

# Notice of Annual General Meeting

Notice is hereby given that the 78<sup>th</sup> Annual General Meeting of Habib Bank Limited will be held on Monday, March 30, 2020 at 10:00 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, 2019, 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. 27.901 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.1.25 per share, i.e. 12.5% for the year ended December 31, 2019, as recommended by the Board of Directors to Shareholders as at close of business on March 20, 2020, which is in addition to the 37.5% Interim Cash Dividend (i.e. Rs. 3.75 per share) already paid.

## Special Business:

4. To approve and authorise a subordinated loan to First MicroFinanceBank Limited (FMFB) of up to Rs. 2 billion for a tenor of eight (8) years. The loan can be prepaid by FMFB after five (5) years and will carry a variable rate of mark-up at 6 months KIBOR plus 2%, to be repriced every six months. The mark-up is payable every six months. The principal is repayable after 8 years, at maturity. The said loan will be counted towards the Tier II capital of FMFB subject to all regulatory approvals. This loan will be unsecured and subordinated, with respect to payment of principal and mark-up, to all other indebtedness of FMFB, except for share capital.

For the aforesaid purpose to consider, and if deemed fit, to pass the following Resolution as a Special Resolution with or without modification:

**“RESOLVED THAT** Habib Bank Limited (“the Bank”) be and is hereby authorised to give a Subordinated Loan of up to Rs. 2 billion to The First MicroFinanceBank Limited for a tenor of up to eight years.”

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

5. To approve and authorise investment in perpetual, unsecured, subordinated, non-cumulative, contingent convertible, privately placed Additional Tier-I (AT-I) capital eligible Variable Rate Subordinated Loan Notes (Loan Notes) up to US\$ 30 million to be issued by HBL Bank UK Limited (HBL UK) over the next three (3) years. The said investment will be managed and booked by HBL’s Bahrain branch, and will be subject to all regulatory approvals.

For the purpose of the proposed investment in the Loan Notes to be issued by HBL UK to consider and, if deemed fit, to pass the following resolution as a Special Resolution with or without modification:

**“RESOLVED THAT** the Bank make an investment of up to US Dollars thirty million (US\$ 30,000,000) in HBL Bank UK Limited (HBL UK), through HBL’s Bahrain branch, in Variable Rate Subordinated Loan Notes (Loan Notes), over a period of three years in such amounts and at such times as determined by the Board of Directors of the Bank.”

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

6. To approve the Board Remuneration Policy of the Bank, recommended by the Board of Directors for Shareholders' approval on post facto basis, under SBP-BPRD Circular No. 3 dated August 17, 2019, and if deemed fit, by adopting following resolution as Ordinary Resolution with or without modification:

**“RESOLVED THAT** the Board Remuneration Policy as recommended by the Board of Directors of the Bank be and is hereby approved on post facto basis, including Board/Committee meeting(s) attendance fee of Rs. 600,000/-, TA/DA allowances for meetings/business related travel to non-executive directors as defined in the policy.”

For agenda 4,5 and 6, the information as required under section 134(3) of the Companies Act, 2017 is annexed.

The Directors of the Bank have no direct or indirect interest in the above-mentioned resolutions except in their capacity as directors of the Bank.

### Any Other Business:

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

By Order of the Board

March 09, 2020  
Karachi

Neelofar Hameed  
Company Secretary

### Notes:

1. The Register of Members and the Share Transfer Books will be closed from March 24, 2020 to March 30, 2020 (both days inclusive) for the purpose of the Annual General Meeting.
2. Only those persons whose names appear in the Register of Members of the Bank as at March 20, 2020 are entitled to attend and vote at the Annual General Meeting.
3. 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.
4. Members are requested to notify immediately any changes in their registered address to our Share Registrar, CDC Share Registrar Services Limited, CDC House 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shahra-e-Faisal, Karachi - 74400.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
6. Pursuant to Section 150 of the Income Tax Ordinance, 2001 and Finance Act, 2019 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders at 15% and 30% respectively. All shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names along with their valid CNICs/NTNs are entered into ATL before the date of payment of cash dividend i.e., March 30, 2020; enabling the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 30%.

According to the 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 joint holder(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, CDC Share Registrar Services 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 valid original Computerized 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 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 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 valid CNICs or the passports of the beneficial owner(s) and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his/her valid original CNIC or original passport at the time of the Annual General Meeting.
- (v) In case of a corporate entity, the Board of Directors' resolution/power of attorney, with specimen signature of the nominee, shall be submitted to the Bank along with the proxy form unless the same has been provided earlier.

