development Hubs were launched in Hyderabad and Sukkur to enable staff in remote areas to take advantage of HBL's learning opportunities. These offer state of the art computer labs with a complete range of e-Learning modules. Enhanced customized trainings for the International network were also offered during the year.

In line with the Bank's drive towards automation of HR systems and processes, a majority of the Human Capital Management modules were successfully implemented in both the domestic as well as the international network. An automated Biometric Attendance Management System has also now been implemented covering more than 15,000 staff across all locations in Pakistan.

The relationship with the Unions remained cordial throughout the year and a two-year collective labour agreement was also signed.

## Risk Management Framework

Effective risk management is fundamental to the delivery of HBL's strategic priorities. The Bank continuously evaluates its risk architecture and governance framework in line with international best practices, new regulatory requirements and changes to its business needs and focus.

The Board of Directors provides strategic direction and approves the risk appetite of the Bank. The Board is supported by the Board Risk Management Committee which monitors, assesses and manages the risk profile of the Bank on an ongoing basis. Various risk committees at the senior management level are responsible for oversight and execution whereas day-to-day risk management activities are delegated to different levels through multi-tier management supervision and clearly articulated policies and procedures.

During 2017, HBL continued to invest in technology to improve its risk management processes. The strong risk management of the consumer business was further supplemented by the implementation of a decision support software, a move to third-generation application scorecards and development and deployment of behavioral scorecards. The Bank plans to implement the Basel II Internal Models Approach for market risk and is already calculating Value-At-Risk on an ongoing basis for its fixed income, equity and foreign exchange portfolios. An Asset Liability Management (ALM) system under implementation will enable more efficient balance sheet management and a capital calculator will allow for more accurate and real-time stress testing.

Policies, procedures and systems are in place to govern Operational Risk Management practices in a systematic and consistent manner. Key tools such as Risk Control Self-Assessment (RCSA), Key Risk Indicators and Operational Loss Data Management, are used to gauge the likelihood and severity of operational risk. The Bank increasingly uses stress testing and scenario analysis to proactively assess the impact of operational loss scenarios. Detailed RCSA exercises are conducted at regular intervals across the Bank, the results of which are evaluated against actual losses, control weaknesses and gaps.

Information and cybersecurity remains a critical area of focus. Continuous efforts are being made to strengthen HBL's ability to prevent, detect and respond to cyber-attacks by improving governance and leveraging technology advancements in cybersecurity controls. This allows the Bank to protect the integrity of its banking applications and provide customers the confidence that their financial information is protected.

HBL has embarked on a group wide compliance transformation program to proactively review and further enhance the Bank's compliance processes and improve its risk profile. For this purpose, the Bank has engaged internationally recognized consultants with experience and expertise in this area. These measures are expected to improve transaction monitoring and screening processes as well as controls around customer onboarding. HBL has already taken significant steps to de-risk its business operations and exited its relationships with a number of perceived high-risk industries and customer segments.

HBL is undertaking a number of initiatives for further improving the bank's compliance culture and controls, including enhancing the capacity and scope of the Compliance function, and has established a dedicated International Compliance department, and an independent Quality Assurance and Control unit. System upgrades and enhancements for screening and transaction monitoring have been initiated and the suite of e-Learning modules is being enhanced. A management Compliance Committee has been established to provide oversight and governance of compliance activities at the seniormost levels of the organization.

## Corporate Social Responsibility (CSR)

HBL prides itself on being a socially responsible entity and continued to play its role as a responsible corporate citizen through the support of 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. During 2017, the Bank donated Rs. 89 million, both to the HBL Foundation and also directly to deserving causes. In recognition of its CSR efforts, HBL received an award from the Pakistan Centre for Philanthropy as the third largest corporate donor in the country.

The HBL Foundation donated funds to the Marie Adelaide Leprosy Centre to conduct 10 eye surgical camps in Balochistan and 3 in Gilgit-Baltistan. Financial support was provided to Indus Hospital for its outreach centers in Badin and Rahim Yar Khan and to the Patients Aid Foundation at Jinnah Postgraduate Medical Centre for the construction of four new operation theatres. Contributions were made to Ittefaq Kidney and General Welfare Hospital in Peshawar, which will enable it to provide free dialysis to poor patients.

HBL strongly believes that education is the driving force for the economic progress of Pakistan. In this sector, donations were made to Karigar Training Institute which provides vocational and technical education, and to Lasbela University of Agriculture, Water and Marine Sciences to set up an IT Lab. The Quetta Institute of Medical Science has received financial support through establishment of an endowment fund for its scholarship program for deserving students from rural areas of Balochistan. Through the HBL Platinum Scholarship Program, 68 students were awarded scholarships in 10 leading universities across Pakistan for the academic year 2017.

The HBL Foundation has supported community welfare projects by providing donations to Indus Earth for safe drinking water projects in five villages in Thatta district and to Taraqee Foundation for solar powered ultra-filtration water purification plants at Ziarat. It is also supporting initiatives for improving access to water and for disaster resilience to residents of Gilgit-Baltistan and Chitral.

**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 in June 2017 by JCR-VIS at AAA/A-1+ for long-term and short-term respectively with the rating of its subordinated debt at AAA. Subsequent to the NYSDFS Consent Order, the Outlook on the ratings was changed to Negative and the subordinated debt was rated at AA+. Moody's also reaffirmed HBL's local and foreign currency deposit ratings at B3 and Caa1 respectively while changing the baseline credit assessment to caa1.

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 2017, HBL was conferred with several awards, the most significant of which were:

- Best Domestic Bank – Pakistan, Asiamoney
- Best Retail Bank – Pakistan, Asian Banker International Awards
- Best Bank for Small Business & Agriculture – Institute of Bankers Pakistan
- Best Investment Bank in Pakistan – Global Finance
- Best Belt and Road Initiative in South Asia – Asiamoney
- Best Trade Finance Provider in Pakistan – Global Finance
- Best Corporate Campaign – Pakistan Advertisers Society

## Future Outlook

Pakistan has seen a relatively extended period of improving macroeconomic indicators, with benign inflation, a positive growth trajectory with higher credit offtake, and improving investor and consumer confidence. However, several headwinds are now evident and will need to be carefully navigated. 2018 will carry several challenges, including the holding of timely elections. With growing demand, inflationary expectations have risen on the back of increasing international oil prices and recent adjustments to the exchange rate.

The external account is becoming a major concern, as a soaring trade deficit, with export growth continuing to lag import growth, and only modest increases in home remittances has resulted in a ballooning current account deficit. Foreign exchange reserves have eroded significantly from their peak, despite further tapping of international capital markets. The budget deficit will almost certainly breach its target and efforts must be made to avoid falling into the country's historical trap of the twin deficits. Economic growth is expected to improve; however, political stability, acceleration of the CPEC momentum and further strengthening of the export pipeline will be critical to consolidating advances made over the last few years.

HBL is expected to face a challenging year as the Bank moves to raise the bar for conduct, compliance and control. The Board reiterates its objective of promoting a "zero tolerance" compliance culture and has already initiated steps to inculcate this across all levels of the organization.

HBL remains committed to its objective of financial inclusion for all sectors of society, across the length and breadth of Pakistan. It believes in female empowerment, both as employees and as customers and is already playing a leading role in this area by enhancing gender diversity throughout the institution and ensuring the access of women to the financial sector. With its growing balance sheet, improving capital strength and unmatched footprint across all channels, HBL will continue to support the economic growth of the country, and will be at the forefront of development initiatives as Pakistan's national institution. HBL will leverage technology to deliver innovative, customer-centric products and services that provide convenience, value and an increasingly better experience to its customers.

## Dividend

The Board has recommended a final cash dividend of Rs. 1.00 per share for the year ended December 31, 2017, bringing the total cash dividend for the year to Rs. 8.00 per share. The Board had earlier declared and paid interim cash dividends totalling Rs. 7.00 per share.

## Change in Directors

Mr. Nauman K Dar resigned from the Board of Directors on October 20, 2017, but remained President and Chief Executive until his retirement on December 31, 2017. As he had proceeded on leave, Mr. Rayomond Kotwal was appointed as Acting President and Chief Executive on December 1, 2017 and served as a deemed Director in this capacity.

The casual vacancy created by the resignation of Mr. Nauman K Dar as Director was filled through the appointment of Mr. Salim Raza effective October 20, 2017. Mr. Raza is an accomplished banker, having served in senior positions in Pakistan and globally and has also served as a Governor of the State Bank of Pakistan.

## Meetings of the Board

	Board Meeting	
	Meetings held during tenure	Attendance
Mr. Sultan Ali Allana	15	15
Mr. Shaffiq Dharamshi	15	15
Mr. Moez Ahamed Jamal	15	15
Mr. Salim Raza **	2	2
Dr. Najeeb Samie	15	15
Mr. Agha Sher Shah	15	15
Mr. Sajid Zahid	15	15
Mr. Nauman K. Dar *	14	14
Mr. Rayomond Kotwal ***	1	1

\* Mr. Nauman K. Dar resigned as a Director on October 20, 2017 and retired as President & CEO effective December 31, 2017

\*\* Mr. Salim Raza was co-opted on the Board on October 20, 2017 to fill the casual vacancy created by the resignation of Mr. Nauman K. Dar

\*\*\* Mr. Rayomond Kotwal was appointed as Acting President & CEO effective December 1, 2017

## Meetings of Board Committees

	Audit Committee Meeting		Risk Management Committee Meeting		Human Resource and Remuneration Committee Meeting		Board IT 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	N/A	N/A	N/A	N/A	6	6	N/A	N/A
Mr. Shaffiq Dharamshi	N/A	N/A	5	5	N/A	N/A	N/A	N/A
Mr. Moez Ahamed Jamal	9	9	N/A	N/A	6	6	N/A	N/A
Mr. Salim Raza **	N/A	N/A	1	1	N/A	N/A	0	0
Dr. Najeeb Samie	9	9	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Agha Sher Shah	N/A	N/A	3	3	3	3	1	1
Mr. Sajid Zahid	9	9	2	2	3	3	N/A	N/A
Mr. Nauman K. Dar *	N/A	N/A	4	4	N/A	N/A	1	1
Mr. Rayomond Kotwal ***	N/A	N/A	1	1	N/A	N/A	0	0

\* Mr. Nauman K. Dar resigned as a Director on October 20, 2017 and retired as President & CEO effective December 31, 2017

\*\* Mr. Salim Raza was co-opted on the Board on October 20, 2017 to fill the casual vacancy created by the resignation of Mr. Nauman K. Dar

\*\*\* Mr. Rayomond Kotwal was appointed as Acting President & CEO effective December 1, 2017

The Board IT Committee was set up on August 11, 2017

The Board Committees were reconstituted on August 11, 2017 and again on November 18, 2017.

In addition to the above, a Board Oversight Committee (BOC) was formed for dedicated focus on matters relating to the New York branch. The committee, comprising Mr Shaffiq Dharamshi and Dr Najeeb Samie, met 15 times during the year, with both members attending all meetings.

## 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 2018.

## 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 the requirements of corporate governance set by the Securities and Exchange Commission of Pakistan are fully met and the Directors are pleased to report that:

- The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The Bank has followed International Financial Reporting Standards (as applicable to Banks in Pakistan) in the preparation of its financial statements and there is no departure from the said standards.
- As a continuous process, efforts have been made to effectively implement the internal control system. HBL 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 of 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 2008 to 2017 – 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) Audit, Human Resource and Remuneration, Risk Management, IT, and Board Oversight Committees constituted by the Board are functioning efficiently in accordance with their Terms of Reference. The Board has met regularly and held fifteen meetings in the year, including at least once in every quarter.

The Board is pleased to endorse the statement made by the management relating to Internal Controls. 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 table below shows the value of the investments of the provident, pension, gratuity and benevolent funds maintained by the Bank, based on their audited financial statements as at December 31, 2017.

	Rupees in million
Employees' Provident Fund	8,242
Employees' Pension Fund	3,800
Employees' Gratuity Fund	2,024
Employees' Benevolent Fund – Executives and Officers	1,437
Employees' Benevolent Fund – Clerical and Non-Clerical	689

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2017 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

As mentioned in the Statement of Compliance with the Code, a majority of the Directors have previously attended Directors' Training. During this year, the Directors attended training on cybersecurity delivered by an expert from IBM South Africa, to ensure focus on this increasingly critical area.

### 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.

HBL has faced a challenging period since 2017. During this time, our customers have continued to entrust us with their business and confidence, while our shareholders have provided steadfast support. To all our stakeholders, we are deeply grateful. The Board and the management remain committed to maintaining the highest standards of governance and we assure our stakeholders that we will continue with the necessary structural changes and remediation measures. I would also like to acknowledge the efforts and dedication demonstrated by the employees towards the growth of HBL.

On behalf of the Board

**Rayomond Kotwal**  
Acting President & Chief Executive Officer  
March 19, 2018

کارکردگی کے بعد، بیکاری کے شعبے میں ہونے والی پیش رفت نے 19% کی مستحکم بڑھوتری ظاہر کی ہے جبکہ ڈپازٹس میں 10% تک اضافہ ہوا۔ بیکاری کے شعبے کے حوالے سے اوسط اسپرڈز کی کمی کا عمل جاری ہے اور یہ 2016 کے مقابلے میں 18 bps کم تھا۔

## مالیاتی کارکردگی

ستمبر، 2017 میں، جیسا کہ نو ماہ کے اختتام پر 30 ستمبر، 2017 کے حوالے سے ڈائریکٹرز رپورٹ میں زیر بحث رہا کہ ایچ بی ایل نے نیویارک اسٹیٹ ڈپارٹمنٹ آف فنانشل سروسز (NYSDFS) کے ساتھ رضامندی کے حکم نامے پر دستخط کئے، جس کے تحت ایچ بی ایل نے NYSDFS کو 225 ملین امریکی ڈالر کی تصفیہ جاتی ادائیگی کی۔ اس عمل نے اس سال کے حوالے سے ایچ بی ایل کے مالیاتی نتائج کو نمایاں طور پر متاثر کیا۔ اسی تسلسل میں ایچ بی ایل نے سال 2017 کے حوالے سے 7.1 ارب روپے کے بعد از محصول نفع کے ساتھ 26.8 ارب روپے کا پیشگی محصول نفع ریکارڈ کیا ہے۔ سال 2017 میں فی تھص آمدن 4.82 روپے رہی جو کہ سال 2016 میں 21.69 روپے تھی۔ اس ادائیگی کے اثرات کو منہا کر کے، سال 2017 کے حوالے سے نفع قبل از محصول 50.5 ارب روپے رہا، جبکہ سال 2016 میں 52.2 ارب روپے کا پیشگی محصول نفع اعلان کیا گیا تھا اور EPS کی سطح 20.98 روپے ہوگی۔

ایچ بی ایل کی بیلنس شیٹ دسمبر، 2016 کے مقابلے میں 7% سے بڑھوتری کے ساتھ 2.6 کھرب روپے تک رہی۔ دسمبر 2016 میں 14.1% کے مارکیٹ شیئر میں دسمبر 2017 میں 14.3% تک بہتری کے ساتھ مقامی ڈپازٹس میں 12% تک کا اضافہ ہوا۔ CASA میں 85.5% سے 86.4% بہتری کے تناسب کے ساتھ CASA ڈپازٹس میں اضافہ مقامی ڈپازٹس میں اس اضافے کی بنیادی وجہ بنا ہے۔ موجودہ مقامی ڈپازٹس 14% اضافے کے ساتھ 628 ارب روپے ہو گئے ہیں اور اب یہ مرکز کا 35.6% ہیں۔ سال 2017 کی چوتھی سہ ماہی میں، ایچ بی ایل نیویارک برانچ کی جانب سے ستمبر، 2017 سے 650 ملین امریکی ڈالر سے زائد کے ڈپازٹس میں کمی کے ساتھ امریکی ڈالر کلیئرنگ کے بند کئے جانے کے اندراج سے بینک نے اپنی بین الاقوامی کاروباری امور کو وسیع پیمانے کے نقصان کے خطرات سے باہر لانے کا کام کیا۔ اسی تسلسل میں ایچ بی ایل کے مجموعی ڈپازٹس 16% اضافے کے ساتھ 1.9 کھرب روپے کے قریب پہنچ گئے۔

مقامی قرضہ جات کی کتاب 22% کے اضافے کے ساتھ 700 ارب روپے کو پار کر گئے، جبکہ بین الاقوامی قرضہ جات تیزی سے گر گئے مگر کل قرضہ جات صرف 12% تک اضافے کے ساتھ 800 ارب روپے تک بڑھے۔ سال 2016 میں نمایاں طور پر بڑھوتریوں کو ظاہر کرتے ہوئے تمام کاروباری حلقوں کے ساتھ اوسط مقامی قرضہ جات میں 29% تک اضافہ ہوا۔ جبکہ موجودہ اوسط مقامی کرنٹ ڈپازٹس میں 16% تک بڑھوتری سے ڈپازٹ کی لاگت کو کم کرنے میں مدد ملی، مسابقتی نرخ اور سرمایہ کاری کی ایلنڈز میں کمی کی وجہ سے مارجنز کی تنزیل کا عمل بھی جاری رہا۔ ہر چند یہ کہ پھیلاؤ میں کمی کے اثر کو اوسط بیلنس شیٹ میں 11% بڑھوتری کے ذریعے متوازن کیا گیا، جس کے نتیجے میں مارک اپ کی خالص آمدن 2017 میں معمولی کمی سے 78.9 ارب روپے رہی۔

سال 2017 کی غیر مارک اپ آمدن گزشتہ سال کے مقابلے میں 15% اضافے کے ساتھ 29.7 ارب روپے تھی۔ فیس اور کمیشنز تھوڑا کم ہو کر 17.5 ارب روپے پر پہنچ گئے، جو مکمل طور پر بین الاقوامی کاروبار میں کمی کا نتیجہ ہے، جبکہ سال 2016 کے مقابلے میں مقامی فیس کی آمدن 3% بڑھ گئی۔ ٹریڈری سے متعلق سرگرمیوں سے حاصل ہونے والی آمدن 46% کے اضافے کے ساتھ 11.2 ارب روپے تک بڑھ گئی۔ جس میں زیادہ تر بڑھوتری مختص شدہ آمدن کے بانڈز پر اصل منافع جات سے آنے والی آمدن سے ہوئی جبکہ میوچل فنڈز سے منافع منقسمہ کی بلند آمدن کی معاونت بھی حاصل تھی۔

انتظامی اخراجات بشمول نیویارک برانچ کی وجہ سے سال 2016 کے مقابلے میں 12% تک بڑھی۔ ان کے علاوہ، بڑھوتری کا تناسب واحد عدد کی حد پر مشتمل رہا۔ سال 2017 میں مقامی کاروباری امور میں وصولیائیوں کے حوالے سے بہتر کارکردگی کے نتیجے میں مقامی نان پرفارمنگ قرضہ جات میں 2.2 ارب روپے کی کمی واقع ہوئی اور اسی تسلسل میں مجموعی پروویژن کم ہو کر 0.1 ارب روپے ہو گیا جو کہ گزشتہ سال 0.8 ارب روپے ریکارڈ کیا گیا تھا۔ ایچ بی ایل اثاثہ جات کے معیار کے تناسب میں 17.8% اضافہ ہوا جو ایچ بی ایل کی نجکاری سے کم ترین سطح ہے۔ 31 دسمبر، 2017 سے کوریج کا تناسب مزید بہتر ہو کر 94.8% ہو گیا، جو کہ دسمبر 2016 میں 93.0% تھا۔



## ڈائریکٹر رپورٹ - 2017

میں، بورڈ آف ڈائریکٹر کی جانب سے سال ختمہ 31 دسمبر، 2017 کے حوالے سے غیر مجموعی مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

### کلیاتی اقتصادیات کا جائزہ

معاشی لحاظ سے سال 2017 کا اختتام، ترقی اور پیداوار میں بہتری پر بیرونی اکاؤنٹ پر بڑھتے ہوئے خدشات کے ذریعے نتائج کی تبدیلی کی وجہ سے ملے جلے رجحان کے ساتھ ہوا۔ افراط زر کی اوپری سطح مالی سال 2018 کے 8 ماہ کے دوران اوسطاً 3.84% کے ساتھ مستحکم رہی، جو کہ گزشتہ سال اس مدت کے دوران 3.90% تھی، جس کی بنیادی وجہ خوراک پر خاموش افراط زر تھی۔ مقامی طور پر پیٹرولیم کی قیمتوں میں اضافے اور روپے کی قدر میں کمی کے باوجود، اوسط سالانہ افراط زر SBP کی 4.5% سے 5.5% کی اہدائی حد میں متوقع ہے۔ توانائی کی بہتر صورتحال کے نتیجے میں صنعتی پیداوار میں اضافہ ہوا اور مالی سال 2018 کے 7 ماہ کے دوران لارج اسکیل مینوفیکچرنگ انڈیکس میں 6.3% بڑھوتری ہوئی۔ زرعی اور خدمات کے شعبہ جات سے بھی سالانہ اہداف کی تکمیل متوقع ہے، مالی سال 2018 کے حوالے سے GDP کی ترقی، 5.5% سے زیادہ بڑھنے کی توقع ہے۔

گزشتہ سال کی اسی مدت کے مقابلے میں مالی سال 2018 کے 8 ماہ میں برآمدات، 12% اضافے کے ساتھ بڑھوتری کے مدار کی جانب واپس ہوئی۔ تاہم درآمدات میں ہونے والی 17% بڑھوتری نے برآمدات میں ہونے والی بہتری کے عمل کو پیچھے چھوڑتے ہوئے تجارتی خسارے کو 22% بڑھا دیا۔ سال 2017 میں تنزلی کے بعد، ترسیل زر میں 13% اضافہ ہوا تاہم یہ کرنٹ اکاؤنٹ کے خسارے کے دباؤ کو ختم کرنے کے لیے کافی نہیں تھا، جو مالی سال 2018 کے 8 ماہ کے دوران 50% تک وسعت اختیار کر چکا ہے۔ مجموعی غیر ملکی زرمبادلہ کے ذخائر کے ساتھ 18.2 ارب امریکی ڈالر تک گر گئے۔ سال 2017 کے آخر میں 2.5 ارب امریکی ڈالر کے غیر ملکی قرض کے اجراء کے باوجود مالی سال 2017 کے اختتام تک 15% کی کمی واقع ہوئی۔ بڑھتے ہوئے بیرونی دباؤ اور کم ہوتے ہوئے ذخائر مارچ تک کرنسی کو ایڈجسٹ کرنے کے حتمی نتائج کے طور پر سامنے آئی اور روپے کی قدر میں دسمبر، 2017 کے اختتام سے 9% سے کمی واقع ہوئی۔

محصولات کی بہتر وصولی کی وجہ سے مالی سال 2018 کی پہلی ششماہی کے حوالے سے GDP کا عددی خسارہ مالی سال 2017 پہلی ششماہی کے ریکارڈ شدہ 2.4% سے کم ہو کر 2.2% رہا۔ تاہم الیکشن کا سال ہونے کی وجہ سے محصولات کی اس بنیاد کی وسعت میں کمی دکھائی دیتی ہے، جبکہ انفراسٹرکچر اور ترقیاتی کاموں پر خرچ میں فیاضی کے ساتھ سرمایہ کاری سے اخراجات میں تناؤ جاری رہے گا۔ چنانچہ مالی سال 2018 میں بظاہر 4.2% کے ہدف کی امنگ کے ساتھ عددی عدم توازن ایک اہم چیلنج رہے گا۔

آئی ایم ایف نے اپنی پوسٹ پروگرام مانیٹرنگ رپورٹ میں وسیع عددی اور غیر ملکی خسارے کی وجہ سے درپیش خراب اور کمزور اقتصادی صورتحال، غیر ملکی زرمبادلہ میں کمی اور درمیانی مدت کے قرضہ جات کو جاری رکھنے کے عمل کو لاحق خدشات کی نشاندہی کی۔ آئی ایم ایف نے زیادہ سے زیادہ ایکپیج کی شرح چلک، سخت نظام زراور مالی نظم وضبط کو مضبوط بنانے کی سفارش کی ہے۔ Fitch نے پاکستان کی B ریٹنگ کو توثیق کرتے ہوئے اس کے آؤٹ لک کو بتدیج کمی کے ساتھ منفی کر دیا کیونکہ آئی ایم ایف کے پروگرام کے تحت حاصل کردہ فوائد جزوی زائل ہو گئے ہیں۔

سال 2017 میں پاکستان کی ایکویٹی مارکیٹ PSX انڈیکس 52,000 کی توسیعی تیز رفتاری کو پار کرنے کے بعد سے MSCI کی ابھرتی ہوئی مارکیٹ انڈیکس میں شمولیت کی ابتدائی حوصلہ افزاء احساس کے مدہم پڑنے کے بعد شدید غیر مستحکم رہی۔ اسی طرح فرنٹیئر مارکیٹ فنڈز میں بھی پیچھے ہٹنے کا رجحان رہا۔ غیر یقینی سیاسی صورتحال کا وسیع دورانیہ اور غیر ملکی اکاؤنٹ کے استحکام پر تحفظات کے نتیجے میں PSX پر سرمایہ کاروں کا اعتماد کمی کی جانب راغب ہوا جس کی وجہ سے بلند ترین سطحوں سے 23% کی تنزلی کے ساتھ دوران سال 15% کا نقصان ہوا۔ سال 2018 میں انڈیکس، 10% سے کرنسی کی ایڈجسٹمنٹ اور سرمایہ کاری کے غیر ملکی پورٹ فولیو میں بہتری کی مدد سے جزوی طور پر بحال ہوا ہے۔

SBP نے اپنے جنوری کے نظام زر سے متعلق پالیسی بیان میں، اپنی پالیسی کی شرح کو 25 bps تک اضافے کے ساتھ 6.0% تک بڑھا دیا، جو کہ مئی 2016 سے غیر تغیر پذیری کے بعد ایک حیران کن عمل ہے۔ SBP نے اس شرح کے پیچھے کارفرما عوامل کے طور پر روپے کی قدر میں کمی، تیل کے بلند نرخ، دیگر مرکزی بینکوں کی جانب سے شرح میں اضافہ اور پیداوار کے درمیان موجود تنگ ہوتے ہوئے خلاء کا حوالہ دیا۔ سال 2017 میں کم شرح سود، پیداوار میں اضافے اور صارفین کے زیر استعمال اشیاء کی زیادہ طلب کی مدد سے نجی شعبے کے قرضے 15% تک اضافے کے ساتھ 4.8 کھرب روپے پر پہنچ گئے۔ کئی سالوں کی سست رو

## کاروباری ترقی

برانچ بینکنگ، نئے صارف کے حصول اور ساتھ ہی کم لاگت کے ڈپازٹ کی بڑھوتری دونوں کے لیے بینک کی ترقی کے انجن کے طور پر عمل کرتی ہے۔ ایچ بی ایل نے CASA بیلنسز میں 172 ارب روپے شامل کر کے نیز مرکب ڈپازٹس کی صورتحال کو بہتر بناتے ہوئے 14% سے زیادہ مارکیٹ شیئر کو برقرار رکھتے ہوئے اپنی سربراہانہ حیثیت کو قائم رکھا ہے۔ امسال ایچ بی ایل نے 1.3 ملین نئے صارفین کو شامل کر کے ریکارڈ قائم کیا، جس سے اس کے مجموعی مقامی صارف کی بنیاد 10 ملین سے تجاوز کر رہی ہے۔

ایچ بی ایل آسان اکاؤنٹ اسمال ٹکٹ کسٹمرز کے لیے آسانی فراہم کرتا ہے اور اسی وجہ سے یہ بینکاری نہ کرنے والی آبادی کو مالیاتی خدمات تک رسائی کو بڑھانے کے لیے کلیدی مصنوعات ہے۔ اس مصنوعات کے آغاز سے، ایچ بی ایل، اکاؤنٹس اور حجم کے لحاظ سے تقریباً 25% کے مارکیٹ شیئر کے ساتھ مارکیٹ لیڈر رہا ہے۔ سال 2017 میں ایچ بی ایل نے اس کیٹگری میں ایک ملین کے کوارٹر سے زائد نئے صارفین شامل کئے اور اب تقریباً 600,000 آسان اکاؤنٹس ڈپازٹس میں 7 ارب روپے سے زائد کا تعاون دے رہے ہیں۔ ٹیکنالوجی کے ذریعے مالیاتی شمولیت کے ارتقاء کے حوالے سے اپنی حکمت عملی کے عہد کو پورا کرنے کے لیے، ایچ بی ایل نے اکاؤنٹ کھولنے کے طریقہ کار میں سہولت دینے اور اسے آسان بنانے کے لیے مضافاتی کسٹمر لوکیشنز پر تصدیق کی غرض سے موبائل بائیو میٹرک ڈیوائسز متعارف کرائیں۔

ایچ بی ایل کی جانب سے خواتین کے لیے مالیاتی سہولت کی شمولیت کے حوالے سے کئے جانے والے عزم میں بینک کے منفرد NISA منصوبے کی تشہیر اور اس پر توجہ دلانے کے مقصد کے لیے کی جانے والی ڈیجیٹل مہم کا آغاز شامل ہے۔ ایچ بی ایل اس وقت فخریہ طور پر 2.8 ملین خواتین صارفین کو بینکاری کی سہولیات بہم فراہم کرنے والا دیگر تمام بینکوں میں بڑا بینک ہے۔ NISA پروگرام کے تحت خواتین صارفین کی تعداد، جن سب کے لیے بینکاری نئی ہے، دو گنی ہو کر سال 2017 کے اختتام تک تقریباً 300,000 ہو گئی ہے۔

ایچ بی ایل نے بینکا ایئرشس میں بھی 50% حصے کے ساتھ مارکیٹ میں اپنے غلبے کو برقرار رکھا ہوا ہے۔ نکافل، جو کہ اس پراڈکٹ کی اسلامک قسم ہے، اب اپنی بڑھتی ہوئی قبولیت کے ساتھ سال 2017 کی مجموعی فروخت کے 33% پر مشتمل ہے۔ دوران سال فروختگی کے عمل میں بہتری اور قواعد کی من و عن تقیل کو یقینی بنانے کا عمل بینک کی توجہ کا مرکز رہا۔ برانچ کے عمل کو پراڈکٹ کی جامع تربیت فراہم کی گئی اور فروختگی کے معیار کو بہتر بنانے اور بینک کے ضابطہ کار پر عمل درآمد کے لیے مفصل گائیڈ لائنز جاری کی گئی۔

ایچ بی ایل اینڈسٹری میں سب سے بڑا SME پلیئر ہے اور اسے انسٹیٹیوٹ آف بینکرز پاکستان کی جانب سے ترتیب کے لحاظ سے دوسرے سال کے حوالے سے چھوٹے کاروبار اور زراعت کے لیے بہترین بینک کے خطاب سے نوازا گیا تھا۔ اس کاروباری امور نے مختلف انڈسٹریز سے ان کی پروپرائیٹری اسمال بزنس فنانس پراڈکٹ کے ذریعے 1,000 سے زائد نئے SME کلائنٹس شامل کئے۔ ایچ بی ایل نجی سطح پر زرعی مالی سہولت فراہم کرنے والا سب سے بڑا فراہم کنندہ بینک بھی ہے، جو اس شعبے میں کمرشل بینک مارکیٹ شیئر کے تقریباً 25% کا حصہ دار ہے۔ ایچ بی ایل نے دیہی آبادی کو مالیاتی سہولیات کی فراہمی کا عہد کیا ہے، جو کہ یہ حصہ پاکستان کی اقتصادی ترقی میں شدید اہمیت کا حامل ہے۔

خدمت کے بہتر معیار کو برقرار رکھنا، بینک کی اولین ترجیح ہے۔ بیرونی سرویز، مسٹری شاپنگ اور اسٹیک ہولڈرز کے ساتھ اندرونی سطح پر منسلک رہنے کا عمل جہاں بہتر خدمات کے معیار کے پروگرام کو تقویت دیتا ہے، وہیں یہ کسٹمر کے ٹچ پوائنٹس کی اندرونی طور پر نگرانی کے عمل کو بھی بڑھاتا ہے۔ سروس کوالٹی ٹیم، کاروبار کے کرتا دھرتا کی جانب سے کام پر ارتکاز کے ذریعے سال 2016 کے مقابلے میں شکایات کا حجم کم ہو کر 54% تک گر گیا۔ ان اہم اقدامات میں کام میں لگنے والے وقت میں کمی، بہترین طور پر وضاحت شدہ تیز تر ذرائع اور شکایت کے حل کو عمل کی کارکردگی کے ساتھ منسلک کرنے جیسے کام شامل ہیں۔ کنڈکٹ اسسمنٹ فریم ورک (CAF) کمیٹی نے SBP کی گائیڈ لائنز کے مطابق کسٹمرز کے ساتھ بہتر اور منصفانہ سلوک کے حوالے سے اس بینک اقدامات پر کام کیا۔ جس کے نتیجے میں سال 2017 میں بینک کی CAF رینٹنگ بہتر ہو کر 1.70 رہی۔ سال 2017 میں بینک کو براہ راست 60,959 شکایات موصول ہوئیں۔ اوسطاً شکایات کو حل کرنے کے تین دن لگے۔

## ذخائر میں اتار چڑھاؤ

2016	2017	
		بعد از محصول نفع
31,820	7,064	افتتاحی غیر تخصیص شدہ منافع
89,934	97,447	بعد از ٹیکس منافع
31,820	7,064	وضاحت شدہ منفعت کی ذمہ داریوں پر نقصان کی دوبارہ پیمائش۔ خالص
(623)	(1,008)	اثاثہ جات کی دوبارہ تشخیص پر سرپلس سے منتقل شدہ۔ محصول کا خالص
34	37	
31,231	6,093	
121,165	103,540	مناسب کارروائی کے لیے دستیاب منافع

## مختلف مدوں میں رکھی گئی رقم

(3,812)	(706)	قانونی ذخائر میں منتقل شدہ
(5,134)	(5,134)	نقد منافع منقسمہ۔ حتمی
(5,134)	(5,134)	پہلا نقد عبوری منافع منقسمہ
(5,134)	(5,134)	دوسرا نقد عبوری منافع منقسمہ
(5,134)	-	تیسرا نقد عبوری منافع منقسمہ
(23,718)	(16,108)	مجموعی مناسب کارروائیاں
97,447	87,432	اختتامی غیر تخصیص شدہ منافع
21.69	4.82	فی حصص (شیر) آمدنی (روپے)

## سرمائے کا تناسب

31 دسمبر، 2016 سے غیر مجموعی کمپیٹل ایڈوکیسی ریشو (CAR) 15.3% سے بہتر ہو کر سال 2017 کے اختتام پر 15.8% رہا۔ جبکہ CAR Tier I 12.1% کی سطح پر برقرار تھا۔ CAR کی مستحکم سطحیں بینک کی جانب سے سرمائے کے تناسب کی بحالی کے لیے کئے جانے والے جامع عمل کا تسلسل ہیں، جو تیزی کے ساتھ بعد ازاں آنے والی تصفیہ جاری ادائیگی کی وجہ سے تنزلی میں چلی گئی تھی۔ یہ دونوں تناسب قواعد و ضوابط کی ضروریات سے بہت زیادہ بہتر رہے ہیں۔

ایچ بی ایل کی ٹریڈری نے خود کو SBP کی جانب سے اعلان کردہ رینٹنگ میں سرفہرست پرائمری ڈیلر کے طور پر برقرار رکھا، جو کہ مقامی فکسڈ انکم مارکیٹ میں ایچ بی ایل کی صلاحیتوں کا ثبوت ہے۔ سال 2016 میں بینک نے تقریباً 10% تک اپنے زرمبادلہ کے ترسیلی کسٹمز میں اضافہ کیا اور ہمیں ایک بار پھر سے پاکستان میں مجموعی FX ٹریڈنگ کے حوالے سے یورونی کا نمبر 11 یوارڈ دیا گیا۔ دوران سال نئی فنڈنگ اور مئی مارکیٹ پراڈکٹس کو اسلامک ٹریڈری سلوشنز میں شامل کیا گیا۔

ایچ بی ایل نے اپنے برانچ لیس بینکنگ کے منصوبے کو ایک ان ہاؤس پلیٹ فارم کی تیاری کے ساتھ بحال کیا۔ تجارتی بنیادوں پر اس کے افتتاح کے لیے ایجنٹ کو ساتھ شامل کرنے کا عمل جاری ہے اور 25,000 سے زائد ایجنٹس اس میں فعال ہیں۔ ایک مکمل طور پر ڈیجیٹل طریقہ کار کے ذریعے بینک کو اینڈ ٹو اینڈ پیپر لیس آن بورڈنگ متعارف کرانے والے مارکیٹ کا پہلا ادارہ ہونے کے قابل بنایا گیا۔ اس سے جہاں تیزی سے اضافے کی صلاحیت ملے گی وہیں اس بات کو بھی یقینی بنایا جائے گا کہ تمام ضروری KYC کوائف تعلق کے ابتدائی مراحل میں حاصل کئے جائیں۔

ایچ بی ایل، تیزی سے ابھرتے ہوئے فن ٹیک ایکوسیستم میں برتر کردار ادا کرنے کا خواہشمند ہے۔ اس سال بینک نے ایک جدت سے بھرپور چیلنج دیا، جو پاکستان میں کسی بھی کمرشل بینک کی جانب سے منعقد کیا جانے والا اپنی نوعیت کا پہلا قدم تھا۔ حتمی قرار پانے والے تین میں سے دو فائنلسٹ ایچ بی ایل میں مختلف یونٹس کے ساتھ جدت سے بھرپور سلوشنز کی فراہمی کے لیے پہلے ہی کام کر رہے ہیں۔ ایچ بی ایل نے دو ابتدائی یونٹس کا اہم اسپانسر بھی رہا، جس میں شرکاء کو عالمی سطح پر انڈسٹری میں برتری رکھنے والے جیسے گوگل، فیس بک اور ایمیزون، ونچر کیپیٹلسٹ اور سرفہرست پاکستانی اور بین الاقوامی سرمایہ کاروں سے مستفید ہونے کے قابل بنایا گیا۔ ایچ بی ایل، کراچی نیشنل انکیوبیشن سینٹر قائم کرنے والے مارکیٹ کے اہم کرداروں کے ساتھ شراکت داری کر رہا ہے، جو HBL فن ٹیک لیب کی میزبانی کریں گے۔

ایچ بی ایل کی ان ہاؤس ڈیولپمنٹ ٹیم نے ایک کمرشل بینک کی جانب سے تیار کیا جانے والا مارکیٹ کے پہلے اوپن API کا آغاز کیا۔ جس کے ذریعے کسٹمرز کو مارجنل کوائپ ڈپازٹ اکاؤنٹس کے ذریعے ادائیگی کے قابل بنایا گیا۔ انٹرنیٹ بینکنگ پلیٹ فارم اور ایچ بی ایل موبائل کی سہولیات میں اضافے کے طور پر نئی فنانشل پراڈکٹس جیسے e-IPO اور e-insurance اور بل کی ادائیگی کے اشتراک اداروں کی ایک وسیع رینج شامل کی گئیں۔ اکاؤنٹ سروس سے متعلق درخواستیں جیسے چیک بک آرڈر کرنا، مالی گوشوارے اور کارڈ بلاکنگ کو اب برانچ پر جانے جو کہ کسٹمر کے لیے ایک بہت اہم عدم اعتماد کا عمل تھا کی بجائے براہ راست اپنی موبائل ایپ کے ذریعے کیا جاسکتا ہے۔ ایچ بی ایل موبائل ایپ اسٹور پر پہلے ہی مقامی کمرشل بینکوں کے درمیان نہ صرف سب سے زیادہ ڈاؤن لوڈ فراہم کرنے والا ادارہ ہے بلکہ اس کے ساتھ نئی سروسز جیسے باؤمیٹرک تصدیق اور لوکیشن کی بنیاد پر ڈسکاؤنٹس کی معلومات مسلسل فراہم کی جا رہی ہیں۔

بینک نے اپنے بین الاقوامی کاروبار کے حجم کو موزوں بنانے کی غرض سے اپنی حکمت عملی کی سمت کے تعین کے ساتھ اور سیز پارٹ برنس کو یکجا کرنے کا عمل شروع کر دیا ہے۔ جولائی 2017 میں ایچ بی ایل نے اپنے کینیا کے کاروبار کو ڈائمنڈ ٹرسٹ بینک، کینیا، جو کہ ایک الحاقی ادارہ ہے کو فروخت کی مکمل مکمل کیا۔ یورپ میں اپنے کام کو یو کے کے ذیلی ادارے کے تحت مجتمع کرنے کے جزو کے طور پر بینک کی پیرس برانچ ایچ بی ایل یو کے، کو فروخت کر دی گئی تھی۔ ایران میں بینک کا نمائندہ دفتر بند کر دیا گیا ہے اور سیکورٹی کے خدشات کے باعث کابل میں بھی ایک برانچ بند کر دی گئی ہے۔

ایچ بی ایل مارچ 2017 میں چائنا میں اپنی پہلی برانچ کے آغاز کے ساتھ، چائنا میں پاکستانی بینک کی برانچ کھولنے والا پہلا ادارہ اور نارٹھ ویسٹ چائنا میں برانچ رکھنے والا پہلا ساؤتھ ایشین بینک بن گیا ہے۔ مستقبل قریب میں اُرگی برانچ آرایم بی لائسنس کے لیے اپلائی کرے گی جو کہ بعد ازاں چائنا میں مقامی آرایم بی بزنس نیز کراس بارڈر آرایم بی ٹرانزیکشنز کے قابل ہوگی۔

کاروباری معاونت کے لیے ٹیکنالوجی کے لحاظ سے کئی اقدامات کئے گئے۔ کریڈٹ کے عمل کو بھی ایک خود کار آلے کے ذریعے ڈیجیٹل کیا گیا، جس میں کسٹمر کی اسکریننگ اور اس کے حساب کتاب کے ساتھ تصدیقی چیکس بھی موجود ہیں۔ 350 برانچز میں ان ہاؤس جدید ٹیلر سسٹم بھی نصب کیا گیا ہے، جس سے جہاں صارف کی سہولت میں اضافہ ہوا وہیں بینک اینڈ کنٹرول بھی بہتر ہوا ہے۔ ٹریڈ اور ٹریڈری کے پلیٹ فارمز دونوں کو اپ گریڈ کرتے ہوئے فراہمی، ادائیگی اور فنانشل رپورٹنگ کے عمل کو مزید مضبوط بنانے کی غرض سے اوریکل فنانشلز کا اطلاق کیا گیا۔ ایچ بی ایل پاکستان کا وہ واحد بینک ہے جو PCI-DSS سرٹیفائیڈ ہے اور اس کے پاس اس سند کو رکھے ہوئے یہ دوسرا سال ہے۔

ایچ بی ایل کا کنزیومر بینکنگ برنس، جو صارفین کی مالی خواہشات کی تکمیل کے حصول میں معاونت کرتا ہے، نے مستقبل اور مسلسل اپنی ترقی کا عمل جاری رکھا ہوا ہے۔ سال 2017 میں پرسنل لونز اور کار لونز سے حاصل ہونے والی اہم اعانت سے یہ پورٹ فولیو 14% تک اضافے کے ساتھ 45 ارب روپے تک بڑھا۔ اثاثہ جات کا مجموعی معیار زیادہ بڑھوتری کے کئی سالوں کے بعد بھی، انتہائی کم شرح نقصان کے ساتھ بہترین انداز میں منظم رہا۔

سال 2016 میں ایچ بی ایل کریڈٹ کارڈ کے استعمال میں 40% اضافے سے مارکیٹ شیئر میں کافی حد تک اضافہ ہوا۔ مارکیٹ کی سرفہرست خصوصیات اور ڈسکاؤنٹس کے ساتھ متعارف شدہ فلیگ شپ پلیٹینم کارڈ، کی انڈسٹری میں کریڈٹ کارڈ کے بعد سب سے زیادہ مانگ رہی۔ ایچ بی ایل 4.6 ملین کارڈز کی ترسیل کے ساتھ ڈیٹ کارڈز میں مارکیٹ کا واضح لیڈر رہا۔ سال 2017 میں ایچ بی ایل نے بنیادی سطح کے ڈیٹ کارڈ کے طور پر پاکستان کی پہلی مقامی ادائیگی کی اسکیم کی معاونت کرنے والا پے پاک ڈیٹ کارڈ متعارف کرایا۔ کارڈ کی ڈیلیوری کے طریقہ میں جدید طریقہ عمل کے نتیجے میں ڈیلیوری ریٹ میں 55% سے 85% تک بہتری آئی جبکہ پراڈکٹ کی مختلف اقسام میں سادہ طریقہ کار، قیمت پر استدلالی دلائل اور کارگریز صارف دوست کام طریقہ کار نے کسٹمر کے تجربے کو بہتر بنایا اور پوائنٹ آف سیل کے استعمال میں 50% کا اضافہ ہوا۔

سال 2017 میں ایچ بی ایل نے بیوپاری کے کاروبار کے حصول میں مارکیٹ میں اپنی لیڈر شپ حاصل کی، جس میں اس نے سرمایہ کاری کا عمل جاری رکھتے ہوئے، پاکستان میں کسٹمر کو آسانی کی بہم فراہمی کے لیے کارڈز ایکوسٹم میں بڑھوتری کے قابل بنایا۔ نصب شدہ 18,000 POS مشینز اور ایکٹیویشن کی 85% کی بہتر شرح کے ساتھ، مجموعی فروختی 36% اضافے کے ساتھ تقریباً 90 ارب روپے پہنچ گئی۔ ایچ بی ایل نے ویزا اور ماسٹر کارڈ کے اشتراک سے 3D سکیور کا بھی آغاز کیا، جس کے ذریعے ایک آسان اور صارف دوست طریقہ کار کے ساتھ سکیورٹی کی ایک اضافی سطح فراہم کی گئی۔ پاکستان کے سب سے بڑے آن لائن ریٹیلر Daraz.com کے ساتھ سب سے زیادہ کامیاب مشترکہ مہم چلائی گئیں۔ جس نے ایچ بی ایل کے ذریعے ای کامرس خرچ میں مجموعی طور پر 80% اضافہ شامل کیا۔

سال 2017 میں ایچ بی ایل اسلامک برنس نے ڈپازٹس میں 31% اضافے اور فنانسنگ میں 52 ارب روپے کی توسیع کے ساتھ تیزی سے بڑھوتری کا عمل جاری رکھا۔ مارکیٹ میں اپنی بڑھتی ہوئی موجودگی کو برقرار رکھنے پر توجہ مرکوز رہی اور اب اس کا نام بگ ٹکٹ اسلامک سنڈیکیشن پراسٹرکچرنگ اور مشورہ دہی کے حوالے سے بہترین انتخاب کے طور پر لیا جاتا ہے۔ ٹیم نے ملازمین کو اسلامک بینکنگ کی معلومات کی فراہمی کے فرائض کو بھی یقینی بنایا اور اس شعبے میں 1,000 سے زائد عمل کو تربیت دی گئی، جبکہ کسٹمرز اور عوام الناس کی معلومات کو ایچ بی ایل کے شریعہ بورڈ کی گائیڈ لائنز کے مطابق بہترین انداز میں طے شدہ آگاہی نشستوں کی پیشکش کے ذریعے بڑھایا گیا۔

ایچ بی ایل نے 30% سے زائد مارکیٹ شیئر کے ساتھ کیش مینجمنٹ برنس میں اپنی برتری کو جاری رکھتے ہوئے حجم میں 2.25 کھرب روپے سے زائد کا اضافہ کیا۔ دوران سال اہم کیش مینجمنٹ پراڈکٹس بشمول آن لائن ٹیکسر، بلک یوٹیلیٹی بل کی ادائیگیوں اور منافع منقسمہ کی الیکٹرانک تقسیم، متعارف کرائی گئیں۔ کارپوریٹ ادائیگیوں کے لیے پراڈکٹ سوٹ کی تکمیل کی غرض سے نئے ماڈلز کا آغاز کیا گیا۔ دوران سال، 171 نئے مینڈیٹس پر دستخط کئے گئے اور اب یہ برنس 780 کسٹمر کو نقدی کی وصولی اور ادائیگیوں کی خدمات فراہم کرتا ہے۔ بینک نے اپنے سکنچر، HBL@Work ایمپلائی بینکنگ سلوشن کے لیے دوران سال 200 سے زائد مینڈیٹس حاصل کیں، جو اس وقت تقریباً 1,100 کمپنیز کے 700,000 ملازمین تک ہو چکی ہے۔ سال 2017 میں، ملک بھر میں کسی بھی ایچ بی ایل برانچ پر خدمات کی دستیابی کے ذریعے کسٹمر کی سہولت میں اضافہ کیا گیا۔ پاکستان میں کام کرنے والے مارکیٹ میں چابکدہزیشنل کے تیزی سے بڑھتے ہوئے سیگمنٹ کے لیے ایک الگ پراڈکٹ بھی تیار کیا گیا۔

ایچ بی ایل انویسٹمنٹ بینکنگ برنس دوران سال اپنی لیڈر شپ کی پوزیشن کو برقرار رکھتے ہوئے تقریباً تمام اہم کیپیٹل مارکیٹس، انفراسٹرکچر اور چارٹا پر توجہ مرکوز رکھنے والی اتھاق میں صف اول پر رہی۔ سال 2017 میں ٹیم نے مختلف لین دین (ٹرانزیکشنز) کے حوالے سے 225 ارب سے زائد کی ڈیٹ فنانسنگ کا کامیاب انتظام و انصرام کیا، جس میں مقامی مارکیٹ میں سب سے بڑے سنڈیکیشنز میں سے ایک ڈاسو ہائیڈرو پاور پراجیکٹ شامل ہے۔ بینک نے اپنی فن مہارت اور CPEC کے تجربے کے تعمیری عمل کو جاری رکھا اور اس وقت یہ 4 ارب امریکی ڈالر سے زائد کے پراجیکٹس میں شامل ہے۔ اس شعبے میں ایچ بی ایل کی برتر حیثیت کو مختلف بین الاقوامی اشاعتوں میں ایوارڈز کے ذریعے تسلیم کیا گیا۔



## رسک مینجمنٹ فریم ورک

موثر رسک مینجمنٹ ایجنسی ایل کی حکمت عملی کی ترجیحات کا بنیادی جزو ہے۔ بینک اپنے رسک آرکیٹیکچر کی مسلسل تشخیص کے ساتھ اس کے فریم ورک کی بھی نگرانی کرتا ہے تاکہ بین الاقوامی طریقہ کار کو یقینی بناتے ہوئے نئے قواعد، مطلوبہ ضروریات اور ترسیمات کو اپنے کاروباری ضروریات میں شامل کر کے اس پر توجہ دی جائے۔

بورڈ آف ڈائریکٹرز حکمت عملی پر مبنی سمت کی فراہمی کے ساتھ بینک کی رسک ایپلیٹ کی منظوری بھی دیتے ہیں۔ بورڈ کو، بورڈ رسک مینجمنٹ کمیٹی کی معاونت حاصل ہوتی ہے، جو روز کی بنیاد پر بینک کی رسک پروفائل کی نگرانی، اسکی تشخیص اور انتظام و انصرام کا کام کرتی ہے۔ سینئر لیول پر مختلف رسک مینجمنٹ کمیٹیز اس پر نظر رکھنے اور روزمرہ کی رسک مینجمنٹ کی سرگرمیوں، جو کہ مختلف سطحوں پر مختلف انتظامی نگرانی اور وضع شدہ پالیسیز اور طریقہ کار کے ذریعے تفویض کی جاتی ہے، اور وہ اس کی انجام دہی کی ذمہ دار ہوتی ہیں۔

سال 2017 کے دوران، ایجنسی ایل نے اپنے رسک مینجمنٹ کے طریقہ کار کو بہتر بنانے کے لیے ٹیکنالوجی میں سرمایہ کاری کو جاری رکھا۔ کنزیومرز کے مستحکم رسک مینجمنٹ کوڈ سینئر سپورٹ سافٹ ویئر، تھریڈ جزیشن ایپلیکیشن اسکور کارڈز اور بیورو اسکور کارڈز کی تیاری اور انصاف کے فیصلے کے اطلاق کے ذریعے مزید تقویت دی گئی۔ بینک مارکیٹ رسک کے حوالے سے اپنے فلسفہ اکم، ایکویٹی اور غیر ملکی زرمبادلہ کے پورٹ فولیوز کے لیے Basel II انٹرناٹل ماڈل کا طریقہ کار کے اطلاق کا منصوبہ رکھتا ہے۔ ایسٹ لائبلٹی مینجمنٹ (ALM) سسٹم کا اطلاق جاری ہے، جس سے بیلنس شیٹ کا انتظام و انصرام مزید موثر ہوگا اور کپیٹل کیلکولیٹر کے ذریعے مزید درست اور ریئل ٹائم اسٹریٹس ٹیسٹنگ کی سہولت میسر ہوگی۔

آپریٹنگ رسک مینجمنٹ پریکٹسز کی منظم اور مستقل انداز میں نگرانی کے لیے پالیسیز، طریقہ کار اور سسٹمز لگائے جا رہے ہیں۔ اہم ٹولز جیسے رسک کنٹرول سیلف ایسمنٹ (RCSA)، اہم رسک علامات اور آپریٹنگ لاس ڈیٹا مینجمنٹ کو آپریٹنگ رسک کے امکانات اور اس کی شدت کو جانچنے کے لیے استعمال کیا جاتا ہے۔ بینک آپریٹنگ نقصان کی صورتحال میں اس کے اثرات کی فعال انداز میں تشخیص کے لیے اسٹریٹس ٹیسٹنگ اور سینئر یو این الیمنٹس کا زیادہ استعمال کرتا ہے پورے بینک میں، بینک کے نتائج جس کی اصل نقصان کے حوالے سے تشخیص کی جاتی ہے، کمزور صورتحال کو کنٹرول کرنے اور خلاء کو پر کرنے کے لیے مفصل RCSA ایکسپلنر سائز کا باقاعدہ بنیاد پر انعقاد کیا جاتا ہے۔

معلومات اور سائبر سیکیورٹی بینک کا سب سے اہم اور مرکز شعبہ ہے۔ سائبر کے حملوں کی نشاندہی کرنا اور اس سے بچاؤ اور اسے جواب دینے کی ایجنسی ایل کی صلاحیتوں کو مزید مستحکم بنانے کے لیے مسلسل کوششیں جاری ہیں اور اس حوالے سے نگرانی کے عمل بہتر بناتے ہوئے سائبر سیکیورٹی کنٹرولز میں جدید ٹیکنالوجی کو شامل کرنے کا عمل جاری ہے۔ اس کے ذریعے بینک کی بینکنگ ایپلیکیشنز کو محفوظ بنایا جاتا ہے اور کسٹمرز کو یہ اعتماد بخشا جاتا ہے کہ ان کے مالی معاملات کی معلومات محفوظ ہیں۔

ایجنسی ایل نے گروپ کی وسعت پر، فعال طریقے سے جائزہ لینے، بینک کے کمپلائنس کے طریقہ کار کو بڑھانے اور اپنے رسک پروفائلز کو بہتر بنانے کے لیے کمپلائنس ٹرانسفارمیشن پروگرام کی شروعات کی ہے۔ اس مقصد کے لیے بینک نے اس شعبے میں تجربہ اور فن مہارت رکھنے والے بین الاقوامی سطح کے کنسلٹنٹس کو اپنے ساتھ شامل کیا ہے۔ ان اقدامات کے ذریعے ٹرانزیکشنز کی نگرانی اور اسکریننگ نیز آنے والے کسٹمرز آن بورڈنگ کے کنٹرولز میں بہتری متوقع ہے۔ ایجنسی ایل نے اپنے کاروباری امور کو نقصان کے خدشات سے مبرا کرنے کے حوالے سے پہلے ہی اہم اقدامات کئے ہیں اور زیادہ خطرے والی انڈسٹریز اور کسٹمرز کی ایک بڑی تعداد سے اپنا رشتہ قائم کیا ہے۔

ایجنسی ایل، بینک کے کمپلائنس کے کلچر کو مزید بہتر بنانے اور اس پر کنٹرولز کے لیے بشمول کمپلائنس کے کاموں کی صلاحیت اور اسکوپ کو بڑھانے، مخصوص بین الاقوامی کمپلائنس ڈپارٹمنٹ اور ایک آزادانہ والٹی ایڈیٹورس اینڈ کنٹرول بونٹ کا قیام، کے ساتھ کئی اقدامات کر رہا ہے۔ اسکریننگ اور ٹرانزیکشنز کی نگرانی کے لیے سسٹم کو اپ گریڈ کرنے کا آغاز کر دیا گیا ہے اور ای لرننگ ماڈیولز میں بھی اضافہ کیا جا چکا ہے۔ اس پر نظر رکھنے اور کمپلائنس کے کاموں کی ادارے کی اعلیٰ انتظامی سطح پر نگرانی کے لیے ایک مینجمنٹ کمپلائنس کمیٹی بھی قائم کی گئی ہے۔

ایچ بی ایل نے سال 2017 کی مدت کے دوران لوگوں سے رابطے اور مربوط مارکیٹنگ کے ذریعے اپنی مستحکم برانڈ ایکویٹی کو مجتمع رکھا ہے۔ دوران سال ایک بیرونی ایجنسی کی جانب سے کی جانے والی ایک تحقیق میں ایچ بی ایل نے دوبارہ سے بلند ترین ایکویٹی اسکور کو حاصل کرتے ہوئے فنانشل سیلٹر میں اپنی پوزیشن کو برقرار رکھا ہے، جو کہ اس کے قریب ترین مد مقابل سے دو گنا ہے۔ پاکستانی اشتہار سازوں کی سوسائٹی کی جانب سے بھی ایچ بی ایل کی مارکیٹنگ کے حوالے سے کی جانے والے کاوشوں کو سراہتے ہوئے اعزازات جیسے پاکستان کا جذبہ اور بہترین کارپوریٹ مہم کے اعزازات سے نوازا گیا ہے۔ ایچ بی ایل نے پرنٹ اور ڈیجیٹل مہم کے ذریعے پاکستان کے خوابوں کے امین لوگوں کی شان میں ملک کی 70 ویں سالگرہ کو منایا۔ اس مہم کا اختتام پاکستان کے مختلف شعبہ ہائے جات زندگی سے تعلق رکھنے والے پاکستانیوں کی ڈیجیٹل ویڈیو کے ساتھ ہوا۔

ایچ بی ایل پاکستان سپر لیگ (HBL PSL) پاکستان میں بین الاقوامی کرکٹ کی واپسی کا ایک تاریخی اور یادگار موقع ہے، جو کروڑوں پاکستانیوں کے خوابوں اور خواہشات کی تکمیل کا ذریعہ ہے۔ یہ ٹورنامنٹ ہر سال ملک کے جوانوں کو اپنے فن کے اظہار کے لیے ایک پلیٹ فارم فراہم کرنے کے ساتھ ساتھ کرکٹ کے نئے اسٹار کو سامنے آنے کے بھی قابل بناتا ہے۔ سال 2017 میں HBL PSL سے نئے کھلاڑی ICC چیمپئن شپ ٹرافی میں اہم کردار ادا کرنے گئے۔

## ہیومن ریسورسز

ایچ بی ایل سرفہرست ٹیلنٹ کو اپنے ساتھ شامل کر کے اپنی افرادی قوت میں بھی سرمایہ کاری کر رہا ہے۔ ان کی تربیت، ارتقاء اور اپنے لوگوں کو ترقی کے مواقع کی فراہمی کے لیے بھرپور سرمایہ کاری کر رہا ہے۔

اس عمل کی تعمیل پر توجہ کو بڑھانے کے غرض سے اور اس کی طاقت کو بڑھانے کے لیے کمپلائنس کے شعبے میں 100 سے زیادہ افراد شامل کئے گئے۔ تجربہ کار اور متوسط کیریئر کے حامل ملازمین کو ملازمت کا موقع فراہم کرنے کے علاوہ فریش گریجویٹس کا ایک بیچ بھی شامل کیا گیا ہے اور انہیں ایک نئی تخلیق شدہ کمپلائنس اکیڈمی میں وسیع کلاس روم اور عملی تربیت فراہم کی گئی۔ برانچ کی سیلز کی ٹیم کو نیٹ ورک میں 350 ریلیشن شپ منیجرز کے اضافے کے ساتھ بڑھایا گیا۔ ایچ بی ایل نے مختلف خواتین اور مرد حضرات پر مشتمل افراد کے ساتھ کام کرنے کے عمل کو جاری رکھا اور خواتین ملازمین کی ایک بڑی تعداد کو ادارے میں شامل کیا جواب تقریباً اس کی عالمی ورک فورس کا 15% پر مشتمل ہے۔

سال 2017 میں برانچ منیجرز اور کیش آفیسرز کو جامع کیریئر اور لرننگ کے مواقع فراہم کئے۔ اس سے نہ صرف ان کی برقراریت یقینی ہوگی بلکہ مرکز ارتقاء اور کیریئر کے مواقع کی فراہمی کے ذریعے ایک ہمہ جہت ورک فورس بھی تیار ہوگی۔ قبل ازیں ایک جامع ٹیلنٹ مینجمنٹ پروگرام کا آغاز کیا گیا جس سے بینک کے سینئر ٹاپ ٹیلنٹ کی نشاندہی ہوئی، جن کے لیے ڈیولپمنٹ کے منصوبے بنائے گئے۔ ایچ بی ایل انڈسٹری کا سراہا گیا، "دی لیگ" مینجمنٹ ٹریننگ پروگرام جاری رکھا، جس میں دیگر 33 انتظامی ٹرینیز کو غیر ملکی اور سرفہرست مقامی یونیورسٹیز سے شامل کیا گیا۔

ایچ بی ایل کی ٹریننگ اور ڈیولپمنٹ نیز بالخصوص ای لرننگ پر جاری مرکز توجہ کا ثبوت یہ تھا کہ اس نے ای لرننگ مین آؤرز میں 200% سے زیادہ کا اضافہ کیا، اینٹی منی لائڈری ٹریننگ کی تازہ ترین تربیت اور 13 نئے ای لرننگ ماڈیولز کا آغاز کیا۔ اس کے علاوہ بینک نے اپنے عملے کو 675,000 سے زیادہ مین ڈیز آف کلاس روم ٹریننگ فراہم کی۔ حیدرآباد اور سکھر میں دو ڈیجیٹل ڈیولپمنٹ حب کا آغاز کیا گیا تاکہ مضافاتی علاقوں میں موجود عملہ ایچ بی ایل کی لرننگ کے مواقع سے مستفید ہو سکے۔ ان پیشکشوں کے ذریعے فن مہارت کی حامل کمپیوٹر لیب کے ساتھ ای لرننگ ماڈیولز کی مکمل رینج فراہم کی گئی۔ دوران سال بین الاقوامی نیٹ ورک کو وسعت کی حامل کسٹمائزڈ تربیت بھی فراہم کی گئی۔

HR سسٹم اور طریقہ کار کو خود کار بنانے کی جانب بینک کی طرف سے کئے جانے والے اقدامات کے طور پر ہیومن کیپیٹل ماڈیولز کا اہم حصہ کامیابی کے ساتھ مقامی اور بین الاقوامی نیٹ ورک میں شامل کیا گیا۔ پاکستان بھر میں تمام مقامات پر 15,000 سے زائد عملے کے لیے ایک خود کار بایومیٹرک اسٹینڈنس مینجمنٹ سسٹم کا بھی اطلاق کیا گیا ہے۔

یونینز کے ساتھ تعلقات پورا سال خوشگوار رہے اور ان کے ساتھ دو سالہ مشترکہ لیبر معاہدہ بھی طے کیا گیا تھا۔



- بیسٹ بیلٹ اینڈ روڈ اتھینٹیٹیشن ایڈوان پاکستان۔ گلوبل فنانس
- بیسٹ کارپوریٹ کمپین۔ پاکستان ایڈورٹائزرز سوسائٹی

## مستقبل کی پیش بینی

پاکستان کو اقتصادی خراب حالات کو بہتر بنانے کے لیے نسبتاً ایک طویل مدت لگے گی، جس میں افراط زر کی نرمی کے ساتھ ہائر کریڈٹ آف ٹیک کے ساتھ مثبت نمو نیز بہتر سرمایہ کار اور صارفین کا اعتماد شامل ہے۔ ہر چند یہ کہ مختلف نوعیت کے خطرات اب ظاہر ہیں اور ان سے احتیاط کے ساتھ نبرد آزما ہونے کی ضرورت ہوگی۔ 2018 اپنے ساتھ مختلف چیلنجز لائے گا، جیسے کہ بروقت الیکشن کا انعقاد، بڑھتی ہوئی طلب، افراط زر کی توقعات، تیل کے بڑھتے ہوئے نرخوں اور زرمبادلہ کے نرخ کی حالیہ ایڈجسٹمنٹ شامل ہے۔

غیر ملکی اکاؤنٹ ایک اہم مسئلہ بنتا جا رہا ہے، تجارتی خسارے کے پھیلاؤ اور درآمدات میں مسلسل رخنہ ڈالتی برآمدت کی بڑھوتری ترسیل زر میں صرف معمولی اضافوں نے کرنٹ اکاؤنٹ کے خسارے کو بڑھا دیا ہے۔ بین الاقوامی کمپیٹل مارکیٹس سے سرمایہ کاری کے باوجود غیر ملکی زرمبادلہ کے ذخائر اپنے بلند ترین مقام سے بہت زیادہ حد تک کم ہو گئے ہیں۔ بجٹ کا خسارہ یقینی طور پر اپنے اہداف سے انحراف کرے گا اور ملکی تاریخ سے دوہرے خسارے میں گرنے سے بچنے کے لیے لازمی طور پر کوششیں کرنے کی ضرورت ہے۔ معاشی نمو میں بہتری متوقع ہے، ہر چند یہ کہ سیاسی استحکام، CPEC کے عمل میں تیزی اور ایکسپورٹ پائپ لائن کے مزید استحکام سے گزشتہ چند سالوں میں پیش رفت کرنے کے لیے اہم اقدامات ہو گئے۔

ایچ بی ایل کا یہ سال ایک چیلنج سے بھرپور سال کے طور پر متوقع ہے کیوں کہ اس میں بینک کنڈکٹ، کمپلائنس اور کنٹرول کے حوالے سے اپنے معیار کو بڑھوتری کی جانب لے جا رہا ہے۔ بورڈ عدم برداشت کے کمپلائنس کلچر کے فروغ کے اپنے مقصد کا اعادہ کرتا ہے اور اس کو پورے ادارے میں تمام سطحوں پر رائج کرنے کے لیے پہلے ہی اقدامات شروع کر چکا ہے۔

ایچ بی ایل پاکستان کے طول و عرض پر معاشرے کے تمام شعبہ جات کے لیے مالیاتی سہولیات کی فراہمی کے اپنے مقصد پر کاربند رہا ہے۔ ایچ بی ایل خواتین کی خود مختاری، خواہ وہ ملازم ہو یا کسٹمر دونوں صورتوں میں قائل ہے اور اس شعبے میں کلیدی کردار ادا کرتے ہوئے پورے ادارے میں ان کے فروغ کے لیے عمل پیرا ہے اور مالی شعبہ جات تک خواتین کی رسائی کو یقینی بنا رہا ہے۔ اپنی بڑھتی ہوئی بیلنس شیٹ، بہتر ہوتے ہوئے سرمائے اور تمام چینلز پر بے مثال کام کے ساتھ، ایچ بی ایل ملک کی معاشی ترقی کی معاونت کو جاری رکھے گا اور پاکستان کا قومی ادارہ ہونے کے ناطے پاکستان کی ترقی کے لیے کئے جانے والے اقدامات میں صف اول کا کردار ادا کرے گا۔ ایچ بی ایل کسٹمر نیکنالوجی کے بنیاد پر جدید، کسٹمر سینٹرک پراڈکٹس اور سروسز اپنے صارفین کو مہیا کرے گا اور سہولت، قدر اور بہترین تجربات فراہم کرے گا۔

## منافع منقسمہ

بورڈ نے سال مختتمہ 31 دسمبر، 2017 کے حوالے سے ایک حصص (شیر) پر 1.00 روپے کا حتمی نقد منافع منقسمہ تجویز کیا ہے، اسی طرح سال بھر میں ہر ایک حصص (شیر) پر مجموعی نقد منافع منقسمہ 8.00 روپے بنتا ہے۔ بورڈ نے اعلان کردہ تمام عبوری نقد منافع منقسمہ، جو ہر ایک حصص (شیر) پر 7.00 روپے ہے، پہلے ہی ادا کر دیا ہے۔

## ڈائریکٹرز میں تبدیلی

جناب نعمان کے ڈار نے مورخہ 20 اکتوبر، 2017 کو بورڈ کے ڈائریکٹر کی حیثیت سے استعفیٰ دے دیا تاہم وہ اپنے ریٹائرمنٹ مورخہ 31 دسمبر، 2017 تک صدر اور چیف ایگزیکٹو ہیں۔ جیسا کہ وہ چھٹیوں پر جا چکے تھے، ریومنڈ کوکوال کو مورخہ یکم دسمبر، 2017 سے بطور قائم مقام صدر اور چیف ایگزیکٹو تعینات کیا گیا تھا اور انہوں نے اس عہدے پر بطور ڈائریکٹر تصور کرتے ہوئے خدمات انجام دیں۔

جناب نعمان کے ڈار کی بطور ڈائریکٹر استعفیٰ کے بعد خالی ہونے والے اسامی کو مورخہ 20 اکتوبر، 2017 سے جناب سلیم رضا کی تقرری کے ذریعے پر کیا گیا تھا۔ جناب رضا ایک مکمل ٹینکر ہیں اور پاکستان میں سینئر پوزیشنز پر خدمات انجام دے چکے ہیں اور ساتھ ہی اسٹیٹ بینک آف پاکستان کے گورنر کے طور پر بھی خدمات انجام دے چکے ہیں۔

## سماجی بہبود کی ذمہ داری (CSR)

ایچ بی ایل کو ایک سماجی بہبود کا ایک خصوصی طور پر ذمہ دار ادارہ ہونے پر فخر ہے اور یہ تعلیم کے فروغ، صحت اور معاشرے کی بہبود کے فلاحی مقاصد کی معاونت کے ذریعے ایک ذمہ دار کارپوریٹ شہری کی حیثیت سے اپنا کردار ادا کرتا رہا ہے۔ ایچ بی ایل فاؤنڈیشن کا قیام پسماندہ لوگوں کے ارتقاء اور خوشحالی کے فروغ اور ان کے معیار زندگی کو بہتر بنانے کی غرض سے سال 2009 میں عمل میں آیا۔ بینک اپنے منافع کا ایک فیصد سالانہ بنیادوں پر ایچ بی ایل فاؤنڈیشن کو فراہم کرتا ہے۔ سال 2017 کے دوران، بینک نے ایچ بی ایل فاؤنڈیشن اور براہ راست مستحق مقاصد کے لیے 89 ملین روپے کا عطیہ دیا۔ اس کی CSR کی کاوشوں کے اعتراف میں، ایچ بی ایل کو Pakistan Centre for Philanthropy کی جانب سے ملک کے تیسرے سب سے بڑے عطیہ کنندہ ہونے کے اعزاز سے نوازا گیا۔

ایچ بی ایل فاؤنڈیشن نے Marie Adelaide لپروسی سینٹر کو بلوچستان میں 10 اور گلگت - بلتستان میں 3 آئی سرجیکل کیمپس کے انعقاد کے لیے فنڈز عطیہ کئے۔ انڈس ہسپتال کو اس کے دور دراز علاقوں بدین اور رحیم یار خان میں نیز نئے آپریشن تھیٹر کی تعمیر کے لیے جناح پوسٹ گریجویٹ میڈیکل سینٹر میں پیڈنٹ ایڈ فاؤنڈیشن کو مالی معاونت فراہم کی۔ اتفاق کڈنی اینڈ جنرل ویلفیئر اسپتال پشاور کو مالی معاونت فراہم کی، جس کے ذریعے غریب مریضوں کو ڈائلیسز کی مفت سہولیات فراہم کی جائیں گی۔

ایچ بی ایل کا یہ یقین ہے کہ تعلیم پاکستان کی معاشی ترقی کا ایک لازمی جزو ہے۔ اس شعبے میں کارگریٹرینگ انسٹی ٹیوٹ کو عطیات فراہم کئے گئے، جو ٹیکنیکل اور ووکیشنل تعلیم فراہم کرتا ہے۔ ساتھ ہی IT لیب کے قیام کے لیے سیلہ یونیورسٹی آف ایگریکلچر، واٹر اینڈ میرین سائنسز کی بھی مالی معاونت کی گئی۔ کوئٹہ انسٹی ٹیوٹ آف میڈیکل سائنسز کو بلوچستان کے دیہی علاقوں سے مستحق طلباء کے لیے اپنے اسکالرشپ پروگرام کے انڈومنٹ فنڈ کے قیام کے ذریعے مالی معاونت فراہم کی گئی۔ ایچ بی ایل پلانٹ اسکالرشپ کے ذریعے تعلیمی سال 2017 میں پاکستان بھر کی 10 سرفہرست یونیورسٹیز میں 68 طلباء کو اسکالرشپس فراہم کی گئیں۔

ایچ بی ایل فاؤنڈیشن نے ضلع ٹھٹھہ کے پانچ گاؤں میں پینے کے صاف پانی کے پراجیکٹس کے لیے انڈس ارتھ اور زیارت میں سورج کی روشنی سے چلنے والے الٹرافٹرشن واٹر پیوریفیکیشن پلانٹ کے لیے ترقی فاؤنڈیشن کو عطیات فراہم کئے۔ گلگت - بلتستان اور چترال کے مصیبت زدہ رہائشیوں کے لیے پانی تک رسائی کے عمل کو بہتر بنانے میں معاونت بھی انہی اقدامات کا حصہ ہے۔

ایچ بی ایل فاؤنڈیشن اور دیگر کوڈی جانے 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 تھی۔ NYSDFS Consent Order کے نتیجے میں ریٹنگز پر آؤٹ لک تبدیل ہو کر منفی اور ذیلی قرض کی ریٹنگ AA+ ہو گئی ہے۔ Moody's نے بھی بین لائن کریڈٹ تشخیص کو caa1 پر تبدیل کرتے ہوئے، ایچ بی ایل کی مقامی اور غیر ملکی کرنسی ڈپازٹ ریٹنگز کو بالترتیب B3 اور Caa1 پر برقرار رکھا۔

ایک انٹرنیشنل ریٹنگ ایجنسی بنام کپیٹل 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 کو بھی BB پر برقرار رکھا گیا ہے اور دونوں ریٹنگز کے جائزے مستحکم آؤٹ لک دکھا رہے ہیں۔

## اعزازات

2017 کے دوران ایچ بی ایل کو کئی اعزازات سے نوازا گیا اور ان میں سے زیادہ نمایاں درج ذیل ہیں:

- بیسٹ ڈومیسٹک بینک - پاکستان، ایشیائی
- بیسٹ ریٹیل بینک پاکستان، ایشیائی بینکر انٹرنیشنل ایوارڈز
- بیسٹ بینک فار سال بزنس اینڈ ایگریکلچر - انسٹی ٹیوٹ آف بینکرز پاکستان
- بیسٹ انویسٹمنٹ بینک ان پاکستان - گلوبل فنانس

\* جناب نعمان کے۔ ڈار نے مورخہ 20 اکتوبر، 2017 کو بطور ڈائریکٹر استعفیٰ دیا اور مورخہ 31 دسمبر، 2017 سے صدر اور CEO کے عہدے سے ریٹائر ہو گئے۔

\*\* جناب سلیم رضا کی بورڈ میں تقرری مورخہ 20 اکتوبر، 2017 کو جناب نعمان کے۔ ڈار کے استعفیٰ کی وجہ سے خالی ہونے والی بے ضابطہ اسمیٰ کوپہ کرنے کے لیے ہوئی۔

\*\*\* جناب ریومنڈ کووال کا مورخہ یکم دسمبر، 2017 سے بطور قائم مقام صدر اور CEO تقرر کیا گیا۔

بورڈ IT کمیٹی کا قیام مورخہ 11 اگست، 2017 کو مکمل میں آیا۔

بورڈ کمیٹیز کا دوبارہ قیام مورخہ 11 اگست، 2017 اور پھر مورخہ 18 نومبر، 2017 کو ہوا۔

مذکورہ بالا کے علاوہ نیویارک براؤنچ سے متعلق معاملات کو مخصوص توجہ دینے کے لیے بورڈ اور سائٹ کمیٹی (BOC) بنائی گئی۔ جناب شفیق دھرمشی اور جناب نجیب سہج پر مشتمل یہ کمیٹی دوران سال دونوں اراکین کے ساتھ تمام اجلاس میں شرکت کرتے ہوئے 15 بار ملی۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور انہوں نے سالانہ اجلاس عام میں اہلیت کی بنیاد پر خود کو دوبارہ انتخاب کے لیے 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 2018 کے لیے بینک کے آڈیٹرز کے طور پر انتخاب کی تجویز دی ہے۔

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

بورڈ اس بات کے لیے پر عزم ہے کہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مرتب کردہ کارپوریٹ گورننس کی ضروریات کو پورا کیا جائے اور ڈائریکٹریہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں کہ:

- بینک کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، بینک کے معاملات کی صورت حال، انتظامی نتائج، کیش فلو اور ایکویٹی میں تبدیلی کے حوالے سے درست انداز میں تیار کئے گئے ہیں۔
- بینک کے بکس آف اکاؤنٹس باقاعدہ طور پر برقرار رکھی گئی ہیں۔
- مالیاتی گوشواروں اور اکاؤنٹنگ کے تخمینہ جات کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیز کا موزوں اور محتاط فیصلے کی بنیاد پر مسلسل اطلاق کیا گیا ہے۔
- بینک نے مالیاتی گوشواروں کی تیاری میں انٹرنیشنل فنانشل اسٹینڈرڈز (جو پاکستان میں بینکوں پر لاگو ہیں) کی پیروی کی ہے اور کہیں بھی معاملات کی خلاف ورزی نہیں کی گئی۔
- ایک مستقل کام کے طور پر انٹرنل کنٹرول سسٹم پر مؤثر انداز میں عمل درآمد کرنے کی کوششیں جاری رہتی ہیں۔ ایچ بی ایل، اسٹیٹ بینک آف پاکستان کی انٹرنل کنٹرول سے متعلق ہدایات اور انٹرنل کنٹرولز اور فنانشل رپورٹنگ (ICFR) کی ہدایات اور روڈ میپ پر عمل درآمد کرتا ہے۔ بینک نے اپنے ICFR طریقہ کار کا جائزہ لیا ہے اور ICFR کی مینجمنٹ کی فریم ورک دستاویز تیار کی ہے اور اس کے ساتھ مینجمنٹ ٹیسٹنگ اور رپورٹنگ فریم ورک بھی تیار کیا ہے۔
- بینک کے اپنے امور کو جاری رکھنے کی صلاحیت پر کسی قسم کے شکوک و شبہات نہیں ہیں۔
- کوڈ میں مذکورہ کارپوریٹ گورننس پر بہترین طریقے سے عمل درآمد کے حوالے سے کسی قسم کا اہم انحراف نہیں کیا گیا ہے۔
- مالیاتی گوشواروں کے سیکشن "پروگریس 2008 سے 2017- مجموعی" میں گزشتہ 10 سالوں کے اہم عملیاتی اور مالیاتی گوشوارے پیش کئے گئے ہیں۔

## بورڈ کے اجلاس

بورڈ میٹنگ		
حاضری	اجلاس منعقدہ دوران مدت	
15	15	جناب سلطان علی الانہ
15	15	جناب شفیق دھرمشی
15	15	جناب معیز احمد جمال
2	2	جناب سلیم رضا**
15	15	ڈاکٹر نجیب سمیع
15	15	جناب آغا شیر شاہ
15	15	جناب ساجد زاہد
14	14	جناب نعمان کے۔ ڈار*
1	1	جناب ریومنڈ کوٹوال***

\* جناب نعمان کے۔ ڈار نے مورخہ 20 اکتوبر، 2017 کو بطور ڈائریکٹر استعفیٰ دیا اور مورخہ 31 دسمبر، 2017 سے صدر اور CEO کے عہدے سے ریٹائرڈ ہو گئے۔

\*\* جناب سلیم رضا کی بورڈ میں تقرری مورخہ 20 اکتوبر، 2017 کو جناب نعمان کے۔ ڈار کے استعفیٰ کی وجہ سے خالی ہونے والی اسامی کو پُر کرنے کے لیے ہوئی۔

\*\*\* جناب ریومنڈ کوٹوال کا مورخہ یکم دسمبر، 2017 سے بطور قائم مقام صدر اور CEO تقرر کیا گیا۔

## بورڈ کمیٹیز کے اجلاس

آڈٹ کمیٹی میٹنگ		ریسک مینجمنٹ کمیٹی میٹنگ		ہیومن ریسورس اور ریپوزیشن کمیٹی میٹنگ		بورڈ آئی ٹی کمیٹی میٹنگ		
حاضری	دوران مدت منعقد شدہ میٹنگز	حاضری	دوران مدت منعقد شدہ میٹنگز	حاضری	دوران مدت منعقد شدہ میٹنگز	حاضری	دوران مدت منعقد شدہ میٹنگز	
N/A	N/A	N/A	N/A	6	6	N/A	N/A	جناب سلطان علی الانہ
N/A	N/A	5	5	N/A	N/A	N/A	N/A	جناب شفیق دھرمشی
9	9	N/A	N/A	6	6	N/A	N/A	جناب معیز احمد جمال
N/A	N/A	1	1	N/A	N/A	0	0	جناب سلیم رضا**
9	9	N/A	N/A	N/A	N/A	N/A	N/A	ڈاکٹر نجیب سمیع
N/A	N/A	3	3	3	3	1	1	جناب آغا شیر شاہ
9	9	2	2	3	3	N/A	N/A	جناب ساجد زاہد
N/A	N/A	4	4	N/A	N/A	1	1	جناب نعمان کے۔ ڈار*
N/A	N/A	1	1	N/A	N/A	0	0	جناب ریومنڈ کوٹوال***

سال 2017 سے ایچ بی ایل نے مشکلات کا سامنا کیا ہے، اس مدت کے دوران ہمارے کسٹمرز نے ہم پر اپنے کاروباری امور کے حوالے سے مسلسل اعتماد کا مظاہرہ کیا ہے، جبکہ ہمارے حصص یافتگان (شیئر ہولڈرز) نے بھی ہماری بھرپور معاونت کی ہے۔ ہم اپنے تمام اسٹیک ہولڈرز کے تہہ دل سے مشکور و ممنون ہیں۔ بورڈ اور انتظامیہ گورننس کے اعلیٰ ترین معیارات کو برقرار رکھنے کا عہد کئے ہوئے ہیں اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ ہم ضروری اسٹرکچرل تبدیلیوں اور مسائل کے حل کے لیے اقدامات کرنے کا عمل جاری رکھیں گے۔ میں ایچ بی ایل کی ترقی میں اپنے ملازمین کی خلوص اور لگن کے جذبے کے ساتھ کی جانے والے کاوشوں کو بھی سراہتا ہوں۔

منجانب بورڈ

رُیومنڈ کوٹوال  
قائم مقام صدر اور چیف ایگزیکٹو آفیسر  
19 مارچ، 2018

- (i) ڈائریکٹرز، سی ای او، سی ایف او اور کمپنی سیکریٹری نے تصدیق کی ہے کہ وہ دوران کی ازواج کسی طرح کے بھی اسٹاک بروکریج میں شامل نہیں ہیں۔
- (j) بورڈ کی طرف سے قائم کردہ رسک مینجمنٹ، آڈٹ اینڈ ہیومن ریسورس اینڈ ریمونڈیشن کمیٹیاں اپنے اختیارات کے تحت مؤثر انداز میں کام کر رہی ہیں۔ سال بھر کے دوران بورڈ کے اجلاس مستقل طور پر ہوتے رہے ہیں اور بورڈ پندرہ اجلاس کر چکا ہے اور کم از کم ہر سہ ماہی میں ایک بار تولا زمی ملے ہیں۔

بورڈ انٹرئل کنٹرولز سے متعلق انتظامیہ کے جانب سے دیئے جانے والے بیان کی توثیق کرتے ہوئے خوشی محسوس کرتا ہے۔ انٹرئل کنٹرول کا گوشوارہ، کوڈ پر عمل درآمد کا گوشوارہ برائے جائزہ رپورٹ اور آڈیٹرز کی رپورٹس، مالیاتی گوشوارے کے ساتھ منسلک ہیں۔

### ایمپلائز ریٹائرمنٹ بینیفٹ فنڈز میں سرمایہ کاریوں کی قدر

مورخہ 31 دسمبر، 2017 سے بینک کی جانب سے برقرار رکھے جانے والے پروویڈنٹ، گریجویٹ، پینشن اور بینوولٹ فنڈز میں سرمایہ کاریوں کی قدر، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر درج ذیل جدول میں ظاہر کی گئی ہے:

ملین (روپے)	
8,242	ایمپلائز پروویڈنٹ فنڈ
3,800	ایمپلائز پینشن فنڈ
2,024	ایمپلائز گریجویٹ فنڈ
1,437	ایمپلائز بینوولٹ فنڈ، ایگزیکٹو اور آفیسرز
689	ایمپلائز بینوولٹ فنڈ، کلریکل اور نان کلریکل

### پیٹرن آف شیئر ہولڈنگ

31 دسمبر، 2017 کو پیٹرن آف شیئر ہولڈنگ اور ایگزیکٹو کی جانب سے بینک کے حصص (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۔

### ترہیتی پروگرامز میں ڈائریکٹرز کی شرکت

کوڈ کی تعمیل کے مطابق گوشوارے کی عبارت کے مطابق اس سے قبل ڈائریکٹرز کی ایک بڑی تعداد نے ڈائریکٹرز کے ترہیتی پروگرامز میں شرکت کی ہے۔ دوران سال اہم ترین شعبے کی جانب توجہ کو بڑھانے کے لیے ڈائریکٹرز نے IBM ساؤتھ افریقہ سے ایک ماہر کی جانب سے سائبر سیکیورٹی پر دی جانے والی تربیت میں شرکت کی۔

### اظہار تشکر

بورڈ اور انتظامیہ کی جانب سے، میں اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص وزارت خزانہ، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا تہہ دل سے شکریہ ادا کرتا ہوں کہ ان کی کوششوں سے ریگولیٹری اور گورننس فریم ورک میں مسلسل ترقی اور بہتری کی بدولت بینکنگ اور فنانشل انڈسٹری کو استحکام ملا اور ترقی کی راہ پر گامزن ہے۔

# 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, 2017 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 104 branches, which have been audited by us and 28 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;
  - (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, 2017, 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.

**A.F. Ferguson & Co.**

Chartered Accountants

Engagement Partner: Salman Hussain

Date: March 22, 2018

Karachi

# Unconsolidated Statement of Financial Position

As at December 31, 2017

2017 (US \$ in '000)	2016		Note	2017 (Rupees in '000)	2016
<b>ASSETS</b>					
2,085,328	1,990,531	Cash and balances with treasury banks	5	230,256,066	219,788,876
260,630	296,538	Balances with other banks	6	28,777,991	32,742,891
307,021	307,254	Lendings to financial institutions	7	33,900,345	33,926,110
12,097,596	11,816,300	Investments	8	1,335,782,671	1,304,722,761
7,251,488	6,449,471	Advances	9	800,688,978	712,132,554
515,506	278,874	Operating fixed assets	10	56,920,682	30,792,535
35,325	-	Deferred tax asset	11	3,900,457	-
659,607	530,656	Other assets	12	72,831,923	58,593,524
23,212,501	21,669,624			2,563,059,113	2,392,699,251
<b>LIABILITIES</b>					
304,457	281,738	Bills payable	13	33,617,261	31,108,762
3,581,745	3,024,774	Borrowings	14	395,486,210	333,987,106
17,203,039	16,241,767	Deposits and other accounts	15	1,899,511,435	1,793,370,392
90,511	90,547	Subordinated loan	16	9,994,000	9,998,000
-	-	Liabilities against assets subject to finance lease		-	-
-	16,814	Deferred tax liability	11	-	1,856,554
468,645	365,084	Other liabilities	17	51,746,248	40,311,457
21,648,397	20,020,724			2,390,355,154	2,210,632,271
1,564,104	1,648,900	<b>NET ASSETS</b>		172,703,959	182,066,980
<b>REPRESENTED BY:</b>					
<b>Shareholders' equity</b>					
132,846	132,846	Share capital	18	14,668,525	14,668,525
448,475	426,984	Reserves		49,519,342	47,146,362
791,836	882,531	Unappropriated profit		87,432,293	97,446,624
1,373,157	1,442,361			151,620,160	159,261,511
190,947	206,539	Surplus on revaluation of assets - net of deferred tax	19	21,083,799	22,805,469
1,564,104	1,648,900			172,703,959	182,066,980
<b>CONTINGENCIES AND COMMITMENTS</b>					
			20		

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Rayomond Kotwal  
Acting President and  
Chief Executive Officer

Irfan Ahmed Meer  
Acting Chief Financial Officer

Moez Ahamed Jamal  
Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

# Unconsolidated Profit and Loss Account

For the year ended December 31, 2017

2017 (US \$ in '000)	2016		Note	2017 (Rupees in '000)	2016
1,290,651	1,248,066	Mark-up / return / profit / interest earned	22	142,510,065	137,807,927
576,410	529,720	Mark-up / return / profit / interest expensed	23	63,645,627	58,490,216
714,241	718,346	Net mark-up / return / profit / interest income		78,864,438	79,317,711
(3,017)	3,983	(Reversal) / provision against advances	9.3	(333,106)	439,755
(4,816)	(201)	Reversal of provision against off-balance sheet obligations	17.1	(531,722)	(22,208)
4,219	2,252	Provision for diminution in the value of investments	8.5	465,867	248,616
-	-	Bad debts written off directly		-	-
(3,614)	6,034			(398,961)	666,163
717,855	712,312	Net mark-up / return / profit / interest income after provisions		79,263,399	78,651,548
<b>Non mark-up / interest income</b>					
158,589	159,453	Fee, commission and brokerage income		17,510,919	17,606,347
19,479	15,457	Dividend income		2,150,770	1,706,704
8,569	8,876	Income from dealing in foreign currencies		946,133	980,098
74,131	45,182	Gain on sale of securities - net	24	8,185,338	4,988,890
(664)	(109)	Unrealised loss on held-for-trading securities	8.6	(73,326)	(12,057)
9,112	5,335	Other income	25	1,006,458	589,075
269,216	234,194	Total non mark-up / interest income		29,726,292	25,859,057
987,071	946,506			108,989,691	104,510,605
<b>Non mark-up / interest expenses</b>					
515,328	461,141	Administrative expenses	26	56,901,106	50,917,849
4,477	1,577	Other provisions / write offs - net	12.2	494,318	174,161
284	963	Other charges	27	31,336	106,332
9,340	9,656	Workers' Welfare Fund	28	1,031,290	1,066,224
529,429	473,337	Total non mark-up / interest expenses		58,458,050	52,264,566
457,642	473,169	<b>Profit before extra ordinary / unusual item and taxation</b>		50,531,641	52,246,039
<b>Extra ordinary / unusual item - settlement payment to New York State Department of Financial Services</b>					
(214,795)	-		29	(23,717,115)	-
242,847	473,169	<b>Profit before taxation</b>		26,814,526	52,246,039
<b>Taxation</b>					
163,294	164,226	- Current	30	18,030,514	18,133,369
17,277	20,133	- Prior years		1,907,630	2,223,030
(1,703)	629	- Deferred		(188,018)	69,421
178,868	184,988			19,750,126	20,425,820
63,979	288,181	<b>Profit after taxation</b>		7,064,400	31,820,219
<b>-----Rupees-----</b>					
Basic and diluted earnings per share			31	4.82	21.69

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Rayomond Kotwal  
Acting President and  
Chief Executive Officer

Irfan Ahmed Meer  
Acting Chief Financial Officer

Moez Ahamed Jamal  
Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

# Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2017

2017 (US \$ in '000)	2016		2017 (Rupees in '000)	2016
63,979	288,181	<b>Profit after taxation for the year</b>	7,064,400	31,820,219
		<b>Other comprehensive income / (loss)</b>		
		<b>Items that may be reclassified to the profit and loss account in subsequent periods</b>		
18,321	(5,340)	Effect of translation of net investment in foreign branches - net	2,022,996	(589,653)
		<b>Items that are not to be reclassified to the profit and loss account in subsequent periods</b>		
(9,126)	(5,643)	Remeasurement loss on defined benefit obligations -net	(1,007,627)	(623,038)
<u>73,174</u>	<u>277,198</u>	<b>Comprehensive income transferred to equity</b>	<u>8,079,769</u>	<u>30,607,528</u>
		<b>Components of comprehensive income / (loss) not reflected in equity</b>		
		<b>Items that may be reclassified to the profit and loss account in subsequent periods</b>		
(103,783)	(7,292)	Movement in surplus / deficit on revaluation of investments - net of tax	(11,459,423)	(805,166)
		<b>Items that are not to be reclassified to the profit and loss account in subsequent periods</b>		
92,070	16	Movement in surplus / deficit on revaluation of operating fixed assets - net of tax	10,166,153	1,772
91	2,380	Transferred from surplus on revaluation of non-banking assets - net of tax	10,078	262,797
<u>92,161</u>	<u>2,396</u>		<u>10,176,231</u>	<u>264,569</u>
(3,542)	8,578	Movement in surplus / deficit on revaluation of non-banking assets- net of tax	(391,112)	947,131
(90)	(2,380)	Transferred to surplus on revaluation of operating fixed assets - net of tax	(10,078)	(262,797)
<u>(3,632)</u>	<u>6,198</u>		<u>(401,190)</u>	<u>684,334</u>
<u><u>57,920</u></u>	<u><u>278,500</u></u>	<b>Total comprehensive income</b>	<u><u>6,395,387</u></u>	<u><u>30,751,265</u></u>

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Rayomond Kotwal  
Acting President and  
Chief Executive Officer

Irfan Ahmed Meer  
Acting Chief Financial Officer

Moez Ahamed Jamal  
Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2017

Share capital	RESERVES					Total
	Exchange translation reserve	Capital		Revenue		
		Statutory reserve	Non - distributable capital reserve	General reserve	Unappropriated profit	

(Rupees in '000)

(Rupees in '000)

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

## Comprehensive income for the year

Profit after taxation for the year ended December 31, 2016

-	-	-	-	-	31,820,219	31,820,219
-	(589,653)	-	-	-	-	(589,653)
-	-	-	-	-	(623,038)	(623,038)
-	(589,653)	-	-	-	31,197,181	30,607,528

## Other comprehensive income / (loss)

- Effect of translation of net investment in foreign branches
- Remeasurement loss on defined benefit obligations - net

## Transactions with owners, recorded directly in equity

Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2015  
1st interim cash dividend - Rs. 3.5 per share  
2nd interim cash dividend - Rs. 3.5 per share  
3rd interim cash dividend - Rs. 3.5 per share

-	-	-	-	-	(5,133,984)	(5,133,984)
-	-	-	-	-	(5,133,984)	(5,133,984)
-	-	-	-	-	(5,133,984)	(5,133,984)
-	-	-	-	-	(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
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Transferred to statutory reserve

-	-	3,182,022	-	-	(3,182,022)	-
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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
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## Comprehensive income for the year

Profit after taxation for the year ended December 31, 2017

-	-	-	-	-	7,064,400	7,064,400
-	2,022,996	-	-	-	-	2,022,996
-	-	-	-	-	(1,007,627)	(1,007,627)
-	2,022,996	-	-	-	6,056,773	8,079,769

## Other comprehensive income / (loss)

- Effect of translation of net investment in foreign branches - net
- Remeasurement loss on defined benefit obligations - net

## Transactions with owners, recorded directly in equity

Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2016  
1st interim cash dividend - Rs. 3.5 per share  
2nd interim cash dividend - Rs. 3.5 per share

-	-	-	-	-	(5,133,984)	(5,133,984)
-	-	-	-	-	(5,133,984)	(5,133,984)
-	-	-	-	-	(5,133,984)	(5,133,984)
-	-	-	-	-	(15,401,952)	(15,401,952)

Transferred from surplus on revaluation of assets - net of tax

-	-	-	-	-	37,288	37,288
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Exchange translation realised on sale of Bank branches

-	(356,456)	-	-	-	-	(356,456)
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Transferred to statutory reserve

-	-	706,440	-	-	(706,440)	-
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Balance as at December 31, 2017

14,668,525	12,119,891	30,778,524	547,115	6,073,812	87,432,293	151,620,160
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The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Rayomond Kotwal  
Acting President and  
Chief Executive Officer

Irfan Ahmed Meer  
Acting Chief Financial Officer

Moez Ahamed Jamal  
Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

# Unconsolidated Cash Flow Statement

For the year ended December 31, 2017

2017 (US \$ in '000)	2016 (US \$ in '000)		Note	2017 (Rupees in '000)	2016 (Rupees in '000)
457,642	473,169	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		50,531,641	52,246,039
(19,479)	(15,457)	Profit before extra ordinary / unusual item and taxation		(2,150,770)	(1,706,704)
438,163	457,712	Dividend income		48,380,871	50,539,335
28,312	26,336	<b>Adjustments for:</b>		3,126,127	2,907,923
5,993	4,165	Depreciation		661,696	459,874
(3,017)	3,983	Amortisation		(333,106)	439,755
(4,816)	(201)	(Reversal) / provision against advances		(531,722)	(22,208)
4,219	2,252	Reversal of provision against off-balance sheet obligations		465,867	248,616
4,477	1,577	Provision for diminution in the value of investments		494,318	174,161
664	109	Other provisions / write offs - net		73,326	12,057
(3,228)	-	Unrealised loss on held-for-trading securities		(356,456)	-
(214)	(530)	Exchange translation realised on sale of Bank branches		(23,660)	(58,494)
9,340	9,656	Gain on sale of operating fixed assets - net		1,031,290	1,066,224
41,730	47,347	Workers' Welfare Fund		4,607,680	5,227,908
479,893	505,059			52,988,551	55,767,243
233	(140,779)	<b>(Increase) / decrease in operating assets</b>		25,765	(15,544,477)
(246,059)	18,056	Lendings to financial institutions		(27,169,147)	1,993,686
(799,000)	(968,473)	Investments in held-for-trading securities		(88,223,318)	(106,936,038)
(70,363)	(13,957)	Advances		(7,769,270)	(1,541,069)
(1,115,189)	(1,105,153)	Other assets (excluding advance taxation)		(123,135,970)	(122,027,898)
22,718	28,679	<b>Increase / (decrease) in operating liabilities</b>		2,508,499	3,166,661
556,970	176,621	Bills payable		61,499,104	19,501,974
961,273	2,128,832	Borrowings		106,141,043	235,059,717
82,808	(8,883)	Deposits and other accounts		9,143,379	(980,842)
1,623,769	2,325,249	Other liabilities		179,292,025	256,747,510
988,473	1,725,155			109,144,606	190,486,855
(242,510)	(236,098)	Income tax paid		(26,777,271)	(26,069,275)
745,963	1,489,057	<b>Net cash flows from operating activities</b>		82,367,335	164,417,580
53,987	(259,500)	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		5,961,084	(28,653,215)
(221,661)	(363,374)	Net investments in available-for-sale securities		(24,475,226)	(40,122,710)
(4,002)	(18,113)	Net investments in held-to-maturities securities		(441,933)	(2,000,000)
(28,109)	(9,274)	Net investments in subsidiaries		(3,103,692)	(1,024,049)
19,844	14,953	Net investments in associates		2,191,084	1,651,091
(173,664)	(35,615)	Dividend income received		(19,175,544)	(3,932,546)
341	651	Fixed capital expenditure		37,604	71,850
18,321	(5,340)	Proceeds from sale of fixed assets		2,022,996	(589,653)
(334,943)	(675,612)	Effect of translation of net investment in foreign branches		(36,983,627)	(74,599,232)
(36)	(18)	<b>Net cash flows used in investing activities</b>		(4,000)	(2,000)
(137,300)	(190,336)	Repayment of subordinated loan		(15,160,303)	(21,016,417)
(137,336)	(190,354)	Dividend paid		(15,164,303)	(21,018,417)
(214,795)	-	<b>Net cash flows used in financing activities</b>		(23,717,115)	-
58,889	623,091	Cash outflow for settlement payment to New York State Department of Financial Services	29	6,502,290	68,799,931
2,230,781	1,670,038	Increase in cash and cash equivalents during the year		246,316,634	184,400,975
56,288	(6,060)	Cash and cash equivalents at the beginning of the year		6,215,133	(669,139)
2,287,069	1,663,978	Effect of exchange rate changes on cash and cash equivalents		252,531,767	183,731,836
2,345,958	2,287,069	<b>Cash and cash equivalents at the end of the year</b>	32	259,034,057	252,531,767

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Rayomond Kotwal  
Acting President and  
Chief Executive Officer

Irfan Ahmed Meer  
Acting Chief Financial Officer

Moez Ahamed Jamal  
Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

## 1 STATUS AND NATURE OF BUSINESS

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 1,703 (2016: 1,677) branches inside Pakistan including 47 (2016: 45) Islamic Banking Branches and 48 (2016: 54) branches outside the country including in the 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 During the year, the Bank has purchased 678,750 ordinary shares of Habib Allied Holding Limited (HAHL) from a minority shareholder. Consequently, the shareholding of the Bank in HAHL has increased from 89.40% to 90.50%.
- 1.2 During the year, the Bank sold its operations and business in Paris to Habibsons Bank, a fully owned subsidiary of Habib Allied Holding Limited (HAHL), for a consideration of Rs 812.798 million representing the net assets of the branch as at the date of sale. The Bank owns 90.50% shares in HAHL.
- 1.3 During the year, the Bank also sold its operations and business in Kenya to Diamond Trust Bank Kenya, Limited (DTBKL), an associated company, on July 31, 2017. The consideration for the transfer of business was agreed as equivalent to the net assets of the business at the date of transfer. In consideration of the sale, the Bank received 13,281,105 ordinary shares in DTBKL amounting to Ksh 1,824.691 million (equivalent to Rs 1,852.188 million). Consequently, the Bank's shareholding in DTBKL has increased from 11.97% to 16.15%. After the completion of audit, the final net assets of the transferred business were determined at Ksh 1,713.136 million (equivalent to Rs 1,737.766 million) and the difference between the provisional and the final value of the business has been recorded as a payable to DTBKL. In accordance with the Asset Purchase Agreement (APA) executed with DTBKL, the Bank is liable to reimburse, under specified circumstances, any credit loss to DTBKL against two customers whose credit exposure, net of provision held, aggregated to Ksh 467.357 million, (equivalent to Rs 474.400 million) as at the transfer date.
- 1.4 During the year, Habib Finance International Limited has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.