**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 valid CNIC to the Share Registrar, CDC Share Registrar Services 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, CDC Share Registrar Services 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.

**F. Circulation/Transmission of Annual Audited Financial Statements and Notice of AGM to Members in Electronic Form:**

The Bank's Annual Report is also being circulated to the members through DVD in compliance of section 223(6) of Companies Act, 2017 and as approved by the shareholders in their Extra-Ordinary General Meeting held on February 3, 2017. The same is being placed on the Bank's website: [www.hbl.com/AnnualAccounts](http://www.hbl.com/AnnualAccounts), and the web-link is also e-mailed to the members whose registered e-mail addresses are available in the members' register.

Members are also requested to intimate change (if any) in their registered e-mail addresses to our Share Registrar for the above-mentioned purpose through consent form available on the Bank's website.

**G. Conversion of Physical Shares into CDC Account:**

The Shareholders having physical shareholding are encouraged to place their physical shares into scripless form as defined in Section 72(2) of the Companies Act, 2017 i.e.; "Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act."

## STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017, RELATING TO THE SPECIAL BUSINESS REFERRED TO IN THE NOTICE ABOVE:

This Statement sets out the material facts pertaining to the Special Business to be transacted at the Annual General Meeting of the Members of Habib Bank Limited (the “Bank”) to be held on March 30, 2020.

### Special Businesses:

#### Agenda Item 4 - Approval of Subordinated Loan of Rs. 2 Billion to First MicroFinanceBank Limited:

The First MicroFinanceBank Limited Pakistan (FMFB) is a subsidiary of HBL, with HBL’s shareholding of 50.51% shares in FMFB, acquired in May 2016. FMFB’s principal business is to provide microfinance services to the poor and underserved segments of the society. Since acquisition, FMFB has performed well and has grown its balance sheet significantly and has plans to expand further. To support this growth, FMFB requires capital and has requested a subordinated loan, which will qualify as Tier II capital for FMFB subject to regulatory approvals. HBL being the Parent company, is willing to provide this subordinated loan.

For this purpose, the Board of Directors have recommended that the Members consider and, if deemed fit, to pass the Special Resolution with or without modification set forth at Agenda Item 4 of this Notice.

Information required under Section 199 (3) of the Companies Act, 2017 and regulation 3 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 is given as under:

<b>(A) Disclosure regarding associated company</b>																										
(i)	Name of Associated Company or Associated Undertaking.	The First MicroFinanceBank Limited (FMFB).																								
(ii)	Basis of Relationship.	Habib Bank Limited holds shareholding of 50.51% in FMFB.																								
(iii)	Earnings / (Loss) per Share for the last three years.	2016: Rs 1.44 per share 2017: Rs 2.51 per share 2018: Rs 3.66 per share																								
(iv)	Break-up value per Share, based on last audited financial statements.	2016: Rs 14.03 per share 2017: Rs 16.50 per share 2018: Rs 20.15 per share																								
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements.	The financial information is shown in the table below.  (Rupees in million) <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>2017</b></th> <th style="text-align: center;"><b>2018</b></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">3,164.8</td> <td style="text-align: right;">4,873.7</td> </tr> <tr> <td>Operating expense</td> <td style="text-align: right;">2,066.0</td> <td style="text-align: right;">3,112.1</td> </tr> <tr> <td>Operating profit / (loss)</td> <td style="text-align: right;">1,098.8</td> <td style="text-align: right;">1,761.6</td> </tr> <tr> <td>Customer deposits</td> <td style="text-align: right;">20,887.2</td> <td style="text-align: right;">31,129.1</td> </tr> <tr> <td>Customer loans and advances – net</td> <td style="text-align: right;">14,394.7</td> <td style="text-align: right;">23,554.4</td> </tr> <tr> <td>Cash, Balances with Banks and Investment</td> <td style="text-align: right;">9,777.6</td> <td style="text-align: right;">11,030.8</td> </tr> <tr> <td>Equity</td> <td style="text-align: right;">4,505.5</td> <td style="text-align: right;">5,503.3</td> </tr> </tbody> </table>		<b>2017</b>	<b>2018</b>	Revenue	3,164.8	4,873.7	Operating expense	2,066.0	3,112.1	Operating profit / (loss)	1,098.8	1,761.6	Customer deposits	20,887.2	31,129.1	Customer loans and advances – net	14,394.7	23,554.4	Cash, Balances with Banks and Investment	9,777.6	11,030.8	Equity	4,505.5	5,503.3
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(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely	Not Applicable																								
	I Description of the project and its history since conceptualization.	Not Applicable																								
	II Starting date and expected date of completion of work.	Not Applicable																								

	III	Time by which such project shall become commercially operational.	Not Applicable
	IV	Expected time by which the project shall start paying return on investment.	Not Applicable
	V	Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts.	Not Applicable
<b>(B) General Disclosures:</b>			
(i)		Maximum amount of investment to be made.	The amount of the Subordinated loan would be up to Rs. 2 Billion.
(ii)		Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment.	<p>The Bank shall extend subordinated loan facility of Rs.2 Billion to FMFB for a tenor of 8 years (with an option for prepayment after 5 years, subject to regulatory approvals).</p> <p>The said financing facility will contribute towards FMFB's Tier II Capital for Capital Adequacy Ratio (CAR).</p> <p>This is required to support FMFB's business growth, and profitability. FMFB's profits directly contribute towards the consolidated profit of the Group.</p>
(iii)		Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:	Funds generated through own operations.
	(I)	Justification for investment through borrowings	Not Applicable
	(II)	Detail of collateral, guarantees provided and assets pledged for obtaining such funds	Not Applicable
	(III)	Cost of benefit analysis	Not Applicable
(iv)		Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment.	<p>Agreement will be signed with FMFB after approval by the shareholders. Other significant terms and conditions are as under:</p> <p>This loan would be subordinated, with respect to payment of principal and mark-up, to all other liabilities of FMFB, except for share capital.</p> <p>The facility would be subject to a Lock-in clause and neither profit nor principal can be paid (even at maturity), if such payment would result in a shortfall in FMFB's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.</p>
(v)		Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	None. HBL holds shareholding of 50.51% in FMFB. The Aga Khan Fund for Economic Development (AKFED) is the parent company of the HBL. Other AKDN related agencies also hold over 40% shareholding in FMFB, through the Aga Khan Agency for Microfinance (AKAM) and the Aga Khan Rural Support Program (AKRSP). The Directors of the Bank have no direct or indirect interest except in their stated capacity.
(vi)		In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs.	Since the last investment in 2016, FMFB's balance sheet has grown three-fold, with advances and deposits increasing at a CAGR of 55% and 46% respectively. The net assets of FMFB have grown from Rs.3.8 billion in 2016 to Rs. 6.0 billion as at Sep 2019 and the value of the Bank's investment in FMFB has grown correspondingly.
(vii)		Any other important details necessary for the members to understand the transaction.	Not Applicable

<b>1(c) Additional disclosure regarding investment in the form of Subordinated Loan</b>		
(i)	Category-wise amount of investment,	Subordinated Loan of up to Rs. 2 billion
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return unfunded facilities, as the case may be, for the relevant period.	Average Cost of borrowing for 2019: 8.58% 6 months KIBOR: 13.24%
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company.	The loan will carry a variable rate of mark-up at 6 months KIBOR plus 2%, to be repriced every six months.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment.	This subordinated loan is unsecured.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable.	The Facility will be subject to a loss absorbency clause and, at the discretion of the SBP, will be either fully or partially converted into common shares or immediately written off on the occurrence of a non-viability trigger event, as determined by the SBP. The conversion shall be based on the price after seeking regulatory approvals.
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associate undertaking.	The principal is repayable in 8 years in bullet at maturity. The mark-up is payable every six months. The loan can be prepaid at the discretion of FMFB after 5 years.

In compliance of Regulation 3(3) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 issued by SECP, the Directors of the Bank have certified that they have carried out necessary due diligence for the proposed investment.

#### **Agenda Item 5 - Approval of Investment of up to US\$ 30 Million in Additional Tier -1 Capital Instrument to be issued by HBL Bank UK**

HBL Bank UK Limited (HBL UK) is an indirect subsidiary of the Bank. Habib Allied Holding Limited (HAHL) wholly owns HBL UK and HBL has 90.50% shareholding in HAHL. HBL UK is engaged in commercial banking services. To support its growth, HBL UK requires capital and intends to issue Variable Rate Subordinated Loan Notes (Loan Notes) constituting Additional Tier 1 Capital. The funds raised will be utilized by HBL UK in their normal business operations. HBL seeks to invest in these Loan Notes through its Bahrain branch. This investment will be subject to all required regulatory approvals.