## 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, 2017 and 2016 have all been converted using an exchange rate of Rupees 110.4172 per US Dollar.

### 2.1 Basis of measurement

#### 2.1.1 Accounting convention

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 Critical accounting estimates and judgements

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 the application of accounting policies are as follows:

- i) Classification of investments (note 4.3)
- ii) Valuation and impairment of available-for-sale equity investments, subsidiaries and associates (note 4.3.4)
- iii) Provision against non-performing advances (note 4.4)
- iv) Fixed assets valuation, depreciation and amortisation (note 4.5)
- v) Defined benefit plans and other retirement benefits (note 4.9)
- vi) Taxation (note 4.12)
- vii) Fair value of derivatives (note 4.19)

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 (ICAP) 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 Securities & Exchange Commission of Pakistan (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 requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the said directives shall prevail.

The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 23 of 2017, dated October 04, 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

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 its 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 (HBL AML) are not consolidated as would otherwise be required under the definition of control specified in IFRS 10.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective date (annual periods beginning on or after)
- IFRS 2 - Share-based Payments - (Amendments)	January 1, 2018
- IAS 28 - Investments in Associates and Joint Ventures - (Improvement)	January 1, 2018
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2018
- IFRS 3 - Business Combinations - (Amendments)	January 1, 2018
- IFRS 11 - Joint Venture- (Amendments)	January 1, 2018
- IAS 12 - Income Taxes - (Amendments)	July 1, 2018
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 9 - Financial Instruments: Classification and Measurement	July 1, 2018

The Bank is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of IFRS 15 and is assessing the potential impacts of changes required upon adoption of IFRS 9.

The Bank expects that the adoption of remaining amendments, improvements and interpretations will not affect its financial statements in the period of initial application.

In addition to above, the Companies Act 2017 has been enacted on May 31, 2017 and according to the circular referred to in note number 3.1 of these financial statements, the act would be applicable for periods after January 1, 2018. This would result in additional disclosures, certain changes in financial statements presentation and the deficit on revaluation on a fixed asset would no longer be allowed to be adjusted against surplus on other properties; and the same will be charged to profit and loss account in the year it occurs, the impact of the same is not considered material.

The SBP vide BPRD circular no. 2 dated January 25, 2018 has specified the new reporting format for the financial statements of banking companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the year ending December 31, 2018.

### 3.3 **Standards, interpretations and amendments to approved accounting standards that are effective in the current year.**

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

## 4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### 4.1 **Cash and cash equivalents**

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

### 4.2 **Lending / borrowing transactions with financial institutions**

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

#### 4.2.1 **Purchase under resale agreements (reverse repo)**

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.

#### 4.2.2 **Sale under repurchase agreement (repo)**

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.

#### 4.2.3 **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.

### 4.3 **Investments**

The Bank classifies its investment portfolio, other than its investments in subsidiaries, 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 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.

#### 4.3.1 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.

#### 4.3.2 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.

#### 4.3.3 Investments in subsidiaries, associates and joint ventures

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

#### 4.3.4 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, classified as available-for-sale 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. When a debt security classified as held to maturity is considered to be impaired, the impairment is charged to profit and loss account directly. 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 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.

#### 4.4 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.

##### 4.4.1 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.

##### 4.4.2 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

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.

In Running Musharakah, the Bank and the customer enters a Musharakah where Bank agrees to finance the operating activities of the customer's business and share the profit / (loss) in proportion to the agreed ratio at agreed frequency.

Under Diminishing Musharakah financing, the Bank creates joint ownerships with the customers over the tangible assets to fulfill capital expenditure / project requirements. The Bank receives periodical payments from the customers against the gradual diminishing of its share of ownership in favour of customers.

In Istisna transactions, the Bank finances the costs of goods manufactured by the customers. Once the goods are manufactured, these are sold by the customers in the market as an agent of the Bank to recover the cost plus profit.

Wakalah is an agency contract in which Bank provides funds to customer to invest it in a Sharia's compliant manner.

#### 4.5 Operating fixed assets and depreciation

##### 4.5.1 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 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.

#### 4.5.2 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.

#### 4.5.3 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.

#### 4.6 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.

#### 4.7 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.

#### 4.8 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.

#### 4.9 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 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.

For 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.

### **4.10 Foreign currency**

#### **4.10.1 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.

#### **4.10.2 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.

#### **4.10.3 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.

#### **4.10.4 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.

### **4.11 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.

#### **4.11.1 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.

#### **4.11.2 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.

#### **4.11.3 Fee, Commission and Brokerage Income**

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

#### 4.11.4 Dividend income

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

#### 4.12 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.

##### 4.12.1 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.

##### 4.12.2 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.

##### 4.12.3 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.

#### 4.13 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.

#### 4.14 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.

#### 4.15 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.

#### 4.16 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.

#### 4.17 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.



#### 4.18 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.

#### 4.19 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.

#### 4.20 Dividend paid

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

#### 4.21 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.

#### 4.22 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.

##### 4.22.1 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.

##### 4.22.2 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.	<b>CASH AND BALANCES WITH TREASURY BANKS</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
			<b>(Rupees in '000)</b>	
	In hand			
	Local currency		25,656,258	21,015,759
	Foreign currency		3,729,233	6,371,911
			<u>29,385,491</u>	<u>27,387,670</u>
	With State Bank of Pakistan in			
	Local currency current accounts	5.1	74,483,143	68,242,398
	Foreign currency current accounts	5.2	5,327,299	5,277,831
	Foreign currency deposit accounts	5.3	15,968,819	16,616,861
			<u>95,779,261</u>	<u>90,137,090</u>
	With other Central Banks in			
	Foreign currency current accounts	5.4	39,986,915	42,613,070
	Foreign currency deposit accounts	5.5	6,089,104	17,745,558
			<u>46,076,019</u>	<u>60,358,628</u>
	With National Bank of Pakistan in local currency current accounts		58,922,900	41,833,942
	National Prize Bonds		92,395	71,546
			<u>230,256,066</u>	<u>219,788,876</u>
5.1	This represents current accounts maintained under the Cash Reserve Requirement of the SBP.			
5.2	This represents foreign currency current accounts maintained under the Cash Reserve Requirement of the SBP.			
5.3	This represents deposit accounts 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 rates ranging from 0.00% to 0.37% per annum (2016: 0.00% per annum).			
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 include balances in remunerative accounts amounting to Rs. 6,216.790 million (2016: Rs. 11,969.165 million), which carry mark-up at rates ranging from 0.01% to 7.25% per annum (2016: 0.01% to 7.44% per annum).			
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 1.00% to 2.90% per annum (2016: 0.50% to 6.67% per annum).			
6.	<b>BALANCES WITH OTHER BANKS</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
			<b>(Rupees in '000)</b>	
	In Pakistan			
	In current accounts		223,401	132,131
	Outside Pakistan			
	In current accounts	6.1	19,527,223	15,377,139
	In deposit accounts	6.2	9,027,367	17,233,621
			<u>28,554,590</u>	<u>32,610,760</u>
			<u>28,777,991</u>	<u>32,742,891</u>
6.1	These include balances in remunerative current accounts amounting to Rs. 4,148.355 million (2016: Rs. 4,210.019 million), which carry mark-up at rates ranging from 0.05% to 0.72% per annum (2016: 0.01% to 0.30% per annum).			
6.2	Deposit accounts carry mark-up at rates ranging from 0.7% to 13.25% per annum (2016: 0.15% to 13.00% per annum).			
7.	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
			<b>(Rupees in '000)</b>	
	Repurchase agreement lendings (reverse repo)	7.2 & 7.3	31,785,507	25,405,701
	Call money lendings	7.4	500,000	1,062,307
	Bai Muajjal receivable from State Bank of Pakistan	7.5	1,614,838	-
	Bai Muajjal receivables from Financial Institutions		-	7,458,102
			<u>33,900,345</u>	<u>33,926,110</u>
7.1	<b>Particulars of lendings to financial institutions</b>			
	In local currency		33,900,345	32,963,803
	In foreign currency		-	962,307
			<u>33,900,345</u>	<u>33,926,110</u>
7.2	Repurchase agreement lendings carry mark-up at rates ranging from 5.75% to 6.20% per annum (2016: 5.75% to 6.10% per annum) and are due to mature latest by March 13, 2018.			

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

	2017			2016		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	485,507	-	485,507	22,840,760	-	22,840,760
Pakistan Investment Bonds	31,300,000	-	31,300,000	2,564,941	-	2,564,941
	<u>31,785,507</u>	<u>-</u>	<u>31,785,507</u>	<u>25,405,701</u>	<u>-</u>	<u>25,405,701</u>

7.3.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 32,478.463 million (2016: Rs. 25,420.039 million).

7.4 Call money lendings carry mark-up at 6.50% per annum (2016: 1.80% to 6.00% per annum) and are due to mature latest by January 2, 2018.

7.5 Bai Muajjal receivable from the State Bank of Pakistan carry mark-up at 5.70% per annum (2016: Nil) and are due to mature latest by June 21, 2018. Last year, Bai Muajjal receivables from Financial Institutions carried mark-up at rates ranging from 5.50% to 5.65% per annum.

8. **INVESTMENTS**

8.1 **Investments by type**

INVESTMENTS	Note	2017			2016		
Investments by type		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
<hr style="border-top: 1px dashed #000;"/>							
(Rupees in '000)							
<hr style="border-top: 1px dashed #000;"/>							
<b>Held-for-trading (HFT)</b>							
<i>Federal Government securities</i>							
- Market Treasury Bills		47,907,444	-	47,907,444	32,335,860	-	32,335,860
- Pakistan Investment Bonds		17,918,321	-	17,918,321	8,174,573	-	8,174,573
- Sukuks		1,999,062	-	1,999,062	-	-	-
<i>Fully paid-up ordinary shares</i>							
- Listed companies		274,651	-	274,651	131,436	-	131,436
<i>Overseas Government securities</i>							
		149,311	-	149,311	376,504	-	376,504
		68,248,789	-	68,248,789	41,018,373	-	41,018,373
<hr/>							
<b>Held-to-maturity (HTM)</b>							
<i>Federal Government securities</i>							
- Market Treasury Bills		-	-	-	28,912,507	-	28,912,507
- Pakistan Investment Bonds	8.7 - 8.9	229,596,422	-	229,596,422	172,917,957	-	172,917,957
- Government of Pakistan US Dollar Bonds		1,177,868	-	1,177,868	1,670,392	-	1,670,392
<i>Debentures and corporate debt instruments</i>							
- Listed		6,899,728	-	6,899,728	8,084,970	-	8,084,970
- Unlisted		18,078,775	-	18,078,775	10,503,868	-	10,503,868
<i>Overseas Government securities</i>							
		14,604,085	-	14,604,085	23,791,958	-	23,791,958
		270,356,878	-	270,356,878	245,881,652	-	245,881,652
<hr/>							
<b>Available-for-sale (AFS)</b>							
<i>Federal Government securities</i>							
- Market Treasury Bills	8.7	328,211,635	131,244,262	459,455,897	259,463,927	180,967,213	440,431,140
- Pakistan Investment Bonds		238,386,542	134,373,604	372,760,146	325,812,579	58,708,656	384,521,235
- Government of Pakistan US Dollar Bonds		1,487,595	-	1,487,595	20,671,573	-	20,671,573
- Sukuks		83,205,706	-	83,205,706	77,911,455	-	77,911,455
<i>Fully paid-up ordinary shares</i>							
- Listed companies		19,661,232	-	19,661,232	16,876,992	-	16,876,992
- Unlisted companies		2,711,847	-	2,711,847	2,251,466	-	2,251,466
<i>Debentures and corporate debt instruments</i>							
- Listed		283,688	15,378,666	15,662,354	15,821,046	-	15,821,046
- Unlisted	8.3 & 8.11	14,086,144	-	14,086,144	15,879,031	-	15,879,031
<i>Overseas Government securities</i>							
		3,868,899	-	3,868,899	4,154,760	-	4,154,760
<i>National Investment Trust units</i>							
		11,113	-	11,113	11,113	-	11,113
<i>Real Estate Investment Trust units</i>							
		154,000	-	154,000	396,000	-	396,000
<i>Preference shares</i>							
		97,500	-	97,500	100,000	-	100,000
		692,165,901	280,996,532	973,162,433	739,349,942	239,675,869	979,025,811
<hr/>							
Investment in subsidiary companies	8.12	13,945,202	-	13,945,202	13,503,269	-	13,503,269
<hr/>							
Investment in associates and joint venture	8.4 / 8.13	12,322,188	-	12,322,188	9,218,496	-	9,218,496
		1,057,038,958	280,996,532	1,338,035,490	1,048,971,732	239,675,869	1,288,647,601
<hr/>							
Provision for diminution in the value of investments	8.5	(1,503,051)	-	(1,503,051)	(866,152)	-	(866,152)
		1,055,535,907	280,996,532	1,336,532,439	1,048,105,580	239,675,869	1,287,781,449
<hr/>							
Deficit on revaluation of held-for-trading securities	8.6	(73,326)	-	(73,326)	(12,057)	-	(12,057)
<hr/>							
(Deficit) / surplus on revaluation of available-for-sale securities	19.2	(900,806)	224,364	(676,442)	12,540,371	4,412,998	16,953,369
<hr/>							
Total investments (net of provision)		1,054,561,775	281,220,896	1,335,782,671	1,060,633,894	244,088,867	1,304,722,761

8.2	Investments by segment	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
	Federal Government securities			
	- Market Treasury Bills		507,363,341	501,679,507
	- Pakistan Investment Bonds		620,274,889	565,613,765
	- Government of Pakistan US Dollar Bonds		2,665,463	22,341,965
	- Sukuks		85,204,768	77,911,455
	Fully paid-up ordinary shares			
	- Listed companies		19,935,883	17,008,428
	- Unlisted companies		2,711,847	2,251,466
	Debentures and corporate debt instruments			
	- Listed		22,562,082	23,906,016
	- Unlisted	8.3	32,164,919	26,382,899
	Overseas Government securities		18,622,295	28,323,222
	National Investment Trust units		11,113	11,113
	Real Estate Investment Trust units		154,000	396,000
	Preference shares		97,500	100,000
	Investment in subsidiary companies	8.12	13,945,202	13,503,269
	Investment in associates and joint venture	8.13	12,322,188	9,218,496
			<u>1,338,035,490</u>	<u>1,288,647,601</u>
	Less: Provision for diminution in the value of investments	8.5	<u>(1,503,051)</u>	<u>(866,152)</u>
			<u>1,336,532,439</u>	<u>1,287,781,449</u>
	Deficit on revaluation of held-for-trading securities	8.6	(73,326)	(12,057)
	(Deficit) / surplus on revaluation of available-for-sale securities	19.2	<u>(676,442)</u>	<u>16,953,369</u>
	<b>Total investments (net of provision)</b>		<u><b>1,335,782,671</b></u>	<u><b>1,304,722,761</b></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. 3.314 billion equivalent US \$ 30 million (2016: Rs. 3.138 billion equivalent US \$ 30 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% (2016: 6 month LIBOR+5.75%).

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

	2017		2016	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	270,356,878	272,433,165	245,881,652	250,109,970
- Investment in listed associates and joint venture	11,885,957	39,352,301	8,782,265	30,884,859

8.5	Particulars of provision held against diminution in the value of investments	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
	Opening balance		866,152	617,536
	Charge for the year		1,289,086	289,986
	Reversal for the year		(203,605)	(21,999)
	Reversed on disposal during the year		(619,614)	(19,371)
	Net charge		465,867	248,616
	Recoveries against written off investments		171,032	-
	Closing balance	8.5.1	<u>1,503,051</u>	<u>866,152</u>

8.5.1 Particulars of provision in respect of type and segment

<b>Available-for-sale securities</b>				
Fully paid-up ordinary shares				
	- Listed companies		1,117,390	459,981
	- Unlisted companies		82,274	102,784
	Total equity securities		1,199,664	562,765
	Debentures and corporate debt instruments		303,387	303,387
			<u>1,503,051</u>	<u>866,152</u>

		2017	2016
		(Rupees in '000)	
8.6	<b>Unrealised (loss) / gain on revaluation of held-for-trading securities</b>		
	Market Treasury Bills	(24,893)	(6,346)
	Pakistan Investment Bonds	(13,149)	3,199
	Ordinary shares of listed companies	(19,058)	3,553
	Sukuks	(262)	-
	Overseas Government securities	(15,964)	(12,463)
		<u>(73,326)</u>	<u>(12,057)</u>
8.7	Investments include securities amounting to Rs. 293.708 million (2016: Rs. 261.439 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. 238.518 million (2016: Rs. 235.608 million) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.		
8.9	Investments include Rs. 10.484 million (2016: Rs. 10.356 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 unconsolidated financial statements, is given in Annexure "I" and is an integral part of these unconsolidated financial statements.		
8.11	This includes privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) amounting to Rs. 6,071.278 million (2016: Rs 7,892.662 million) which is guaranteed by the Government of Pakistan and further is subject to a relaxation given by the SBP from Regulation-8 of the Prudential Regulations. However, mark-up income has been suspended on this amount and is only recognised when received.		
8.12	<b>Investment in subsidiaries</b>	Note	2017 (Rupees in '000)
	Habib Allied Holding Limited - Holding 90.50% (2016: 89.40%)	1.1	9,763,859
	Habib Finance International Limited, Hong Kong - wholly owned	1.4	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% (2016: 50.51%)		2,000,000
			<u>13,945,202</u>
8.13	<b>Investment in associates and joint venture</b>		2016 (Rupees in '000)
	Himalayan Bank Limited, Nepal - Holding 20% (2016: 20%) - Listed		135,665
	Diamond Trust Bank Kenya Limited - Holding 16.15% (2016: 11.97%) - Listed	1.3	3,999,244
	Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding 18% (2016: 18%) - Unlisted		256,231
	Jubilee General Insurance Company Limited - Holding 19.25% (2016: 18.31%) - Listed		1,916,081
	Jubilee Life Insurance Company Limited - Holding 18.52% (2016: 18.52%) - Listed		677,739
	HBL Income Fund - Holding 47.14% (2016: 27.47%) - Listed		1,043,592
	HBL Multi Asset Fund - Holding 41.97% (2016: 86.81%) - Listed		53,429
	HBL Stock Fund - Holding 71.87% (2016: 77.13%) - Listed		1,593,889
	HBL Money Market Fund - Holding 3.74% (2016: 3.54%) - Listed		110,568
	HBL Islamic Money Market Fund - Holding 44.69% (2016: 51.48%) - Listed		265,473
	HBL Islamic Stock Fund - Holding 46.25% (2016: 83.22%) - Listed		295,804
	HBL Pension Fund - Equity Sub Fund - Holding 48.05% (2016: 62.39%) - Unlisted		30,000
	HBL Pension Fund - Debt Sub Fund - Holding 23.57% (2016: 25.97%) - Unlisted		30,000
	HBL Pension Fund - Money Market Sub Fund - Holding 27.88% (2016: 27.11%) - Unlisted		30,000
	HBL Islamic Pension Fund - Equity Sub Fund - Holding 72.03% (2016: 63.31%) - Unlisted		30,000
	HBL Islamic Pension Fund - Debt Sub Fund - Holding 45.25% (2016: 46.82%) - Unlisted		30,000
	HBL Islamic Pension Fund - Money Market Sub Fund - Holding 56.95% (2016: 62.06%) - Unlisted		30,000
	HBL Mustahakum Sarmaya Fund - Holding Nil (2016: 28.35%) - Listed		-
	HBL Islamic Asset Allocation Fund - Holding 21.47% (2016: 9.98%) - Listed		607,086
	HBL Energy Fund (formerly PICIC Energy Fund) - Holding 25.90% (2016: Nil) - Listed		300,000
	HBL Islamic Income Fund (formerly PICIC Islamic Income Fund) - Holding 5.27% (2016: Nil) - Listed		250,000
	PICIC Investment Fund - Holding 17.13% (2016: 17.13%) - Listed		637,387
			<u>12,322,188</u>
			<u>9,218,496</u>

- 8.13.1 The Bank has significant influence in Diamond Trust Bank Kenya Limited, Kyrgyz Investment and Credit Bank, Jubilee General Insurance Company Limited and Jubilee Life Insurance Company Limited because of AKFED's holding in these entities.

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>9. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
- In Pakistan		628,791,839	557,878,935
- Outside Pakistan		100,618,431	99,958,539
		<u>729,410,270</u>	<u>657,837,474</u>
Net investment in finance lease - in Pakistan	9.1.3	17,127,661	16,571,941
Islamic financing and related assets	43.1.1	84,408,003	32,077,220
Bills discounted and purchased			
- Payable in Pakistan		16,751,077	16,985,715
- Payable outside Pakistan		16,540,552	52,501,861
		<u>33,291,629</u>	<u>69,487,576</u>
Advances - gross		<u>864,237,563</u>	<u>775,974,211</u>
Provision against advances			
- Specific	9.3	(60,792,948)	(60,513,286)
- General		(2,755,637)	(3,328,371)
		<u>(63,548,585)</u>	<u>(63,841,657)</u>
Advances-net of provision		<u><u>800,688,978</u></u>	<u><u>712,132,554</u></u>
<b>9.1 Particulars of advances</b>			
9.1.1 In local currency		670,073,750	538,513,080
In foreign currency		130,615,228	173,619,474
		<u>800,688,978</u>	<u>712,132,554</u>
9.1.2 Short term (upto one year)		387,008,409	482,767,299
Long term (over one year)		413,680,569	229,365,255
		<u>800,688,978</u>	<u>712,132,554</u>

**9.1.3 Net investment in finance lease**

	2017				2016			
	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)							
Gross investment in finance lease	38,140	16,524,839	3,961,144	20,524,123	57,154	16,512,852	3,666,234	20,236,240
Unearned finance income	(1,256)	(2,595,059)	(800,147)	(3,396,462)	(1,478)	(2,852,363)	(810,458)	(3,664,299)
Net investment in finance lease	<u>36,884</u>	<u>13,929,780</u>	<u>3,160,997</u>	<u>17,127,661</u>	<u>55,676</u>	<u>13,660,489</u>	<u>2,855,776</u>	<u>16,571,941</u>

- 9.2 Advances include Rs. 67,037.629 million (2016: Rs. 68,621.823 million) which have been placed under non-performing status as detailed below:

Category of classification	2017								
	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	1,025,320	32,434	1,057,754	-	-	-	1,025,320	32,434	1,057,754
Substandard	2,872,439	794,075	3,666,514	1,159,974	166,073	1,326,047	1,712,465	628,002	2,340,467
Doubtful	1,534,738	1,022,442	2,557,180	767,369	417,505	1,184,874	767,369	604,937	1,372,306
Loss	44,823,375	14,932,806	59,756,181	43,688,631	14,593,396	58,282,027	1,134,744	339,410	1,474,154
	50,255,872	16,781,757	67,037,629	45,615,974	15,176,974	60,792,948	4,639,898	1,604,783	6,244,681

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
	52,440,294	16,181,529	68,621,823	47,361,470	13,151,816	60,513,286	5,078,824	3,029,713	8,108,537

- 9.2.1 Exposure amounting to Rs. 8,847.914 million relating to Power Holding (Private) Limited, 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, mark-up income has been suspended on this amount and is only recognised when received.

### 9.3 Particulars of provision against advances

	Note	2017			2016		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		60,513,286	3,328,371	63,841,657	60,735,843	2,924,766	63,660,609
Exchange adjustment		782,290	72,468	854,758	(152,654)	7,060	(145,594)
Charge for the year		4,996,892	257,577	5,254,469	4,863,811	449,178	5,312,989
Reversal for the year		(4,689,330)	(898,245)	(5,587,575)	(4,829,119)	(44,115)	(4,873,234)
Net charge / (reversal) against advances		307,562	(640,668)	(333,106)	34,692	405,063	439,755
Charged off during the year	9.5	(400,719)	-	(400,719)	(526,238)	-	(526,238)
Written off during the year	9.6	(308,726)	-	(308,726)	(230,796)	-	(230,796)
Transfer from / (to) other liabilities		-	-	-	173,486	(8,518)	164,968
Transfer out on sale of Kenya and Paris business		(591,554)	(21,004)	(612,558)	-	-	-
Recoveries against write off		490,809	-	490,809	457,833	-	457,833
Other movements		-	16,470	16,470	21,120	-	21,120
Closing balance		60,792,948	2,755,637	63,548,585	60,513,286	3,328,371	63,841,657
In local currency		44,733,139	1,405,701	46,138,840	46,352,354	1,782,610	48,134,964
In foreign currency		16,059,809	1,349,936	17,409,745	14,160,932	1,545,761	15,706,693
		60,792,948	2,755,637	63,548,585	60,513,286	3,328,371	63,841,657

- 9.3.1 This includes reversal of provision amounting to Rs. 68.374 million (2016: Rs. 106.894 million) due to acquisition of non-banking assets in satisfaction of claims.

- 9.4 General provision represents provision amounting to Rs. 1,405.701 million (2016: Rs. 1,655.911 million) against consumer finance portfolio and Rs. Nil (2016: Rs. 126.699 million) against advances to Small Enterprises (SE). General provision also includes Rs. 1,349.936 million (2016: Rs. 1,545.761 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

The SBP, vide IH&SMEFD Circular No. 09 of 2017, has revised the Prudential Regulations for SME financing. The requirement of maintaining a general reserve of 1% against the secured SE portfolio has been discontinued and the general reserve required to be maintained against the unsecured SE portfolio has been reduced from 2% of the portfolio to 1%.

- 9.5 These represent non-performing advances for agriculture finance which have been classified as loss and fully charged off for 3 years from the date of default. 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.



	Note	2017 (Rupees in '000)	2016
9.6 <b>Particulars of write offs</b>			
9.6.1 Against provisions	9.3	308,726	230,796
Against charge-off		31,064	23,427
		<u>339,790</u>	<u>254,223</u>
9.6.2 <b>Analysis of write offs</b>			
Rs. 500,000 and above - Domestic	9.7	109,429	151,503
Rs. 500,000 and above - Overseas	9.8	639	9,185
Below Rs. 500,000		229,722	93,535
		<u>339,790</u>	<u>254,223</u>

9.7 **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, 2017 is given in Annexure II to these unconsolidated financial statements.

9.8 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.

9.9 **Particulars of advances to directors, associated companies, etc.**

	2017					
	Balance at the beginning of the year	Loans granted / transferred in during the year	Repayments / transferred out during the year	Balance at the end of the year	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	771,450	(829,180)	2,819,039	3,099,210	771,450
- in respect of Key Management Personnel	38,221	175,367	(71,480)	142,108	204,016	162,585
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	10,404,154	169,816,908	(164,229,220)	15,991,842	25,397,530	12,573,928
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	2,685,681	263,742	(2,344,310)	605,113	2,663,766	13,893

\* 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.

	2016					
	Balance at the beginning of the year	Loans granted / transferred in during the year	Repayments / transferred out during the year	Balance at the end of the year	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)	2,651,500	651,410	(426,141)	2,876,769	2,881,595	651,410
- in respect of Key Management Personnel	67,817	8,253	(37,849)	38,221	71,991	8,253
Debts due by companies or firms in which the Directors of the Bank as directors, partners, advisors or, in the case of private companies, as members	5,274,518	13,379,374	(8,249,738)	10,404,154	10,914,454	6,678,160
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	107,532	4,489,506	(1,911,357)	2,685,681	4,165,014	4,200,000

\* 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	2017 (Rupees in '000)	2016
10. OPERATING FIXED ASSETS			
Capital work-in-progress	10.1	16,995,161	1,557,938
Tangible fixed assets	10.2	38,991,464	28,327,904
Intangible assets	10.3	934,057	906,693
		<u>56,920,682</u>	<u>30,792,535</u>
10.1 Capital work-in-progress			
Civil works		12,685,722	492,239
Equipment		2,440,975	-
Intangible assets		656,048	753,174
Advances to suppliers and contractors		1,212,416	312,525
	10.1.1	<u>16,995,161</u>	<u>1,557,938</u>

10.1.1 This includes Rs. 14,440.034 million on account of acquisition of a new office building in Karachi.

## 10.2 Tangible fixed assets

Description	2017											
	COST / REVALUATION					ACCUMULATED DEPRECIATION						
	As at January 1, 2017	Additions / (deletions) during the year	Exchange / other adjustments	Movement in surplus / (deficit) during the year	As at December 31, 2017	As at January 1, 2017	Charge / (depreciation on deletions) for the year	Exchange / other adjustment	Reversal due to revaluation	As at December 31, 2017	Book value as at December 31, 2017	Rate of depreciation
	Rupees in '000											%
Land	15,720,276	491	-	9,343,629	24,816,175	-	-	-	-	-	24,816,175	-
		-	(248,221)				-	-				
Building	6,474,931	320,726	30,392	1,124,546	7,613,739	570,615	177,680	805	(243,669)	165,383	7,448,356	1.67 - 5
		(2,245)	(334,611)				(93)	(339,955)				
Machinery	508,281	39,522	-	(213,993)	340,355	82,951	69,165	-	(151,456)	649	339,706	10
		-	6,545				-	(11)				
Leasehold improvements	4,443,531	272,487	33,277	-	4,732,340	3,227,843	479,415	21,837	-	3,403,722	1,328,618	20
		(29,263)	12,308				(29,133)	(296,240)				
Furniture, fixtures and office equipment	14,744,105	2,374,525	96,478	-	17,342,308	9,881,666	2,342,382	54,671	-	12,431,354	4,910,954	20-33
		(218,427)	345,627				(208,250)	360,885				
Vehicles	555,528	15,331	13,846	-	533,184	355,673	57,485	508	-	385,529	147,655	10 - 20
		(27,722)	(23,799)				(26,237)	(1,900)				
	42,446,652	3,023,082	173,993	10,254,182	55,378,101	14,118,748	3,126,127	77,821	(395,125)	16,386,637	38,991,464	
		(277,657)	(242,151)				(263,713)	(277,221)	-			
Description	2016											
	COST / REVALUATION					ACCUMULATED DEPRECIATION						
	As at January 1, 2016	Additions / (deletions) during the year	Exchange / other adjustments	Movement in surplus / (deficit) during the year	As at December 31, 2016	As at January 1, 2016	Charge / (depreciation on deletions) for the year	Exchange / other adjustment	Reversal due to revaluation	As at December 31, 2016	Book value as at December 31, 2016	Rate of depreciation
	Rupees in '000											%
Land	14,417,393	1,038,314	-	264,569	15,720,276	-	-	-	-	-	15,720,276	-
		-	-				-	-				
Building	5,863,186	720,261	(63,939)	-	6,474,931	467,426	175,154	(28,388)	-	570,615	5,904,316	1.67 - 5
		(44,577)	-				(43,577)	-				
Machinery	466,051	42,230	-	-	508,281	20,223	62,728	-	-	82,951	425,330	10
		-	-				-	-				
Leasehold improvements	3,962,264	515,605	-	-	4,443,531	2,812,222	447,583	-	-	3,227,843	1,215,688	20
		(34,338)	-				(31,962)	-				
Furniture, fixtures and office equipment	13,473,498	1,785,414	(25,114)	-	14,744,105	8,227,130	2,162,552	(24,630)	-	9,881,666	4,862,439	20 - 33
		(489,693)	-				(483,334)	(52)				
Vehicles	550,544	42,568	(1,977)	-	555,528	329,111	59,906	(1,400)	-	355,673	199,855	10 - 20
		(35,607)	-				(31,986)	42				
	38,732,936	4,144,392	(91,030)	264,569	42,446,652	11,856,112	2,907,923	(54,418)	-	14,118,748	28,327,904	
		(604,215)	-				(590,859)	(10)				

## 10.3 Intangible assets

Description	2017									
	COST				ACCUMULATED AMORTISATION					Rate of amortisation
	As at January 1, 2017	Additions / (deletions) / during the year	Exchange / other adjustments	As at December 31, 2017	As at January 1, 2017	Charge / (amortisation on deletions) for the year	Exchange / other adjustments	As at December 31, 2017	Book value as at December 31, 2017	
	Rupees in '000									%
Computer Software	3,199,009	684,222	-	3,451,699	2,292,316	661,696	-	2,517,642	934,057	33.33
		-	(431,532)			-	(436,370)			
Description	2016									
	COST				ACCUMULATED AMORTISATION					Rate of amortisation
	As at January 1, 2016	Additions / (deletions) / during the year	Exchange / other adjustments	As at December 31, 2016	As at January 1, 2016	Charge / (amortisation on deletions) for the year	Exchange / other adjustments	As at December 31, 2016	Book value 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			

#### 10.4 Details of revaluation

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

	Domestic	KEPZ	Lebanon	Singapore	Sri Lanka	Total
Year in which last revaluation conducted	2017	2017	2017	2017	2017	
Name of valuer	Iqbal A. Nanjee & Co. (Private) Limited and Colliers International Pakistan (Private) Limited	J & M Associates	Imad Saffiuddine	United Valuers (Pte) Limited	Sunil Fernando & Associates (Private) Limited	
	(Rupees in '000)					
Increase / (decrease) in surplus	10,462,107	1,185	11,114	70,410	88,987	10,633,803

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

	Domestic	KEPZ	Lebanon	Singapore	Sri Lanka	Total
	(Rupees in '000)					
Land	5,199,519	-	-	192,517	21,037	5,413,073
Building	4,580,323	4,580	7,810	6,464	22,157	4,621,334

#### 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 carrying amount of operating fixed assets held for disposal amounted to Rs. 11.179 million (2016: Rs. Nil).

#### 10.8 The cost of fully depreciated operating fixed assets that are still in the Bank's use amounted to Rs. 10,390.403 million (2016: Rs. 7,279.639 million).

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>11. DEFERRED TAX ASSET / (LIABILITY)</b>			
<b>Deductible temporary differences on</b>			
- Provision against investments		372,791	142,699
- Provision against doubtful debts and off-balance sheet obligations		3,220,462	3,373,250
- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001		1,272,861	1,256,872
- Provision against other assets		63,953	72,853
- Revaluation of investments	19.2	236,755	(5,933,633)
		5,166,822	(1,087,959)
<b>Taxable temporary differences on</b>			
- Accelerated tax depreciation		(142,475)	(115,276)
- Surplus on revaluation of fixed assets	19.1	(989,458)	(536,369)
- Revaluation of non-banking assets	19.3	(847)	(6,203)
- Others		(133,585)	(110,747)
		(1,266,365)	(768,595)
<b>Net deferred tax asset / (liability)</b>		<b>3,900,457</b>	<b>(1,856,554)</b>

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

	Balance as at January 1, 2016	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2016	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2017
	(Rupees in '000)						
<b>Deductible temporary differences on</b>							
- Provision against investments	60,320	82,379	-	142,699	230,092	-	372,791
- Provision against doubtful debts and off-balance sheet obligations	3,411,571	(38,321)	-	3,373,250	(152,788)	-	3,220,462
- Liabilities written back under section 34(5) of the ITO 2001	1,442,063	(185,191)	-	1,256,872	15,989	-	1,272,861
- Provision against other assets	83,469	(10,616)	-	72,853	(8,900)	-	63,953
- Revaluation of investments	(6,367,209)	-	433,576	(5,933,633)	-	6,170,388	236,755
<b>Taxable temporary differences on</b>							
- Accelerated tax depreciation	(290,306)	175,030	-	(115,276)	(27,199)	-	(142,475)
- Surplus on revaluation of fixed assets	(554,330)	17,961	-	(536,369)	19,987	(473,076)	(989,458)
- Revaluation of non-banking assets	-	84	(6,287)	(6,203)	90	5,266	(847)
- Others	-	(110,747)	-	(110,747)	110,747	(133,585)	(133,585)
<b>Net deferred tax asset / (liability)</b>	<b>(2,214,422)</b>	<b>(69,421)</b>	<b>427,289</b>	<b>(1,856,554)</b>	<b>188,018</b>	<b>5,568,993</b>	<b>3,900,457</b>

12.	OTHER ASSETS	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
	Mark-up / return / profit / interest accrued in local currency		29,697,021	26,754,639
	Mark-up / return / profit / interest accrued in foreign currency		1,813,861	2,391,565
	Advances, deposits, advance rent and other prepayments		2,155,977	2,439,396
	Advance taxation		27,554,583	20,172,888
	Advances for subscription of shares		50,000	199,871
	Stationery and stamps on hand		62,141	64,948
	Accrued fees and commissions		710,174	501,830
	Due from Government of Pakistan / SBP		1,151,538	477,899
	Unrealised gain on forward foreign exchange contracts		3,902,373	268,141
	Unrealised gain on derivative instruments	21.2	102,616	115,903
	Non-banking assets acquired in satisfaction of claims	12.1	2,012,432	2,446,040
	Branch adjustment account		931,526	-
	Clearing and settlement accounts		2,531,088	2,170,301
	Dividend Receivable		40,010	80,324
	Claims against fraud and forgeries		332,067	102,206
	Others		610,036	940,724
			<u>73,657,443</u>	<u>59,126,675</u>
	Provision held against other assets	12.2	<u>(825,520)</u>	<u>(533,151)</u>
	Other assets- net		<u>72,831,923</u>	<u>58,593,524</u>
12.1	The market value of non-banking assets acquired in satisfaction of claims is Rs. 1,967.665 million (2016: Rs. 2,383.392 million). During the year, the Bank acquired non-banking assets having a value of Rs. 68.374 million (2016: Rs. 111.528 million) in satisfaction of claims.			
12.2	Provision against other assets		2017 (Rupees in '000)	2016 (Rupees in '000)
	Opening balance		533,151	451,371
	Exchange adjustment		14,294	(6,431)
	Charge for the year		564,388	200,229
	Reversal for the year		(70,070)	(26,068)
	Net charge		494,318	174,161
	Written off during the year		(79,141)	(85,950)
	Transfer out on sale of Kenya business		(157,002)	-
	Other movement		19,900	-
	Closing balance		<u>825,520</u>	<u>533,151</u>
13.	BILLS PAYABLE			
	In Pakistan		31,288,704	30,231,007
	Outside Pakistan		2,328,557	877,755
			<u>33,617,261</u>	<u>31,108,762</u>
14.	BORROWINGS			
	In Pakistan		350,574,829	297,062,416
	Outside Pakistan		44,911,381	36,924,690
			<u>395,486,210</u>	<u>333,987,106</u>
14.1	Particulars of borrowings			
	In local currency		312,696,248	294,156,234
	In foreign currency		82,789,962	39,830,872
			<u>395,486,210</u>	<u>333,987,106</u>

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
14.2	<b>Details of borrowings</b>		
	<b>Secured</b>		
Borrowings from the SBP under			
- Export refinance scheme	14.3	26,343,510	21,592,306
- Long term financing facility	14.4	9,852,123	5,250,535
- Refinance facility for modernization of SMEs	14.5	9,500	13,500
		36,205,133	26,856,341
Repurchase agreement borrowings	14.6	279,802,790	243,753,648
		316,007,923	270,609,989
	<b>Unsecured</b>		
- Call money borrowings	14.7	11,385,000	18,719,773
- Overdrawn nostro accounts		1,540,136	7,877,216
- Borrowings of overseas branches	14.8	28,348,800	21,090,353
- Other long-term borrowings	14.9	38,204,351	15,689,775
		79,478,287	63,377,117
		395,486,210	333,987,106
14.3	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% per annum (2016: 1.00% to 2.00% per annum) and are due to mature latest by June 20, 2018.		
14.4	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% per annum (2016: 2.00% to 10.10% per annum) and are due to mature latest by October 24, 2027.		
14.5	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 2.0% to 3.25% per annum (2016: 1.75% to 6.25% per annum) and are due to mature latest by March 31, 2021.		
14.6	Repurchase agreement borrowings carry mark-up at rates ranging from 2.13% to 5.86% per annum (2016: 5.45% to 5.85% per annum) and are due to mature latest by June 12, 2018. The market value of securities given as collateral against these borrowings is given in note 8.1.		
14.7	Call money borrowings carry mark-up at rates ranging from 5.60% to 6.00% per annum (2016: 1.10% to 5.75% per annum) and are due to mature latest by April 2, 2018.		
14.8	Borrowings by overseas branches carry mark-up at rates ranging from 1.5% to 8.5% per annum (2016: 0.15% to 10.00% per annum) and are due to mature latest by December 27, 2018.		
14.9	This includes following:		
14.9.1	A loan from the International Finance Corporation amounting to US\$ 150 million (2016: 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.		
14.9.2	A loan from the China Development Bank amounting to US\$ 196 million. The principal amount is payable in six installments from December 2017 to June 2020. Interest at LIBOR+2.45% is payable semi annually commencing from June 15, 2017.		
15.	<b>DEPOSITS AND OTHER ACCOUNTS</b>	2017 (Rupees in '000)	2016 (Rupees in '000)
	<b>Customers</b>		
Current accounts - non-remunerative		682,227,276	638,928,970
Savings accounts		864,002,017	813,287,680
Fixed deposits		288,149,686	295,637,281
		1,834,378,979	1,747,853,931
	<b>Financial institutions</b>		
Current accounts - non-remunerative		4,607,043	10,746,198
Savings accounts		59,294,770	29,920,263
Fixed deposits		1,230,643	4,850,000
		65,132,456	45,516,461
		1,899,511,435	1,793,370,392
15.1	<b>Particulars of deposits</b>		
In local currency		1,661,001,533	1,472,004,444
In foreign currency		238,509,902	321,365,948
		1,899,511,435	1,793,370,392

## 16. SUBORDINATED LOAN

The Bank had issued Over The Counter (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	AA+ (Double A plus) {2016: 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".

## 17. OTHER LIABILITIES

	Note	2017 (Rupees in '000)	2016
Mark-up / return / profit / interest payable in local currency		9,301,081	9,825,930
Mark-up / return / profit / interest payable in foreign currency		1,003,483	1,339,572
Security deposits		1,069,214	1,011,789
Accrued expenses		9,789,100	6,831,849
Unrealised loss on forward foreign exchange contracts		891,964	1,232,680
Unrealised loss on derivative instruments	21.2	50,418	10,804
Unclaimed dividends		417,969	338,086
Dividend payable		294,740	132,974
Provision for employees' compensated absences	34.4.7	4,065,541	2,545,746
Provision for post retirement medical benefits	34.4.3	3,264,502	3,130,623
Provision against off-balance sheet obligations	17.1	385,361	928,634
Branch adjustment account		-	1,465,477
Provision for staff retirement benefits		979,280	951,303
Payable to defined benefit plans	34.4.3	1,376,963	200,388
Provision for Workers' Welfare Fund	28	4,239,252	3,207,962
Unearned income		921,928	614,700
Qarza-e-Hasna Fund		339,402	340,307
Levies and taxes payable		1,687,595	1,507,540
Insurance payable		616,494	466,505
Provision for rewards program expenses		851,787	670,178
Liability against trading of securities		5,931,172	-
Payable to HBL Foundation		82,672	296,678
Contingent consideration payable		500,000	500,000
Charity fund	43.3	233,247	526
Others		3,453,083	2,761,206
		<u>51,746,248</u>	<u>40,311,457</u>

### 17.1 Provision against off-balance sheet obligations

Opening balance	928,634	946,073
Exchange adjustment	(103)	(775)
Charge for the year	89,440	14,757
Reversal for the year	(621,162)	(36,965)
Net reversal	(531,722)	(22,208)
Written off during the year	-	(34,325)
Other movement	(11,448)	39,869
Closing balance	<u>385,361</u>	<u>928,634</u>



18.	<b>SHARE CAPITAL</b>			
		<b>Note</b>	<b>2017</b> (Rupees in '000)	<b>2016</b> (Rupees in '000)
18.1	<b>Authorised capital</b>			
	<b>2017</b> Number of shares in '000	<b>2016</b> Number of shares in '000		
	<u>2,900,000</u>	<u>3,000,000</u>	Ordinary shares of Rs. 10 each	
			18.1.1	<u>29,000,000</u> <u>30,000,000</u>
18.1.1	During the year, the authorised capital of the Bank was reduced from Rs. 30 billion divided into 3 billion ordinary shares of Rs. 10 each to Rs. 29 billion divided into 2.9 billion ordinary shares of Rs. 10 each.			
18.2	<b>Issued, subscribed and paid-up capital</b>			
	<b>2017</b> Number of shares in '000	<b>2016</b> Number of shares in '000	<b>2017</b> (Rupees in '000)	<b>2016</b> (Rupees in '000)
	690,000	690,000	Ordinary shares of Rs. 10 each	
	776,852	776,852	Fully paid in cash	6,900,000
	<u>1,466,852</u>	<u>1,466,852</u>	Issued as bonus shares	7,768,525
				<u>14,668,525</u> <u>14,668,525</u>
18.3	<b>Major shareholders</b> (holding more than 5% of total paid-up capital)			
	<b>Name of shareholder</b>	<b>2017</b> Number of shares held	<b>Percentage of shareholding</b>	<b>2016</b> Number of shares held
	Aga Khan Fund for Economic Development	748,094,778	51.00%	748,094,778
				51.00%
18.4	<b>Shares of the Bank held by associated entities</b>		<b>2017</b> (Number of shares)	<b>2016</b> (Number of shares)
	Jubilee General Insurance Company Limited		4,465,537	4,743,037
	Jubilee Life Insurance Company Limited		7,727,000	12,344,492
	HBL Stock Fund		1,685,419	1,812,219
	HBL Multi Asset Fund		77,971	170,971
	HBL Mustahekum Sarmaya Fund		-	34,000
	PICIC Investment Fund		784,500	953,800
	HBL Equity Fund (formerly PICIC Stock Fund)		81,100	109,000
	PICIC Growth Fund		1,493,400	1,787,300
	HBL Government securities Fund (formerly PICIC Income Fund)		300	-
18.5	<b>Exchange translation reserve</b>			
	This comprises all foreign currency differences arising from the translation of financial statements of foreign branches.			
18.6	<b>Statutory reserves</b>			
	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.			
19.	<b>SURPLUS ON REVALUATION OF ASSETS - net of deferred tax</b>	<b>Note</b>	<b>2017</b> (Rupees in '000)	<b>2016</b> (Rupees in '000)
	Surplus / (deficit) arising on revaluation of assets - net of deferred tax, on			
	- Operating fixed assets	19.1	21,240,666	11,101,555
	- Investments	19.2	(439,687)	11,019,736
	- Non-banking assets acquired in satisfaction of claims	19.3	282,820	684,178
	Surplus on revaluation of assets - net of deferred tax		<u>21,083,799</u>	<u>22,805,469</u>

	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>19.1 Surplus on revaluation of operating fixed assets</b>		
Surplus as at the beginning of the year	11,637,924	11,424,672
Surplus recognised during the year	10,633,803	1,772
Transferred from surplus on revaluation of non-banking assets	15,504	262,797
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(37,120)	(33,356)
Related deferred tax liability on incremental depreciation charged during the year	(19,987)	(17,961)
	22,230,124	11,637,924
Less: related deferred tax liability on		
- Revaluation as at the beginning of the year	536,369	554,330
- Revaluation recognised during the year	467,650	-
- Amount transferred from surplus on revaluation of non-banking assets	5,426	-
- Incremental depreciation charged during the year	(19,987)	(17,961)
	989,458	536,369
	<u>21,240,666</u>	<u>11,101,555</u>
<b>19.2 Surplus / (deficit) on revaluation of investments</b>		
Market Treasury Bills	(81,235)	(78,715)
Pakistan Investment Bonds	569,841	11,775,363
Government of Pakistan US Dollar Bonds	38,635	1,081,041
Sukuks	485,521	1,691,234
Listed equity securities	(1,794,580)	2,471,333
National Investment Trust units	36,190	47,715
Real Estate Investment Trust units	-	(4,680)
Overseas Government securities	4,460	(1,117)
Other debt instruments	64,726	(28,805)
	(676,442)	16,953,369
Related deferred tax (asset) / liability	236,755	(5,933,633)
	<u>(439,687)</u>	<u>11,019,736</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	690,381	-
Surplus (reversed) / recognised during the year	(390,952)	953,418
Transferred to surplus on revaluation of operating fixed assets	(15,504)	(262,797)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(168)	(156)
Related deferred tax liability on incremental depreciation charged during the year	(90)	(84)
	283,667	690,381
Less: related deferred tax liability on		
- Revaluation as at beginning of the year	6,203	-
- Revaluation recognised during the year	160	6,287
- Amount transferred to surplus on revaluation of operating fixed assets	(5,426)	-
- Incremental depreciation charged during the year	(90)	(84)
	847	6,203
	<u>282,820</u>	<u>684,178</u>
<b>20. CONTINGENCIES AND COMMITMENTS</b>		
<b>20.1 Direct credit substitutes - financial guarantees</b>		
Guarantees in favour of		
- Government	273,782	275,473
- Financial institutions	441,000	295,000
- Others	38,462,882	38,160,335
	<u>39,177,664</u>	<u>38,730,808</u>

		2017 (Rupees in '000)	2016 (Rupees in '000)
20.2	<b>Transaction-related contingent liabilities</b>		
	Guarantees in favour of		
	- Government	269,851	683,908
	- Financial institutions	1,713,959	1,604,150
	- Others	122,433,335	103,998,282
		<u>124,417,145</u>	<u>106,286,340</u>
20.3	<b>Trade-related contingent liabilities</b>		
	Letters of credit in favour of		
	- Government	49,835,960	57,202,851
	- Financial institutions	5,340,244	10,692,986
	- Others	78,286,626	87,326,206
		<u>133,462,830</u>	<u>155,222,043</u>
20.4	<b>Other contingencies</b>		
	Claims against the Bank not acknowledged as debts	<u>28,314,434</u>	<u>32,773,275</u>
20.4.1	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.		
20.4.2	For contingencies relating to New York branch, please refer note 29 of these unconsolidated financial statements.		
20.4.3	For an update on pension matter, please refer note 44.2 of 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.		
		2017	2016
		(Rupees in '000)	
20.6	<b>Commitments in respect of forward foreign exchange contracts</b>		
	Purchase	131,801,937	115,828,388
	Sale	73,766,803	70,618,794
20.7	<b>Commitments in respect of forward Government Securities transactions</b>		
	Purchase	20,243,788	18,815,026
	Sale	-	9,067,465
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	1,633,987	1,084,128
	Sale	1,707,050	1,096,192
	<b>Interest rate swaps</b>		
	Purchase	-	34,866
	Sale	10,315,539	5,218,200

		2017 (Rupees in '000)	2016
20.9	<b>Commitments for capital expenditure</b>	5,026,435	824,776

- 20.10 The income tax returns of the Bank have been submitted upto and including the accounting year 2016. The tax authorities have concluded the audit of the returns under section 122(5A) of the Income Tax Ordinance, 2001 up to the accounting year 2015.

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, 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 derivative products to satisfy customer requirements, specific approval of 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 recommendation 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, associated limits and its 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 daily.

#### 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 daily.

#### 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	2017					
	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	-	-	-	-	-	-
Market Making	-	-	-	-	5	3,018,211
<b>With other entities for</b>						
Hedging	-	-	-	-	-	-
Market Making	16	10,315,539	-	-	1	322,826
<b>Total</b>						
Hedging	-	-	-	-	-	-
Market Making	16	10,315,539	-	-	6	3,341,037

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

### 21.2 Maturity Analysis

		2017			
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
----- (Rupees in '000) -----					
Upto 1 Month	-	-	-	-	-
1 to 3 Months	-	-	-	-	-
3 Months to 6 Months	-	-	-	-	-
6 Months to 1 Year	2	641,496	(11,101)	-	(11,101)
1 to 2 Years	6	4,456,205	(35,303)	45,922	10,619
2 to 3 Years	-	-	-	-	-
3 to 5 Years	2	2,836,875	(4,014)	11,938	7,924
5 to 8 Years	12	5,722,000	-	44,756	44,756
	22	13,656,576	(50,418)	102,616	52,198

		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

	2017	2016
	(Rupees in '000)	
22. <b>MARK-UP / RETURN / PROFIT / INTEREST EARNED</b>		
On advances	54,643,853	46,902,021
On investments in		
- Held-for-trading securities	6,756,185	3,764,081
- Held-to-maturity securities	17,756,126	18,692,066
- Available-for-sale securities	61,563,091	66,243,677
On deposits with financial institutions	517,208	680,124
On lendings to financial institutions	1,273,602	1,525,958
	<u>142,510,065</u>	<u>137,807,927</u>
23. <b>MARK-UP / RETURN / PROFIT / INTEREST EXPENSED</b>		
On deposits	44,696,803	40,142,473
On securities sold under repurchase agreement borrowings	14,624,057	14,902,826
On other short-term borrowings	2,928,118	1,672,509
On long-term borrowings	1,396,649	1,772,408
	<u>63,645,627</u>	<u>58,490,216</u>
24. <b>GAIN / (LOSS) ON SALE OF SECURITIES- NET</b>		
Federal Government securities		
- Market Treasury Bills	10,821	284,972
- Pakistan Investment Bonds	7,236,815	3,115,312
Units of mutual funds and listed shares	228,423	1,105,748
Others	709,279	482,858
	<u>8,185,338</u>	<u>4,988,890</u>
25. <b>OTHER INCOME</b>		
Incidental charges	247,432	240,945
Gain on sale of operating fixed assets - net	23,660	58,494
Gain on sale of Bank branches - net	363,439	-
Rent on properties	113,685	113,949
Income from dealing in derivatives	181,376	170,302
Grant income	76,866	5,385
	<u>1,006,458</u>	<u>589,075</u>

	Note	2017	2016
		(Rupees in '000)	
<b>26. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	26.1	22,799,669	21,919,932
Charge for defined benefit / contribution plan and other benefits		3,432,711	1,616,743
Non-executive directors' fees		54,400	37,200
Outsourced service charges		1,298,193	929,458
Brokerage and commission		142,897	142,843
Rent, taxes, insurance, electricity, etc.		5,276,680	5,412,549
Legal and professional charges		1,133,843	258,346
Consultancy charges		3,263,475	2,342,080
Communications		1,981,486	1,806,512
Repairs and maintenance		3,714,688	3,662,697
Stationery and printing		1,181,913	1,234,019
Auditors' remuneration	26.2	175,834	146,614
Advertisement and publicity		3,037,033	2,862,401
Amortisation	10.3	661,696	459,874
Depreciation	10.2	3,126,127	2,907,923
Entertainment		209,041	221,399
Travelling		509,733	500,303
Conveyance		149,856	156,191
Training		261,129	290,165
Security charges		2,440,833	2,200,607
Remittance charges		528,422	381,980
Donations	26.3	89,059	380,231
Documentation and processing charges		1,124,808	788,144
Subscription		131,738	76,321
Others		175,842	183,317
		<b>56,901,106</b>	<b>50,917,849</b>
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 (CEO) is determined on the basis of employees' evaluation and the Bank's performance during the year. The amount paid during the year to the CEO in respect of the year 2016 was Rs 170 million (2016: Rs 160 million in respect of the year 2015). No bonus is payable to the CEO in respect of the year 2017. The aggregate amount paid during the year to the Executives in respect of the year 2016 was Rs 1,950.657 million (2016: Rs 2,010.408 million in respect of the year 2015).			
<b>26.2 Auditors' remuneration</b>		<b>2017</b>	<b>2016</b>
		(Rupees in '000)	
Audit fee		24,143	22,459
Special certifications / examinations and sundry advisory services		40,596	19,841
Tax services		6,500	15,672
Out of pocket expenses		5,039	4,803
Sales tax on audit fee		1,931	1,797
		<b>78,209</b>	<b>64,572</b>
Overseas branches		<b>97,625</b>	<b>82,042</b>
		<b>175,834</b>	<b>146,614</b>
<b>26.3 Details of donations</b>			
Details of donations individually exceeding Rs. 100,000.			
HBL Foundation		82,672	363,518
The Indus Hospital		2,500	-
Aghosh Special Children School through Shahsawar Fund HQ 6 Armored Division		2,500	-
Reham Khan Foundation		1,167	-
W.R.R.A Secondary School		200	-
Sindh Madressatul Islam University		-	10,812
CSR activities during countrywide heat wave		-	4,781
Lahore Businessmen Association for Rehabilitation of the Disabled		-	1,000
Karachi High School		-	120
		<b>89,039</b>	<b>380,231</b>

Mr. Sajid Zahid, Director, Mr. Rayomond Kotwal, Acting President and Chief Executive Officer, Mr. Jamal Nasir, Head Human & Organisational Development and Ms. Nausheen Ahmad, Company Secretary are Trustees of the HBL Foundation.



27.	OTHER CHARGES	2017 (Rupees in '000)	2016 (Rupees in '000)
	Penalties imposed by the State Bank of Pakistan	2,485	106,332
	Penalties imposed by other regulatory bodies	28,851	-
		<u>31,336</u>	<u>106,332</u>

## 28. WORKERS' WELFARE FUND

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

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.

## 29. EXTRA ORDINARY / UNUSUAL ITEM - SETTLEMENT PAYMENT TO NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

The Bank operates a branch in New York, which is licensed by the New York State Department of Financial Services (NYSDFS) and which is subject to oversight and supervision by the Federal Reserve Bank of New York (FRBNY), as is the case with foreign banks in New York.

On September 7, 2017, NYSDFS, the Bank, and its New York Branch agreed to a Consent Order under which the Bank made a settlement payment of US\$ 225 million as specified in the Consent Order dated September 7, 2017 and offered to promptly commence the orderly wind down of the affairs of the New York Branch pursuant to the procedures set forth in the New York Banking Law, and to continue to engage the independent third party approved by NYSDFS to conduct an expanded review to cover two additional time periods. To-date there are no findings from the review. The U.S. Attorney's Office for the Eastern District of New York, a component of the U.S. Department of Justice (DOJ), has sought documents in relation to the Branch's compliance with anti-money laundering laws and the Bank Secrecy Act. The Bank and the New York Branch are cooperating in this regard. To-date the DOJ inquiry has not resulted in any findings.

The Bank is not aware of any other proceedings from any other regulatory agency against the Bank and/or its New York Branch.

In view of the above and based on the facts currently known, the resolution of these matters cannot be determined at this stage, including any possible impact on the Bank.

30.	TAXATION	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
	Pakistan - for the current year	- current	16,965,562	16,534,523
		- deferred	(188,018)	69,421
	Pakistan - for prior years	- current	1,907,630	2,223,030
	Overseas - for the current year	- current	1,064,952	1,598,846
			<u>19,750,126</u>	<u>20,425,820</u>

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

30.1	Relationship between tax expense and accounting profit	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
	Accounting profit for the current year		<u>26,814,526</u>	<u>52,246,039</u>
	Tax on income @ 35% (2016: 35%)		9,385,084	18,286,114
	Permanent differences			
	- Penalty imposed by the SBP and other regulatory bodies		10,968	37,216
	- Prior year charge	30.2	1,907,630	2,223,030
	- Others	30.3	8,446,444	(120,540)
	Tax charge for the current year		<u>19,750,126</u>	<u>20,425,820</u>

30.2 The Federal Government, vide the Finance Act 2017, has re-imposed a tax at the rate of 4% on the income of banks for the year ended December 31, 2016. This tax has been levied for financing the rehabilitation of internally displaced persons.

30.3 While making provision for current tax, the Settlement Payment described in note 29 to these unconsolidated financial statements has not been considered as tax deductible.

Notwithstanding the above, the Bank in consultation with its tax advisors is of the view that the settlement payment would be tax deductible in Pakistan, under Pakistan taxation law.

31. BASIC AND DILUTED EARNINGS PER SHARE		2017	2016
		(Rupees in '000)	
Profit for the year		7,064,400	31,820,219
		(Number)	
Weighted average number of ordinary shares		1,466,852,508	1,466,852,508
		(Rupees)	
Basic and diluted earnings per share		4.82	21.69

32. CASH AND CASH EQUIVALENTS	Note	2017	2016
		(Rupees in '000)	
Cash and balances with treasury banks	5	230,256,066	219,788,876
Balances with other banks	6	28,777,991	32,742,891
		259,034,057	252,531,767

### 32.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities		Equity	
	Subordinated loan	Other liabilities	Reserves	Unappropriated profit
	(Rupees in '000)			
Balance as at January 1, 2017	9,998,000	40,311,457	47,146,362	97,446,624
<b>Changes from financing cash flows</b>				
Repayment of subordinated loan	(4,000)	-	-	-
Dividend paid	-	-	-	(15,160,303)
<b>Other Changes</b>				
<b>Liability-related</b>				
Changes in other liabilities				
- Cash based	-	9,143,379	-	-
- Dividend payable	-	241,649	-	(241,649)
- Non-cash based	-	2,049,763	-	-
Transfer of profit to reserve	-	-	706,440	(706,440)
Total liability related other changes	-	11,434,791	706,440	(948,089)
Total equity related other changes	-	-	1,666,540	6,094,061
Balance as at December 31, 2017	9,994,000	51,746,248	49,519,342	87,432,293

33. STAFF STRENGTH		2017	2016
		(Number)	
Permanent		15,686	15,401
Others		15	16
Total staff strength		15,701	15,417

## 34. DEFINED BENEFIT PLANS AND OTHER BENEFITS

### 34.1 General Information

The Bank operates the following schemes for its employees:

#### 34.1.1 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 34.1.3 below) and the provident fund (refer 34.1.4 below).

#### 34.1.2 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.

#### 34.1.3 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 34.1.1 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.

#### 34.1.4 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 34.1.1 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.

#### 34.1.5 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.

#### 34.1.6 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.

#### 34.1.7 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.

#### 34.1.8 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.

#### 34.1.9 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.

#### 34.2 Principal actuarial assumptions

The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2017 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:

	2017	2016
	-----Per annum-----	
Valuation discount rate	8.00%	8.00%
Expected rate of increase in salary level	7.00%	8.00%
Expected rate of return on funds invested	8.00%	8.00%

#### 34.3 Number of employees under the scheme

	2017	2016
	-----Number-----	
- Pension fund	2,580	2,743
- Gratuity fund	30	37
- Benevolent fund	15,156	14,754
- Post retirement medical benefit scheme	15,156	14,754
- Compensated absences	6,124	7,090
- Other Post-Retirement Benefits	1,789	1,612

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

34.4.1 The fair value of plan assets and the present value of defined benefit obligations of these schemes as at December 31, 2017 are as follows:

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)							
Fair value of plan assets	3,853,740	4,781,748	40,115	46,221	2,014,273	1,796,055	-	-
Present value of defined benefit obligations	(5,217,261)	(4,969,585)	(53,557)	(58,772)	(1,312,146)	(1,316,849)	(3,264,502)	(3,130,623)
(Payable to) / receivable from the fund	(1,363,521)	(187,837)	(13,442)	(12,551)	702,127	479,206	(3,264,502)	(3,130,623)

34.4.2 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	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)							
Current service cost	77,246	74,688	1,288	3,255	7,995	39,678	25,282	78,757
Net mark-up	15,027	48,538	502	(45)	(41,908)	(85,000)	235,110	255,701
Past service cost	-	-	-	2,123	-	1,538	-	-
Contributions - employees	-	-	-	-	(44,645)	(43,132)	-	-
Charge / (reversal) for the year	92,273	123,226	1,790	5,333	(78,558)	(86,916)	260,392	334,458

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

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)							
Opening balance	187,837	485,386	12,551	(452)	(479,206)	(811,175)	3,130,623	2,739,575
Charge / (reversal) for the year	92,273	123,226	1,790	5,333	(78,558)	(86,916)	260,392	334,458
Contributions during the year	(187,837)	(485,386)	(12,551)	-	(44,645)	(43,127)	-	-
Remeasurement losses / (gains) - net	1,271,248	64,611	11,652	7,670	(99,718)	462,012	256,976	421,722
Benefits paid	-	-	-	-	-	-	(383,489)	(365,132)
Closing balance	1,363,521	187,837	13,442	12,551	(702,127)	(479,206)	3,264,502	3,130,623

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

	Pension		Gratuity		Benevolent		Post-retirement medical benefits	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)							
Opening balance	4,969,585	4,127,198	58,772	94,869	1,316,849	985,726	3,130,623	2,739,575
Current service cost	77,246	74,688	1,288	3,255	7,995	39,678	25,282	78,757
Mark-up cost	382,829	393,137	3,844	6,705	99,746	92,000	235,110	255,701
Benefits paid	(368,445)	(391,653)	(21,452)	(55,638)	(140,047)	(137,662)	(383,489)	(365,132)
Past Service Cost	-	-	-	2,123	-	1,538	-	-
Remeasurement losses / (gains)	156,046	766,215	11,105	7,458	27,603	335,569	256,976	421,722
Closing balance	5,217,261	4,969,585	53,557	58,772	1,312,146	1,316,849	3,264,502	3,130,623

#### 34.4.5 Movement in fair value of plan assets

	Pension		Gratuity		Benevolent	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Opening balance	4,781,748	3,641,812	46,221	95,321	1,796,055	1,796,901
Expected return on plan assets	367,802	344,599	3,342	6,750	141,654	177,000
Employer contribution	187,837	485,386	12,551	-	44,645	43,127
Employee contributions	-	-	-	-	44,645	43,132
Benefits paid	(368,445)	(391,653)	(21,452)	(55,638)	(140,047)	(137,662)
Remeasurement gains / (losses)	(1,115,202)	701,604	(547)	(212)	127,321	(126,443)
Closing balance	3,853,740	4,781,748	40,115	46,221	2,014,273	1,796,055

#### 34.4.6 Actual return on plan assets

	Pension		Gratuity		Benevolent	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Expected return on plan assets	367,802	344,599	3,342	6,750	141,654	177,000
Remeasurement gains / (losses) on plan assets	(1,115,202)	701,604	(547)	(212)	127,321	(126,443)
Actual return on plan assets	(747,400)	1,046,203	2,795	6,538	268,975	50,557

#### 34.4.7 Other long term benefits - Employee compensated absences

The liability of the Bank in respect of employee compensated absences as at December 31, 2017, amounted to Rs. 4,065.541 million (2016: Rs. 2,545.746 million). Provision for this balance is held by the Bank.

The charge for the year amounting to Rs. 2,202.218 million, (2016: Rs. 409.706 million) is included in administrative expenses (note 26) under 'Charge for defined benefit plans and other benefits'.

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

The liability of the Bank in respect of other post-retirement benefits as at December 31, 2017, amounted to Rs. 482.475 million (2016: Rs. 475.701 million). Provision for this balance is held by the Bank.

The charge for the year amounting to Rs. 73.301 million (2016: Rs. 62.350 million) is included in administrative expenses (note 26) under 'Charge for defined benefit plans and other benefits'. The remeasurement loss on other post retirement benefit for the year amounted to Rs. 10.319 million (2016: Rs. 129.035 million) is included in other comprehensive income.

#### 34.4.9 Composition of fair value of plan assets

	2017		2016	
	Fair value (Rupees in '000)	%	Fair value (Rupees in '000)	%
<b>Pension Fund</b>				
Market Treasury Bills	181,211	4.70	638,984	13.36
Pakistan Investment Bonds	1,838,160	47.70	1,329,607	27.81
Fully paid-up ordinary shares of listed companies	1,800,614	46.72	2,776,853	58.07
Units of mutual funds	27,057	0.70	33,348	0.70
Others (including bank balances)	6,698	0.18	2,956	0.06
	<b>3,853,740</b>	<b>100.00</b>	<b>4,781,748</b>	<b>100.00</b>
<b>Gratuity Fund</b>				
Market Treasury Bills	15,045	37.50	19,256	41.66
Pakistan Investment Bonds	24,535	61.16	24,795	53.64
Others (including bank balances)	535	1.34	2,170	4.70
	<b>40,115</b>	<b>100.00</b>	<b>46,221</b>	<b>100.00</b>
<b>Benevolent Fund</b>				
Market Treasury Bills	45,472	2.26	65,807	3.66
Pakistan Investment Bonds	576,536	28.62	297,658	16.57
Special savings certificates	1,384,923	68.76	1,427,911	79.50
Others (including bank balances)	7,342	0.36	4,679	0.27
	<b>2,014,273</b>	<b>100.00</b>	<b>1,796,055</b>	<b>100.00</b>

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.

#### 34.4.10 Sensitivity analysis of defined benefit obligations

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	+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	4,803,504	5,698,459	5,391,199	5,055,414	-	-
Gratuity Fund	53,369	53,757	53,833	53,291	-	-
Benevolent Fund	1,225,218	1,409,875	1,312,146	1,312,146	-	-
Post retirement medical benefit	2,938,299	3,663,108	-	-	3,544,215	3,028,181
Employee compensated absences	3,900,531	4,244,834	4,263,560	3,880,329	-	-
Other Post-Retirement Benefits	458,547	509,635	504,741	462,678	-	-

#### 34.4.11 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.

	2018					
	Pension	Gratuity	Benevolent	Post retirement medical benefit	Employee compensated absences	Other Post- Retirement Benefits
	(Rupees in '000)					
Expected charge / (reversal) for the year	184,159	1,058	(62,660)	363,822	446,763	73,465

#### 34.4.12 Maturity profile

The weighted average duration of the obligation (in years)

2017					
Pension	Gratuity	Benevolent	Post retirement medical benefit	Employee compensated absences	Other Post-Retirement Benefits
8.58	0.36	7.04	11.10	4.23	5.29

#### 34.4.13 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.

### 35. DEFINED CONTRIBUTION PLANS

#### 35.1 Provident Fund

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

#### 35.2 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.

### 36. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
(Rupees in '000)						
Fees of non executive directors	-	-	54,400	37,200	-	-
Managerial remuneration (including allowances)	91,050	72,900	-	-	8,357,795	6,888,403
Contribution to retirement funds	4,860	4,230	-	-	398,552	394,307
Medical	289	235	-	-	601,473	532,554
House rent, maintenance, furnishing, others	1,999	1,956	-	-	1,793,698	1,601,804
Utilities	1,108	1,258	-	-	413,742	371,241
Conveyance	16	731	-	-	1,084,120	986,533
	<u>99,322</u>	<u>81,310</u>	<u>54,400</u>	<u>37,200</u>	<u>12,649,380</u>	<u>10,774,842</u>
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>5</u>	<u>4,008</u>	<u>3,670</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 (2016: Rs 30 million) in lieu of certain long term benefits to which he was entitled as per the terms of his contract and Rs 45 million (2016: Nil) in lieu of leave encashment to which he was entitled at the time of his retirement.

All Executives, including the CEO of the Bank, are also entitled to certain short term employee benefits which are disclosed in note 26.1 to these unconsolidated financial statements.

### 37. 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 subsidiaries, joint venture and associates, are estimated using the break-up value of the investee company.

The fair value of unquoted debt securities, fixed term advances, 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.



All assets and liabilities for which fair value is measured or disclosed in these unconsolidated 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 valued 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.

#### Fair Value Measurement

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

	As at December 31, 2017			
	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	17,004,855	-	-	17,004,855
- Real Estate Investment Trust units	154,000	-	-	154,000
- National Investment Trust units	-	47,303	-	47,303
- Federal Government securities	-	985,708,629	-	985,708,629
- Overseas Government securities	-	4,006,706	-	4,006,706
- Debentures and corporate debt instruments	-	16,693,355	-	16,693,355
- Unrealised gain on forward foreign exchange contracts	-	3,902,373	-	3,902,373
- Unrealised gain on derivative instruments	-	102,616	-	102,616
- Unrealised loss on forward foreign exchange contracts	-	891,964	-	891,964
- Unrealised loss on derivative instruments	-	50,418	-	50,418
<b>Non-financial assets</b>				
- Operating fixed assets	-	-	32,264,531	32,264,531
- Non-banking assets acquired in satisfaction of claims	-	-	1,967,665	1,967,665
<b>Items for which fair value is disclosed</b>				
- Federal Government securities	-	232,717,654	-	232,717,654
- Overseas Government securities	-	14,736,714	-	14,736,714
- Debentures and corporate debt instruments	-	24,978,797	-	24,978,797
- Associates and Joint venture	39,352,301	-	-	39,352,301
	<u>56,511,156</u>	<u>1,283,836,529</u>	<u>34,232,196</u>	<u>1,374,579,881</u>

	As at December 31, 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	19,023,342	-	-	19,023,342
- Real Estate Investment Trust units	391,320	-	-	391,320
- National Investment Trust 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	-	19,842,795	-	19,842,795
- 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
Non-financial assets				
- Operating fixed assets	-	-	21,624,592	21,624,592
- Non-banking assets acquired in satisfaction of claims	-	-	2,383,392	2,383,392
Items for which fair value is disclosed				
- 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 venture	30,884,859	-	-	30,884,859
	50,299,521	1,254,667,883	24,007,984	1,328,975,388

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

	For the year ended December 31, 2017					Total
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	
	----- Rupees in million -----					
Net mark-up income - external	(8,271)	18,093	62,819	7,095	(872)	78,864
Inter-segment revenue / (expense) - net	57,113	(12,254)	(48,491)	-	3,632	-
Non-funded income	12,137	3,115	8,393	4,053	2,028	29,726
Total income	60,979	8,954	22,721	11,148	4,788	108,590
Total expenses including provision	25,850	(1,949)	1,178	12,571	20,409	58,059
Inter-segment administrative cost	14,422	2,101	407	1,510	(18,440)	-
Total expenses including provision	40,272	152	1,585	14,081	1,969	58,059
Profit before extra ordinary / unusual item and taxation	20,707	8,802	21,136	(2,933)	2,819	50,531
Extra ordinary / unusual item	-	-	-	-	(23,717)	(23,717)
Profit before tax	20,707	8,802	21,136	(2,933)	(20,898)	26,814
Segment return on assets %	0.84%	1.24%	1.03%	-0.58%	-9.87%	-
Segment cost of funds %	2.69%	4.92%	5.07%	1.21%	0.33%	-
<b>As at December 31, 2017</b>						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
	----- Rupees in million -----					
Segment assets (gross of provision)	510,273	477,658	1,295,184	227,413	118,408	2,628,936
Segment non-performing advances	7,592	42,465	-	16,782	199	67,038
Segment provision held including general provision	6,933	40,516	872	16,810	746	65,877
Inter-segment assets / (liabilities)	1,062,311	(130,699)	(978,849)	23,854	23,383	-
Segment liabilities and equity	1,565,651	306,443	315,463	234,458	141,044	2,563,059

	For the year ended December 31, 2016					Total
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	
	---Rupees in million---					
Net mark-up income - external	(8,730)	16,823	64,287	7,755	(817)	79,318
Inter-segment revenue / (expense) - net	51,977	(11,513)	(44,921)	-	4,457	-
Non-funded income	11,674	3,789	4,566	3,746	2,084	25,859
Total income	54,921	9,099	23,932	11,501	5,724	105,177
Total expenses including provision	25,481	(486)	728	9,945	17,262	52,930
Inter-segment administrative cost	11,958	1,753	340	1,252	(15,303)	-
Total expenses including provision	37,439	1,267	1,068	11,197	1,959	52,930
Profit before tax	17,482	7,832	22,864	304	3,765	52,247
Segment return on assets %	0.80%	1.45%	1.17%	0.01%	1.15%	-
Segment cost of funds %	2.86%	5.21%	5.14%	1.08%	0.27%	-
	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	1,236,899	325,731	77,381	2,457,940
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	304,796	298,500	138,117	2,392,699

### 39. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

### 40. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiaries, associated undertakings, joint venture company, Group entities, employee benefit schemes of the Bank, members of the Key Management Personnel of the Bank and its Directors.

Transactions with the related parties, other than those under terms of employment, are executed on an arm's length basis i.e. do not involve more than normal risk and are substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties.

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 as at the year end, other than those disclosed elsewhere in these unconsolidated financial statements, are as follows:

	As at December 31, 2017						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000						
<b>Statement of financial position</b>							
Deposits	127,426	33,952	20,367,146	1,030,077	9,219,513	22,702	1,501,398
Maximum deposits during the year	165,193	46,305	21,888,137	1,094,208	9,716,844	63,856	2,211,732
Borrowings	-	-	479,694	1,247,874	3,312,516	1,104,172	-
Investments	-	-	-	17,259,428	12,186,523	135,665	5,291,967
Provision for diminution in the value of investments	-	-	-	-	-	-	(68,800)
Nostro balances	-	-	169,804	3,130,468	-	-	-
Overdrawn nostro balances	-	-	-	72,537	-	-	-
Advances	-	142,108	3,147,907	605,113	2,851,690	-	16,536,672
Provision against advances	-	-	-	-	-	-	(1,726,437)
Mark-up receivable	-	246	18,843	94,744	33,268	-	211,963
Other receivable	-	-	-	57,492	416,040	-	-
Mark-up payable	120	241	72,633	4,289	44,699	1,195	4,951
Other payable	-	-	8,066	14,496	380,935	-	1,459,635
<b>Contingencies and Commitments</b>							
Letter of credit	-	-	366,972	-	-	-	13,447,606
Letter of guarantee	-	-	198,059	120,794	712,509	-	-
Forward foreign exchange contracts - Purchase	-	-	-	661,261	-	-	-
Forward foreign exchange contracts - Sale	-	-	-	659,694	-	-	-
Forward purchase of government securities	-	-	13,232,566	-	-	-	2,104,644
Interest rate swaps - Purchase	-	-	1,743,539	-	1,500,000	-	-
<b>Others</b>							
Purchase of Government securities	-	99,374	53,440,556	-	-	-	17,195,728
Sale of Government securities	-	105,359	60,554,773	899,118	25,778,575	-	24,214,472
Securities held as custodian	-	8,220	16,223,810	-	28,200,745	-	8,478,905
Insurance claims	-	-	-	-	150,330	-	-

	For the year ended December 31, 2017						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000						
Profit and loss account							
Mark-up income	-	11,400	296,785	468,140	180,492	-	1,155,475
Fee and commission income	-	-	5,636	2,979	2,798,504	-	3,198
Dividend income	-	-	-	-	931,159	-	119,413
Gain on sale of securities - net	-	-	-	-	504,172	-	-
Other income	-	-	-	44,358	-	-	-
Mark-up expense	2,394	537	194,440	38,748	287,972	23,840	84,498
Salaries and allowances	-	1,546,684	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	636,960
Non-executive directors' fees	54,400	-	-	-	-	-	-
Other expenses	-	-	70,999	26,411	-	-	485,158
Insurance premium expense	-	-	1,861	-	916,848	-	-

	As at December 31, 2016						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000						
Statement of financial position							
Deposits	110,019	56,834	5,830,998	684,639	5,740,470	42,695	2,586,669
Maximum deposits during the year	201,315	83,187	9,593,529	768,975	6,378,540	217,386	2,586,669
Borrowings	-	-	1,114,878	4,187,454	-	1,202,883	-
Investments	-	-	-	16,641,232	9,211,299	7,197	2,235,367
Provision for diminution in the value of investments	-	-	-	-	-	-	(89,871)
Nostro balances	-	-	115,914	1,439,280	-	-	-
Overdrawn nostro balances	-	-	-	413,447	-	-	-
Advances	-	38,221	3,372,408	2,685,681	364,901	-	26,762,345
Provision against advances	-	-	-	-	-	-	(1,726,437)
Lendings	-	-	-	962,306	-	-	-
Mark-up receivable	-	375	15,947	312,812	2,221	-	312,421
Other receivable	-	-	-	-	207,923	128,468	-
Mark-up payable	5,244	35	10,697	12,374	2,297	5,837	476
Other payable	-	-	-	-	217,937	-	497,066
Contingencies and Commitments							
Letter of credit	-	-	88,101	-	44,065	-	3,513,878
Letter of guarantee	-	-	189,429	37,875	14,120	-	1,315
Forward purchase of government securities	-	-	11,895,433	-	-	-	1,656,633

	For the year ended December 31, 2016						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000						
Profit and loss account							
Mark-up income	-	2,405	95,709	616,974	8,787	-	1,023,045
Fee and commission income	-	-	5,390	8,503	2,591,272	-	-
Dividend income	-	-	-	-	373,415	46,941	73,549
Other income	-	-	-	28,223	-	-	-
Mark-up expense	6,386	237	62,317	124,856	102,789	15,233	26,804
Salaries and allowances	-	1,293,245	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	656,209
Non-executive directors' fees	37,200	-	-	-	-	-	-
Other expense	-	-	38,332	3,648	-	-	363,518
Insurance premium expense	-	-	-	-	929,442	-	-

- 40.1 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.

## 41 CAPITAL ADEQUACY

### 41.1 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
	(Rupees in '000)			
<b>Credit Risk</b>				
<b>On-balance sheet</b>				
Other sovereigns, GOP, PG, SBP other than PKR	5,605,922	8,225,013	49,719,933	77,230,167
PSE's	1,167,637	583,634	10,355,979	5,480,129
Multilateral Development Banks	16,545	-	146,745	-
Banks	3,293,880	5,542,502	29,214,015	52,042,275
Corporates	39,423,773	38,136,106	349,656,524	358,085,498
Retail	11,652,827	9,527,014	103,351,016	89,455,530
Residential mortgages	241,854	239,220	2,145,043	2,246,198
Past due loans	592,879	832,441	5,258,353	7,816,348
Commercial entities exceeding 10%	-	-	-	-
Listed equity investments	147,095	11,843	1,304,614	111,205
Unlisted equity investments	457,882	343,252	4,061,039	3,223,023
Significant investments, deferred tax and others	5,082,615	2,928,094	45,078,625	27,493,840
Investments in fixed assets	6,238,523	3,102,629	55,330,577	29,132,668
Other assets	1,565,727	1,237,540	13,886,713	11,620,090
	75,487,159	70,709,288	669,509,176	663,936,971
<b>Off-balance sheet</b>				
Non-market related	7,046,513	9,901,004	62,496,792	92,967,172
Market related	194,802	115,586	1,727,731	1,085,316
	7,241,315	10,016,590	64,224,523	94,052,488
<b>Market Risk</b>				
Interest Rate Risk	7,026,037	9,886,597	87,825,463	123,582,461
Equity Position Risk	3,097,994	3,465,330	38,724,925	43,316,625
Foreign Exchange Risk	3,380,347	3,779,900	42,254,338	47,248,750
	13,504,378	17,131,827	168,804,726	214,147,836
<b>Operational Risk</b>				
	13,199,542	12,199,704	164,994,280	152,496,295
	109,432,394	110,057,409	1,067,532,705	1,124,633,590
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held	168,561,926	172,189,451		
Total risk weighted assets	1,067,532,705	1,124,633,590		
Capital adequacy ratio	15.79%	15.31%		

### 41.2 Capital management

The Bank'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 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, 2017 stood at Rs. 14.669 billion (2016: 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, 2017:

- Common Equity Tier 1 (CET1) ratio of 7.275% including Capital Conservation Buffer (CCB) of 1.275%
- Tier 1 ratio of 8.775% including CCB of 1.275%
- Total Capital Adequacy Ratio (CAR) of 11.275% including CCB of 1.275%

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 not issued any 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 reflecting the credit worthiness of counterparties are applied using various External Credit Assessment Institutions (ECAIs) 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, bank guarantees, deposits / margins, lien on deposits and saving certificates.

- The Bank calculates capital requirements for market risk in its trading book 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 position risk.

#### 41.3 Capital structure

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

	Note	2017	2016
		(Rupees in '000)	
<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 and Capital Reserves		37,399,451	36,693,011
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		87,432,293	97,446,624
<b>CET 1 before Regulatory Adjustments</b>		139,500,269	148,808,160
Total regulatory adjustments applied to CET1	41.4.1	10,262,858	12,936,619
<b>Common Equity Tier 1</b>		129,237,411	135,871,541
<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>		-	-
Total of Regulatory Adjustment applied to AT1 capital	41.4.2	-	-
<b>Additional Tier 1 capital after regulatory adjustments</b>		-	-
<b>Additional Tier 1 capital recognised for capital adequacy</b>		-	-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		129,237,411	135,871,541

	Note	2017	2016
		(Rupees in '000)	
<b>Tier 2 Capital</b>			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		9,982,000	9,998,000
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		2,755,637	3,328,371
Revaluation Reserves (net of taxes)			
of which: Revaluation reserves on fixed assets		18,904,193	8,659,213
of which: Unrealised gains/losses on AFS		(391,321)	8,595,394
		18,512,872	17,254,607
Foreign exchange translation reserves		12,119,891	10,453,351
<b>Tier 2 before regulatory adjustments</b>		<b>43,370,400</b>	<b>41,034,329</b>
<b>Tier 2 Capital: regulatory adjustments</b>			
Total regulatory adjustment applied to T2 capital	41.4.3	4,045,885	4,716,419
Tier 2 capital recognised for capital adequacy		39,324,515	36,317,910
<b>TOTAL CAPITAL (Tier 1 + admissible Tier 2)</b>		<b>168,561,926</b>	<b>172,189,451</b>
<b>Total Risk Weighted Assets</b>		<b>1,067,532,705</b>	<b>1,124,633,590</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
CET1 to total RWA		12.11%	12.08%
Tier-1 capital to total RWA		12.11%	12.08%
Total capital to RWA		15.79%	15.31%
Bank specific buffer requirement (minimum CET1 requirement plus CCB plus any other buffer requirement)		7.275%	6.65%
of which: capital conservation buffer requirement		1.275%	0.65%
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)		4.83%	5.43%
<b>National minimum capital requirements prescribed by SBP</b>			
CET1 minimum ratio		7.275%	6.65%
Tier 1 minimum ratio		8.775%	8.15%
Total capital minimum ratio		11.275%	10.65%



#### 41.4 Regulatory Adjustments and Additional Information

##### 41.4.1 Common Equity Tier 1 capital: Regulatory adjustments

	2017		2016	
	Basel III Transit	Pre- Basel III treatment	Basel III Transit	Pre- Basel III treatment
----- (Rupees in '000) -----				
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	1,590,105	-	1,659,867	-
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	2,239,336	-	3,573,219	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares/ CET1 instruments	434,081	-	870,652	-
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)	2,567,089	-	-	-
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	3,432,247	-	6,832,881	-
Total regulatory adjustments applied to CET1	<u>10,262,858</u>	-	<u>12,936,619</u>	-

##### 41.4.2 Additional Tier-1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	2,037,727	-	4,132,227	-
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	1,394,520	-	2,700,654	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Transfer to CET1 due to insufficient AT1 to cover deductions	(3,432,247)	-	(6,832,881)	-
Total regulatory adjustment applied to AT1 capital	<u>-</u>	-	<u>-</u>	-

##### 41.4.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	1,394,520	-	2,700,654	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	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	2,651,365	-	1,882,778	-
Total regulatory adjustment applied to T2 capital	<u>4,045,885</u>	-	<u>4,716,419</u>	-

	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>41.4.4 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)	1,304,614	1,255,185
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	1,304,614	1,255,185
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financial entities	1,613,336	2,276,811
Significant investments in the common stock of financial entities	13,523,675	10,997,536
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)	2,755,637	3,328,371
Cap on inclusion of provisions in Tier 2 under standardized approach	9,171,671	9,474,868
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	-	-
	<b>As per published financial statements</b>	<b>Under regulatory scope of consolidation</b>
	(Rupees in '000)	
<b>41.5 Capital structure reconciliation</b>		
<b>Assets</b>		
Cash and balances with treasury banks	230,256,066	230,256,066
Balances with other banks	28,777,991	28,777,991
Lendings to financial institutions	33,900,345	33,900,345
Investments	1,335,782,671	1,335,782,671
Advances	800,688,978	800,688,978
Operating fixed assets	56,920,682	56,920,682
Deferred tax asset	3,900,457	3,900,457
Other assets	72,831,923	72,831,923
<b>Total assets</b>	<b>2,563,059,113</b>	<b>2,563,059,113</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	33,617,261	33,617,261
Borrowings	395,486,210	395,486,210
Deposits and other accounts	1,899,511,435	1,899,511,435
Subordinated loan	9,994,000	9,994,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	51,746,248	51,746,248
<b>Total liabilities</b>	<b>2,390,355,154</b>	<b>2,390,355,154</b>
Share capital	14,668,525	14,668,525
Reserves	49,519,342	49,519,342
Unappropriated profit	87,432,293	87,432,293
Surplus on revaluation of assets	21,083,799	21,083,799
<b>Total liabilities &amp; equity</b>	<b>2,563,059,113</b>	<b>2,563,059,113</b>

	As per published financial statements (Rupees in '000)	Under regulatory scope of consolidation	Reference
<b>ASSETS</b>			
Cash and balances with treasury banks	230,256,066	230,256,066	
Balances with other banks	28,777,991	28,777,991	
Lendings to financial institutions	33,900,345	33,900,345	
Investments	1,335,782,671	1,335,782,671	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	
of which: significant capital investments in financial sector entities exceeding regulatory threshold - Tier-1	2,567,089	2,567,089	(a)
of which: significant investment in Tier-2 instruments of financial sector entities	2,651,365	2,651,365	(b)
of which: Mutual Funds exceeding regulatory threshold	2,037,727	2,037,727	(c)
of which: reciprocal crossholding of capital instruments	2,239,336	2,239,336	(d)
of which: investment in own shares	434,081	434,081	(e)
Advances	800,688,978	800,688,978	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	2,755,637	2,755,637	(f)
Operating fixed assets	56,920,682	56,920,682	
of which: Goodwill	-	-	
of which: Intangibles	1,590,105	1,590,105	(g)
Deferred Tax Assets	3,900,457	3,900,457	
of which: DTAs excluding those arising from temporary differences	-	-	
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	
Other assets	72,831,923	72,831,923	
of which: Goodwill	-	-	
of which: Intangibles	-	-	
of which: Defined-benefit pension fund net assets	-	-	
<b>Total assets</b>	<b>2,563,059,113</b>	<b>2,563,059,113</b>	
<b>LIABILITIES &amp; EQUITY</b>			
Bills payable	33,617,261	33,617,261	
Borrowings	395,486,210	395,486,210	
Deposits and other accounts	1,899,511,435	1,899,511,435	
Subordinated loan	9,994,000	9,994,000	
of which: eligible for inclusion in AT1	-	-	
of which: eligible for inclusion in Tier 2	9,982,000	9,982,000	(h)
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	
of which: DTLs related to intangible assets	-	-	
of which: DTLs related to defined pension fund net assets	-	-	
of which: other deferred tax liabilities	-	-	
Other liabilities	51,746,248	51,746,248	
<b>Total liabilities</b>	<b>2,390,355,154</b>	<b>2,390,355,154</b>	
Share capital	14,668,525	14,668,525	
of which: amount eligible for CET1	14,668,525	14,668,525	(i)
of which: amount eligible for AT1	-	-	
Reserves	49,519,342	49,519,342	
of which: portion eligible for inclusion in CET1	37,399,451	37,399,451	(j)
of which: portion eligible for inclusion in Tier 2	12,119,891	12,119,891	(k)
Unappropriated profit	87,432,293	87,432,293	(l)
Surplus on revaluation of assets	21,083,799	21,083,799	
of which: Revaluation reserves on Property	21,240,666	21,240,666	(m)
of which: Unrealised Gains/Losses on AFS	(439,687)	(439,687)	(n)
In case of Deficit on revaluation (deduction from CET1)	-	-	
<b>Total liabilities &amp; Equity</b>	<b>2,563,059,113</b>	<b>2,563,059,113</b>	

## 41.5.2 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	(i)
Balance in Share Premium Account	-	
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	37,399,451	(j)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	87,432,293	(l)
<b>CET 1 before Regulatory Adjustments</b>	<b>139,500,269</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
Goodwill	-	
All other intangibles	1,590,105	(g)
Shortfall of 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	2,239,336	(d)
Cash flow hedge reserve	-	
Investment in own shares	434,081	(e)
Securitization gain on sale	-	
Capital shortfall of regulated subsidiaries	-	
Deficit on account of revaluation from bank's holdings of property/ AFS	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	2,567,089	(a)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amount exceeding 15% threshold	-	
of which: significant investments in the common stocks of financial entities	-	
of which: deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments applied to CET1 capital	-	
Investment in TFCs of other banks exceeding the prescribed limit	-	
Any other deduction specified by SBP (mention details)	-	
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	3,432,247	
Total regulatory adjustments applied to CET1	10,262,858	
<b>Common Equity Tier 1</b>	<b>129,237,411</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>	

	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)	2,037,727	(c)
Investment in own AT1 capital instruments	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	1,394,520	
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	(3,432,247)	
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>	129,237,411	
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III	9,982,000	(h)
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	
of which: instruments issued by subsidiaries subject to phase out	-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,755,637	(f)
Revaluation Reserves eligible for Tier 2		
of which: portion pertaining to Property	18,904,193	portion of (m)
of which: portion pertaining to AFS securities	(391,321)	portion of (n)
	18,512,872	
Foreign exchange translation reserves	12,119,891	(k)
<b>Tier 2 before regulatory adjustments</b>	43,370,400	
<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	1,394,520	
Reciprocal cross holdings in Tier 2 instruments	-	
Investment in own Tier 2 capital instrument	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	2,651,365	(b)
Amount of Regulatory Adjustment applied to Tier 2 capital	4,045,885	
Tier 2 capital	39,324,515	
Tier 2 capital recognised for capital adequacy	39,324,515	
Excess Additional Tier 1 capital recognised in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	39,324,515	
<b>TOTAL CAPITAL (Tier 1 + admissible Tier 2)</b>	168,561,926	

#### 41.6 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	9,994,000
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 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

#### 41.7 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 4.01% (2016: 4.52%) is above the current minimum requirement of 3.00% set by the SBP.