For this purpose, the Board of Directors have recommended that the Members consider and, if deemed fit, pass the Special Resolution with or without modification set forth at Agenda Item 5 of this notice.

Information required under Section 199 (3) of the Companies Act, 2017 and regulation 3 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 is given as under:

#### **HBL Bank UK Limited (HBL UK):**

<b>(A) Disclosure regarding associated company</b>		
(i)	Name of Associated Company or Associated Undertaking.	HBL Bank UK Limited (HBL UK)
(ii)	Basis of Relationship	HBL Bank UK Limited (HBL UK) is a wholly owned subsidiary of Habib Allied Holding Limited (HAHL) and is incorporated in the United Kingdom. The Bank holds 90.50% shareholding in HAHL.
(iii)	Earnings / (Loss) per Share for the last three years	2016: GBP 0.15 2017: GBP 0.09 2018: GBP (0.67)
(iv)	Break-up value per Share, based on last audited financial statements.	2016: GBP 7.39 2017: GBP 7.355 2018: GBP 6.39

(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements.	<p>The financial information is shown in the table below:</p> <p style="text-align: right;">(GBP in million)</p> <table border="1" data-bbox="869 315 1453 813"> <thead> <tr> <th></th> <th style="text-align: right;">2018</th> <th style="text-align: right;">2017</th> </tr> </thead> <tbody> <tr> <td>Revenues</td> <td style="text-align: right;">13.93</td> <td style="text-align: right;">20.48</td> </tr> <tr> <td>Operating expense</td> <td style="text-align: right;">20.00</td> <td style="text-align: right;">17.26</td> </tr> <tr> <td>Operating profit / (loss)</td> <td style="text-align: right;">(6.09)</td> <td style="text-align: right;">3.22</td> </tr> <tr> <td>Provisions</td> <td style="text-align: right;">0.73</td> <td style="text-align: right;">1.40</td> </tr> <tr> <td>Profit/(Loss) before Tax</td> <td style="text-align: right;">(6.82)</td> <td style="text-align: right;">1.82</td> </tr> <tr> <td>Profit/(Loss) After Tax</td> <td style="text-align: right;">(6.70)</td> <td style="text-align: right;">0.94</td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> <tr> <td>Deposits</td> <td style="text-align: right;">519.11</td> <td style="text-align: right;">568.41</td> </tr> <tr> <td>Loans and advances</td> <td style="text-align: right;">309.00</td> <td style="text-align: right;">361.63</td> </tr> <tr> <td>Investments / balances with banks</td> <td style="text-align: right;">297.81</td> <td style="text-align: right;">300.16</td> </tr> <tr> <td>Equity</td> <td style="text-align: right;">64.35</td> <td style="text-align: right;">74.01</td> </tr> </tbody> </table>		2018	2017	Revenues	13.93	20.48	Operating expense	20.00	17.26	Operating profit / (loss)	(6.09)	3.22	Provisions	0.73	1.40	Profit/(Loss) before Tax	(6.82)	1.82	Profit/(Loss) After Tax	(6.70)	0.94				Deposits	519.11	568.41	Loans and advances	309.00	361.63	Investments / balances with banks	297.81	300.16	Equity	64.35	74.01
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(i)	Maximum amount of investment to be made.	The amount of the investment in Loan Notes would be up to US\$ 30 million.																																				
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment.	<p>These Loan Notes will strengthen the capital capacity of HBL UK supporting the growth in balance sheet and allowing the business to improve returns.</p> <p>The investment will be made over the next 3 years.</p>																																				
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(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment.	Interest on the Loan Notes is payable only out of distributable reserves. If, on any date when a payment of interest on the Loan Notes would otherwise be due, HBL UK has insufficient distributable reserves to make such payment, such payment shall be delayed until such time as HBL UK has sufficient profits to make the payment out of distributable reserves. No additional interest shall accrue on any payment which is delayed.  HBL UK may, at any time cancel one or more interest payments on the Loan Notes. No interest shall accrue or be payable following such cancellation.  However, HBL UK may, at any time, resume the payment of interest on the Loan Notes following a cancellation.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	None, HBL holds 90.50% shares of HAHL, holding company of HBL UK. The Directors of the Bank have no direct or indirect interest except in their stated capacity.
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs.	HBL UK has been consistently profitable in the past. In 2018, the financial results were impacted due to some de-risking as well as costs related to Groups wide Business Transformation project. With the initiatives taken by the management in 2018-2019, HBL UK is well positioned for sustainable and profitable performance from 2020 onwards.
(vii)	Any other important details necessary for the members to understand the transaction.	Not Applicable
<b>1(c) Additional disclosure regarding investment in the form of Subordinated Loan</b>		
(i)	Category-wise amount of investment	Variable Rate Loan Notes of up to US\$ 30 million
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return unfunded facilities, as the case may be, for the relevant period.	Average cost of borrowing 2019: 8.58%  6 months KIBOR: 13.24%  6 months LIBOR: 1.71 %.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company.	The Loan Notes carry interest at the rate of 4.75 % p.a. above six-month LIBOR
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment.	The Loan Notes are unsecured
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable.	These loan notes are convertible when the common equity tier 1 (CET1) capital ratio of HBL UK, calculated in accordance with the Capital Reporting Regulations (CRR) and any applicable Regulatory Technical Standards (RTS) falls below 5.125% (Trigger Event). The CET 1 capital ratio of HBL UK is currently 16.57%.  In determining whether a Trigger Event has occurred, HBL UK shall act in accordance with the CRR and follow the procedures and timing for such determination specified in any applicable RTS.
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associate undertaking.	The Loan Notes have no fixed repayment date, they are redeemable only at the option of HBL UK and subject to regulatory approval, after five or more years from the date of issuance.