#### 42. RISK MANAGEMENT FRAMEWORK

HBL has a well-developed and robust risk management framework given the high degree of complexity of its operations, its size, and regional, and target market diversification. The Bank's risk management framework 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 committees i.e. Board Risk Management Committee (BRMC), Board Audit Committee as well as various management committees.

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

RMG 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 (ORMD) operates within the Global Compliance Group, independent from Business Units and other support functions. The Head ORMD reports into the Chief Compliance Officer with 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 Standardized Approach for credit risk. In addition, the Bank has adopted the simple approach for recognizing eligible collaterals for credit risk mitigation. 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. 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 consumer business of the bank has been on a double-digit growth trajectory for the past few years, and now hosts one of the largest portfolios of the industry with one of the lowest loss rates. The bank plans to further penetrate this segment. To supplement this growth and to better manage its existing portfolio, the bank during the year invested in sophisticated systems and statistical tools such as behavioral scorecards. The project concluded in December 2017 and led to an upgradation of its existing application scorecards to third-generation scorecards and development and deployment of behavioral scorecards. Further, a 'Decision Smart' system – a decision support software – has also been added, which gives the Bank capabilities to better serve its customers and improve marketing of its products, while maintaining high standards of risk management. In line with HBL's digital transformation agenda, real time offering of Personal Loan via ATM has successfully been implemented. Testing for upgrade to a newer version of Credit Cards system is underway and expected to be completed in the first quarter of 2018.

Currently, the Bank is following Standardized Approach for market risk, however, in order to better capture this risk across different portfolios and products, the Bank is moving towards the Internal Models Approach. Value-At-Risk (VaR) is calculated on an ongoing basis for its fixed income, equity and FX portfolios. It is also the Bank's intention, going forward to set up VaR based limits for the individual investment portfolios.

Rollout of the credit risk management software to automate loan origination continued during the year with the addition of new branches and related lending portfolio. The software is designed to improve approval efficiency, capture, storage and retrieval of approval data, and generation of valuable MIS which will be helpful in decision making. In addition, a Capital calculator and an ALM system is under phased implementation which is expected to bring in efficiency and 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.

#### **42.1 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, compliance and documentation requirements.

Credit risk appetite is defined through a Risk Appetite Statement that is approved by the Board. It also covers the concentration risk the Bank is willing to take with reference to risk ratings, sectors and large exposures.

The core pillars of credit risk management at HBL are:

- Approval rules based on three-initial system and joint business / risk sign-offs
- An independent Audit which includes Business Risk Review (BRR) function.

Credit Approval Authorities are delegated to individuals based on their qualification and experience. Disbursement authorization, collateral and security management, documentation and monitoring are managed by the Credit Administration Department under RMG. Proactive monitoring is ensured 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 to ensure a focused remedial strategy.



Stress testing on the credit portfolio is performed in line with SBP guidelines. In addition to the mandatory stress tests defined by the regulator, the Bank has also developed advanced stress tests including macroeconomic stress tests, shock scenarios and reverse stress tests to test the capital against shocks to the credit portfolio.

The Bank has undertaken a number of initiatives to strengthen its credit risk management framework including in-house development of internal risk rating models for the portfolio in respective segments and transition & migration matrices to study the realized default rates and performance of the risk rating models over the years.

BRR 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.

#### 42.1.1 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

#### 42.1.2 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2017 (Rupees in '000)			2016 (Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	29,478,218	-	29,478,218	27,459,215	-	27,459,215
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	455,556,536	46,051,729	409,504,807	558,424,043	230,347,911	328,076,132
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	21,296,118	-	21,296,118	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	3,703,841	-	3,703,841	44,407,172	-	44,407,172
	2	22,488,625	-	22,488,625	2,091,965	-	2,091,965
	3	8,965,006	-	8,965,006	8,184,549	-	8,184,549
	4,5	27,680,093	-	27,680,093	20,321,239	-	20,321,239
	6	8,706,408	-	8,706,408	30,305,916	-	30,305,916
	Unrated	-	-	-	6,939,386	-	6,939,386
		71,543,973	-	71,543,973	112,250,227	-	112,250,227
Corporates	1	104,102,895	3,655,000	100,447,895	93,768,840	3,640,128	90,128,712
	2	35,335,988	250,000	35,085,988	23,171,773	500,746	22,671,027
	3,4	4,735,779	-	4,735,779	968,530	-	968,530
	5,6	-	-	-	-	-	-
	Unrated-1	160,906,941	12,780,232	148,126,709	247,316,805	17,242,453	230,074,352
	Unrated-2	148,020,146	20,690,976	127,329,170	145,171,120	11,375,263	133,795,857
		453,101,749	37,376,208	415,725,541	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	6,354,647	-	6,354,647	21,523,804	-	21,523,804
	4,5	2,659,438	-	2,659,438	3,278,596	-	3,278,596
	6	-	-	-	-	-	-
	Unrated	1,359,462	-	1,359,462	6,194,594	-	6,194,594
		10,373,547	-	10,373,547	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%	37,242,989	31,785,507	5,457,482	151,798,495	94,316,952	57,481,543
Banks - others	1	17,312,104	-	17,312,104	39,973,819	97,469	39,876,350
	2,3	19,078,766	-	19,078,766	47,734,870	-	47,734,870
	4,5	3,974,744	-	3,974,744	7,155,933	-	7,155,933
	6	-	-	-	3,600,375	-	3,600,375
	Unrated	16,840,348	-	16,840,348	3,093,973	-	3,093,973
		57,205,962	-	57,205,962	101,558,970	97,469	101,461,501
Public sector enterprises	1	38,298,110	3,696,695	34,601,415	29,644,148	7,718,693	21,925,455
	2,3	7,967,518	2,578,125	5,389,393	9,329,998	3,515,625	5,814,373
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	115,009,578	113,527,580	1,481,998	81,573,145	63,675,919	17,897,226
		161,275,206	119,802,400	41,472,806	120,547,291	74,910,237	45,637,054
Retail	75%	143,828,278	6,026,923	137,801,355	130,821,319	10,020,528	120,800,791
Residential mortgages	35%	6,128,694	-	6,128,694	6,417,708	-	6,417,708
Past due loans	50% - 150%	6,244,682	1,122,671	5,122,011	8,108,537	-	8,108,537
Equity investments	100% - 150%	4,011,973	-	4,011,973	2,259,887	-	2,259,887
Significant investments, deferred tax and others	250%	18,031,450	-	18,031,450	10,997,536	-	10,997,536
Fixed assets	100%	55,330,577	-	55,330,577	29,132,668	-	29,132,668
Others	100%	13,886,713	-	13,886,713	11,620,090	-	11,620,090
		1,544,536,665	242,165,438	1,302,371,227	1,834,684,740	442,451,687	1,392,233,053

#### 42.1.3 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.

#### 42.1.4 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.

## 42.2 Segmental information

### 42.2.1 Segment by class of business

	2017					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemicals and pharmaceuticals	26,578,032	3.08	23,658,680	1.25	10,891,076	2.03
Agribusiness	101,651,582	11.76	16,353,330	0.86	1,391,514	0.26
Textile	90,245,084	10.44	9,841,036	0.52	16,644,479	3.10
Cement	18,814,625	2.18	13,710,552	0.72	10,269,548	1.91
Defence	18,776	0.00	13,530,457	0.71	47,023,061	8.76
Sugar	8,729,924	1.01	1,505,311	0.08	526,144	0.10
Shoes and leather garments	2,616,482	0.30	813,290	0.04	1,046,998	0.20
Automobile and transportation equipment	7,600,010	0.88	25,236,927	1.33	7,153,409	1.33
Financial	34,628,881	4.01	65,183,452	3.43	293,265,390	54.66
Hotel and tourism	6,887,369	0.80	1,967,878	0.10	2,408,935	0.45
Research and development	-	-	322,880	0.02	9,963	0.00
Insurance	3,506,585	0.41	19,634,465	1.03	1,541,573	0.29
Electronics and electrical appliances	6,717,525	0.78	32,317,668	1.70	7,467,789	1.39
Oil and gas	110,328,231	12.77	37,226,000	1.96	11,583,762	2.16
Power and energy	94,944,655	10.99	38,966,785	2.05	29,047,584	5.41
Education and medical	2,289,864	0.26	64,516,260	3.40	2,334,594	0.44
Telecommunication	21,876,348	2.53	13,096,971	0.69	6,643,663	1.24
Printing and publishing	3,946,442	0.46	2,039,471	0.11	278,079	0.05
Construction	20,636,748	2.39	38,582,483	2.03	897,197	0.17
Mining and quarrying	3,094,832	0.36	759,656	0.04	1,837,645	0.34
Food, tobacco and beverages	27,952,384	3.23	5,054,151	0.27	10,210,827	1.90
Wholesale and retail trade	54,531,523	6.31	46,291,820	2.44	1,092,175	0.20
Metal and allied	16,989,327	1.97	4,576,162	0.24	8,848,613	1.65
Individuals	79,315,673	9.18	998,105,891	52.55	947,372	0.18
Farming, cattle and dairy	3,442,595	0.40	619,478	0.03	251,158	0.05
Ports and shipping	-	-	6,206,167	0.33	1,688,551	0.31
Trust funds and non profit organisations	1,896,503	0.22	48,248,024	2.54	16,985,798	3.17
Others	114,997,563	13.28	371,146,190	19.53	44,239,846	8.25
	864,237,563	100.00	1,899,511,435	100.00	536,526,743	100.00

	2016					
	Advances		Deposits		Contingencies and Commitments	
	(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	10,523,975	2.01
Agribusiness	110,951,575	14.30	15,213,157	0.85	1,200,944	0.23
Textile	86,331,297	11.13	8,209,883	0.46	18,622,582	3.56
Cement	12,893,120	1.66	5,434,122	0.30	3,534,631	0.68
Defence	1,312,388	0.17	12,731,680	0.71	55,404,811	10.61
Sugar	7,294,329	0.94	3,783,063	0.21	124,655	0.02
Shoes and leather garments	2,411,725	0.31	357,922	0.02	1,086,864	0.21
Automobile and transportation equipment	6,427,552	0.83	24,788,555	1.38	9,232,391	1.77
Financial	64,291,859	8.29	45,516,461	2.54	273,654,005	52.38
Hotel and tourism	3,901,276	0.50	2,099,095	0.12	708,313	0.14
Research and Development	-	-	190,922	0.01	-	-
Insurance	613,327	0.08	17,146,310	0.96	46,164	0.01
Electronics and electrical appliances	9,977,670	1.29	32,200,465	1.80	4,865,940	0.93
Oil and gas	37,291,479	4.81	22,433,605	1.25	8,495,045	1.63
Power and energy	95,609,668	12.32	40,703,579	2.27	46,578,120	8.92
Education & medical	1,765,486	0.23	59,597,944	3.32	983,911	0.19
Telecommunication	16,803,551	2.17	14,647,526	0.82	7,168,203	1.37
Printing and publishing	4,437,673	0.57	487,102	0.03	517,304	0.10
Construction	12,084,255	1.56	15,780,104	0.88	1,412,739	0.27
Mining and 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	5,042,950	0.97
Wholesale and retail trade	59,938,333	7.72	33,784,046	1.88	1,242,906	0.24
Metal and allied	12,850,564	1.66	5,251,234	0.29	2,999,392	0.57
Individuals	59,217,291	7.63	917,394,318	51.15	729,696	0.14
Farming, cattle and dairy	4,538,117	0.58	388,976	0.02	490,882	0.09
Ports and shipping	-	-	6,614,467	0.37	53,001	0.01
Trust funds and non profit organisations	3,686,627	0.48	28,265,387	1.58	14,130,028	2.70
Others	100,379,638	12.91	451,713,831	25.19	53,586,478	10.25
	775,974,211	100.00	1,793,370,392	100.00	522,435,930	100.00

		2017					
		Advances		Deposits		Contingencies and Commitments	
		(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
42.2.2	Segment by sector						
	Government / public sector	197,960,838	22.91	220,662,251	11.62	66,239,149	12.35
	Private sector	666,276,725	77.09	1,678,849,184	88.38	470,287,594	87.65
		864,237,563	100.00	1,899,511,435	100.00	536,526,743	100.00

		2016					
		Advances		Deposits		Contingencies and Commitments	
		(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	11.90
Private sector		649,504,710	83.70	1,619,773,819	90.32	460,288,745	88.10
		775,974,211	100.00	1,793,370,392	100.00	522,435,930	100.00

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

		2017		2016	
		Classified advances	Specific provisions held	Classified advances	Specific provisions held
		(Rupees in '000)			
	Chemicals and pharmaceuticals	1,188,257	1,164,218	1,154,086	1,137,187
	Agribusiness	4,524,837	3,059,358	4,256,849	2,913,403
	Textile	20,774,814	20,342,099	21,581,482	21,129,481
	Cement	788,694	788,694	860,694	806,694
	Sugar	295,770	225,473	332,069	260,714
	Shoes and leather garments	857,855	819,781	910,487	874,506
	Automobile and transportation equipment	1,047,136	1,022,548	1,044,744	1,037,021
	Financial	39,414	39,414	39,414	39,414
	Hotel and tourism	270,904	270,271	290,197	290,197
	Electronics and electrical appliances	3,201,523	3,201,223	3,571,034	3,211,784
	Oil and gas	1,474,178	950,629	2,362,489	967,806
	Power and energy	2,219,437	1,774,387	1,786,177	1,775,307
	Education and medical	28,948	21,631	74,899	74,899
	Telecommunication	1,217,462	1,217,462	1,227,442	1,227,442
	Printing and publishing	483,352	460,903	375,713	249,445
	Construction	1,262,455	1,262,230	1,383,284	1,219,216
	Food, tobacco and beverages	1,953,048	1,843,873	1,846,955	1,767,373
	Wholesale and retail trade	9,831,719	8,593,191	9,938,213	8,153,091
	Metal and allied	2,578,845	1,512,701	2,570,591	1,432,085
	Individuals	3,709,558	3,564,261	2,511,497	2,451,361
	Farming, cattle and dairy	297,635	102,557	174,116	75,437
	Mining and quarrying	997	997	1,716	1,716
	Others	8,990,791	8,555,047	10,327,675	9,417,707
		67,037,629	60,792,948	68,621,823	60,513,286

		2017		2016	
		Classified advances	Specific provisions held	Classified advances	Specific provisions held
		(Rupees in '000)			
42.2.4	Segment by sector				
	Government / public sector	1,114,940	49,246	1,514,115	448,418
	Private sector	65,922,689	60,743,702	67,107,708	60,064,868
		67,037,629	60,792,948	68,621,823	60,513,286

#### 42.2.5 GEOGRAPHICAL SEGMENT ANALYSIS

	For the year ended December 31, 2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	----- (Rupees in '000) -----			
Pakistan	28,238,369	2,345,730,134	123,306,209	463,812,079
Europe, Middle East and America	(1,475,169)	143,057,699	27,337,002	66,478,449
Asia and Africa	51,326	74,271,280	22,060,748	6,236,215
	<u>26,814,526</u>	<u>2,563,059,113</u>	<u>172,703,959</u>	<u>536,526,743</u>

	For the year ended December 31, 2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	----- (Rupees in '000) -----			
Pakistan	51,355,245	2,073,086,009	125,470,143	441,157,234
Europe, Middle East and America	(490,363)	226,815,924	34,088,956	72,633,960
Asia and Africa	1,381,157	92,797,318	22,507,881	8,644,736
	<u>52,246,039</u>	<u>2,392,699,251</u>	<u>182,066,980</u>	<u>522,435,930</u>

#### 42.3 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, commodity prices 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 by Risk Management under the supervision of ALCO and supported by the Treasury Middle Office.

##### 42.3.1 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 manages this risk by setting and monitoring currency-wise limits. The Bank's assets in a particular currency are typically funded in the same currency to minimize foreign currency exposure. However, the Bank maintains 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.

	2017				2016			
	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	2,209,779,859	2,008,383,593	(58,035,134)	143,361,132	1,953,812,289	1,782,113,043	(44,113,393)	127,585,853
United States Dollar	170,142,502	206,310,836	24,495,387	(11,672,947)	229,003,903	237,456,203	14,317,110	5,864,810
Great Britain Pound	5,748,188	19,094,186	12,094,336	(1,251,662)	9,490,067	15,348,700	10,267,151	4,408,518
UAE Dirham	58,991,503	60,665,683	14,067,340	12,393,160	71,806,830	63,590,453	10,932,036	19,148,413
Japanese Yen	80,211	3,213	(69,539)	7,459	135,998	61,746	(65,446)	8,806
Euro	14,145,842	18,795,547	7,754,788	3,105,083	14,664,719	21,892,693	8,993,138	1,765,164
Other Currencies	104,171,008	77,102,096	(307,178)	26,761,734	113,785,445	90,169,433	(330,596)	23,285,416
	<u>2,563,059,113</u>	<u>2,390,355,154</u>	<u>-</u>	<u>172,703,959</u>	<u>2,392,699,251</u>	<u>2,210,632,271</u>	<u>-</u>	<u>182,066,980</u>

##### 42.3.2 Equity Position Risk

Equity position risk is the risk that the fair value will fluctuate as a result of changes in the prices of individual stocks or the levels of equity indices. The Bank's equity investments are classified as Available-For-Sale (AFS) and Held-for-Trading (HFT) investments. The objective of the AFS portfolio is to maintain a medium-term view of capital gains and dividend income while Bank takes advantage of short term capital gains through its HFT portfolio investments. It is managed by the bank through the 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.

#### 42.4 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). The Bank also has a 'Contingency Funding Plan' in place to address liquidity issues in times of crisis. This plan helps to identify early warning indicators to pre-empt unforeseen liquidity crises. Triggers are used to ascertain the stress scenarios in the future.

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. Because 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.

The Bank has assets and liabilities that have contractual and non-contractual maturities. In order to assess the expected maturity of assets and liabilities with non-contractual maturities, empirical and statistical studies are conducted. The behavioral maturities of demand deposits are determined on the basis of an empirical study using 'five years' historical data. The attrition rate of deposits is determined based on historically observed monthly data of all current and saving deposit. A minimum balance and monthly change therein are the two parameters used to determine the stickiness of deposits.

Overdraft is a part of the loan portfolio that is short-term in nature, however, due to its use for working capital financing is rolled-over periodically. Hence this asset has both a core portion which is stable and constantly appears on the balance sheet and a non-core portion that is relatively volatile. Statistical analysis is used to ascertain the change in maturity profiling over time based on the cyclical changes in the outstanding amount against overdraft.

#### MATURITIES OF ASSETS AND LIABILITIES

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.

	2017									
	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	230,256,066	60,497,693	28,061,234	37,764,224	8,235,655	4,456,764	2,088,353	4,193,457	42,773,577	42,185,109
Balances with other banks	28,777,991	25,384,421	1,414,299	1,979,271	-	-	-	-	-	-
Lendings to financial institutions	33,900,345	31,285,507	1,000,000	1,614,838	-	-	-	-	-	-
Investments	1,335,782,671	117,549,423	408,819,509	153,927,637	125,980,906	206,183,662	91,684,880	141,142,334	59,020,899	31,473,421
Advances	800,688,978	50,412,124	66,348,564	79,504,079	51,998,810	127,635,334	66,366,788	264,235,432	65,477,466	28,710,381
Operating fixed assets	56,920,682	17,295,672	601,013	901,520	1,803,039	3,175,465	1,148,960	399,182	705,915	30,889,916
Deferred tax asset	3,900,457	42,553	142,345	11,088	(200,319)	345,364	449,173	853,219	1,908,142	348,892
Other assets	72,831,923	31,875,468	8,955,295	9,783,665	9,034,035	4,679,052	1,317,814	204,338	488,195	6,494,061
	2,563,059,113	334,342,861	515,342,259	285,486,322	196,852,126	346,475,641	163,055,968	411,027,962	170,374,194	140,101,780
<b>Liabilities</b>										
Bills payable	33,617,261	5,378,761	11,429,869	16,808,631	-	-	-	-	-	-
Borrowings	395,486,210	289,465,724	41,800,123	12,705,668	4,337,543	999,929	20,176,797	7,914,536	18,085,890	-
Deposits and other accounts	1,899,511,435	168,974,228	138,590,518	131,772,573	181,524,390	44,456,354	44,777,768	83,348,716	559,907,148	546,159,740
Subordinated loan	9,994,000	-	2,000	-	2,000	4,000	4,000	8,000	9,974,000	-
Other liabilities	51,746,248	17,506,360	15,821,021	2,894,896	5,524,676	2,784,602	1,648,483	2,836,422	2,370,001	359,787
	2,390,355,154	481,325,073	207,643,531	164,181,768	191,388,609	48,244,885	66,607,048	94,107,674	590,337,039	546,519,527
<b>Net gap</b>	172,703,959	(146,982,212)	307,698,728	121,304,554	5,463,517	298,230,756	96,448,920	316,920,288	(419,962,845)	(406,417,747)
Share capital	14,668,525									
Reserves	49,519,342									
Unappropriated profit	87,432,293									
Surplus on revaluation of assets - net of tax	21,083,799									
	172,703,959									

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									
<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
Balances with other banks	32,742,891	27,815,336	4,782,339	-	145,216	-	-	-	-
Lending to financial institutions	33,926,110	23,042,192	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
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
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
Other assets	58,593,524	15,118,334	16,834,729	5,305,811	21,334,650	-	-	-	-
	2,392,699,251	431,454,014	343,808,072	223,825,421	210,857,507	254,895,985	229,476,390	412,833,406	185,013,486
<b>Liabilities</b>									
Bills payable	31,108,762	5,900,717	10,083,218	15,124,827	-	373,275	417,450	687,577	641,659
Borrowings	333,987,106	278,266,299	23,725,083	28,395,746	1,480,017	37,422,983	38,507,060	69,889,289	507,459,619
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	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)	536,433
Other liabilities	40,311,457	18,323,371	10,003,307	3,093,635	1,879,316	1,049,694	1,049,694	1,807,057	1,079,693
	2,210,632,271	556,116,248	152,085,760	149,442,568	181,125,562	38,354,786	38,764,360	71,721,194	520,100,129
<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)
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	-	-	-	-	-	-	-	-

42.4.2

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:

2017									
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									
<b>Assets</b>									
Cash and balances with treasury banks	230,256,066	229,858,267	-	664,554	397,799	-	-	-	-
Balances with other banks	28,777,991	26,939,712	1,173,725	1,614,838	-	-	-	-	-
Lending to financial institutions	33,900,345	31,285,507	1,000,000	1,614,838	-	-	-	-	-
Investments	1,335,782,671	135,862,506	397,163,367	152,132,757	214,593,921	92,684,799	141,864,388	59,315,922	32,740,576
Advances	800,688,978	226,632,443	59,538,361	69,289,489	127,663,163	66,383,698	125,617,657	65,496,567	28,519,484
Operating fixed assets	56,920,682	17,295,668	601,013	901,520	3,175,465	1,148,960	399,182	705,915	30,889,920
Deferred tax asset	3,900,457	42,553	142,345	11,088	(200,319)	345,364	449,173	853,219	348,892
Other assets	72,831,923	10,397,089	13,007,391	11,789,755	24,596,256	4,579,707	1,289,834	200,000	6,494,061
	2,563,059,113	678,313,745	472,626,202	236,404,001	167,171,527	350,755,419	161,956,464	127,904,376	98,992,933
<b>Liabilities</b>									
Bills payable	33,617,261	33,617,261	-	-	-	-	-	-	-
Borrowings	395,486,210	289,465,724	41,800,123	12,705,668	999,929	20,176,797	7,914,536	18,085,890	-
Deposits and other accounts	1,895,511,435	1,686,968,183	85,788,193	41,101,265	8,814,387	6,882,330	14,161,897	13,980,688	21,313
Subordinated loans	9,994,000	-	2,000	-	4,000	4,000	8,000	9,974,000	-
Other liabilities	51,746,248	51,746,248	-	-	-	-	-	-	-
	2,390,355,154	2,061,797,416	127,590,316	53,806,933	9,818,316	27,063,127	22,084,433	42,040,578	21,313
<b>Net gap</b>	172,703,959	(1,383,483,671)	345,035,886	182,597,068	340,937,103	134,893,337	246,850,013	85,863,798	98,971,620
Share capital	14,668,525	-	-	-	-	-	-	-	-
Reserves	49,519,342	-	-	-	-	-	-	-	-
Unappropriated profit	87,432,293	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	21,083,799	-	-	-	-	-	-	-	-
	172,703,959	-	-	-	-	-	-	-	-



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
<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	33,926,110	23,042,192	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	149,621,455	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	104,734,438	51,126,519	27,532,155
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	36,103,380	3,714,054	5,571,081	13,205,009	-	-	-	-	-
	2,392,699,251	861,797,897	314,082,583	161,571,302	147,546,444	225,676,671	209,732,237	256,418,275	167,701,146	48,172,696
<b>Liabilities</b>										
Bills payable	31,108,762	31,108,762	-	-	-	-	-	-	-	-
Borrowings	333,987,106	278,266,299	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	1,583,237,156	69,556,883	45,434,286	66,395,064	6,473,213	7,557,290	8,069,744	6,360,420	286,336
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	40,311,457	40,311,457	-	-	-	-	-	-	-	-
	2,210,632,271	1,934,251,982	94,729,131	75,278,952	67,359,387	6,355,322	6,764,896	8,094,592	16,975,240	822,769
<b>Net gap</b>	182,066,980	(1,072,454,085)	219,353,452	86,292,350	80,187,057	219,321,349	202,967,341	248,323,683	150,725,906	47,349,927
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									

42.4.3

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.

42.5

#### Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because 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. The Bank uses duration gap models to measure and monitor the interest rate sensitivity on the potential earnings and the Bank's economic value of equity. Government securities are marked-to-market daily. 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.

**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	2017											Not exposed to yield / interest risk
		Exposed to yield / interest risk											
		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				
On-balance sheet assets													
Financial Assets													
Cash and balances with treasury banks	0.36%	230,256,066	28,274,713	-	-	-	-	-	-	-	-	201,981,353	
Balances with other banks		28,777,991	4,513,684	1,805,473	2,708,210	-	-	-	-	-	-	19,750,624	
Lendings to financial institutions	5.55%	33,900,345	31,285,507	1,000,000	1,614,838	-	-	-	-	-	-	-	
Investments	6.45%	1,335,782,671	116,532,087	417,253,478	195,176,928	83,712,203	211,023,532	86,365,908	128,113,361	51,293,187	29,092	46,282,895	
Advances	7.47%	800,688,978	48,171,779	289,587,454	278,205,820	91,780,432	29,236,373	31,010,349	29,970,526	2,726,245	-	-	
Other assets		41,091,557	-	-	-	-	-	-	-	-	-	41,091,557	
		2,470,497,608	228,777,770	709,646,405	477,705,796	175,492,635	240,259,905	117,376,257	158,083,887	54,019,432	29,092	309,106,429	
Financial Liabilities													
Bills payable		33,617,261	-	-	-	-	-	-	-	-	-	33,617,261	
Borrowings	5.25%	395,486,210	289,465,726	41,800,123	50,468,349	3,895,874	116,591	301,701	2,393,676	7,044,170	-	-	
Deposits and other accounts	2.50%	1,899,511,435	127,467,232	113,801,515	877,293,377	49,372,182	9,105,179	8,487,939	13,677,206	13,458,794	13,692	686,834,319	
Subordinated loan	6.63%	9,994,000	-	9,994,000	-	-	-	-	-	-	-	-	
Other liabilities		45,819,401	-	-	-	-	-	-	-	-	-	45,819,401	
		2,384,428,307	416,932,958	165,595,638	927,761,726	53,268,056	9,221,770	8,789,640	16,070,882	20,502,964	13,692	766,270,981	
On-balance sheet gap		86,069,301	(188,155,188)	544,050,767	(450,055,930)	122,224,579	231,038,135	108,586,617	142,013,005	33,516,468	15,400	(457,164,552)	
Net non - financial assets		86,634,658	-	-	-	-	-	-	-	-	-	-	
		172,703,959	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet financial instruments													
Foreign exchange contracts forward purchases		131,801,937	64,961,189	51,695,067	12,224,827	1,600,488	904,461	207,955	207,950	-	-	-	
Foreign exchange contracts forward sales		(73,766,803)	(49,031,935)	(18,123,433)	(4,278,430)	(751,062)	(1,083,643)	(249,153)	(249,147)	-	-	-	
Government Securities transactions forward purchases		20,243,788	5,389,459	13,966,808	887,521	-	-	-	-	-	-	-	
Government Securities transactions forward sales		-	-	-	-	-	-	-	-	-	-	-	
Foreign Currency Options purchases		-	-	-	-	-	-	-	-	-	-	-	
Foreign Currency Options sales		-	-	-	-	-	-	-	-	-	-	-	
Cross Currency Swaps purchases		1,633,987	-	-	-	312,453	780,284	-	541,250	-	-	-	
Cross Currency Swaps sales		(1,707,050)	-	-	-	(329,043)	(825,921)	-	(532,086)	-	-	-	
Interest rate swaps purchases		-	-	-	-	-	-	-	-	-	-	-	
Interest rate swaps sales		(10,315,539)	-	-	-	-	(2,850,000)	-	(1,743,539)	(5,722,000)	-	-	
Off-balance sheet gap		67,890,320	21,318,713	47,538,442	8,833,918	832,836	(3,074,819)	(41,198)	(1,795,572)	(5,722,000)	-	-	
		(166,836,475)	591,589,209	(441,222,012)	123,057,415	227,963,316	108,545,419	140,217,433	583,314,305	27,794,468	15,400	(457,164,552)	
Total yield / interest risk sensitivity gap													
Cumulative yield / interest rate risk sensitivity gap													

2016

Effective yield / interest rate	Total	Exposed to yield / interest risk								Not exposed to yield / interest risk
		Rupees in '000								
		Up to one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	
On-balance sheet assets										
Financial Assets										
Cash and balances with treasury banks	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	33,926,110	23,042,192	9,666,322	102,826	259,302	321,284	534,184	-	-	-
Investments	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
Advances	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	37,758,848
Other assets	33,532,900	-	-	-	-	-	-	-	-	-
	2,336,846,092	371,986,329	519,737,893	319,684,644	167,778,231	224,682,322	192,118,374	164,084,523	590,387	33,532,900
Financial Liabilities										
Bills payable	31,108,762	-	-	-	-	-	-	-	-	31,108,762
Borrowings	333,987,106	278,446,767	23,610,364	28,326,227	1,481,615	373,657	417,878	688,281	-	-
Deposits and other accounts	1,793,370,392	107,960,641	91,220,824	853,094,205	60,636,291	6,983,759	8,065,748	9,097,911	285,866	649,675,167
Subordinated loans	9,998,000	-	9,998,000	-	-	-	-	-	-	-
Other liabilities	35,595,955	-	-	-	-	-	-	-	-	35,595,955
	2,204,060,215	386,407,408	124,829,188	881,420,432	62,117,906	7,357,416	8,483,626	9,786,192	285,866	716,379,884
On-balance sheet gap	132,785,877	(14,421,079)	394,908,705	(561,735,788)	105,660,325	217,324,906	183,634,748	154,298,331	304,521	(460,331,592)
Net non - financial net assets	49,281,103									
Total net assets	182,066,980									
Off-balance sheet financial instruments										
Foreign exchange contracts forward purchases	115,828,388	29,298,691	39,896,264	42,281,920	4,351,513	-	-	-	-	-
Foreign exchange contracts forward sales	(70,618,794)	(30,457,954)	(20,911,342)	(19,140,851)	(108,647)	-	-	-	-	-
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 purchases	1,084,128	-	-	-	252,175	312,453	519,500	-	-	-
Cross Currency Swaps sales	(1,096,192)	-	-	-	(261,496)	(311,704)	(522,992)	-	-	-
Interest rate swaps purchases	34,866	-	-	34,866	-	-	-	-	-	-
Interest rate swaps sales	(5,218,200)	-	-	(34,866)	-	-	(4,683,334)	(500,000)	-	-
Off-balance sheet gap	49,761,757	8,588,298	18,984,922	23,141,069	4,233,545	749	(4,686,826)	(500,000)	-	-
Total yield / interest rate risk sensitivity gap										
	(5,832,781)	413,893,627	(538,594,719)	109,893,870	217,325,655	178,947,922	153,798,331	113,142,800	304,521	(460,331,592)
Cumulative yield / interest rate risk sensitivity gap										
	(5,832,781)	408,060,846	(130,533,873)	(20,640,003)	196,685,652	375,633,574	529,431,905	642,574,705	642,879,226	182,547,634

#### 42.5.2 Liquidity Coverage Ratio

The Basel Committee on Banking Supervision has developed two standards intended for use in liquidity risk supervision: the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR").

The LCR is a regulatory requirement set to ensure that the Bank has sufficient unencumbered high quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. The bank monitors and reports its liquidity position under the State Bank of Pakistan (SBP) guidelines on Basel III Liquidity Standards implementation in Pakistan.

The LCR became effective on 31 March 2017, with a minimum ratio requirement in Pakistan of 90% as at 31 December 2017, however, the Bank reported a ratio of 184.81% on an average.

	Total unweighted <sup>1</sup> value (average)	Total weighted <sup>2</sup> value (average)
	(Rupees in '000)	
<b>HIGH QUALITY LIQUID ASSETS</b>		
1 Total high quality liquid assets (HQLA)		962,730,144
2 Retail deposits and deposits from small business customers of which:		
2.1 stable deposit	-	-
2.2 Less stable deposit	970,519,870	97,051,987
3 Unsecured wholesale funding of which:		
3.1 Operational deposits (all counterparties)	-	-
3.2 Non-operational deposits (all counterparties)	853,369,779	431,476,023
3.3 Unsecured debt	21,813,357	21,813,357
4 Secured wholesale funding	-	1,136,324
5 Additional requirements of which:		
5.1 Outflows related to derivative exposures and other collateral requirements	126,653	126,653
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	-	-
6 Other contractual funding obligations	33,053,097	3,305,310
7 Other contingent funding obligations	500,328,917	16,002,027
<b>8 TOTAL CASH OUTFLOWS</b>		570,911,681
<b>CASH INFLOWS</b>		
9 Secured lending	-	-
10 Inflows from fully performing exposures	90,510,254	49,380,788
11 Other Cash inflows	13,046,866	589,368
<b>12 TOTAL CASH INFLOWS</b>		49,970,156
		<b>Total Adjusted Value<sup>3</sup></b>
<b>TOTAL HQLA</b>		962,730,144
<b>TOTAL NET CASH OUTFLOWS</b>		520,941,525
<b>LIQUIDITY COVERAGE RATIO</b>		184.81%

1 Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

2 Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)

3 Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows).

#### 42.5.3 Net Stable Funding Ratio

The Net Stable Funding Ratio ("NSFR") is the regulatory metric for assessing the Bank's structural funding profile. The NSFR is intended to reduce long-term funding risks by requiring banks to maintain a stable funding profile in relation to their on and off-balance sheet activities. The ratio is defined as the amount of Available Stable Funding (ASF) (the portion of capital and liabilities expected to be a stable source of funding), relative to the amount of Required Stable Funding (RSF) (a function of the liquidity characteristics of various assets held). Banks are expected to meet the NSFR requirement of at least 100% on an ongoing basis from December 31, 2017, however, we remained above the requirement while maintaining the ratio at 158.34%.

## NSFR Disclosure

### ASF Item

- 1 Capital:
- 2 Regulatory capital
- 3 Other capital instruments
- 4 Retail deposits and deposit from small business customers:
- 5 Stable deposits
- 6 Less stable deposits
- 7 Wholesale funding:
- 8 Operational deposits
- 9 Other wholesale funding
- 10 Other liabilities:
- 11 NSFR derivative liabilities
- 12 All other liabilities and equity not included in other categories

Unweighted Value By Residual Maturity *				LR IX
No Maturity	Below 6 months	6 months to below 1 year	1 year and above 1 year	Weighted Value
----- (Rupees in '000) -----				
139,500,269	-	-	-	139,500,269
43,366,400	-	-	-	43,366,400
-	-	-	-	-
-	225,888,228	93,331,982	818,118,957	1,105,417,146
-	-	-	-	-
-	213,449,091	88,192,408	460,530,769	611,351,518
-	-	-	-	-
-	-	-	-	-
-	412,868,673	9,862,220	57,176,447	47,177,152

### 13 Total ASF

1,946,812,485

### RSF item

- 14 Total NSFR high-quality liquid assets (HQLA)
- 15 Deposits held at other financial institutions for operational purposes
- 16 Performing loans and securities:
- 17 Performing loans to financial institutions secured by Level 1 HQLA
- 18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions
- 19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:
- 20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk
- 21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.
- 22 Other assets:
- 23 Physical traded commodities, including gold
- 24 Assets posted as initial margin for derivative contracts
- 25 NSFR derivative assets
- 26 NSFR derivative liabilities before deduction of variation margin posted
- 27 All other assets not included in the above categories
- 28 Off-balance sheet items

-	-	-	-	-
-	-	-	-	-
-	32,285,507	-	-	3,303,551
-	-	-	-	-
-	231,499,186	50,018,410	328,367,966	513,073,258
-	67,493,215	1,871,183	57,459,925	82,435,810
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	3,062,607	3,062,607
-	-	-	-	-
-	802,951,147	144,962,532	842,145,046	571,456,041
-	749,049,538	174,072,172	200,702,061	56,191,189
1,229,522,456				158.34%

### 29 Total RSF

### 30 Net Stable Funding Ratio (%)

\* The unweighted value by residual maturity is based on working prepared by Assets and Liabilities Management Committee (ALCO) of the Bank.

## 42.6 Operational Risk Management (ORM)

The Operational Risk Management department (ORMD) is housed within the Compliance Group of the bank. A comprehensive ORM Framework is in place across the bank. Statistical Analysis Software (SAS) for ORM 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, who are responsible for implementation of the ORM Framework in coordination with ORMD. SBP has granted permission to the Bank to move from the Basic Indicator Approach (BIA) to the Alternative Standardized 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. HBL is the first Pakistani bank to achieve this milestone.

The Bank's ORM framework and practices address all the significant aspects of ORM i.e. people, process, system and external events. Key ORM tools such as Risk Control Self-Assessment (RCSA), KRI's, Operational Loss Data Management, and Capital Calculation are used to gauge the likelihood and severity of operational risk. The bank is increasingly using stress testing and Scenario Analysis to proactively assess the impact of worse case scenarios. Detailed RCSA exercises are conducted at regular intervals across the Bank, the results of which are continually evaluated against the losses, control violations and gaps. The Bank has also established KRI's and monitoring them at regular intervals. Operational risk reports are regularly submitted to the senior management.

## 42.7 Information Security Risk

Information and cybersecurity remains a critical area of focus. Information security policies, standards and procedures were reviewed and updated based on latest ISO and PCI standards as well as FFIEC guidelines. During the year, Data Classification exercise was completed for all functions classifying the documents and information in terms of importance and criticality to prevent data leakage from the bank's network. The Board was also trained on cybersecurity aside from an ongoing campaign within the Bank on information security awareness. The Bank continue to operate 24x7 Information Security Operations Center with established formal incident reporting process.

## 43. ISLAMIC BANKING BUSINESS

### 43.1 STATEMENT OF FINANCIAL POSITION

	Note	2017	2016
		(Rupees in '000)	
<b>ASSETS</b>			
Cash and balances with treasury banks		7,475,822	6,183,359
Due from financial institutions		1,614,839	7,458,102
Investments		104,616,358	96,574,596
Islamic financing and related assets	43.1.1	84,297,519	31,972,463
Due from Head Office		66,226	-
Other assets		1,022,451	499,088
		199,093,215	142,687,608
<b>LIABILITIES</b>			
Bills payable		7,037	4,575
Due to financial institutions		24,798,000	5,754,000
Deposits and other accounts	43.1.4	163,448,909	124,292,123
Due to Head Office		-	3,815,481
Deferred tax liability		172,401	546,132
Other liabilities		1,433,836	969,169
		189,860,183	135,381,480
<b>NET ASSETS</b>		<b>9,233,032</b>	<b>7,306,128</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		250,000	250,000
Reserves		4,584	-
Unappropriated profit		8,662,859	6,041,883
		8,917,443	6,291,883
Surplus on revaluation of investments - net of deferred tax		315,589	1,014,245
		<b>9,233,032</b>	<b>7,306,128</b>

Commitments in respect of financial guarantees and letters of credit of the Islamic Banking Business amounted to Rs. 271.654 million (2016: Rs. 281.916 million) and Rs. 3,921.630 million (2016: Rs. 382.059 million) respectively. Commitments in respect of forward purchase and sale transactions amounted to Rs. 3,595.455 million (2016: Rs. 3,194.017 million) and Rs. 2,439.128 million (2016: Rs. 854.484 million) respectively.

	Note	2017	2016
		(Rupees in '000)	
43.1.1 <b>Islamic financing and related assets - net</b>			
Ijarah	43.1.2	1,728,525	852,607
Murabaha	43.1.3	316,442	187,072
Diminishing Musharakah		60,591,346	21,211,872
Wakalah		10,000,000	-
Istisna		-	439,155
Running Musharakah		1,138,052	-
Advance for Ijarah		542,507	172,049
Advance for Murabaha		2,968,494	3,714,525
Advance for Diminishing Musharakah		-	98,006
Advance for Istisna		4,546,399	3,949,781
Assets / Inventories		2,576,238	1,452,153
Islamic financing and related assets - gross		84,408,003	32,077,220
Provision against Islamic financing and related assets		(110,484)	(104,757)
Islamic financing and related assets - net		84,297,519	31,972,463

	2017				2016			
	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	201,540	1,354,957	57,820	1,614,317	192,778	561,114	15,149	769,041
Residual value	34,988	386,296	14,143	435,427	37,071	147,940	5,139	190,150
Minimum Ijarah payments	236,528	1,741,253	71,963	2,049,744	229,849	709,054	20,288	959,191
Less: Profit for future periods	(26,565)	(274,707)	(19,947)	(321,219)	(4,590)	(95,854)	(6,140)	(106,584)
Present value of minimum Ijarah payments	209,963	1,466,546	52,016	1,728,525	225,259	613,200	14,148	852,607

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

43.1.3 This represents assets sold under Murabaha agreement.

	2017	2016
	(Rupees in '000)	
43.1.4 <b>Deposits and other accounts</b>		
Current accounts	48,389,707	34,805,992
Savings accounts	87,258,027	67,581,654
Term deposits	13,731,808	16,307,798
Deposits from financial institutions - remunerative	13,964,366	5,530,268
Deposits from financial institutions - non - remunerative	105,001	66,411
	163,448,909	124,292,123

43.1.4.1 **Particulars of deposits**

In local currency	161,924,981	120,680,480
In foreign currency	1,523,928	3,611,643
	163,448,909	124,292,123

43.2 **PROFIT AND LOSS ACCOUNT**

Profit earned	9,497,475	8,135,293
Profit expensed	4,314,193	4,181,616
Net profit earned	5,183,282	3,953,677
Depreciation on assets given on Ijarah	366,786	176,199
Reversal against non-performing accounts	5,726	(3,577)
	372,512	172,622
Net profit after depreciation and provisions	4,810,770	3,781,055
<b>Other income</b>		
Fee, commission and brokerage income	173,904	126,356
Loss from dealing in foreign currencies	(43,200)	(59,997)
Dividend income	(208,023)	-
(Loss) / Gain on sale of securities	(15,227)	159,395
Rent on Lockers	6,291	5,030
Others	767	692
Total other income	(85,488)	231,476
	4,725,282	4,012,531
Administrative expenses	693,010	648,316
<b>Net Profit for the year</b>	4,032,272	3,364,215



	Note	2017 (Rupees in '000)	2016
43.3 <b>Charity Fund</b>			
Opening balance		526	14,650
Additions during the year			
-Income purification		244,105	102
-Penalty on delayed payment		723	424
		244,828	526
Payments / Utilization during the year	43.3.1		
-Health sector		(11,107)	(14,650)
-Others		(1,000)	-
		(12,107)	(14,650)
Closing balance		233,247	526

#### 43.3.1 Details of charity payments

Details of charity individually exceeding Rs. 100,000.

Indus Hospital	3,026	2,500
Sindh Institute of Urology & Transplantation	2,500	2,500
Children Cancer Foundation Pakistan Trust	1,000	2,500
Shaukat Khanum Memorial Cancer Hospital	1,000	1,000
Marie Adelaide Leprosy Centre	1,000	1,500
Burns Centre	1,000	1,000
Welfare Society for Patient Care	1,000	1,000
Dalda Foundation	1,000	-
SINA Health, Education & Welfare Trust	581	-
The Patients' Behbud Society for AKUH	-	2,500
Help International Welfare Trust	-	150
	12,107	14,650

- 43.4 **Remuneration to Shariah Advisor / Board** 7,120 5,700
- 43.5 The Mudarib's share in profit is 43% (2016: 30%) and amounts to Rs. 2,227.360 million (2016: Rs. 1,783.990 million) after netting of Hiba to depositors from Mudarib's share amounting to Rs. 310.773 million (2016: Rs. Nil).
- 43.6 **The following pools are maintained by the Islamic Banking Business:**

#### General Pool PKR (Mudarabah)

This pool is made of funds received from customers in PKR remunerative accounts. The objective of this pool is to effectively manage the PKR deposit holder's funds to earn and distribute returns from strictly Shariah compliant avenues. This pool is operated based on unrestricted Mudarabah with possible commingling of funds from HBL Islamic Banking (IB) as its own equity. The funds in this pool are generally deployed in financing (like Murabaha, Ijarah, Istisna, Salam etc), placement in FIs and investment in Sukuks. The risk borne in this pool is minimal due to investment in less risky assets. Risk of assets in the pool is borne by the depositors upto their proportionate investments; however HBL IB maintains prudent and efficient portfolio management to mitigate this risk.

#### Special Pool(s) PKR (Mudarabah)

HBL IB currently has a Special pool, with the objective to offer relatively higher returns to special segment customers. The special pool is based on unrestricted Mudarabah with possible commingling of funds from the HBL Islamic Banking as its own equity. Special pool deposits are invested in assets yielding relatively higher rate of return, hence bearing slightly more risk than the General Pool. Risk of assets in the pool is borne by the depositors upto their proportionate investments, however HBL IB maintains prudent and efficient portfolio management to mitigate this risk.

#### Treasury Pool(s) (Mudarabah / Wakalah / Musharakah)

Treasury pool(s) is created when bank accepts investments from FIs for liquidity management. Treasury pool(s) may be based on the principle of Musharakah, Mudarabah and Wakalah. These pool(s) will be maintained separately due to their special nature (i.e. liquidity management). HBL Islamic Banking preferably accepts funds from Islamic Financial Institutions (FIs). However, funds may be also accepted from conventional FIs. Funds accepted from FIs are generally obtained for a short tenure and expect comparatively higher return as compared to depositors of general pool. Therefore, the funds obtained are deployed in assets yielding a higher return. Risk of assets in the pool is borne by the parties on the basis of the underlying agreement. However, HBL Islamic Banking maintains prudent, efficient portfolio management to mitigate this risk.

### General Pool FCY (Mudarabah)

The objective of this pool is to effectively manage FCY remunerative deposits. FCY pool is based on unrestricted Mudarabah with possible commingling of funds from the HBL IB. Funds are generally invested in FCY assets, however in case the asset is not available, bank may invest these funds in assets of other currencies. Risk of assets in the pool is borne by the depositors upto their proportionate investments. However, HBL maintains prudent and efficient portfolio management to mitigate this risk.

### Islamic Export Refinance Scheme (IERS) Pool PKR (Musharakah)

IERS facility enables the exporters to avail SBP's refinance through Islamic Banks against eligible commodities. HBL Islamic Banking has been providing this refinance facility to its customers. Hence, this pool is created for the same purpose on Musharakah basis. The IERS Musharakah Pool shall have a minimum of 10 companies, with diversified lines of business to avoid concentration in one or two sectors. HBL's investment in IERS Musharakah pool consisting of the financing to blue-chip companies shall be at least equal to the amount of export refinance availed from SBP. Assets are deployed in high quality corporate enterprises and sukuk. In the event of loss suffered on the Musharakah pool based on annual audited accounts, HBL and the State Bank shall share the loss in the proportion of their share of investment in the Musharakah Pool expressed on daily product basis.

#### 43.7 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.
- Rs. 14.103 million of Profit Equalization Reserve is charged at the end of the year.

#### 43.8 Average profit rates earned on the earning assets of Islamic Banking Business during the year is 6.14% (2016: 6.27%) as compared to a profit rate of 2.54% (2016: 3.03%) distributed to the depositors.

#### 43.9 Deployment of Mudarabah based average deposits by economic sector

	2017 (Rupees in '000)	2016 (Rupees in '000)
Chemical and pharmaceuticals	2,436,966	2,197,775
Textile	4,819,192	3,387,106
Cement	450,000	505,050
Financial	147,774	7,953,268
Power and energy	34,155,107	22,083,503
Education and medical	186,557	249,415
Telecommunication	3,000,000	3,000,000
Printing and publishing	213,397	131,250
Food, tobacco and beverages	9,666,555	4,084,529
Government / Public sector	129,698,240	77,983,700
Individual	717,916	137,606
Ports and shipping	452	301,064
Information Technology	-	1,345
Transportation	247,614	297,614
Services	2,141,213	5,743
Others	658,954	4,500,868
	<u>188,539,937</u>	<u>126,819,836</u>

44. **NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

44.1 The Board of Directors in its meeting held on March 19, 2018 has proposed a final cash dividend of Rs. 1 per share for the year 2017. This is in addition to Rs. 7 already paid during the year bringing the total dividend for the year to Rs. 8 per share (2016: Rs.14 per share). This appropriation is expected to be approved by the shareholders in forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2017 do not include the effect of this appropriation which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2018.

44.2 The Bank was a party to suo moto case No. 20/2016 in the Honourable Supreme Court of Pakistan. Through this case, the Honourable Supreme Court had consolidated cases relating to pension arrangements of certain banks (including HBL) which were previously under the control of the Federal Government.

Subsequent to the year end, and as part of the hearing of the aforementioned case, the Bank, along with two other banks, was encouraged by the Court to present a proposal for increasing the minimum monthly pension payable to their pensioners. Although the Bank maintains that it is not legally liable to change the benefit plan however, as advised by the Honourable Supreme Court of Pakistan, in February 2018 it had prepared and submitted a proposal solely on humanitarian grounds for a prospective increase in the minimum monthly pension to Rs 5,250 and a future indexation mechanism of the minimum monthly pension. The proposal also had certain exclusions and legal caveats.

On February 13, 2018 the Supreme Court announced a judgment based on the proposal submitted by the Bank in which it decided that the minimum monthly pension shall be Rs 8,000 per month. The detailed judgement issued subsequently does not, however, comment on the exclusions incorporated in the proposal and which were an integral part of the Bank's proposal. The Bank, based on legal advice, has filed a review petition, the outcome of which is awaited.

Pending the outcome of the review petition, the management, based on legal advice, has obtained actuarial valuations and the estimated impact of this potential revision to the pension plan ranges from approximately Rs 1.006 billion to Rs 4.516 billion.

In accordance with IAS 19 "Employee Benefits", the additional cost resulting from the revision of the pension plan will be recognised in the financial statements for the year ending December 31, 2018.

45. **DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on March 19, 2018.

46. **GENERAL**

46.1 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.

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

Rayomond Kotwal  
Acting President and  
Chief Executive Officer

Irfan Ahmed Meer  
Acting Chief Financial Officer

Moez Ahamed Jamal  
Director

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

## Annexure 'I' as referred to in note 8.10 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>				
Attock Cement (Pakistan) Limited	216,000	10	2,160	33,714
Crescent Steel & Allied Products Limited	6,700	10	67	1,028
Fauji Cement Company Limited	1,450,000	10	14,500	37,474
K-Electric Limited	2,000,000	3.5	7,000	12,546
Maple Leaf Cement Factory Limited	644,200	10	6,442	46,089
Nishat Chunian Limited	375,000	10	3,750	18,823
Pak Elektron Limited	805,000	10	8,050	46,306
Pioneer Cement Limited	360,000	10	3,600	27,055
Pakistan State Oil Company Limited	81,000	10	810	26,443
The Searle Company Limited	6,000	10	60	2,185
Sui Northern Gas Pipelines Limited	200,000	10	2,000	22,988
				<u>274,651</u>
<b>Available-for-sale securities</b>				
Allied Bank Limited	3,199,100	10	31,991	311,775
Agritech Limited	6,400,678	10	64,007	224,083
Adamjee Insurance Company Limited	4,054,500	10	40,545	270,498
Attock Petroleum Limited	336,950	10	3,370	204,929
Attock Refinery Limited	482,000	10	4,820	137,978
Bank Al-Habib Limited	1,293,000	10	12,930	72,602
Cherat Cement Company Limited	4,509,600	10	45,096	632,676
Dawood Hercules Corporation Limited	1,343,900	10	13,439	197,138
D.G. Khan Cement Company Limited	3,735,400	10	37,354	639,345
Engro Fertilizers Limited	8,706,000	10	87,060	612,743
Engro Foods Limited	5,910,800	10	59,108	662,602
Engro Corporation Limited	1,965,000	10	19,650	718,657
Fauji Cement Company Limited	8,132,000	10	81,320	279,024
Fauji Fertilizer Bin Qasim Limited	14,985,500	10	149,855	724,954
Fauji Fertilizer Company Limited	14,075,500	10	140,755	1,380,403
Habib Metropolitan Bank Limited	1,500,000	10	15,000	45,417
Hub Power Company Limited	18,100,000	10	181,000	1,418,764
International Steels Limited	2,135,000	10	21,350	248,168
Kot Addu Power Company Limited	22,688,500	10	226,885	1,465,849
K-Electric Limited	56,357,500	3.5	197,251	499,532
Lalpir Power Limited	18,184,000	10	181,840	482,070
Lucky Cement Limited	955,150	10	9,552	658,574
Meezan Bank Limited	390,000	10	3,900	28,658
National Bank Of Pakistan	8,992,000	10	89,920	617,572
Nishat Chunian Limited	3,255,340	10	32,553	198,944
Nishat Chunian Power Limited	3,298,500	10	32,985	127,202
Nishat Mills Limited	1,911,800	10	19,118	295,566
National Refinery Limited	497,900	10	4,979	280,421
Oil and Gas Development Company Limited	4,892,000	10	48,920	768,766
Pioneer Cement Limited	2,465,800	10	24,658	299,725
Pakgen Power Limited	15,130,000	10	151,300	404,467
Pakistan Oilfields Limited	5,000	10	50	2,682
Pakistan Petroleum Limited	769,800	10	7,698	128,762
Pakistan State Oil Company Limited	2,618,740	10	26,187	887,570
Pakistan State Oil Company Limited	122,855	10	1,229	52,259
Pakistan Stock Exchange Limited	40,073,830	10	400,738	1,122,067
Pakistan Telecommunication Company Limited	50,000,000	10	500,000	947,814
Saif Power Limited	27,768,354	10	277,684	277,684
Thal Limited	249,900	5	1,250	138,216
United Bank Limited	5,007,100	10	50,071	1,195,076
Carrying value before Provision				<u>19,661,232</u>
<b>Investment in Real Estate Investment Trust</b>				
Dolmen City REIT	14,000,000	10	140,000	154,000
				<u>19,815,232</u>
Provision for diminution in value of investments				<u>(1,117,390)</u>
Book Value				<u>18,697,842</u>
<b>Investments in preference shares</b>				
Masood Textile Mills Limited	9,750,000	10	97,500	97,500
<b>Investments in units</b>				
National Investment Trust Limited	673,546	10	6,735	11,113

## Annexure 'I' as referred to in note 8.10 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	12.04%	12,036,972	10	120,370	256,346	439,179	June 30, 2017	Aftab Ahmed Dewan
Engro Powergen Thar (Private) Limited	11.20%	139,521,847	10	1,395,218	1,395,085	1,998,345	September 30, 2017	Shamsuddin A Shaikh
Pakistan Mortgage Refinance Company Limited	10.20%	1,530,000	10	15,300	15,300	15,735	December 31, 2016	N. Kokularupan Narayanasamy
Sindh Engro Coal Mining Company Limited	12.68%	64,561,380	10	645,614	956,800	1,120,293	September 30, 2017	Shamsuddin A Shaikh
Pak Agriculture Storage and Services Corporation Limited *	18.33%	5,500	1000	5,500	5,500	228,378	March 31, 2017	Muhammad Khan Khichi
DHA Cogen Limited	19.87%	66,260,300	10	662,603	-	-	Not available	-
<b>Share holding upto 10%</b>								
National Institutional Facilitation Technologies(Private) Limited	9.07%	2,266,609	10	22,666	1,527	68,784	June 30, 2017	Haider Wahab
First Women Bank Limited*	5.78%	23,095,324	10	230,953	63,300	219,603	September 30, 2017	Ms. Tahira Raza
National Investment Trust Limited	8.33%	79,200	100	7,920	100	1,079,031	June 30, 2017	Shahid Ghaffar
SME Bank Limited *	0.83%	1,987,501	10	19,875	13,475	(954)	September 30, 2017	Ihsan Ul Haq Khan
Benefit company	0.26%	80	29,284	2,343	2,343	13,421	December 31, 2016	Abdul Wahid Janahi
Credit Information Bureau	0.32%	800	71.98	58	58	9,146	December 31, 2016	C J P Siriwardena
Lanka Clear (Private) Limited	0.03%	5,000	7.49	37	360	377	March 31, 2017	Channa De Silva
SME Equity Fund Limited	0.12%	56,208	30.56	1,718	1,653	-	Not available	Mr. Ved Auckaloo
Provision against unlisted shares					2,711,847			
Book value					(82,274)			
					2,629,573			

\*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	Interest / Profit
		Rupees	Rupees '000			Principal	
<b>Available-for-Sale</b>							
<b>Term finance certificates</b>							
Pakistan International Airlines Corporation Limited	594,976	5000	2,974,880	6,071,278	6MK +1.25%	16 equal quarterly installments	Quarterly
Azgard Nine Limited *	9,233	5000	46,165	46,165	N/A	7 stepped up Semi Annual installment till maturity	Semi Annually
Worldcall Telecom Limited *	96,000	5000	480,000	193,083	6MK +1.60%	3 equal Semi Annual installments till maturity	Semi Annually
				6,310,526			
<b>Sukuks</b>							
Quetta Textile Mills Limited *	20,000	5000	100,000	44,137	6MK +1.0%	16 equal quarterly installments	Semi Annually
Arzoo Textile Mills Limited *	4,000	5000	20,000	20,000	6MK +1.75%	Semi Annually	Quarterly
Pakistan International Airlines Corporation Limited	85,000	5000	425,000	425,000	6MK +1.75%	At maturity	Semi Annually
				489,137			
				(303,387)			
				6,496,276			
<b>Bonds</b>							
Ascott Capital Pte Limited	-	-	-	42,299	2.35%	At maturity	Semi Annually
Ascott REIT MTN Pte Limited	-	-	-	42,183	2.00%	At maturity	Semi Annually
Capital and Treasury Limited	-	-	-	175,244	1.98%	At maturity	Semi Annually
City Development Limited	-	-	-	250,960	2.54%	At maturity	Semi Annually
City Development Limited	-	-	-	41,538	2.07%	At maturity	Semi Annually
City Development Limited	-	-	-	82,937	2.84%	At maturity	Semi Annually
Housing and Development Board	-	-	-	82,947	1.81%	At maturity	Semi Annually
Housing and Development Board	-	-	-	62,000	1.81%	At maturity	Semi Annually
Housing and Development Board	-	-	-	82,890	2.02%	At maturity	Semi Annually
Housing and Development Board	-	-	-	103,275	1.74%	At maturity	Semi Annually
Emirates NBD Bank PJSC	-	-	-	1,502,990	2.43%	At maturity	Semi Annually
First Gulf Bank PJSC	-	-	-	1,502,990	2.42%	At maturity	Semi Annually
				3,972,253			
<b>Promissory Note</b>							
Habib Allied Holding Limited, UK				3,314,228	6ML +5.75%	Perpetual	Semi Annually
				3,314,228			
<b>Held-to-maturity</b>							
<b>Term finance certificates</b>							
Water & Power Development Authority	263,889	10,000	2,638,890	2,638,890	6MK + 1.4%	Semi Annually	Semi Annually
Bank Al-Habib Limited	56,200	5,000	281,000	281,000	6MK + 1.5%	Semi Annually	Semi Annually
				2,919,890			
<b>Sukuks</b>							
K-Electric Limited	100,000	5,000	500,000	500,000	3MK + 2.75%	At maturity	Quarterly
Liberty Power Tech Limited	21,859,230	100	2,185,923	1,048,357	3MK + 3.00%	Quarterly	Quarterly
Neelum Jhelum Hydro Power Company Limited	16,500	100,000	1,650,000	1,650,000	6MK + 1.13%	Semi Annually	Semi Annually
Neelum 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 Northern Gas Pipe Line Limited	25,608	5,000	128,040	128,041	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	20,487	5,000	102,435	102,433	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	69,585	5,000	347,925	347,925	6MK + 1.10%	Semi Annually	Semi Annually
Sui Northern Gas Pipe Line Limited	51,216	5,000	256,080	256,082	6MK + 1.10%	Semi Annually	Semi Annually
Sui Southern Gas Company Limited	200,000	5,000	1,000,000	166,667	3MK + 0.70%	Quarterly	Quarterly
Sui Southern Gas Company Limited	309,859	5,000	1,549,295	1,549,292	6MK + 1.10%	Semi Annually	Semi Annually
Sui Southern Gas Company Limited	130,141	5,000	650,705	650,704	6MK + 1.10%	Semi Annually	Semi Annually
Water & Power Development Authority	352,430	10,000	3,524,300	3,524,300	6MK + 1.45%	Semi Annually	Semi Annually
Water & Power Development Authority	398,400	5,000	1,992,000	1,142,183	6MK + 1.75%	Semi Annually	Semi Annually
				14,358,984			

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

### 3) Investments in unlisted securities

#### Bonds and Term deposits receipts

	Outstanding Amount	Rate of Interest	Terms of Redemption	
			Principal	Interest / Profit
	Rupees '000			
Peoples Leasing and Finance PLC	87,530	12.25%	At maturity	At maturity
Seylan Bank PLC	179,950	8.00%	At maturity	Semi Annually
State Trading Organization PLC	532,421	5.25%	Quarterly	Quarterly
	<u>799,901</u>			

### 4) Investments in Listed securities

Investee	No. of Certificates	Paid up value per certificate	Total Paid up value	Outstanding Amount	Rate of Interest	Terms of Redemption	
						Principal	Interest / Profit
	Rupees '000						

#### Held-to-maturity

##### Sukuks

Fatima Fertilizer Company Limited	203,025	5,000	1,015,125	812,100	6MK + 1.10%	Semi Annually	Semi Annually
K-Electric Limited	1,263,372	5,000	6,316,860	5,685,174	3MK + 1.00%	Quarterly	Quarterly
				<u>6,497,274</u>			

#### Term finance certificates

JS Bank Limited	26,800	5,000	134,000	134,000	6MK + 1.4%	Semi Annually	Semi Annually
				<u>134,000</u>			

Outstanding Amount	Rate of Interest	Terms of Redemption	
		Principal	Interest / Profit
	Rupees '000		

#### Bonds

New Areva Holding	268,454	4.38%	At maturity	Annually
	<u>268,454</u>			

#### Available-for-Sale

##### Bonds

Bank of America Corp	1,124,712	2.78%	At maturity	Quarterly
Citigroup Inc	1,121,175	2.57%	At maturity	Quarterly
Ford Motor Credit Co LLC	328,943	1.90%	At maturity	Semi Annually
Ford Motor Credit Co LLC	557,080	2.96%	At maturity	Quarterly
Goldman Sachs Group Inc	553,414	2.41%	At maturity	Quarterly
Goldman Sachs Group Inc	1,023,942	3.23%	At maturity	Quarterly
JPMorgan Chase & Co	558,901	2.62%	At maturity	Quarterly
Korea National Oil Corp	333,145	2.75%	At maturity	Semi Annually
Macquarie Group Ltd	223,349	3.00%	At maturity	Semi Annually
Morgan Stanley	899,339	2.76%	At maturity	Quarterly
Morgan Stanley	221,465	2.51%	At maturity	Quarterly
Wells Fargo & Co	558,685	2.47%	At maturity	Quarterly
Bank of Tokyo-Mitsubishi UFJ Ltd	552,256	1.65%	At maturity	Semi Annually
Petronas Capital Ltd	336,470	5.25%	At maturity	Semi Annually
Ooredoo International Finance Ltd	593,647	7.88%	At maturity	Semi Annually
MAF Global Securities Ltd	575,823	5.25%	At maturity	Semi Annually
SoQ Sukuk A QSC	552,145	2.10%	At maturity	Semi Annually
QNB Finance Ltd	551,637	2.13%	At maturity	Semi Annually
ADCB Finance Cayman Ltd	552,358	2.50%	At maturity	Semi Annually
Commercial Bank of Dubai PSC	1,108,696	3.38%	At maturity	Semi Annually
SABIC Capital II BV	222,093	2.63%	At maturity	Semi Annually
AHB Sukuk Co Ltd	555,886	3.27%	At maturity	Semi Annually
ADCB Finance Cayman Ltd	554,721	3.00%	At maturity	Semi Annually
Emirates Telecommunications Group Co PJSC	553,814	2.38%	At maturity	Semi Annually
Emirates NBD PJSC	223,679	3.25%	At maturity	Semi Annually
Banque Ouest Africaine de Developpement	283,689	5.50%	At maturity	Semi Annually
QNB Finance Ltd	331,890	2.84%	At maturity	Quarterly
African Export-Import Bank	276,696	4.00%	At maturity	Semi Annually
Emirates NBD PJSC	332,704	2.92%	At maturity	Quarterly
	<u>15,662,354</u>			

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

### 5) Quality of Investments classified as available for sale (AFS)

#### Investee

##### Ordinary shares

Allied Bank Limited
Agritech Limited
Adamjee Insurance Company Limited
Attock Petroleum Limited
Attock Refinery Limited
Bank Al-Habib Limited
Cherat Cement Company Limited
Dawood Hercules Corporation Limited
D. G. Khan Cement Company Limited
Engro Fertilizers Limited
Engro Foods Limited
Engro Corporation Limited
Fauji Cement Company Limited
Fauji Fertilizer Bin Qasim Limited
Fauji Fertilizer Company Limited
Habib Metropolitan Bank Limited
Hub Power Company Limited
International Steels Limited
Kot Addu Power Company Limited
K-Electric Limited
Lalpir Power Limited
Lucky Cement Limited
Meezan Bank Limited
National Bank Of Pakistan
Nishat Chunian Limited
Nishat Chunian Power Limited
Nishat Mills Limited
National Refinery Limited
Oil and Gas Development Company Limited
Pioneer Cement Limited
Pakgen Power Limited
Pakistan Oilfields Limited
Pakistan Petroleum Limited
Pakistan State Oil Company Limited
Pakistan Stock Exchange Limited
Pakistan Telecommunication Company Limited
Saif Power Limited
Thal Limited
United Bank Limited

##### Investment in Real Estate Investment Trust

Dolmen City REIT
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Market Value	Credit Rating
Rupees 000	
271,860	AA+
31,171	Unrated
210,712	AA+
176,252	Unrated
112,846	AA
75,459	AA+
500,160	A
150,356	AA-
499,498	Unrated
589,570	AA-
474,696	Unrated
539,884	AA
203,381	Unrated
532,585	Unrated
1,113,513	AA
51,750	AA+
1,647,100	AA+
227,100	A+
1,222,910	AA+
355,616	AA
409,686	AA
494,204	Unrated
26,169	AA
436,652	AAA
148,997	Unrated
108,554	Unrated
285,814	AA
214,530	AA+
796,369	AAA
155,641	A
334,827	AA
2,971	Unrated
158,510	Unrated
767,579	AA
897,654	Unrated
652,500	Unrated
803,338	A+
127,674	Unrated
941,185	AAA
16,749,273	
154,000	RR1
16,903,273	

#### Preference Shares

Masood Textile Mills Limited
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#### Unlisted Shares

##### Shareholding more than 10%

Central Depository Company
Engro Powergen Thar (Private) Limited
Pakistan Mortgage Refinance Company Limited
Sindh Engro Coal Mining company Limited
Pak Agriculture Storage and Services Corporation Limited
DHA Cogen Limited

##### Shareholding upto 10%

National Institutional Facilitation Technologies (Private) Limited
First Women Bank Limited
National Investment Trust Limited
SME Bank Limited
Benefit company
Credit Information Bureau
Lanka Clear Private Limited
SME Equity Fund Limited

Cost	Credit Rating
Rupees 000	
97,500	Unrated
256,346	Not available
1,395,085	A
15,300	Not available
956,800	Not available
5,500	Not available
-	Not available
1,527	Not available
63,300	A-
100	AM2++
13,475	B
2,343	Not available
58	Not available
360	Not available
1,653	Not available
2,711,847	
459,374,662	Score - 7
373,329,987	Score - 7
832,704,649	

#### Federal Government Securities

Market Treasury Bills
Pakistan Investments Bonds



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

### 5) Quality of Investments classified as available for sale (AFS)

Investee	Market Value Rupees 000	Credit Rating
<b>Government of Pakistan Islamic Ijarah Sukuks</b>		
Government of Pakistan Ijarah Sukuk - XVI	26,184,600	Score - 7
Government of Pakistan Ijarah Sukuk - XVII	39,526,500	Score - 7
Government of Pakistan Ijarah Sukuk - XVIII	9,977,931	Score - 7
Government of Pakistan Ijarah Sukuk - XIX	8,002,196	Score - 7
	<u>83,691,227</u>	
<b>Government of Pakistan Euro Bonds</b>	<u>1,526,230</u>	Score - 7
<b>Foreign Bonds</b>		
Bank of America Corp	1,140,720	A3
Citigroup Inc	1,121,287	Baa1
Ford Motor Credit Co LLC	328,303	Baa2
Ford Motor Credit Co LLC	561,361	Baa2
Goldman Sachs Group Inc	556,834	A3
Goldman Sachs Group Inc	1,030,424	A3
JPMorgan Chase & Co	564,618	A3
Korea National Oil Corp	331,351	Aa2
Macquarie Group Ltd	222,358	A3
Morgan Stanley	907,983	A3
Morgan Stanley	224,059	A3
Wells Fargo & Co	563,790	A2
Bank of Tokyo-Mitsubishi UFJ Ltd	552,086	Unrated
Petronas Capital Ltd	335,227	A1
Ooredoo International Finance Ltd	593,658	A2
MAF Global Securities Ltd	577,095	BBB
SoQ Sukuk A QSC	552,196	Unrated
QNB Finance Ltd	551,865	Aa3
ADCB Finance Cayman Ltd	552,086	A1
Commercial Bank of Dubai PSC	1,107,705	Baa1
SABIC Capital II BV	221,386	A1
AHB Sukuk Co Ltd	556,503	A2
ADCB Finance Cayman Ltd	555,675	A1
Emirates Telecommunications Group Co PJSC	553,356	Aa3
Emirates NBD PJSC	223,352	A3
Banque Ouest Africaine de Developpement	293,489	Baa1
QNB Finance Ltd	331,285	Aa3
African Export-Import Bank	280,598	Baa1
Emirates NBD Bank PJSC	333,073	A3
Ascott Capital Pte Limited	42,542	Unrated
Ascott REIT MTN Pte Limited	42,237	Baa3
Capital and Treasury Limited	174,628	Unrated
City Development Limited	252,349	Unrated
City Development Limited	41,619	Unrated
City Development Limited	84,382	Unrated
Housing and Development Board	83,105	Aaa
Housing and Development Board	62,103	Aaa
Housing and Development Board	83,364	Aaa
Housing and Development Board	103,301	Aaa
Emirates NBD Bank PJSC	1,502,990	A3
First Gulf Bank PJSC	<u>1,502,990</u>	Unrated
	<u>19,699,333</u>	
<b>Overseas Government Securities</b>		
Central Bank of Bahrain	256,346	Unrated
Bank of Mauritius	1,318,699	Unrated
Government of Sri Lanka	566,206	B1
Monetary Authority of Singapore	<u>1,732,108</u>	Aaa
	<u>3,873,359</u>	
<b>Term Finance Certificates</b>		
Pakistan International Airlines Corporation Limited	<u>6,071,278</u>	Unrated
<b>Sukuks</b>		
Pakistan International Airlines Corporation Limited	<u>425,000</u>	Unrated
<b>NIT Units</b>	<u>47,303</u>	Unrated

# 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, 2017

## ANNEXURE II

Rs. in '000

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/Directors (with NIC No.)	Father's /Husband Name (with NIC No.)	Outstanding Liabilities at the beginning			Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges		Un-Debited (Waiver)	Debited (Reversal)	
1	CHAND DYEING & FINISHING MILLS SAMANA PULSARGODHA ROAD, FAISALABAD.	GHULAM ABBAS 33100-1078292-7  MUNIR HUSSAIN 33100-6740842-9 BASHARAT ALI 33100-5245400-7 NAZIR AHMAD 33100-0599272-9 IFTIKHAR RASOOL 33301-2104986-5	MUHAMMAD SHAFI  MUHAMMAD SHAFI HAJI SALEH MUHAMMAD HAJI SALAH MUHAMMAD NAZIR AHMED	1,497	1,323	-	-	1,263	-	1,263
2	AHMAD CORPORATION OKANWALA ROAD, CHICHA WATNI, DISTT. SAHIWAL	AMINA TABASSUM 32403-9050100-6	SHAHAB UDDIN	4,750	5,026	-	-	3,717	-	3,717
3	AAMNA COTTON GINNERS JILLANI BADSHAH COTTON INDUSTRIES, BHUNG ROAD, SADIQ ABAD, DISTT. RAHIM YAR KHAN.	SAUD KHAN 223-88-045785 RASHID ASLAM 223-88-042479	ZAMAN KHAN MUHAMMAD ASLAM	591	415	-	-	415	-	1,006
4	BISMILLAH CORPORATION VEHARI ROAD, HASILPUR.	FARRUKH NAZIR MIAN 35202-8348493-5 MIAN ABDUL REHMAN LT.COL (RETD) JARSHAD MUHAMMAD A	MIAN NAZIR AHMED CH. MUHAMMAD IBRAHIM	402	316	-	-	316	-	718
5	CONES (PVT) LIMITED 71-C-3, GULBERG, NO. III, LAHORE.	36303-0952928-7		259	554	-	-	513	-	513
6	SHABIR HUSSAIN CHAH RAHIM BUX WALA, MOUZA GILL WALA, P.O. SAHOO, TEH. MULTAN.	GHULAM SARWAR 32302-1729067-7	MALIK MUHAMMAD ASHRAF	528	1,368	-	-	1,368	-	1,368
7	SHAN OIL AGENCY & GENERAL ORDER SUPPLIER MOHALLA MOLIAN WARD NO. 2, PO. SHAHER SULTAN, TEH. JATOI, DISTT. MUZAFFARGARH.	33104-2150778-9	MUHAMMAD NAWAZ	2,121	1,088	-	-	763	-	763
8	MUHAMMAD SARFAZ CHAK NO. 237 - GB, JARANWALA DISTT. FAISALABAD.	AMIN NAWAZ 35201-1241385-9	MUHAMMAD NAWAZ	3,068	4,560	-	-	4,560	-	4,560
9	AMN PARTS 16.5 KM, SHEKHUPURA ROAD, LAHORE.	MUHAMMAD ASHIQ 35103-4560150-7	MALIK MEHAR DIN	1,498	1,283	-	-	1,281	-	1,281
10	MALIK BROTHERS CORPORATION CHAK NO. 66, DINA NATH, TEHSIL PATTOKI, DISTT. KASUR.									

**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, 2017

**ANNEXURE II**

Rs. in '000												
S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total	
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)		
11	NEW TALHA ESTATE OFFICE-A-3, FARHAN PARADISE, GULISTAN-E-JUHAAR, BLOCK-19, KARACHI.	ADNAN MASOOD 42201-2768846-9	MASOOD AHMED NOOR	312	279	-	591	312	-	279	-	591
12	ZEE & FAM CORPORATION (PVT) LTD 9-GULZAR CHAMBER, 21 WEST WHARF ROAD, KARACHI.	SHEIKH NAEEM ULLAH 42201-3039204-7  ABDUL RASHEED SHEIKH 42301-4481869-9	SHEIKH REHMAT ULLAH	39,999	19,820	-	59,819	-	-	13,398	-	13,398
13	JAHANGIR TRAVELS KOT RUKAN DIN KHAN, DISTRICT KASUR.	BASIT JAHANGIR 35102-3009125-3	MUHAMMAD JAHANGIR	694	979	-	1,673	694	-	979	-	1,673
14	ABDUL KHALID HOUSE NO.51-B, STREET KOHINOOR HOUSING SOCIETY.	35201-1570607-1	ABDUL GHANI	2,436	1,377	-	3,813	-	-	1,377	-	1,377
15	MALIK COTTON GINNERS SUPER DUNYAPUR ROAD, LODHRAN.	MALIK ABDUL MAJEED 36203-8284665-9 ABDUL HALEEM 36203-2592891-1	ABDUL AZIZ  HAFIZ ABDUL KAREEM	2,000	1,824	-	3,824	-	-	844	-	844
16	MUHAMMADI CLOTH HOUSE DEPALPUR ROAD, ADDA BUNGA HAYAT , TEH&DISTT PAKPATTAN.	MUHAMMAD ALI 36402-0800198-3	MUHAMMAD FAZIL	293	389	-	682	293	-	389	-	682
17	M.M.CHICK'S 588-N, SAMANABAD, LAHORE.	MIAN MUHTAZ SALEEM 272-54-259069	MIAN NISAR AHMED SALEEM	600	595	-	1,195	600	-	500	95	1,195
18	SHAFQAAT JEWELLERS MAIN BAZAR QILLA DIDAR SINGH.	MUHAMMAD ASHFAQ 34101-2213077-9	MUHAMMAD YOUNIS	699	592	-	1,291	-	-	541	-	541
19	FINE KNOT CARPETS AULIA ENGINEERING BUILDING, GONDLANWALA ROAD, GUJRANWALA.	SOHAIL SHEIKH 275-48-088287	ZIA UDDIN	319	264	-	583	319	-	264	-	583
20	SARDAR EMPIRES SAAEED PLAZA, ST.NO.1, QILA CHANDA, G.T. ROAD, GUJRANWALA.	SYED NISAR ALI SHAH 34101-7993420-3	SYED SARDAR ALI SHAH	668	1,117	-	1,785	-	-	1,117	-	1,117
21	TOUCH MOBILE 42-B, BEHIND ZAMAN PLAZA, REGAL CHOWK, HALL ROAD, LAHORE.	AHMED SUBHANI 35202-4149150-1	CHAUDHRY IFTIKHAR AHMAD	4,309	1,740	-	6,049	-	-	1,386	179	1,565
22	SH MUHAMMAD AKRAM & CO H-1569, OUTSIDE AKBARI MANDI, LAHORE.	SH MUHAMMAD AKRAM 35202-1353550-7	SHAIKH FAZAL KARIM	2,997	1,723	-	4,720	-	-	1,720	-	1,720

# 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, 2017

## ANNEXURE II

Rs. in '000													
S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total		
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)			
23	BELTEX (PVT) LTD THE GRAND HOTEL & TOWERS, 9-A, DAVIS ROAD, LAHORE.	SHEIKH MUHAMMAD ANWAR		310	305	-	615	310	-	305	-	615	
		SHEIKH ANJUM ANWAR SHEIKH AKBAR AMIN SHEIKH IFTIKHAR ANWAR SAFIA ANWAR SADAF ANWAR											
24		MUHAMMAD NASEEM QUTAB 35301-2001149-3	HAJI ALLAH YAR	2,980	2,195	-	5,175	-	-	1,876	-	1,876	
		ABIDAH NASEEM 35301-1914013-8	MUHAMMAD NASEEM QUTAB										
25		ALI BHAI PRINTING PRESS 103-3K-I,PIESTA GARDEN,LMQ ROAD,MULTAN.	AKHTER AZIZ 36302-0403943-5	SABZ ALI	1,000	1,103	-	2,103	-	-	1,022	81	1,103
26	GULSHAN TRADING COMPANY FLOOR MILL NEAR TOOL PLAZA, BY PASS SHIKARPUR.	PARSHOTAM LAL 43304-0596504-9	RHAGWAN DASS	10,000	748	-	10,748	-	-	748	-	748	
27		AFZAAL AHMED 31202-0321064-3	FAZAL MUHAMMAD	591	1,345	-	1,936	-	-	1,244	-	1,244	
28	MEHER COMMISSION SHOP SABZI MANDI,OKARA.	MUHAMMAD RASHEED 35302-4825080-9	FAZAL DIN	300	272	-	572	300	-	272	-	572	
29	TEX ARTS 10KM CHAK NO.215, LINK ROAD STOP CHAK 209 NEAR PURI TEXTILE JARANWALA ROAD,FAISALABAD.	SHEIKH MASOOD AHMED 33100-5951373-3	SHEIKH MUHAMMAD SIDDIQUE	19,822	13,707	-	33,529	-	-	13,707	-	13,707	
30	KAHLOON FILLING STATION NEAR BY PASS G.T.ROAD,SAHIWAL.	MUHAMMAD AZHAR 36502-9584848-9	MUHAMMAD ASGHAR	300	2,237	-	2,537	-	-	2,004	-	2,004	
31	MUHAMMAD BIN QASIM MURTAZA KHAR GHULAM QASIM KHAR FARM,BASTI ARA AKBER SHAH RAO BALA GHARBI,TEHSIL,KOT ADDU.	MUHAMMAD BIN QASIM URF MURTAZA 32303-1660418-1	MALIK GHULAM QASIM KHAR	12,224	3,666	-	15,890	-	-	2,768	-	2,768	
32	NEW ONE SILK CENTRE BHUTTA SHOPING CENTRE,DAHARKI.	RAMESH LAL 45101-0629373-1	MEHAR CHAND	750	624	-	1,374	-	-	624	-	624	
33	HANZA TRADERS GHALLA MANDI,QILA DIDAR SINGH.	MUHAMMAD YOUSAF 34101-1072065-9	WALI MUHAMMAD	3,749	3,385	-	7,134	-	-	3,234	-	3,234	

**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, 2017

**ANNEXURE II**

Rs. in '000

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
34	HAJI MUSHTAQ AHMED & SONS PINDI BHATTIAN ROAD, JALAPUR BHATTIAN, TEH. PINDI BHATTIAN.	KHIZAR SULTAN 34302-1250191-5	MUSHTAQ AHMED	699	799	-	-	-	668	-	668
35	SOLAT ALI H.NO.13 MAIN DOUBLE ROAD, F/10-2 ISLAMABAD.	211-52-045387	HAJI MUHAMMAD IQBAL	678	852	-	678	-	852	-	1,530
36	SHAHBAZ CLOTH HOUSE MAIN BAZAR BASIRPUR, DISTT. OKARA.	MUHAMMAD SHAHBAZ 35301-0228468-3	MUHAMMAD MUSA	317	261	-	317	-	261	-	578
37	MUMTAZ GHANI TEXTILES MILLS (PVT) LTD NISHAT ABAD, SHEIKHUPURA ROAD, FAISALABAD.	MAQSOOD AHMED 33100-9471148-7	MUMTAZ GHANI	69,649	23,218	-	-	-	23,218	-	23,218
		KHALID TANVEER BHATTI 33100-9286232-1	MUMTAZ GHANI								
		RAKHS HANIDA JABEEN 35202-4467090-6	MUMTAZ GHANI								
		MUMTAZ GHANI 33100-9089149-9	SHER MUHAMMAD								
		TAHIR MEHMOOD BHATTI 33100-0607263-9	ABDUL AZIZ								
38	N.I. PROTEINS H.29 T BLOCK, GULBERG-I, LAHORE OFFICE 19, 3RD FLOOR AL-HAFEZ TOWER, M.I.M. ALAM ROAD, LAHORE.	NADEEM BUTT 35202-2521858-5	MUHAMMAD IQBAL BUTT	8,494	2,218	-	-	-	2,218	-	2,218
		ANEELA NADEEM BUTT 35202-2403428-8	NADEEM BUTT								
		NASIRA IQBAL 35202-2403426-2	MUHAMMAD IQBAL BUTT								
39	RAMESH CLOTH STORE SHAHI BAZAR, POST OFFICE DADU, TALUKA DADU.	RAMASH LAL 41201-9704101-9	DUNI CHAND	400	457	-	400	-	457	-	857
40	ASAD TRADE CENTER HOUSE NO.1-395-C, BLOCK-A, GULSHAN-E RAVI, LAHORE.	ASAD AMIN 35202-5825503-3	MUHAMMAD AMIN	1,338	1,134	-	-	-	1,134	-	1,134
41	ALI AUTOS ALI AUTOS, SUKHA TALAB, SUKKUR.	WAQAR ALI 45504-9192347-7	AKBAR ALI QURESHI	-	543	-	-	-	543	-	543
42	MOHAMMAD SHARIF FOOD GRAIN MERCHANT KAZI ARIF ROAD, MEHAR, DISTT DADU.	41205-8455021-1	KARAM ALI	400	581	-	400	-	581	-	981

# 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, 2017

## ANNEXURE II

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges	Total			Un-Debited (Waiver)	Debited (Reversal)	
Rs. in '000												
43	MUNAWAR ZAMAN GRAIN MERCHANT VILLAGE THARIRI MOHABBAT,P/O. THARIRI MOHABBAT,TALKA,MEHAR.	MUNWAR ZAMAN NAREJO 41205-1093987-9	GHULAM RASOOL NAREJO	1,000	1,208	-	2,208	-	-	1,208	-	1,208
44	AZIZ GARMENTS 127-B,PANORAMA SHOPPING CENTRE THE MALL,LAHORE.	MUHAMMAD IMRAN YOUSAF 35202-2503018-9	MUHAMMAD YOUSAF	1,500	1,316	-	2,816	-	-	1,135	-	1,135
45	S.F.INTERNATIONAL M-05,MEZZANINE FLOOR,OMAIS TERRACE GK-1114,OPP.MADINA MASJID,PUNJABI CLUB,KARACHI.	FAISAL MUSTAFA AHMED 42201-6915582-9	MUSTAFA RASHEED AHMED	2,590	2,031	-	4,621	-	-	921	-	921
46	IMTIAZ FOUNDRY GALI NO.3,NEAR UNIQUE CHOWK, NAUMAN PURA GONDLANWALA ROAD, GUJRANWALA.	MUHAMMAD IMTIAZ DAR 34101-6157321-7	MUHAMMAD SHAFI DAR	711	1,142	-	1,853	-	-	1,142	-	1,142
47	UNIQUE AUTOS C/O H.B.L.GUJRANWALA.	FARHAT QAYYUM	ABDUL QAYYUM	395	203	-	598	395	-	203	-	598
48	DR.ASHIQUE HUSSAIN BOMBAY BAZZAR,NEAR SINGER MACHINE,TANDO ADAM DISTRICT.SANGHAR.		GHULAM MUSTAFA	345	214	-	559	345	-	214	-	559
49	YASIN AND COMPANY GRAIN MARKET,PAK PATTAN.	MUHAMMAD YASIN 337-85-121520	JAN MUHAMMAD	300	219	-	519	300	-	112	107	519
50	MALIK LIAQUAT ALI AND CO CIRCULAR ROAD,DASKA, DISTT.SIALKOT.	MUHAMMAD LIAQUAT 302-91-510597	MUHAMMAD ISMAIL	250	308	-	558	250	-	202	106	558
51	AHMED ASSOCIATES S-B-29-30,SUIT.NO.1,BOMBIYA ARCADE,GULISTAN-E-JOUHAR, KARACHI.	AHMED YOUSUF 42201-5426603-9	MUHAMMAD YOUSUF BAMBIYA	594	638	-	1,232	594	-	638	-	1,232
52	HAQ TRADING CORPORATION G.T.ROAD,GUJRANWALA.	GULZAR AHMED KHAN 286-89-061803	GHULAM HASSAN KHAN	650	2,786	-	3,436	650	-	2,786	-	3,436
53	SUNNY TRADERS RASOOL NAGER,DISTT.GUJRANWALA.	RASHID BASHIR 34104-0506463-7	MUHAMMAD BASHIR	3,000	1,482	-	4,482	-	-	882	-	882

**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, 2017

**ANNEXURE II**

Rs. in '000

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
54	MUSTERHAFT (PVT) LTD 17KM FEROZE PUR ROAD,MOUZA ATTARI SAROBA,TEHSIL CANITT, DISTRICT LAHORE.	SARDAR MUHAMMAD CHAUDHARY 35202-0214774-3	CHAUDHARY SHAH DIN	102,449	20,556	-	-	-	13,429	-	13,429
55	HAMZA ASSOCIATES P/1272-224-RB,RAJA GHULAM RASOOL NAGAR,FAISALABAD.	MUHAMMAD ABID CHAUDHARY 35202-6372598-7 JAWAD AHMED CHAUDHARY 35202-0224274-3	SARDAR MUHAMMAD CHAUDHARY SARDAR MUHAMMAD CHAUDARHY	3,500	2,137	-	-	-	2,137	-	2,137
56	AL-QADIR MOTORS MULTAN ROAD,BAHAWALPUR.	MUHAMMAD TARIQ 31202-7336352-7	HAJI GHULAM QADIR	4,500	1,453	-	-	-	1,353	-	1,353
57	SYED RIZWAN HAIDER HOUSE NO.527-XX,PHASE-111 DHA, LAHORE.	61101-2027744-5	SYED SAFDAR ALI ZANJANI	2,966	2,693	-	-	-	2,693	-	2,693
58	RANA ABDUL GHAFOR WARD NO.4,MOHALLAH,SAIDOO WALA SHAHPUR CITY,DISTT. SARGODHA.	38404-6154958-7	RANA HAJI NOOR ELAHI	1,900	880	-	-	-	603	-	603
59	NEW AZIZ SWEETS & BAKERS CHOWK BUKHARI,KAHROR PACCA.	MUHAMMAD IBRAHIM 36202-7667617-3	ABDUL AZIZ	605	690	-	-	-	690	-	690
60	SURRAYA SHOW ROOM CIRCULAR ROAD,BAHAWALPUR.	MUHAMMAD YAQOOB 31202-1751731-7	MUHAMMAD JAMIL	2,000	1,685	-	-	-	1,548	-	1,548
61	SAUD JAMAL VILLAGE & PO,DEH-22,JAMROD, TALUKA SINJHORO,DISTT. SANGHAR.	44205-8314101-7	JAMAL UDDIN	2,500	608	-	-	-	608	-	608
62	AL-HADEED M/ENGINEERING AZMAT WASTI ROAD ,MULTAN.	MUHAMMAD ZAFAR IQBAL 36302-8464536-3	GHULAM NABI	4,976	3,205	-	-	-	2,978	-	2,978
63	HABIB MEDICAL STORE P.O.GOLARCHI,DISTT.BADIN.	HABIB-UR-REHMAN KHAN 41102-6324550-1	ZARMINOSH KHAN	760	685	-	-	-	614	-	614
64	REAL AIR TRAVEL 18-14 SAFETY HOMES,1-MEZZANINE FLOOR,DR.DAWOOD POTA ROAD, KARACHI.	TARIQ WASEEM SIDDIQUI 42101-0173650-5	WASEEM AHMED SIDDIQUI	9,477	3,583	-	-	-	2,874	-	2,874
		ABDULLAH JAN 54400-0417486-3 BILAL SALEEM 42000-4538012-5	WALI JAN SALEEM AHMED KHAN								



# 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, 2017

## ANNEXURE II

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Total	Un-Debited (Waiver)	
RS. IN '000											
65	BISMILLAH AUTOS 10-MONTGOMERY,LAHORE.	MUHAMMAD SHUJA 35202-2995272-3	SIRAJ DIN	2,000	957	-	2,957	-	937	-	937
66	MUHAMMAD FAYYAZ HUSSAIN HOUSE NO.120,BLOCK-B,WAPDA TOWN,MULTAN.	36302-7919096-1	CH.CHIRAGH BAKSH	2,443	2,634	-	5,077	-	2,577	-	2,577
67	MAJIK ENTERPRISES KARKHANA ROAD,PAKPATTAN.	MUSHTAQ AHMED 337-74-102916 KHALID MEHMOOD 337-90-2114610 TARIQ AZIZ 337-89-101111	TAJ MUHAMMAD ABDUL LATIF MUHAMMAD DIN	450	340	-	790	450	340	-	790
68	COLOUR AND COLOURS GOU SHAJA MORE,DIJKOT ROAD, FAISALABAD.	MUHAMMAD ARIF 33100-2485104-3	MUHAMMAD AHMAD	2,000	1,990	-	3,990	-	1,990	-	1,990
69	MUKHTAR ALI CHAK.NO.267/FB,PO.269/FB, TEH.BUREWALA, DISTT.VEHARI.	36601-1790873-9	KARIM BAKSH	999	838	-	1,837	-	587	-	587
70	ABDUL AZIZ NAWAB KHAN 1ST FLOOR,ZAMINDAR BUILDING, CAMPBELL STREET, KARACHI.	ABDUL AZIZ KHAN 44103-7639564-9 ABDUL REHMAN KHAN 42301-0944529-9 ABDUL SATTAR GHORI 44103-9610215-7 NADEEM KHAN 44103-9419265-7	NAWAB KHAN NAWAB KHAN NAWAB KHAN NAWAB KHAN	6,462	13,800	-	20,262	-	4,847	7,415	12,262
71	RAJA AND CO C-18,NASIM NAGAR,QASIMABAD, HYDERABAD.	ABDUL RAHIM 403-93-223175	MUHAMMAD ARIF	508	584	-	1,092	28	584	-	612
72	RAJA TRADING HOUSE NO.A/1671,BEHIND MARKET, POLICE STATION,HYDERABAD.	HAMID ALI QURESHI 42101-3393236-9	FAQIR MUHAMMAD QURESHI	1,810	670	-	2,480	199	670	-	869
73	NEW PAKISTAN ARHAT NEW CHALLA MANDI,D.G.KHAN.	ANWAR IQBAL 32102-3246965-7	MEHMOOD KHAN	700	4,666	-	5,366	-	3,656	-	3,656
74	MARGHOOB TRADERS 3-AABKARI ROAD ANARKALI, LAHORE.	NAEEM ULLAH SHAKIL 35202-2840181-5	MUHAMMAD NAWAZ QURESHI	2,000	512	-	2,512	-	512	-	512
75	HARESH KUMAR LASI CONTRACTOR MAIN RCD ROAD,HUB,DISTRICT LASBELA BALOCHISTAN.	HARESH KUMAR LASI 51503-8594370-9	ASHOK KUMAR	761	791	-	1,552	761	791	-	1,552

**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, 2017

**ANNEXURE II**

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
Rs. in '000											
76	AZIZULLAH VILLAGE MAKKER, PO. PAROVA, TEH. PAROVA, DISTT. D.I. KHAN.	12101-0952869-1	ATTA MUHAMMAD	1,008	1,075	-	-	-	1,008	-	1,008
77	ASIF PETROLIUM SERVICE CHAK NO.47/WB, POST OFFICE VEHARI, TEH AND DISTT. VEHARI.	MUHAMMAD ASIF 36603-4259876-3	MUHAMMAD ASGHAR	768	658	-	-	-	646	-	646
78	AL-QAIM TRADERS OUTSIDE BOHAR GATE, MULTAN.	SYED MUHAMMAD JAMIL ABBAS GARDEZI 36302-0434498-9 MAKHDOM RAJU SHAH GARDEZI 36302-3243264-7	SYED MUHAMMAD RAMZAN SHAH GARDEZI MAKHDOM SYED MUHAMMAD YOUSAF GARDEZI	2,821	4,662	-	-	-	3,525	1,137	4,662
79	SYED NOOR HASSAN GILLANI OKARA SATGHARA ROAD, OKARA.	SYED EJAZ HUSSAIN GILLANI 35302-1863158-5	SYED MUHAMMAD HUSSAIN SHAH	375	372	-	-	-	372	-	747
80	AL-QAIM TRADERS OUTSIDE BOHAR GATE, MULTAN.	SYED MUHAMMAD JAMIL ABBAS GARDEZI 36302-0434498-9 MAKHDOM RAJU SHAH GARDEZI 36302-3243264-7	SYED MUHAMMAD RAMZAN SHAH GARDEZI MAKHDOM SYED MUHAMMAD YOUSAF GARDEZI	39,050	57,567	-	-	-	50,654	6,913	75,439
81	M.M.S.COMPANY 26-Z,BLOCK-78,K.M.C.H.S. NEAR HILL PARK,KARACHI.	MUHAMMAD SAJJID KHAN 42201-9304495-3	JAN MUHAMMAD KHAN	297	350	-	-	-	350	-	647
82	PROGRESSIVE KNITWEARS (PVT) LTD 35-D, NEW MUSLIM TOWN, LAHORE.	ARIF SEAR 35202-2317502-7 SHAGUFTA ARIF 35202-8720576-2	MIR MUHAMMAD SHARIF ARIF SEAR	84,820	30,424	-	-	-	30,244	-	30,244
83	IQRA TRADERS P-3272 OLD LUKKAR MANDI, NEAR NASEER SOAP FACTORY, NEAR BUT CHOWK, FAISALABAD.	MUHAMMAD SAJJAD 33100-1104893-3	NASEER AHMED	7,999	7,568	-	-	-	6,755	813	7,568
84	M.M.S.COMPANY 26-Z,BLOCK-78,K.M.C.H.S. NEAR HILL PARK,KARACHI.	MUHAMMAD SAJJID KHAN 42201-9304495-3	JAN MUHAMMAD KHAN	253	296	-	-	-	296	-	549
85	BANDAN ZARI CENTRE 70,1ST FLOOR BABAR MARKET, ANARKAU, LAHORE.	SHAHID AKRAM 35202-0366757-7	MUHAMMAD AKRAM	2,499	1,866	-	-	-	1,866	-	1,866
86	BUTT TRADERS SHOP NO.9,SULTAN AHMAD ROAD NO.14,ICHHRA, LAHORE.	KHURRAM SHOUKAT BUTT 35202-9961134-3	SHUKAT ALI BUTT	800	1,013	-	-	-	953	-	953
87	RIZMA INTERNATIONAL 214-BUSINESS ARCADE, MAIN SHAHRAH-E-FAISAL, KARACHI.	ZAMIN ABBAS ZAIDI 42101-0656918-9	SYED ZAIR HUSSAIN ZAIDI	4,594	4,515	-	-	-	3,916	-	3,916

# 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, 2017

## ANNEXURE II

Rs. in '000											
S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
88	M.M.S.COMPANY 4TH FLOOR ZEESHAN CENTRE, PLOT.C-3/BLOCK-7 8 COMMERCIAL AREA,KARACHI.	MUHAMMAD SAJID KHAN 42201-9304495-3	JAN MUHAMMAD KHAN	709	648	-	709	-	431	217	1,357
89	JAVAD IMRAN WEAVING FACTORY CHAK.NO.222 R/B,NAWABAN WALA ROAD,SAMMANABAD,FAISALABAD.	JAVADIQBAL 33100-2503166-7	MUHAMMAD ZUBAIR	2,282	1,739	-	4,021	-	1,553	106	1,659
90	HAJJI MUHAMMAD RASHEED & SONS C/O. RIAZ BROTHERS,SHAHRAH-E- IQBAL(QANDHARI BAZAR) QUETTA.	HAJI MUHAMMAD RASHEED (late) 54400-3283279-5 RIAZ AHMED 54400-3537704-1	CHARAGH DIN HAJJI MUHAMMAD RASHEED	4,000	2,498	-	6,498	-	2,174	324	2,498
91	ALI ZAR AND COMPANY HAVELI BAHAR WALI,THOKER NIAZ BAIG,MULTAN ROAD,LAHORE.	MALIK REHMAN TALIB 35202-2525617-1 SAIMA 35202-9908860-4	MALIK ISRAR HUSSAIN REHMAN TALIB	13,987	4,010	-	17,997	-	3,997	-	3,997
92	SHAHID OIL COMPANY KLP ROAD,IQBAL ABAD, TEH & DISTT. RAHIM YAR KHAN.	SHAHID IQBAL 31303-2420273-9	CH.MUHAMMAD IQBAL	2,345	1,801	-	4,146	-	1,701	-	1,701
93	SHALIMAR FILLING STATION NAIWALA ADDA CHOWK HARAPPA, NEAR G.T.ROAD,HARAPPA, DISTT. SAHIWAL	MEHMOOD SALEEM BHATTI 36502-3590565-9	KHUDA BUX BHATTI	1,500	1,276	-	2,776	-	1,266	-	1,266
94	AL-IMRAN ZARI CORPORATION GHALLAH MANDI,PATTOKI.	SUBAH SAEED ALI 35103-8063217-5	CHIRAGH ALI	8,000	1,081	-	9,081	-	781	-	781
95	MUHAMMAD RIAZ GALI UNION COUNCIL WALI,NEAR MASJID AHELH WALI KALASKEY,P/O SAME,TEH.WAZIRABAD,GUJRANWALA.	34104-3408892-7	MUHAMMAD HUSSAIN CHEEMA	900	629	-	1,529	-	573	-	573
96	AL-KARIM INDUSTRIES (PVT) LTD BEHIND GENERAL BUS STAND, GUL NAWAZ ROAD,FAISALABAD.	MUHAMMAD BIN YAMIN 33100-6622363-5 MUHAMMAD WAQAS 33100-2610991-7 NADEEM IMRAN 33100-4750610-7 MUHAMMAD UMAR 33100-4748517-7	HAJJI MUHAMMAD ALI MUHAMMAD BIN YAMIN MUHAMMAD AMIN MUHAMMAD BIN YAMIN	84,980	50,084	-	135,064	-	47,653	-	47,653

**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, 2017

**ANNEXURE II**

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
Rs. in '000											
97	A.A.PROTEIN PRODUCTS 489-G-III,JOHAR TOWN,LAHORE.	AFZAL TAJ 35202-0648921-9 MALIK ATTA-UR-REHMAN 35202-0351374-9	MALIK TAJ DIN	5,997	6,131	-	-	-	6,071	-	6,071
98	TAJ MAHAL TRADERS PULL ABULLAH,SAMUNDRI ROAD, FAISALABAD.	USMAN AZIZ 33100-0708996-3  MUHAMMAD ABU BAKER AZIZ 33100-6179253-1	AZIZ-UR-REHMAN  AZIZ-UR-REHMAN	25,000	10,794	-	-	-	8,794	-	8,794
99	TAJ MAHAL EMBROIDERY NEAR TAJ MAHAL PETROLEOM, SAMUNDRI ROAD,FAISALABAD.	USMAN AZIZ 33100-0708996-3  MUHAMMAD ABU BAKAR AZIZ 33100-6179253-1  SAIMA USMAN AZIZ 33100-0671013-8 FATIMA ABU BAKAR 33100-5477594-8	AZIZ-UR-REHMAN  AZIZ-UR-REHMAN  USMAN AZIZ MUHAMMAD ABU BAKAR AZIZ	10,909	6,552	-	-	-	4,461	-	4,461
100	RANA AGRO SERVICES G.T.ROAD MORE EMINABAD, DISTT.GUJRANWALA.	MUHAMMAD IMRAN 34101-2457562-9	MUHAMMAD IQBAL KHAN	2,897	5,749	-	-	-	4,446	-	4,446
101	BILAL YOUNIS METAL INDUSTRY SHEIKHUPURA ROAD,KHURSHED STATE.NO.2,GUJRANWALA.	MUHAMMAD YOUNIS 34101-2326602-5	DIN MUHAMMAD	995	1,209	-	-	-	1,004	-	1,004
102	USAMA COTTON PRODUCTS CHAK.NO.65,NEAR HI-TECH MILL MANGA ROAD,RAWIND.	IRSHAD AHMAD CH 35202-5793464-5	DIN MUHAMMAD	4,999	3,338	-	-	-	2,762	-	2,762
103	AL-IMRAN RESTAURANT NATIONAL HIGHWAY RANIPUR,TALKA SOBHO DERO,DISTT.KHAIRPUR.	GHULAM JAFAR DAYO 45208-3449777-3	LAL BUX DAYO	2,360	2,154	-	-	-	2,114	-	2,114
104	SINDH LINES PETROLUEM SERVICES BYE PASS ROAD MEHAR TALUKA, MEHAR,DISTT.DADU.	MANTHAR ALI 41203-9501818-7	MUHAMMAD RAMZAN KHOSO	1,300	1,380	-	-	-	1,380	-	1,380
105	AHMED SAEED FLAT.602,AL-MADINA GARDEN, JAMSHED ROAD,NEAR PSO PETROL PUMP,KARACHI.	42201-9693512-9	MUHAMMAD AHMED(LATE)	3,513	783	-	-	-	783	-	783
106	AHMED ALI VILLAGE JATRI NOO,PO,JATRI KUHNIA,TEH.SAFDARABAD,SHEIKHU PURA.	35403-1399050-3	FATEH MUHAMMAD	295	265	-	-	-	265	-	560

# 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, 2017

## ANNEXURE II

				Rs. in '000							
S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Mark-up & Other Charges Write-off	Other Financial Relief		Total	
				Principal	Mark-up (Debited + Undebited)	Other Charges		Un-Debited (Waiver)	Debited (Reversal)		
107	S.MANZAR ABBAD CHAK.NO.762-CB,DIST.T.T.T.SINGH	33302-8430986-5	GHULAM SHABBIR	250	255	-	505	250	255	-	505
108	ALI RAZA MOUZA.MURADWALA,TEHSIL CHINIOT DISTT. CHINIOT.	33201-7292572-5	GHULAM MUHAMMAD	250	317	-	567	250	317	-	567
109	IFTIKHAR AHMAD CHAK.NO.236-CB,TEH.JARANWALA, DISTT.FAISALABAD.	33104-2250743-1	MUHAMMAD SADIQ	299	296	-	595	299	296	-	595
110	MUHAMMAD IMTIAZ MOUZA DAD KAMIRA,POLUDDAN, TEH.VEHARI.	36603-5441464-7	ISLAM KHAN	229	288	-	517	229	288	-	517
111	SPIRIT INSTITUTE OF MANAGEMENT AL-BURHAN SHOPPING CENTRE, 3RD FLOOR BUILDING BLOCK-E, NORTH NAZIMABAD,KARACHI.	SARDAR ZAFAR ULLAH KHAN 82202-0396618-7	SARDAR HAMEED ULLAH KHAN	245	363	-	608	245	363	-	608
112	SYSTEM MOBILE COMMUNICATION 14-C,SEE BREEZE CENTRE,BLOCK-V MAIN BOAT BASIN,CLIFTON, KARACHI.	BASHIR ULLAH KHAN 710-52-096097	SARDAR HAMEED ULLAH KHAN								
		MIRZA ADNAN BAIG 42301-7652737-1	MIRZA IKRAM BAIG	434	422	-	856	434	422	-	856
113	ABASEN INTERNATIONAL (PVT) LTD 502 UNI TOWERS,I.I.CHUNDRIGAR ROAD,KARACHI.	MUHAMMAD OMER MALIK 517-78-512786	MALIK MUHAMMAD SIDDIQ	329	488	-	817	329	488	-	817
		BEGUM QAMAR MALIK 42301-6407111-4	MALIK MUHAMMAD SIDDIQ								
114	CAPRI PACKAGES L-22-C BLOCK-22,F.B.AREA, KARACHI.	MUHAMMAD ASLAM QAMAR SIDDIQUI 42101-9615454-9	MUHAMMAD QAMAR UDDIN SIDDIQUI	321	223	-	544	321	223	-	544
115	AAMAR ENTERPRISES (PVT) LTD R-514,BLOCK-12,FEDERAL B.AREA KARACHI.	MALIK FIDA MUHAMMAD 42301-9066518-9	MALIK ALLAH DAD	308	212	-	520	308	212	-	520
		HAMEEDA BEGUM 42301-5296275-8	MALIK FIDA MUHAMMAD								
		MUHAMMAD AMIR MALIK 42301-3772235-7	MALIK FIDA MUHAMMAD								

**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, 2017

**ANNEXURE II**

Rs. in '000

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
116	PURE WATER TECHNOLOGIES (PVT) LTD 201-S BLOCK-2, PECHS, KARACHI.	BADIYA TARIQ 42501-1494856-2 MUHAMMAD FAISAL ISMAIL 42000-0449720-9 ATIF ASAD KHAN 42501-7865049-3 ARSHAD RASHEED 42201-9281471-1 ARIF RAZA 42201-0294870-9	TARIQ ALI QURESHI  MUHAMMAD ISMAIL KHAN ASAD KHAN  MUHAMMAD ABDUL RASHEED SARFARAZ KHAN	346	231	-	577	346	-	231	577
117	MABROOK ENTERPRISES P-38, GANISH MILLS ROAD, NEAR CH FLOOR MILLS CHOWK, FACTORY AREA, FAISALABAD.	ZAKI UDDIN AHMED 33100-7022646-5	CHAHMED IQBAL	1,498	588	-	2,086	-	586	-	586
118	AZIZ SPINNING MILLS LTD 122/D HABIB ROAD, LAHORE CANTT, LAHORE.	ABID AZIZ KHAN 35201-1242001-1  KHAUD AZIZ 35201-3410944-7 PARVEEN AZIZ 35201-1422275-8 IRFAN BASHIR QURESHI 61101-5867215-3 IRFAN AZIZ KHAN 35202-2095023-1 SHIEKH AMJAD HUSSAIN 35202-6165458-3 ARIF HANEEF KHAN 37405-0690746-3	ABDUL AZIZ KHAN  ABDUL AZIZ KHAN KHALID AZIZ ABDUL CHAFOOR QURESHI RASHID AZIZ KHAN SYED KHADIM HUSSAIN MUHAMMAD HANIF KHAN	10,394	1,262	-	11,656	10,394	1,262	-	11,656
119	HUSNAIN FAISAL INST CORP KOHINOOR MARKET NO.100-101-102 QAINCHI AMAR SADHU, LAHORE.	CH.SHOUKAT ALI 35201-1447905-1	NAZAR HUSSAIN	3,998	3,570	-	7,568	-	3,568	-	3,568
120	NATIONAL OIL MILL NATIONAL HIGHWAY RANIPUR, TEHSIL SOBHODERO.	BHAGOO MAL 440-91-199653	KHANO MAL	996	957	-	1,953	996	647	310	1,953
121	HI TECH PETROLEUM 298, AMIN TOWN, KASHMIR ROAD, FAISALABAD.	HABIB-UR-REHMAN 33100-1021987-3	NIAZ AHMED KHAN	2,722	536	-	3,258	-	536	-	536
122	TALIB JAT AUTOS MAIN SUJAWAL ROAD, PO BULARI, SHAH KARIM TANDO MUHAMMAD KHAN	TALIB JAT 41308-8800746-3	MUHAMMAD HASSAN JAT	699	684	-	1,383	-	658	-	658

# 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, 2017

## ANNEXURE II

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
RS. in '000											
123	KHAN ELECTRONICS SHOP NO.2, MAIN IBRAHIM ROAD, NEAR MUNSHI MASJID, LAHORE.	ARSHAD KHAN 35202-1802445-5	MUHAMMAD MUSHTAQ KHAN	600	566	-	1,166	-	562	-	562
124	DECENT CHEMICAL INDUSTRY ST. NO.15, GURUNANAK PURA, HAFIZABAD ROAD, GUJRANWALA.	SHAHID AZIZ 34101-1743466-5	ABDUL AZIZ MASOOD	1,000	723	-	1,723	-	523	-	523
125	CRYSTAL EXIMCO 121 FEROPUR ROAD, LAHORE.	KHALID MEHMOOD 35202-4446755-9 MANSOOR HAIDER JAVED 37405-3895920-9	MIRAJ DIN MUHAMMAD ANWAR JAVED	6,916	5,538	-	12,454	-	5,538	-	5,538
126	MUNIR AHMED KHAN R/O GHOSIA STREET, NEAR CHOWK BCC BAHAWALPUR ROAD, MULTAN.	36302-9587848-7	NUSRAT KHAN	928	647	-	1,575	928	487	160	1,575
127	JEO SHINE STAINLESS STEEL MOHALI PURNOSHERA SANSI ROAD GUJRANWALA.	MUHAMMAD ASIF BUTT 34101-7200506-1	NAZIR AHMED	1,000	1,062	-	2,062	-	848	-	848
128	NOBAHAR MOHALA P.O. KAMALIA, DISTT. TOBATEK, SINGH.	33302-2290134-7	MUHAMMAD SADDIQ	1,460	849	-	2,309	-	609	-	609
129	EHSAN ELAHI AND SONS 258-B-10 HUSSAIN AGAHI, MULTAN.	MUHAMMAD NAEEM HASSAN 36302-4879751-5	EHSAN ELLAHI	2,999	2,978	-	5,977	-	2,426	271	2,697
130	SAJID MAHBOOB SHEIKH KHOKHAR TOWN, DEFENCE ROAD, SIALKOT.	34603-5104215-5	MUHAMMAD YAQOOB SHEIKH	1,962	2,144	-	4,106	-	2,136	-	2,136
131	ALI TRADERS CIRCULAR ROAD, MTS GATE, GUJRANWALA.	ALI AKRAM 34101-2429154-1	MUHAMMAD AKRAM	499	1,209	-	1,708	-	1,108	-	1,108
132	ARFAT CLOTH HOUSE MAIN BAZAR KOT ADU.	ABDUL MAJEED QAMAR 32303-0809366-7	ROSHAN KHAN	500	597	-	1,097	-	471	45	516
133	SYED ELECTRONICS OVERHEAD BRIDGE, G.T. ROAD, GUJRANWALA.	LIQAT ALI 34101-9245669-5	CH. KHUSHI MUHAMMAD	365	1,555	-	1,920	-	1,390	-	1,390
134	SADDIQUE TENT HOUSE MAIN BAZAR STREET, NO.2, NISAR COLONY, FAISALABAD.	SHABAN AHMED 33100-0656528-7	MUHAMMAD SIDDIQUE	3,499	2,026	-	5,525	-	2,026	-	2,026
135	LASANI TRADERS GHALLA MANDI GHAKHAR, TEH. WAZIRABAD, DISTT. GUJRANWALA	MUHAMMAD ASIF 34104-2331198-7	REHAM DIN	-	808	-	808	-	508	-	508



**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, 2017

**ANNEXURE II**

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
Rs. in '000											
136	BARIK MEDICOS 295 HUNZA BLOCK ALLAMA IQBAL TOWN,LAHORE.	SAJID MEHMOOD SHEIKH 35202-4540324-5	SAFDAR MEHMOOD SHEIKH	1,899	1,701	-	3,600	-	1,700	-	1,700
137	J.R. TRADERS BAIT MIR HAZAR, P.O. SAME, TEHSIL. JATOI, DISTT. MUZAFARGARH.	MUHAMMAD JAFAR 32302-772128-3	MUSHTAQ AHMED	1,198	1,131	-	2,329	-	1,125	6	1,131
138	ZAREEN FABRICS SHOP NO. 4, KARMANWALA MARKET, ICHHRA LAHORE.	SHAHID AMIN 35202-2755105-5	MUHAMMAD AMIN	600	500	-	1,100	-	500	-	500
139	FARDOS TEXTILE INDUSTRIES P-439 NIMAT COLONY NO.2, JARANWALA ROAD, NEAR TEZAB MILL ROAD, FAISALABAD.	SAQIB SAEED 33100-9189246-7  MAINA SAQIB 33102-7175022-0	MUHAMMAD SAEED AHMED  SAQIB SAEED	13,109	7,346	-	20,455	-	7,346	-	7,346
140	S.B.E. (PVT) LIMITED 114/5 ZAFAR ROAD, LAHORE CANTT.	SHAUKAT MUHAMMAD IQBAL 35201-2583046-1 ATIF SHAUKAT IQBAL 352010-402448-3	CH. MUHAMMAD IQBAL SHAUKAT MUHAMMAD IQBAL	49,371	20,110	-	69,481	-	20,110	-	20,110
141	ALIA TAHIR 166-E, UPPER MALL, SCHEME, LAHORE	35202-6399592-2	TAHIR AHMED SINDHU	-	2,117	-	2,117	-	1,474	-	1,474
142	MUGHAL TRADERS NEW LARI ADDA, JALAL PUR BHATTIAN, TEH. PINDI BHATTIAN, DISTT. HAFIZABAD.	HAJI GHULAM MUHAMMAD 34302-1202753-1	MUHAMMAD RAMZAN	1,000	731	-	1,731	-	688	-	688
143	BISMILLAH MEDICAL STORE ALI PUR ROAD WASENDAY WALI, TEH&DISTT. MUZAFFAR GARH.	MUHAMMAD ZAFAR IQBAL ABBASS 32304-5061256-5	GHULAM FAREED KHAN	695	842	-	1,537	-	675	167	842
144	HABIB ULLAH INDUSTRY KUNDA MAKER MIAN SANSI ROAD, NEAR SITTARA FACTORY, GUJRANWALA.	HABIB ULLAH 34101-3944768-9	INAYAT ALI	1,200	1,146	-	2,346	-	1,046	-	1,046
145	CHAUDHRY GARMENTS H.298-D, SARFARAZ ROAD, WARIS KHAN, RAWALPINDI.	CH. WAQAS SHAHID 37405-5105747-3 RUBINA YASMIN SHAHID 37405-8825965-4	CH. SHAHID SHAFIQUE CH. SHAHID SHAFIQUE	5,999	1,329	-	7,328	-	792	-	792
146	HAIDRI GENERAL STORE UPPER CHATTER, NEAR STATE BANK, MUZAFFARABAD, A.K.	SADHEER AHMED KHAN 82203-2286214-7	SHARIF KHAN	595	570	-	1,165	-	545	-	545

# 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, 2017

## ANNEXURE II

Name & Address of the Borrower			Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total	
S. No.						Principal	Mark-up (Debited + Undebited)	Other Charges	Total			Un-Debited (Waiver)	Debited (Reversal)	
Rs. in '000														
147	DEANS FASHION GARMENTS 189-S, MAIN INDUSTRIAL AREA STATE, KOT LAKHPATLAHORE.		MIAN AURANGZEB 35202-6656421-7	ABDUL CHAFOOR		27,506	15,193	-	42,699	664	-	13,629	1,564	15,857
148	CARGO AIDS 12-D, STADIUM LANE NO.1, KHYABANE SHAMSHER PHASE-5, D.H.A. KARACHI.		SOHAIL HASAN 42301-3185383-9  KIRAN ASIF CHOUDHRY 34603-2217392-4 NARGIS HASAN 42301-3678425-0 MUHAMMAD TASEER 42000-0495861-1	SYED ALI HASSAN  SHAHENSHAH HUSSAIN		2,472	2,625	-	5,097	-	-	2,623	-	2,623
149	AL-KARAM SPRAY & COMMISSION AGENT 46/A, GRAIN MARKET, KHANEWAL.		KARAM ELLAHI ABID 36103-0827068-1	ALLAH YAR		2,000	2,090	-	4,090	-	-	1,900	-	1,900
150	MIRZA MUHAMMAD WALI BAIG C/O, CITY CNG PUMP, KAHROR PACCA ROAD, TEHSIL LODHRAN.		61101-6071237-9	MIRZA MUHAMMAD NASIR BAIG		3,997	7,398	-	11,395	-	-	6,495	-	6,495
151	MIRZA MUHAMMAD HASSAN BAIG C/O, CITY CNG PUMP, KEHROR PACCA ROAD, TEH, LODHRAN, DISTT, LODHRAN		61101-4197506-1	MIRZA MUHAMMAD NASIR BAIG		3,995	4,666	-	8,661	-	-	3,761	-	3,761
152	GHOUSIA TEXTILE WEAVING FACTORY 11 K. MJRANWALA ROAD, FAISALABAD.		AKHTER RASOOL 35202-2829929-3  ABDUL KHALIQ 33100-0655337-9 SURIYA AKHTER 35202-5128613-2 NASIRA ARSHAD 35202-2663345-4 MUHAMMAD AMIN 33100-4706569-5	GHULAM RASOOL CHAUDHRY  LAL DIN AKHTER RASOOL CHAUDHRY ARSHAD ALI CHAUDHRY CH. LAL DIN		15,694	9,398	-	25,092	-	-	8,645	448	9,093
153	IFTIKHAR AHMED MAUZA SHARAF, P.O. INYATI, KHAIRPUR TAMEWALI, DISTT. BAHAWALPUR.		31204-0177005-5	RAB NAWAZ KHAN		3,250	1,404	-	4,654	-	-	1,404	-	1,404
154	RAB NAWAZ KHAN MOUZA SHARAF, P.O. INAYATI KHAIR PUR TAMI WALLI, DISTT BAHAWALPUR		31204-0177005-1	GHOUSE MUHAMMAD		4,176	1,965	-	6,141	-	-	1,965	-	1,965

**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, 2017

**ANNEXURE II**

Rs. in '000											
S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
155	IRFAN HAIDER MOUZA SHARAF, PO ENATEE, TEH. KHAIRPUR TAMEWALI, DISTT. BAHAWALPUR.	31204-0178160-9	GHULAM HAIDER	3,749	1,463	-	5,212	-	1,463	-	1,463
156	MAZHAR AHMED MOUZA CHAKAR WASEER, PO KARAM PUR, TEH. MAISLI, DISTT. VEHARI.	36602-1250887-7	KAREEM HAYDAR KHAN	2,226	1,294	-	3,520	-	1,294	-	1,294
157	ZARAR A. NASIR KHAN HOUSE NO.7, RASHID ROAD, AZIZ STREET KAMALGUNJ, LAHORE.	35202-6802411-7	KHUDA DAD KHAN	2,826	1,721	-	4,547	-	1,721	-	1,721
158	BISMILLAH POULTRY SERVICES CHUNGILINGI, NO.9, HAMAYUN ROAD, MULTAN.	SYED IRFAN HAIDER CARDEZI 36302-0898222-3	IBN-E-HASSAN	1,499	1,261	-	2,760	-	1,087	137	1,224
159	MEHAR ALI OPTICAL SERVICES 8-ALLAMA IQBAL ROAD, LAHORE.	AKHTAR ALI MIRZA 35202-8279505-3	ZAFAR ALI	1,200	980	-	2,180	-	980	-	980
160	AL-AWAN POLYTEX (PVT) LTD 5-INDUSTRIAL ESTATE GADOON AMAZAI, SWABI.	CHAUDHRY WARIS ALI 61101-1946882-1 CH. ZULFIQAR ALI 101-90-374422	CHAUDHRY ALLAH DITTA CH. WARIS ALI	11,425	23,048	-	34,473	11,425	20,131	2,917	34,473
161	CONMATS ENGINEERING & TREND TAILORS SHOP NO.9, GROUND FLOOR, AMBER PALACE, SMCHS, KARACHI.	WAHEED TABASSUM 42101-7954779-2	MUHAMMAD ISMAIL	7,296	8,560	-	15,856	-	6,356	-	6,356
162	SITARA GIFT CENTRE GALA LAL MASJID, QILA DIDAR SINGH, DISTT. GUJRANWALA.	SHAHBAZ AHMED 34101-2794751-3	MANZOOR AHMED	476	562	-	1,038	-	508	-	508
163	AL-FALAH AGENCIES PLOT NO. SB-21, KDA SCHEME NO.17 LYARI AREA, KARACHI.	MUHAMMAD AMIN 42115-8697584-3	ABDUL GHANI	2,000	6,619	-	8,619	-	5,419	-	5,419
164	HI-KNIT (PVT) LTD PLOT NO.03, SECTOR-12-D, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	SYED JAWED MUSTAFA 42301-6661443-1 ZAKIA SULTANA 42301-4283467-6	SYED JAWED MUSTAFA	84,588	26,055	-	110,643	-	26,055	-	26,055

# 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, 2017

## ANNEXURE II

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges	Total			Un-Debited (Waiver)	Debited (Reversal)	
Rs. in '000												
165	EDEN LEATHER B-308,3RD FLOOR,AFNAN ARCADE, BLOCK-15,GULISTAN-E-JAUHAR, KARACHI.	GHOSIA FAYYAZ 42201-2177598-6	SYED FAYYAZ AHMED	1,500	880	-	2,380	-	-	680	-	680
166	IFTIKHAR AHMED MALIK 35-B,SHARIF COLONY,CANAL PARK, GULBERG,LAHORE.	MIR BAZ ALAM KHAN 42101-7303405-3	MUHAMMAD ALAM KHAN	5,305	5,546	-	10,851	1,186	-	4,080	1,466	6,732
167	UNION INDUSTRIES (PVT) LTD PLOT NO B-45 & B-46,ESTATE AVENUE,S.I.T.E.KARACHI.	MUHAMMAD JAVED HABIB 42301-1176752-3	ABDUL HABIB AHMED	867	626	-	1,493	867	-	626	-	1,493
168	UNION INDUSTRIES (PVT) LTD PLOT NO B-45 & B-46,ESTATE AVENUE,S.I.T.E.KARACHI.	MIRZA KAMRAN ALI KHAN 42301-1791682-5	ZULFIQAR ALI KHAN	753	808	-	1,561	753	-	808	-	1,561
169	AL-IMRAN MANUFACTURING WORKS (PVT) LTD SHOP NO.3,KHOKHAR ROAD, OPP.MILLAT STEEL,BADAMI BAGH, LAHORE.	MUHAMMAD IKRAM 35202-7746316-1	BASHIR AHMED	9,994	5,926	-	15,920	-	-	4,336	-	4,336
170	MUHAMMAD YASIR MUSHTAQ BHABHA H-5-A,MOHALLA,SHAMSABAD COLONY MULTAN.	RAHAT 35202-7942237-6	MUHAMMAD IKRAM	2,097	2,226	-	4,323	-	-	1,868	-	1,868
171	GULSON'S ENTERPRISES PLOT NO.695,140/2-B ROAD STREET-14 BIHAR COLONY,LIYARI QUARTERS,KARACHI.	ZAHID HUSSAIN 42201-0462247-9	GHULAM ALI	9,035	8,855	-	17,890	5,535	-	8,855	-	14,390
172	SHAHID INAMULLAH KHAN TIKRIHAN WALA, TEHSIL SAHIWAL, DISTRICT SARGODHA.	MUHAMMAD SALEEM 42000-0447041-3 RUBAB BANO 42000-0443602-2 MUHAMMAD RIAZ 42000-0463547-5	GHULAM ALI  GHULAM ALI ISMAIL  GHULAM ALI ISMAIL	2,884	1,484	-	4,368	-	-	1,484	-	1,484

**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, 2017

**ANNEXURE II**

Rs. in '000

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
173	MUHAMMAD ZAFAR JALIL KHAN VILL PO PANILA, TEH. PAHAR PUR, DISTT. D.I. KHAN.	12103-7107612-5	DUR MUHAMMAD KHAN	702	859	-	-	-	659	-	659
174	HUSNAIN INTERNATIONAL (PVT) LTD HUSSAIN ARCADE, 5TH FLOOR, MONTGOMERY BAZAR, FAISALABAD.	MUDASSAR JAVED 33100-8169426-9 RIZWAN ANWAR 33100-7723784-9	SH. GHULAM SARWAR  CH. MUHAMMAD ANWAR	8,945	2,318	-	-	-	1,263	-	1,263
175	CHACHAR MODEL FARM RAWANTI ROAD UBAURO, DISTT. GHOTKI.	ABDUL LATIF 45105-1852113-3	ABDUL HAMEED	1,000	768	-	-	-	550	-	550
176	SMS PROTEIN FARMS CHAK. NO. 160/EB. PO. KHAS, TEHSIL BUREWALA, DISTT. VEHARI.	MUNAWAR-UZ-ZAMAN 36603-8534262-9	MUHAMMAD ALI SABIR	2,499	855	-	-	-	604	-	604
177	HUMZA FASHION 568-ST. NO. 02, SECOND FLOOR, JINNAH COLONY, FAISALABAD.	GHULAM ABBAS 33100-1078292-7 ILYAS ZAHID 33100-6655342-9	MUHAMMAD SHAFI  MUHAMMAD SHAFI	3,870	1,481	-	-	-	1,231	-	1,231
178	CHADHAR COMMISSION SHOP GHULLAH MANDI KALEKI, TEHSIL HAFIZABAD, DISTT. HAFIZABAD.	FALAK SHER 34301-8958419-9	SULTAN AHMED	640	801	-	-	-	641	-	641
179	ANSAR TEXTILE INDUSTRIES MAIN ROAD GARIAKH, GUJRANWALA.	YOUNAS IQBAL 34101-3346506-3	MUHAMMAD IQBAL	1,522	2,026	-	-	-	1,998	-	1,998
180	MADINA FABRICS SHOP. NO. 15, 1ST FLOOR, ALMUSTAFA CENTRE, YARN MARKET, MONTGOMERY BAZAR, FAISALABAD.	ASIF ALI 33100-0669074-9	HAJI NIAMAT ALI	28,000	12,144	-	-	-	12,144	-	12,144
181	HOTEL TAJ PALACE KUTCHERY ROAD, SIALKOT.	MUHAMMAD MUDASSAR 33100-7758688-3	HAJI SALAMAT ALI								
182	ABSHAD & CO THANA BAZAR MAILSI, DISTT. VEHARI.	SHAHID RAFIQUE 34603-9219085-5 MALIK MUHAMMAD RIAZ 34603-2189993-7	MUHAMMAD RAFIQUE BHATTI  MALIK INAYAT ULLAH	9,904	2,234	-	-	-	2,143	-	2,143
183	SOHAIL BRICKS MULLI SUNDER RAINWIND ROAD, LAHORE.	MUHAMMAD ISHAQ 36602-0947516-5	MUHAMMAD ISRAIL	800	656	-	-	-	589	-	589
183	SOHAIL BRICKS MULLI SUNDER RAINWIND ROAD, LAHORE.	SOHAIL MUKHTAR	MALIK MUKHTAR AHMED	3,165	425	-	-	-	117	308	708

## Amount Written-Off during the year

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## ANNEXURE II

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				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
RS. IN '000											
184	ELDER GHULAM MASIH & SONS PURANI AABADI KAMOKI, DISTT. GUJRANWALA.	ELDER GHULAM MASIH 34102-0434504-7	NIZAM DIN	1,568	1,633	-	3,201	-	1,633	-	1,633
185	PAK MUSLIM INDUSTRIES (PVT) LTD GADOON AMAZI INDUSTRIAL ESTATE,DISTRICT,SWABI.	WAQAR ALI KHAN 17301-6844793-5	ABDUL QAYUM KHAN	3,357	10,776	-	14,133	-	9,160	1,616	10,776
186	IJAZ AHMAD DAIRY FARM CHAK NO.10-N-B,QUDRATABAD, TEHSIL,BHALWAL.	AMJAD RASHID DURRANI 135-65-365400 MEHBOOB ELAHI PARACHA	ABDUL RASHID DURRANI NOOR ELAHI PARACHA	3,050	1,598	-	4,648	-	1,168	-	1,168
187	MUHAMMAD AKRAM MALIK MOUZA CHAMB KULYAR,P.O.CHAMB KULYAR BASTI JHOK JANA, TEH&DISTT.BAHAWALPUR.	EJAZ AHMED 38401-0235544-9	FAZAL ELLAHI	226	301	-	527	226	301	-	527
188	MST.AYESHA MAI MOUZA GUID PUR,LODHRAN, TEH&DISTRICT,LODHRAN.	31202-0455450-1	MALIK IMAM BUX	239	293	-	532	239	293	-	532
189	ALI TRADERS FAISALABAD ROAD,P.O.SAME, TEH.OKARA.	ALI ASGHAR 35302-1985616-3	ILAM DIN	400	519	-	919	-	442	77	519
190	SIGMATEC CORPORATION 409-B,CANAL VIEW HOUSING SOCIETY,LAHORE.	MUHAMMAD SAGHIR ASGHAR 35200-1259290-3	MUHAMMAD ASGHAR ALI	657	658	-	1,315	-	588	69	657
191	KIPS FARMS HOUSE NO.8,BERI VILLA,GULBERG CANAL ROAD,LAHORE.	MUHAMMAD ASHFAQ (LATE) 35201-5046687-1	MIAN BAGH ALI	3,997	1,804	-	5,801	-	1,804	-	1,804
192	REHMAN TEXTILE MILLS BYE-PASS SAMUNDRI ROAD, FAISALABAD.	MUNAWAR SULTANA 35202-5251477-6	MUHAMMAD ASHFAQ (LATE)	9,431	4,927	-	14,358	-	4,354	-	4,354
193	SAJJAWAL TRADERS GHALLA MANDI,QILA DIDAR SINGH.	MUHAMMAD MUNIR AHMED 33100-9512466-9 HABIB AHMED 33100-0222922-1	HAJI MUHAMMAD SHARIF MEHMOOD AHMED	299	823	-	1,122	-	686	-	686
194	KHURSHED KARIANA STORE 126-D,CHOWK,BOKHARI INSIDE LOHARI GATE,LAHORE.	FAISAL IMRAN 34101-2484098-7 MUHAMMAD SALEEM 35202-5532501-9	NOOR MUHAMMAD KHURSHED AHMED	709	901	-	1,610	-	901	-	901

**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, 2017

**ANNEXURE II**

Rs. in '000											
S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
195	AWAN SAHIB GARMENTS 181-B, PANORAMA CENTRE, LAHORE.	KHALID HANIF 35201-6217487-5	MUHAMMAD HANIF	2,999	2,228	-	-	-	1,987	-	1,987
196	AZAM KHAN-IMRAN KHAN MOUZA SAIDPUR PO, KHUDIAN KHAS, TEH&DISTT. KASUR.	35102-0614578-9	ISMAIL KHAN	270	257	-	270	-	257	-	527
197	ZAFAR IQBAL CHAK NO.182/9-L, TEH.CHICHAWATNI, DISTT. SAHIWAL	36501-1850455-1	MUHAMMAD SHAFI	300	313	-	300	-	313	-	613
198	SHAPES BUILDER (PVT) LTD 50-E-I, GULBERG-III, LAHORE.	OMER FAROOQ 35202-4874409-7 MAHRUKH OMER FAROOQ 35202-2541087-4	KHAWAJA ABDUL HAKEEM OMER FAROOQ	13,000	8,484	-	-	-	5,721	-	5,721
199	JAVED IQBAL MALIK HAJVERI LYCEUM GROUP OF SHCOOLS, HOUSE NO.1/56, SODI WAL COLONY, MULTAN ROAD, LAHORE.	35202-7169491-1	AHMED ALI	1,787	1,487	-	-	-	1,487	-	1,487
200	RIAZ HUSSAIN SOMIAN BHOLI, PO. BASIRPUR, TEH. DEPALPUR, DISTT. OKARA.	35301-9341594-1	NOSHER ALI	300	233	-	300	-	233	-	533
201	KAHLOON BROTHERS (PVT) LTD 45 NEW CIVIL LINES FAISALABAD.	IMRAN BASHIR KAHLOON 33100-1899680-7 REHAN BASHIR KAHLOON 33100-0210019-1	BASHIR HUSSAIN KAHLOON BASHIR HUSSAIN KAHLOON	1,465	1,949	-	-	-	1,914	-	1,914
202	DULA MOUZA ROTLA, PO. SAME, TEHSIL. MIAN CHANNU.	36104-4119595-3	MOHABAT	300	331	-	300	-	331	-	631
203	SAIF-UR-REHMAN 304-K-2 BLOCK, JOHER TOWN, LAHORE.	35404-7136350-1	ALI MUHAMMAD	291	242	-	291	-	242	-	533
204	HASSAN CORPORATION 22/A, PIR GHAZI ROAD, CHHRA, LAHORE.	SH. MUHAMMAD WASEEM 35202-0461905-3	SH. MUHAMMAD TUFAIL	857	1,376	-	-	-	1,376	-	1,376
205	LYALLPUR PLYWOOD INDUSTRIES 11, K.M. SARGODHA ROAD, FAISALABAD.	MANSOOR SADIQ 33100-6872156-1 ABID AWAIS 33100-7739644-3 MUHAMMAD SAJJID 33100-9119183-1 MUHAMMAD AYUB 33102-9005875-1	KHAWAJA GHULAM SADIQ KHAWAJA MUHAMMAD AWAIS SADIQ KHAWAJA SARDAR ALI KHAWAJA RAHIM BUKHSH	3,400	1,840	-	-	-	1,840	-	1,840



# 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, 2017

## ANNEXURE II

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges		Un-Debited (Waiver)	Debited (Reversal)	
Rs. in '000										
206	NOOR ENTERPRISE PLOT.NO.1-D-2,ST.18/1, SECTOR-16-B,NORTH KARACHI TOWNSHIP,KARACHI.	MUHAMMAD SALEEM 42201-1652779-5	NOOR MUHAMMAD	32,376	24,795	-	5,095	24,795	-	29,890
207	KHATRI TEXTILE INDUSTRIES PLOT.NO.1-D-2,ST.NO.18/1, SECTOR-16-B,NORTH KARACHI TOWNSHIP,KARACHI.	MUHAMMAD NAEEM KHATRI 42201-4703431-3	MUHAMMAD IHSAN	8,286	3,257	-	8,286	3,257	-	11,543
208	TARIQ FOOT WEAR SHOP MARKET BAZAR JARANWALA,TEHSIL. JARANWALA,DISTT.FAISALABAD.	ZUBAIR AHMAD 33104-3029922-7 ATTEQ ABDULLAH 33104-9572327-9	ABDUL HAYEE SH MUHAMMAD ABDULLAH	1,899	516	-	-	516	-	516
209	GABLE ARYANI MINNI FLOOR MILL NOOR SHAH ROAD,PO.SHAHPUR CHAKAR,TEH.SHAHDADPUR,SANGHAR.	TENO MAL 44204-6897783-5 DAYA RAM 44204-0739864-1	REEJHOO MAL REEJHOO MAL	2,800	815	-	-	815	-	815
210	HAJI RAFIQUE & SONS GODOWN.NO.500,KACHA RAHIM ROAD MISRI SHAH,LAHORE.	MUHAMMAD SHAFIQUE 35202-2506799-5 MUHAMMAD RIZWAN 35202-2506792-7 MUHAMMAD ARIF 35202-2728866-3 MUHAMMAD SOHAIL 35202-3056692-3 MUHAMMAD ASIF 42201-0620357-7	MUHAMMAD RAFIQUE MUHAMMAD RAFIQUE MUHAMMAD RAFIQUE MUHAMMAD RAFIQUE MUHAMMAD RAFIQUE	10,000	4,198	-	-	4,198	-	4,198
211	RIZWAN & BROTHERS GODOWN.NO.497,AL-MAKKAH IRON MARKET,MISRI SHAH,LAHORE.	MUHAMMAD RIZWAN 35202-2506792-7	MUHAMMAD RAFIQUE	2,500	990	-	-	990	-	990
212	BABAR & BROTHERS GODOWN.NO.498-AL-MACCA IRON MARKET,MISRI SHAH,LAHORE.	MUHAMMAD BABAR 35202-3045201-3	MUHAMMAD RAFIQUE	4,998	2,008	-	-	2,006	-	2,006
213	ABU BAKAR MEDICARE CHAK.NO.243-RB,ROSHAN WALA, DISTT.FAISALABAD.	LATE MUHAMMAD HANIF 33100-3415068-7	MUHAMMAD ALI	400	543	-	-	507	36	543
214	MUHAMMAD KHALID TAHIR H.NO.8,ST.NO.1,AMER HANZA ST, CHARGI PARK,KASUR PURA BUND ROAD,LAHORE.	35502-0112620-5	MUHAMMAD SHAFI	328	188	-	328	188	-	516

**Amount Written-Off during the year**

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**ANNEXURE II**

Rs. in '000

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				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)		
215	MOHSIN KHAN FLAT NO.E-4,LASHARI BUILDING ST.NO.11,PUNJAB COLONY,KARACHI	41306-5050470-1	ALLAH ANDO KHAN	575	174	-	749	575	-	174	-	749
216	SAIMA SIR GANGA RAM HOSPITAL,CAYNAE DEPTT,QUEEN MARRY ROAD,LAHORE.	36502-7725766-6	WILSON MASHI	342	200	-	542	342	-	200	-	542
217	MUZAFAR ALI H.NO.31,MAIN STREET,NEAR NOON HOUSE,GULGASHT COLONY,MULTAN.	36302-0414011-1	MALIK MUHAMMAD HUSSAIN	385	214	-	599	385	-	214	-	599
218	WAQAR AHMED H.NO.36-B,ELAM DIN STREET PIR GHAZI ROAD,LAHORE.	35102-9962143-7	ZULFIQAR ALI	421	123	-	544	421	-	123	-	544
219	SHAH AWAL KHAIR RESCUE-1122 HEAD OFFICE,MUSLIM TOWN,LAHORE.	35202-5272837-3	SYED MUBARAK ALI SHAH	366	177	-	543	366	-	177	-	543
220	ZARINA H.NO.C-26,AGROVEL COLONY, BADIN.	41101-1803190-0	MUHAMMAD KHAN	398	213	-	611	398	-	213	-	611
221	MUHAMMAD NADEEM H.NO.MC-114/24 SALMAN FARSI COLONY,MALIR HALT,KARACHI.	42201-8984411-9	SHOUKAT ALI	315	192	-	507	315	-	192	-	507
222	PARVEEN ESSER SANDAMAN PROVINCIAL HOSPITAL M.A,JINNAH RD,QUETTA.	33105-4585093-4	ASHIR ERIC	447	262	-	709	447	-	262	-	709
223	KALEEMULLAH KHAN H.NO.CB-19,GULSHAN COLONY, WAH CANTT.	11201-1377982-7	SARDAR ALI KHAN	373	156	-	529	373	-	156	-	529
224	SALEEM AKHTAR WARD.NO.17,HOUSE.NO.503-B-II, MOH.FAIZABAD,LAYYAH.	32203-6825331-3	NAZIR AHMAD CHAUDHRY	553	-	-	553	553	-	-	-	553
225	MUHAMMAD ASLAM SHAHID MOUZA.GHAFOOR WAH,PO.SAME, TEH.BUREWALA,DISTT.VEHARI.	36601-5146155-3	ALLAH BUKSH	401	196	-	597	401	-	196	-	597
226	MUHAMMAD KASHIF H.NO.C-2 SHEET.NO.27 MODEL COLONY,MAIN JINNAH AVENUE, MALIR CANTT. ROAD,KARCHI.	42201-4295689-3	MUHAMMAD ASHFAQ	350	175	-	525	350	-	175	-	525

# 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, 2017

## ANNEXURE II

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total	
				Principal	Mark-up (Debited + Undebited)	Other Charges			Total	Un-Debited (Waiver)		Debited (Reversal)
Rs. in '000												
227	SAMIA NAZ 39 SIKANDAR BLOCK ALLAM IQBAL TOWN LAHORE.	35202-1559683-6	OBAID ULLAH	495	252	-	747	495	-	252	-	747
228	HAJVERI CARS 27/A-1,JAIL ROAD,LAHORE.	MST MUMTAZ RANA 35202.5423127-6	RANA SAJJAD AHMED MAN	14,000	15,114	-	29,114	-	-	6,190	-	6,190
229	NEW SUPER STEEL H.NO.03,ST.NO.02,MOHALA HABIB PARK,G.T.ROAD,DAROGHAWALA, LAHORE.	MUHAMMAD IDRESS 35201-5735623-5	MUHAMMAD SAEEN	3,999	1,293	-	5,292	-	-	1,292	-	1,292
230	BUKHARI TYRE HOUSE C/O SYED IJAZ HUSSAIN SHA NEAR EIDGAH G.T.ROAD,GUJRAT.	SYED EJAZ HUSSAIN SHAH 34201-0543787-5	SYED ALTAF HUSSAIN SHAH	2,298	1,771	-	4,069	-	-	1,771	-	1,771
231	IQBAL BROTEHR MEDICINE MARKET,CHOWK GHANTA GHAR,M.MEDICINE MARKET,MULTAN.	IQBAL HUSSAIN 36302.1082481.9	MUHAMMAD ASHRAF	599	646	-	1,245	-	-	572	-	572
232	AHMED NAWAZ KHAN VILL SHAHBAZ AZMAT KHEL, DISTT. BANNU.	17301-0772563-3	MUHAMMAD NAWAZ	-	810	-	810	-	-	631	-	631
233	SYED IMRAN HAIDER GARDAIZI SYED ALI NEW SHALIMAR COLONY,H.NO 14, SHAHEEN BLOCK,BOSAN ROAD, MULTAN.	36302-5929084-5	SYED ATTA HUSSAIN GARDEZI	2,056	1,537	-	3,593	-	-	1,537	-	1,537
234	POSWAL COTTON GINNING & OIL MILLS CHAK.NO.37/12-L,G.T. ROAD, CHICHA WATNI.	IFTIKHAR ALI POSWAL 36501-0662119-7	MUHAMMAD SHARIF	453	801	-	1,254	-	-	628	173	801
235	ABDULLAH CHICKEN CONTROL SHED DERA ABULLAH SHERANA GONDAL, MOUZA KOTMOMIN,TEH KOTMOMIN, DISTT. SARGODHA.	HAFSA IFTIKHAR POSWAL 36501-6210306-2 NASIR MEHMOOOD	IFTIKHAR ALI POSWAL MUHAMMAD SHARIF	1,400	1,266	-	2,666	-	-	766	-	766
236	AHMAD COMPUTER S/16 SECOND FLOOR,RAFI PLAZA, HALL ROAD,LAHORE.	MUHAMMAD AHMED 35202-3050984-7	MUHAMMAD ISLAM	999	676	-	1,675	-	-	675	-	675
237	AKBAR & CO BAHAWALPUR ROAD,NEW CHUNGI,14, MULTAN.	MUHAMMAD AKBAR 36302-0271479-5	SULTAN AHMED	4,982	4,298	-	9,280	-	-	4,298	-	4,298

# Amount Written-Off during the year

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## ANNEXURE II

Rs. in '000											
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				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
238	PAK FARMING CARE OFF.NO.760,BLOCK-E, SHAH RUKNE-ALAM COLONY,MULTAN	HAMID RAZA 36302-9277003-3  HASNAIN RAZA 36302-0642270-1	MUHAMMAD ARSHAD  ALLAH BAGHAYA URF MUHAMMAD ARS	2,500	1,329	-	3,829	-	1,079	-	1,079
239	MUHAMMAD RAHIM VILLAGE SHAHLEE JUNEJO,DEH, SHAH BUKHARI,PO.TANDO MUHAMMAD KHAN.	41308-7721134-3	SHAHLEE JUNEJO	300	351	-	651	300	-	351	651
240	MUHARAM KHAN GOTH CHAKAR KHAN P.O.L.M.C. TEHSIL KOTRI,DISTRICT JAMSHORO	41204-6958739-1	MUHAMMAD BACHAL KHAN	272	257	-	529	272	-	257	529
241	QURESHI SWEETS MAKERS OLD G.T. ROAD,NEAR RAILWAY PHATIK SARAI ALAMGIR, DISTT. GUJRAT.	FAZAL HUSSAIN QURESHI 34203-1780823-1	MUHAMMAD HUSSAIN QURESHI	3,496	2,194	-	5,690	-	-	2,031	2,194
242	KAHMISO NIZAMANI C/O MOHEN SIRSABZ RICE MILL KARIO GHANAWER, TALUKA GOLARCHI	41102-4520794-5	MUHAMMAD JUMAN	222	280	-	502	222	-	280	502
243	SHAHZAD ARHAT COMMISSION SHOP FACTORY AREA, JAMPUR ROAD, D.G.KHAN.	SADIQ HUSSAIN SHAH 32102-1303698-1	WILAYAT HUSSAIN SHAH	1,600	2,186	-	3,786	-	-	2,036	2,036
244	MIAN POLYESTER HOUSE SHOP NO.2,KHALID MARKET,CHOWK CHAUDHARY FLOOR MILL,FACTORY AREA,FAISALABAD.	JAVAD IQBAL 33100-4658969-1	MUHAMMAD BOOTA	1,300	1,254	-	2,554	-	-	1,191	1,254
245	MEHRAN ICE FACTORY NEAR KHIPRO NAKA HOUSE NO.10/1 BLOCK-1B,SSATELLITE TOWN, MIRPUR KHAS.	ABDUL HABIB 44101-2840457-7	ASMAT ULLAH	2,499	1,279	-	3,778	-	-	1,067	1,067
246	AWAIS TRADERS SUJANWAL ROAD,TANDO MUHAMMAD KHAN,PO.TANDO MUHAMMAD KHAN.	MUHAMMAD RIZWAN 42000-5760984-5	MUHAMMAD DAWOOD	3,972	1,808	-	5,780	-	-	1,780	1,780
247	MUHAMMAD BILAL RANA HOUSE.NO.17,NEAR AWAN HOUSE, SAJID AWAN COLONY,BAHAWALPUR.	31202-3138232-9	RANA TAJ MUHAMMAD	500	132	-	632	500	-	132	632
248	MUHAMMAD HAMZA KHAN C-158/1,BLOCK-10,F.BAREA, KARACHI.	42101-0392627-7	ARIF SHAMIM KHAN	413	91	-	504	413	-	91	504

# 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, 2017

## ANNEXURE II

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges	Total			Un-Debited (Waiver)	Debited (Reversal)	
Rs. in '000												
249	ATHAR HANIF NASIM SHAIKH AMZ SECURITIES 19TH FLOOR, SAIMA TRADE TOWER, TOWER-B,I.I. CHUNDRIGAR ROAD,KARACHI.	42301-5298596-5	HANIF AHMED NASIM	957	172	-	1,129	957	-	172	-	1,129
250	TALAL AKBAR BUGTI BUGTI CHIEF HOUSE, FATIMA JINNAH ROAD CITY NEAR AZEEM MEDICAL CENTRE, QUETTA.	42301-4702474-7	SARDAR AKBAR KHAN BUGTI	924	235	-	1,159	924	-	235	-	1,159
251	AHMED HUSSAIN SUIT NO.G8-T1, GROUND FLOOR TECHNO CITY MALL, OFF.I.I. CHUNDRIGAR ROAD,KARACHI.	42301-7291905-9	SHAHZAD QAMAR	448	110	-	558	448	-	110	-	558
252	MUHAMMAD FAWAD AHMED NAIMAT ABAD JHANG ROAD, FAISALABAD.	33100-8128241-5	M ZIA ULLAH	997	236	-	1,233	997	-	236	-	1,233
253	BASHIR AHMED SANGI ROOM NO.A-8/1121,BACHLOR'S HOSTAL PIA STAFF COLONY, NEAR AIR PORT,KARACHI.	43203-1360575-1	ARBAB ALI	486	102	-	588	486	-	102	-	588
254	SYED ARSHAD ALI RIZVI BUNGLOW NO.39 MAIN KHAYABAN-E- BUKHARI, NEAR MISRI SHAH MAZAR, PHASE-VI,DHA,KARACHI.	42301-1091489-1	SYED AZIZ-UR-REHMAN	484	93	-	577	484	-	93	-	577
255	KHALID RAFIQUE PLOT.NO.2267/76,NISHAT ROAD, LOHA MARKET, MULTAN.	36302-1095830-7	MUHAMMAD RAFIQUE	500	131	-	631	500	-	131	-	631
256	RAHILA FAROOQ H.NO.223-B-4,DHOBI MUHALLA, SAHIWAL.	36502-0765513-6	MUHAMMAD FAROOQ	550	135	-	685	550	-	135	-	685
257	PARVEZ KHURSHID C-78/9,CULSHAN-E-IQBAL,KARACHI, SINDH.	42201-0400687-5	KHAWAJA KHURSHID AHMED	779	159	-	938	779	-	159	-	938
258	JAHANZEB QURESHI HOUSE.710A SKARI-9,ZARAR SHAHED ROAD,LAHORE CANTT. PUNJAB	35201-7999471-7	PERWAIZ KHALID QURESHI	562	116	-	678	562	-	116	-	678
259	MALIK TARIQ BUCHA 29/V, PHASE-II,DHA LAHORE, PUNJAB.	35201-2823727-7	MALIK KHUDA BAKHSH	469	104	-	573	469	-	104	-	573

**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, 2017

**ANNEXURE II**

Rs. in '000

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning			Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
260	MUHAMMAD FAROOQ RAZA KHAN QADRI HOUSE 108, NEAR MASJID ABUZAR GAFFARI GULLISTAN-E-JOHAR, BLOCK-15, KARACHI, SINDH.	42301-4954555-9	MUHAMMAD NAEEM KHAN	449	118	-	567	449	118	-	567
261	ABDUL SALEEM KHAN GHANI HOUSE, 8/A, REHMAN GARDEN DARBAR BAGHAYE SHAH HABIB ULLAH ROAD, GARHI SHAHU, LAHORE.	35200-1573222-7	ABDUL GHANI KHAN	524	136	-	660	524	136	-	660
262	MUHAMMAD IQBAL FARUQIE HOUSE 24, MALIK TAJDIN STREET, MILLAT ROAD, ISLAMPURA, LAHORE PUNJAB	35202-2954108-1	MUHAMMAD USMAN FAROOQI	752	146	-	898	752	146	-	898
263	FARRUKH SHAIKH IQBAL COMPLEX SEC #5-1-C, NORTH KARACHI FLAT # A-10, KARACHI	42101-1690985-3	SHAIKH ABDUL RAZZAQ	475	115	-	590	475	115	-	590
264	IMRAN SAEED H.17/12, IQBAL STREET SADI PARK LYTTON ROAD, LAHORE, PUNJAB.	35202-8715007-9	MUHAMMAD SAEED	495	97	-	592	495	97	-	592
265	MANSOOR AHMAD KHAN COOPERATIVE HOUSING SOCIETY, S-12, PHASE-II, LAHORE CANTT, PUNJAB.	35201-1355003-5	ZAMEER AHMED KHAN	855	208	-	1,063	855	208	-	1,063
266	NAVVEED AHMED BUTT TOWNSHIP HOUSE 57-IC, LAHORE PUNJAB.	35202-5871136-7	MUNEER AHMED BUTT	646	160	-	806	646	160	-	806
267	SHAHRIYAR SHEIKH 96-J, PHASE-1, DHA, LAHORE	35201-9479763-9	IFTIKHAR AHMED SHAIKH	499	98	-	597	499	98	-	597
268	ABDUL REHMAN F-31-32, APT-202, SWEET VILLA, BLOCK-9, CLIFTON, KARACHI.	42301-9573709-3	HAROON RASHEED	397	103	-	500	397	103	-	500
269	AZMAT ALI F-279, HABRA BAZAR, RA WALPINDI, PUNJAB.	37405-5890558-7	REHMAT ALI	458	138	-	596	458	138	-	596
270	MUHAMMAD NASEER UDDIN HOUSE 2-A-6/1, 1-FLOOR, NAZIMABD-2, KARACHI, SINDH.	42101-1818971-9	SHARF UDDIN	444	104	-	548	444	104	-	548

# 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, 2017

## ANNEXURE II

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning					Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total	
				Principal	Mark-up (Debited + Undebited)	Other Charges	Total	Un-Debited (Waiver)			Debited (Reversal)			
Rs. in '000														
271	SHAH NAWAZ KHAN A-201, STREET 9, BASIT TOWERS, BLOCK-N,NORTH NAZIMABAD, KARACHI.	42101-1866533-1	WAZIR MUHAMMAD GHOUSS KHAN	541	95	-	636	541	-	95	-	636		
272	IJAZ GUL HOUSE 378,STEEET-25, FIRST FLOOR E-11/4, ISLAMABAD	61101-6162241-1	QAZI SALAHUDDIN	493	126	-	619	493	-	126	-	619		
273	SHEKH MUHAMMAD ISMAIL H#NE-2581,HAQ NAWAZ ROAD,NEAR LAPROSV HOSPITAL, RAWALPINDI	37405-4222513-5	SHEIKH BASHIR AHMED	428	96	-	524	428	-	96	-	524		
274	GULZAR AHMAD HERBANSPURA NEAR,LEFT MOHALLAH FARIDANR MC BOY MAIN MORE STOP,LAHORE,PUNJAB	35201-7803863-5	GHULAM MURTAZA	440	99	-	539	440	-	99	-	539		
275	SHAHZADA MUHAMMAD SHAFI PUNJAB-5 CANAL PARK,GULBERG-II, LAHORE, PUNJAB	35202-1783443-5	ABDUL GHANI	564	100	-	664	564	-	100	-	664		
276	KHAWAJA MUHAMMAD HANIF HOUSE NO.161-B,NEW CHUBURJI LAHORE	35200-9757416-3	KHAWAJA MUHAMMAD SALEEM	422	113	-	535	422	-	113	-	535		
277	SYED MUHAMMAD FARHAN NORTH NAZIMABAD E-12,BLOCK-F, KARACHI,SINDH.	42101-3529312-9	SYED MUHAMMAD NAQI	589	136	-	725	589	-	136	-	725		
278	MUHAMMAD SHAFIQ 7TH ROAD,NEW MALPUR,SATTTELITE TOWN,HOUSE NA-399,RAWALPINDI, PUNJAB	37405-5297224-9	MUHAMMAD SHARIF	495	77	-	572	495	-	77	-	572		
279	SHAIKH MUHAMMAD AKBAR SHADMAN COLONY-1,REHMANIA PARK NEAR WATER TANK 188, LAHORE, PUNJAB	35202-5474491-9	SHAIKH MUHAMMAD AFZAL	691	151	-	842	691	-	151	-	842		
280	MUHAMMAD TAHIR MEHMOOD ASIF MEDICAL CENTRE,OPPOSITE ISLAMABAD DENTAL HOSPITAL,MAIN MURREE RD,BHARAKAHU,ISLAMABAD,	61101-1798465-1	CH.ABDUL WAHAB	516	114	-	630	516	-	114	-	630		
281	RIFAT ZIA B-35/2,NAVY HOUSING SCHEME, ZAMZAMA,NEAR DO-TALWAR,KARACHI	42000-7785102-6	ZIA ULLAH KHAN RAJA	590	69	-	659	590	-	69	-	659		



**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, 2017

**ANNEXURE II**

S. No.	Name & Address of the Borrower	Name of Individuals/Proprietor/Partners/ Directors (with NIC No.)	Father's /Husband Name	Outstanding Liabilities at the beginning					Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief		Total
				Principal	Mark-up (Debited + Undebited)	Other Charges	Total				Un-Debited (Waiver)	Debited (Reversal)	
282	TAHIR ISLAM 33-C SHAIKH COLONY, FAISALABAD, PUNJAB.	33100-5132939-5	CHAUDHRY MUHAMMAD BOOTTA	500	115	-	615	500	-	115	-	615	
283	GAZANFAR ASGHAR KHOKHAR H.NO.17 F-7/1 SCHOOL ROAD, ISLAMABAD PUNJAB.	61101-5347939-3	ASGHAR ALI KHOKHAR	540	96	-	636	540	-	96	-	636	
284	MUHAMMAD NAVEED HOUSE.NO.136,SAFARI VILLAS-3, PHASE-II,BAHARIA TOWN, RAWALPINDI.	37405-5874782-9	MUHAMMAD SALEEM	469	118	-	587	469	-	118	-	587	
285	SHAMSUL HASSAN PHASE V, D.H.A. 60/I, KHAYABAN-E-HAFIZ, KARACHI SINDH	42301-0823367-1		406	134	-	540	406	-	134	-	540	
TOTAL				1,274,968	759,492	-	2,034,460	109,429	-	669,320	27,631	806,380	

## Details of Disposal of Operating Fixed Assets - Unconsolidated Financial Statements

For the year ended December 31, 2017

Description	Original cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Particulars of buyer
----- (Rupees in '000) -----						
<b>Building</b>	2,245	93	2,152	2,000	Insurance Claim	Jubilee General Insurance Company Limited
	2,245	93	2,152	2,000		
<b>Furniture, fixtures and office equipment</b>	3,147	2,354	793	-	Write-off	N/A
	7,301	6,695	606	-	Write-off	N/A
	6,435	6,132	303	-	Write-off	N/A
	5,775	5,472	303	-	Write-off	N/A
	4,448	4,145	303	-	Write-off	N/A
	4,166	3,863	303	-	Write-off	N/A
	4,166	3,863	303	-	Write-off	N/A
	3,758	3,455	303	-	Write-off	N/A
	1,967	656	1,311	-	Write-off	N/A
	1,435	1,435	-	-	Write-off	N/A
	1,383	1,083	300	-	Write-off	N/A
	1,323	353	970	-	Write-off	N/A
	1,232	657	575	-	Write-off	N/A
	1,142	286	856	-	Write-off	N/A
	1,135	1,135	-	-	Write-off	N/A
	912	334	578	644	Insurance Claim	Jubilee General Insurance Company Limited
	912	349	563	572	Insurance Claim	
	1,100	1,100	-	1	Sale	Electro Link
	51,737	43,367	8,370	1,217		
<b>Leasehold improvements</b>	6,147	6,147	-	300	Auction	Bank Alfalah
	11,011	11,011	-	565	Insurance Claim	Jubilee General Insurance Company Limited
	17,158	17,158	-	865		
<b>Vehicles</b>	1,354	1,354	-	1,090	Auction	Kamran Pirzada
	1,269	1,269	-	980	Auction	
	1,399	1,399	-	1,075	Auction	Mrs. Javaria Hayee
	1,239	1,239	-	855	Auction	
	1,238	1,238	-	760	Auction	Muhammad Arif
	1,299	1,299	-	785	Auction	
	1,269	1,269	-	750	Auction	Muhammad Bilal
	1,384	1,384	-	1,114	Auction	
	1,239	1,239	-	900	Auction	Muhammad Nasir Khan
	1,300	1,300	-	950	Auction	
	1,269	1,269	-	840	Auction	Muhammad Umar
	1,080	1,080	-	640	Auction	
	1,269	1,269	-	810	Auction	Saeed ur Rehman
	1,337	1,337	-	1,070	Auction	Zulqarnain Hafeez Cheema
	1,885	1,885	-	226	Auction	Nadeem Danish
	1,731	433	1,298	1,471	Insurance Claim	Jubilee Insurance (Mauritius) Limited
	1,013	1,013	-	-	Write-off	N/A
	22,574	21,276	1,298	14,316		
<b>Subtotal</b>	93,714	81,894	11,820	18,398		
Assets individually having cost of less than Rs. 1 million and book value of less than Rs. 250,000						
Others	183,943	181,819	2,124	19,206		
<b>Total</b>	277,657	263,713	13,944	37,604		

# Pattern of Shareholding

As at December 31, 2017

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
22,287	1	100	606,903
65,967	101	500	14,345,179
2,396	501	1000	1,775,348
2,046	1001	5000	4,136,392
313	5001	10000	2,369,003
130	10001	15000	1,646,403
84	15001	20000	1,523,721
47	20001	25000	1,081,036
41	25001	30000	1,166,367
39	30001	35000	1,296,792
35	35001	40000	1,313,014
21	40001	45000	881,257
30	45001	50000	1,453,561
16	50001	55000	849,347
8	55001	60000	469,618
14	60001	65000	868,593
12	65001	70000	808,599
14	70001	75000	1,010,540
12	75001	80000	931,011
10	80001	85000	824,040
11	85001	90000	961,765
10	90001	95000	924,788
14	95001	100000	1,385,253
5	100001	105000	514,111
8	105001	110000	860,801
6	110001	115000	674,121
7	115001	120000	823,228
6	120001	125000	738,520
4	125001	130000	513,475
3	130001	135000	397,400
4	135001	140000	552,980
5	140001	145000	715,228
5	145001	150000	739,895
6	150001	155000	907,401
5	155001	160000	794,500
2	160001	165000	323,537
7	165001	170000	1,165,441
7	170001	175000	1,215,583
4	180001	185000	732,191
4	185001	190000	749,725
2	190001	195000	387,260
9	195001	200000	1,790,130
1	200001	205000	201,000
4	205001	210000	833,200
1	210001	215000	211,600
2	215001	220000	433,200
3	220001	225000	671,200
1	225001	230000	230,000
1	230001	235000	232,600
2	240001	245000	483,900

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
2	245001	250000	500,000
1	250001	255000	251,800
1	255001	260000	260,000
3	260001	265000	785,520
3	265001	270000	800,619
2	270001	275000	546,713
2	280001	285000	565,300
3	285001	290000	861,068
2	295001	300000	595,190
2	300001	305000	606,928
1	305001	310000	305,600
3	310001	315000	935,200
3	315001	320000	952,767
6	320001	325000	1,936,585
6	330001	335000	1,992,950
1	335001	340000	338,700
2	345001	350000	693,921
1	350001	355000	355,000
1	365001	370000	365,915
1	370001	375000	374,300
1	375001	380000	375,500
2	380001	385000	769,670
3	385001	390000	1,160,525
1	390001	395000	394,532
1	395001	400000	400,000
1	405001	410000	408,700
1	410001	415000	410,900
2	415001	420000	835,548
2	420001	425000	842,084
2	430001	435000	863,236
1	435001	440000	435,900
1	440001	445000	443,135
4	445001	450000	1,796,400
1	450001	455000	451,927
2	460001	465000	927,406
2	465001	470000	934,000
1	485001	490000	487,800
2	495001	500000	999,593
1	520001	525000	523,500
2	530001	535000	1,065,200
1	535001	540000	539,800
2	540001	545000	1,082,778
1	545001	550000	550,000
1	550001	555000	553,200
2	570001	575000	1,146,400
2	575001	580000	1,152,100
1	580001	585000	581,900
1	590001	595000	594,000
1	595001	600000	600,000
1	615001	620000	617,100

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
1	625001	630000	626,100
1	640001	645000	645,000
3	655001	660000	1,970,556
2	660001	665000	1,327,000
2	675001	680000	1,352,435
3	695001	700000	2,100,000
1	710001	715000	712,200
1	720001	725000	724,000
1	725001	730000	729,900
2	735001	740000	1,470,859
2	745001	750000	1,499,900
1	750001	755000	753,800
2	755001	760000	1,513,200
1	765001	770000	769,400
2	780001	785000	1,567,400
1	810001	815000	811,349
1	815001	820000	819,580
2	830001	835000	1,667,600
1	845001	850000	847,000
1	865001	870000	869,303
2	875001	880000	1,756,550
1	935001	940000	939,300
1	940001	945000	942,100
1	995001	1000000	998,700
1	1065001	1070000	1,067,000
1	1095001	1100000	1,099,300
2	1125001	1130000	2,253,917
1	1140001	1145000	1,142,900
2	1155001	1160000	2,315,206
1	1165001	1170000	1,166,000
2	1170001	1175000	2,343,673
2	1175001	1180000	2,358,733
2	1185001	1190000	2,372,929
1	1195001	1200000	1,198,600
1	1215001	1220000	1,217,200
2	1245001	1250000	2,492,800
1	1250001	1255000	1,255,000
1	1270001	1275000	1,274,699
1	1275001	1280000	1,275,900
1	1325001	1330000	1,330,000
1	1330001	1335000	1,333,000
1	1340001	1345000	1,343,700
1	1345001	1350000	1,350,000
1	1365001	1370000	1,367,800
1	1370001	1375000	1,370,330
2	1375001	1380000	2,758,444
1	1405001	1410000	1,407,200
1	1420001	1425000	1,422,200
1	1465001	1470000	1,466,855
1	1475001	1480000	1,478,200

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
1	1485001	1490000	1,486,800
1	1490001	1495000	1,493,400
1	1525001	1530000	1,529,989
1	1545001	1550000	1,550,000
1	1570001	1575000	1,570,300
1	1580001	1585000	1,582,400
2	1595001	1600000	3,194,200
1	1600001	1605000	1,601,440
1	1685001	1690000	1,685,419
1	1740001	1745000	1,743,495
1	1765001	1770000	1,769,878
1	1770001	1775000	1,771,000
1	1780001	1785000	1,782,400
1	1845001	1850000	1,847,400
1	1855001	1860000	1,857,710
1	1880001	1885000	1,885,000
1	1885001	1890000	1,888,788
1	1940001	1945000	1,940,969
1	1970001	1975000	1,972,300
2	2035001	2040000	4,074,800
1	2050001	2055000	2,051,366
1	2110001	2115000	2,113,748
1	2230001	2235000	2,232,600
1	2300001	2305000	2,302,100
1	2345001	2350000	2,347,800
1	2380001	2385000	2,383,535
1	2390001	2395000	2,392,611
1	2410001	2415000	2,411,058
1	2435001	2440000	2,436,214
1	2445001	2450000	2,450,000
1	2525001	2530000	2,527,400
1	2640001	2645000	2,642,600
1	2655001	2660000	2,659,600
1	2670001	2675000	2,671,570
1	2695001	2700000	2,697,700
1	2770001	2775000	2,774,179
1	2780001	2785000	2,780,300
1	2915001	2920000	2,918,800
1	2960001	2965000	2,963,600
1	3075001	3080000	3,078,300
1	3145001	3150000	3,148,445
1	3175001	3180000	3,178,139
1	3310001	3315000	3,312,600
1	3330001	3335000	3,330,478
1	3355001	3360000	3,356,511
1	3410001	3415000	3,411,365
1	3440001	3445000	3,442,700
1	3520001	3525000	3,524,300
1	3540001	3545000	3,543,705
1	3735001	3740000	3,739,800

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
1	4000001	4005000	4,001,000
1	4045001	4050000	4,049,100
1	4070001	4075000	4,073,600
1	4105001	4110000	4,106,400
1	4465001	4470000	4,465,537
1	4745001	4750000	4,750,000
1	4865001	4870000	4,869,733
1	4885001	4890000	4,886,128
1	4995001	5000000	5,000,000
1	5470001	5475000	5,474,321
1	5665001	5670000	5,666,355
1	5695001	5700000	5,700,000
1	5900001	5905000	5,901,400
1	6620001	6625000	6,622,992
1	6640001	6645000	6,640,200
1	6795001	6800000	6,797,800
1	6865001	6870000	6,868,071
1	7725001	7730000	7,727,000
1	8725001	8730000	8,729,000
1	12000001	12005000	12,003,362
1	12140001	12145000	12,143,700
1	14105001	14110000	14,106,500
1	15700001	15705000	15,702,982
1	17205001	17210000	17,206,900
1	28490001	28495000	28,492,480
1	29620001	29625000	29,623,714
1	29995001	30000000	30,000,000
1	30225001	30230000	30,228,700
1	30535001	30540000	30,537,658
1	30625001	30630000	30,627,800
1	73340001	73345000	73,342,000
1	748090001	748095000	748,094,778
93,916			1,466,852,508

# Trading by Executives

Shares Trading (Sale/Purchase) during the Year 2017

## HBL - Executives

S.No.	Name of Shareholder	Purchase	Sale
1	AHMAD MANSOOR BAJWA	–	1,477
2	AMYN HUSSAIN TEJANY	1,000	–
3	ASAD ALI	1,800	–
4	KHALID MOHSIN SHEIKH	10,000	–
5	MUHAMMAD AHSAN AZAM	–	39
6	RAHEEL ASHIQ ALI	200	–
7	RAMEEZ H. LOAN	–	3,014
8	SUBUL ZEHRA	–	5,000
9	SYED SHAHID MANSOOR	–	1,000
10	ZAHID PAREKH	–	25,000



# Categories of Shareholders

As at December 31, 2017

Particulars	Shareholders	Shares Held	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>			
TRUSTEES OF HABIB BANK LTD EMPLOYEES PROVIDENT FUND	1	15,702,982	1.07
JUBILEE LIFE INSURANCE COMPANY LIMITED	1	7,727,000	0.53
TRUSTEE- HBL EMPLOYEES PENSION FUND TRUST	1	5,474,321	0.37
JUBILEE GENERAL INSURANCE COMPANY LIMITED	1	4,465,537	0.30
TRUSTEE HBL EMPLOYEES GRATUITY FUND TRUST	1	3,178,139	0.22
CDC - TRUSTEE HBL - STOCK FUND	1	1,685,419	0.11
CDC - TRUSTEE PICIC GROWTH FUND	1	1,493,400	0.10
THE AGA KHAN UNIVERSITY FOUNDATION	1	1,185,496	0.08
CDC - TRUSTEE PICIC INVESTMENT FUND	1	784,500	0.05
AGA KHAN UNIVERSITY EMPLOYEES P.F	1	729,900	0.05
TRUSTEES THE AGA KHAN UNIVERSITY EMP G.F	1	303,200	0.02
CDC - TRUSTEE PICIC STOCK FUND	1	81,100	0.01
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	77,971	0.01
CDC - TRUSTEE PICIC INCOME FUND - MT	1	300	0.00
<b>Directors and their Spouse(s) and Minor Children</b>			
NAUMAN KRAMAT DAR	1	1,172,373	0.08
MIAN NAJEEB SAMIE	1	18,500	0.00
RAYOMOND KOTWAL	1	12,170	0.00
AGHA SHER SHAH	1	1,000	0.00
<b>Executives</b>	93	359,427	0.02
<b>Public Sector Companies and Corporations</b>	8	42,383,765	2.89
<b>Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	56	50,326,450	3.43
<b>Mutual Funds</b>			
CDC - TRUSTEE NAFA STOCK FUND	1	4,869,733	0.33
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	2,780,300	0.19
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	2,232,600	0.15
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	2,113,748	0.14
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	1,379,900	0.09
CDC - TRUSTEE ABL STOCK FUND	1	1,245,800	0.08
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,187,433	0.08
CDC - TRUSTEE LAKSON EQUITY FUND	1	655,526	0.04
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	581,900	0.04
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	447,300	0.03
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	386,600	0.03
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	319,567	0.02
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	286,100	0.02
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	200,000	0.01
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	165,880	0.01
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	165,383	0.01
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	150,000	0.01
CDC - TRUSTEE LAKSON TACTICAL FUND	1	138,560	0.01
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	1	111,300	0.01
CDC - TRUSTEE APF-EQUITY SUB FUND	1	94,000	0.01
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	1	83,700	0.01
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	1	49,900	0.00
CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND - MT	1	37,100	0.00
CDC - TRUSTEE ASKARI EQUITY FUND	1	30,000	0.00
CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT	1	29,200	0.00
CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	1	20,000	0.00
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	15,000	0.00
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	10,000	0.00
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	10,000	0.00
CDC - TRUSTEE AGPF EQUITY SUB-FUND	1	8,520	0.00
CDC-TRUSTEE NITPF EQUITY SUB-FUND	1	8,000	0.00
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	5,000	0.00
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	5,000	0.00
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	1	4,000	0.00
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	1,200	0.00
MC FSL TRUSTEE JS - INCOME FUND	1	1,000	0.00
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND - MT	1	1,000	0.00
<b>Privatisation Commission of Pakistan</b>	1	4,002	0.00
<b>Foreign Companies</b>	325	349,850,900	23.85
<b>General Public</b>			
a. Local	93,040	58,186,284	3.97
b. Foreign	16	75,441	0.01
<b>Others</b>	320	80,305,903	5.47
	<b>93,916</b>	<b>1,466,852,508</b>	<b>100.00</b>

# Notice of Annual General Meeting

Notice is hereby given that the 76<sup>th</sup> Annual General Meeting of Habib Bank Limited will be held on Friday, April 27, 2018 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, 2017, 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. 25.954 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 & Co., Chartered Accountants, being eligible, have offered themselves for reappointment.
3. To approve payment of a Final Cash Dividend of Rs. 1 per share, i.e. 10%, as recommended by the Directors, to Shareholders as at close of business on April 18, 2018, which, Final Cash Dividend is in addition to the 70% Interim Cash Dividend (i.e. Rs. 7 per share) already paid.

## Any Other Business:

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

## By Order of the Board

Nausheen Ahmad  
Company Secretary

April 6, 2018  
Karachi

## Notes:

1. Copies of the minutes of the Annual General Meeting dated March 30, 2017 are available for inspection by Members as required under Section 151 of the Companies Act, 2017.
2. An update as required under Regulations 4 and 6 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017, is included as part of the Annual Report 2017.
3. The Register of Members and the Share Transfer Books will be closed from April 19, 2018 to April 27, 2018 (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 April 18, 2018 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 Shahra-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 and 2017 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders at 15% 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.

#### **C. Electronic dividend mandate:**

Under the Section 242 of Companies Act, 2017, it is mandatory for all listed companies to pay cash dividend to its shareholders through electronic mode directly in to the bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available on the Bank's website and send it duly signed along with a copy of CNIC to the 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 Shahra-e-Faisal, Karachi – 74400, in case of physical shares.

In case of shares held in CDC then electronic dividend mandate form must be directly submitted to shareholder's brokers /participant/CDC account services.

In case of non-receipt of information, the Bank will be constrained to withhold payment of dividend to shareholders.

#### **D. Submission of valid CNIC (Mandatory):**

As per SECP directives the dividend of shareholders whose valid CNICs are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are therefore advised to submit a photocopy of their valid CNICs immediately, if already not provided, to the 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 Shahra-e-Faisal, Karachi – 74400 without any further delay.

#### **E. Unclaimed Dividend:**

As per the provision of section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Bank which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable are required to be deposited with Securities and Exchange Commission of Pakistan for the credit of Federal Government after issuance of notices to the shareholders to file their claim. The details of the shares issued and dividend declared by the Bank which have remained due for more than three years was sent to shareholders. Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged promptly. In case, no claim is lodged with the Bank in the given time, the Bank shall after giving notice in the newspaper proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of Companies Act, 2017.

# Update

## Under Regulations 4 and 6 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

This statement provides information as required under Regulations 4 and 6 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 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 2017
Habib Allied Holding Limited (HAHL)	To make additional investment of up to GBP 50 million.	March 22, 2013	With a further investment of GBP 3.380 million during the year, the investment is now complete.
Diamond Trust Bank Kenya Limited (DTBK)	To acquire additional shareholding of 14.32%.	March 22, 2013	Additional 4.18% shareholding was acquired during the year. The total additional shareholding acquired since the date of original approval is 4.47%.
Kyrgyz Investment and Credit Bank Limited (KICB)	To acquire additional shareholding of 8%.	March 22, 2013	As a result of change in the international strategy, the Bank has decided not to continue with the plan to increase its holding in the entity beyond current levels.
Jubilee General Insurance Company Limited (JGIC)	To acquire additional shareholding of 8.26%.	March 22, 2013	Additional shareholding of 1.49% was acquired during the year. The total additional shareholding acquired since the date of original approval is 3.56%.
Jubilee Life Insurance Company Limited (JLIC)	To acquire additional shareholding of 6.55%.	March 22, 2013	No additional shares were acquired in 2017. A total of 0.57% additional shareholding has been acquired since the date of original approval.
Himalayan Bank Limited	To invest upto a maximum of 30% in the equity of Himalayan Bank Limited over a period of 5 years.	March 29, 2016	Additional 1,285,470 shares have been purchased through a rights issue. The current holding remains unchanged at 20%.  As a result of change in the international strategy, the Bank has decided not to continue with the plan to increase its holding in the entity beyond current levels.

**(i) Habib Allied Holding Limited:**

1	Total investment approved	Approved by the Shareholders in the Annual General Meeting held on March 22, 2013 to invest up to GBP 50 million.
2	Amount of investment made to date	An additional investment of GBP 3.380 million has been made during the year, 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 deviations from the approved timeline of investment, where investment decision was to be implemented in specified time	The investment is now 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.

**GBP in million**

	2015	2016
Revenue	15.137	19.701
Operating expenses	16.903	16.067
Operating (loss)/profit	(1.766)	3.634
Customer deposits	469.918	582.731
Customer loans and advances	117.810	121.412
Investments / balances with banks	294.049	345.581
Equity	70.921	74.280

(ii) **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 up to 14.32% because of which the total shareholding shall stand increased to up to 26%. Investment is to be completed by March 2019.
2	Amount of investment made to date	PKR 2,443.792 million representing 4.47% shareholding.
3	Reasons for deviations from the approved time-line of investment, where investment decision was to be implemented in specified time	Not Applicable.
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**

	2015	2016
Revenue	19.887	24.388
Operating expenses	8.171	9.195
Operating profit	11.715	15.193
Customer deposits	194.052	238.104
Customer loans and advances	177.545	186.303
Investments / balances with banks	83.459	127.898
Equity	38.305	45.877

(iii) 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 up to 26%. The timeframe originally specified for making the complete investment is March 2019.
2	Amount of investment made to date	Nil.
3	Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time	As a result of change in the international strategy, the Bank has decided not to continue with the plan to increase its holding in the entity beyond current levels.
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

	2015	2016
Revenue	26.133	19.269
Operating expenses	15.207	14.054
Operating profit	10.926	5.215
Customer deposits	199.638	243.191
Customer loans and advances	146.738	124.368
Investments / balances with banks	160.353	197.009
Equity	57.984	59.630



**(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 shareholding of up to 8.26% as a result of which the total shareholding shall stand increased to up to 24.50%. The timeframe originally specified for making the complete investment is March 2019.
2	Amount of investment made to date	PKR 480.521 million representing 3.56% shareholding.
3	Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time	Not Applicable.
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**

	2015	2016
Revenue	5,488.950	5,611.951
Operating expenses	3,777.658	3,757.826
Operating profit	1,711.292	1,854.125
Investments / balances with banks	10,148.577	11,227.963
Equity	5,906.404	6,599.857

**(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 shareholding of upto 6.55% as a result of which the total shareholding shall stand increased to up to 24.50%. The timeframe originally specified for making the complete investment is March 2019.
2	Amount of investment made to date	PKR 209.335 million representing 0.57% shareholding.
3	Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time	Not Applicable.
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**

	2015	2016
Revenue	353.592	480.080
Operating expenses	131.949	125.901
Operating profit	221.643	354.179
Investments / balances with banks	66,378.856	99,271.314
Equity	3,910.237	5,069.532

**(vi) Himalayan Bank Limited:**

1	Total investment approved	Approved by the Shareholders in the Annual General Meeting held on March 29, 2016 to acquire additional shareholding of upto 10% as a result of which total shareholding shall stand increased to up to 30%. The timeframe originally specified for making the complete investment is March 2021.
2	Amount of investment made to date	Additional 1,285,470 shares amounting to PKR 128.468 million have been purchased through a rights issue. The current holding remains unchanged at 20%.
3	Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time	As a result of change in the international strategy, the Bank has decided not to continue with the plan to increase its holding in the entity beyond current levels.
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**

	2015/16	2016/17
Revenue	4,722.705	5,216.016
Operating expenses	1,989.633	2,219.832
Operating profit	2,733.072	2,996.184
Customer deposits	87,323.146	92,881.114
Customer loans and advances	69,100.890	77,654.974
Investments / balances with banks	27,181.057	26,844.651
Equity	8,874.529	11,766.085

# Admission Slip

The 76<sup>th</sup> Annual General Meeting of Habib Bank Limited will be held on Friday, April 27, 2018 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 hand over duly completed admission slips at the counter before entering the meeting premises.

## CDC Account Holders/Proxies/Corporate Entities:

- I. The CDC Account Holder/Proxy shall authenticate his/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 76<sup>th</sup> Annual General Meeting of the Bank to be held on  
Friday, April 27, 2018 at Serena Hotel Islamabad and at any adjournment thereof.

As witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

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.

AFFIX  
CORRECT  
POSTAGE

**Habib Bank Limited**

Registered Office,  
9th Floor, HBL Tower,  
Jinnah Avenue, Blue Area,  
Islamabad, Pakistan.

## پراکسی فارم

میں / ہم \_\_\_\_\_  
 برائے \_\_\_\_\_  
 حبیب بینک لمیٹڈ کے رکن / اراکین (ممبر / ز) ہونے کے ناطے حامل \_\_\_\_\_  
 عمومی حصص (شیرت) بذریعہ ہذا کی تقرری \_\_\_\_\_  
 برائے \_\_\_\_\_ وائیڈ فیلو / CDC اکاؤنٹ نمبر \_\_\_\_\_ یا ان کی ناکامی \_\_\_\_\_  
 جو کہ \_\_\_\_\_ برائے \_\_\_\_\_  
 فیلو / CDC اکاؤنٹ نمبر \_\_\_\_\_ کے تحت حبیب بینک لمیٹڈ کے رکن (ممبر) بھی ہیں، کو جمعہ، 27 اپریل، 2018 کو اس کے بعد (بعد از اس) \_\_\_\_\_  
 سرینا ہوٹل، اسلام آباد میں منعقد ہونے والے بینک کے 76 ویں سالانہ اجلاس عام میں میری / اپنی جانب سے میری / ہماری عدم موجودگی میں بطور پراکسی شرکت کرنے، بولنے اور ووٹ دینے کے لیے مقرر کرتا ہوں۔

بطور گواہ / بدست میرے / ہمارے دستخط و مہر ثبت، بتاریخ \_\_\_\_\_، 2018،

دستخط شدہ بدست مذکورہ

پانچ روپے والے  
 ریونیو اسٹیپ  
 پر دستخط کریں

یہ دستخط بینک کے پاس  
 رجسٹر شدہ نمونہ دستخط سے  
 مماثل ہونے چاہیے

مقابل حاضرین:

فیلو / CDC اکاؤنٹ نمبر:

## اہم نکات:

- 1- باضابطہ طور پر پُر شدہ اور دستخط شدہ یہ پراکسی فارم بینک کے رجسٹرڈ دفتر واقع 9th فلور، حبیب بینک ٹاور، جناح ایونیو، ملیویا، اسلام آباد کے رجسٹرڈ دفتر میں سالانہ اجلاس عام کے انعقاد کے وقت سے 48 گھنٹے قبل لازمی طور پر موصول ہو جائے۔
- 2- کوئی بھی ایسا شخص بطور پراکسی شریک نہیں ہوگا جو بذات خود بینک کا رکن نہ ہو، ماسوائے کارپوریشن کے جو کسی بھی غیر رکن کو اپنا پراکسی مقرر کر سکتی ہے۔
- 3- اگر کوئی رکن (ممبر) ایک سے زائد پراکسی کا تقرر کرتا ہے اور بینک کے پاس ایک رکن (ممبر) کی جانب سے ایک سے زائد پراکسی کے انسٹرکشنس جمع کرائے جاتے ہیں تو ایسی صورت میں اس قسم کے پراکسی کے تمام انسٹرکشنس کو غیر مؤثر قرار دے دیا جائے گا۔

## برائے CDC اکاؤنٹ ہولڈرز / کارپوریٹ ادارے:

مندرجہ بالا کے علاوہ ذیل میں دیئے گئے معیارات پر پورا اترنا بھی ضروری ہے:

- a- پراکسی فارم پر دو اشخاص کی گواہی ہوگی، جن کے نام، پتے اور CNIC نمبرز فارم پر درج ہوں گے۔
- b- پراکسی فارم کے ساتھ فائدہ حاصل کرنے والے مالکان کے CNIC یا پاسپورٹ کی مصدقہ نقول جمع کرائی جائیں گی۔
- c- پراکسی، سالانہ اجلاس عام کے وقت اپنا اصل CNIC یا اصل پاسپورٹ فراہم کرے گا/ گی۔
- d- کارپوریٹ ادارے کی صورت میں، ادارہ بینک کو پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ مع نامزد شخص کے نمونہ دستخط فراہم کرنا ہوں گے (تا وقتیکہ وہ پہلے فراہم نہ کر دیئے ہوں)۔



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