In compliance of Regulation 3(3) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 issued by SECP, the Directors of the Bank have certified that they have carried out necessary due diligence for the proposed investment.



### **Agenda Item 6 – Approval of Board Remuneration Policy for the fee & allowances and expenses payable to Non-Executive Directors & Non-Executive Chairman of HBL**

The shareholders' approval is being sought on the Board Remuneration Policy of HBL, as recommended by the Board of Directors, under SBP-BPRD Circular No. 3 dated August 17, 2019, and approved by the Board on December 9, 2019. The said policy entails the fee & allowance and perks payable to the Non-Executive Directors of the Bank under the said Policy regarding attending the Board and sub-committee meetings and other business related travels. The Policy has been placed on the Bank's website <[www.hbl.com/boardremunerationpolicy](http://www.hbl.com/boardremunerationpolicy)> for the member's information.

In the Extra-Ordinary General Meeting, held on March 19, 2018, the shareholders of the Bank had approved Rs. 400,000/- as the fee payable to the Non-Executive Directors for attendance of Board and Committee meetings. In addition, the Non-Executive Directors are entitled to receive TA/DA and fare for travel as per the 'Travel & Expense Policy for Non-Executive Directors' as approved by the Board from time to time.

In pursuance of SBP guidelines and SBP-BPRD Circular No. 3 dated August 17, 2019, the Board approved the Board Remuneration Policy, in December 2019, vide which the Directors' fee for attending Board & Committee meetings has been revised from Rs. 400,000/- to Rs. 600,000/- per meeting for each Non- Executive director, with effect from December 9, 2019. The policy also entails the TA/ DA entitlements for Non-Executive Directors regarding business related travel. The same is being recommended by the Board of Directors for the approval of shareholders on the post-facto basis, in this Annual General Meeting of the Bank.

The salient features of the Board Remuneration Policy are as under:

- The Board shall from time to time, determine and approve such level of remuneration for the members of the Board, for attending the meetings of the Board or the meetings of the committees thereof, as may be within the limits for such remuneration as prescribed by the SBP and other prevailing laws & regulations.
- The Board shall ensure that such remuneration is not determined in any manner that may undermine the independence of the independent members of the respective committees of the Board.
- The Board may determine additional and/or specific remuneration for any member of the respective committees of the Board performing additional duties and/or services in relation to the Bank.
- The remuneration for its members of the Board and/or members of the committees of the Board for each meeting of the Board and/or the respective committee of the Board, shall be Rs. 600,000/-.
- The Bank would bear the expenses for the Non-Executive Directors for attending the Board and Committee meetings as well as of for any travel undertaken in connection with the Bank's business, as follows:
  - For domestic travel, full fare business class air travel plus full coverage of five-star hotel stays and daily allowance of Rs. 50,000 per day or alternatively an all-inclusive daily allowance of Rs. 125,000 per day.
  - For international travel for Board & Committee Meetings, full fare business class plus five-star hotel accommodation with full cost coverage. No daily allowances would be applicable for international travel for attending the Board and/or Committee meetings.
  - For International travel to attend other meetings/ engagements/ trainings etc., full fare first/ business class, plus five-star hotel accommodation plus a daily allowance US\$ 500 per day.
  - in addition, visa application/related fees, associated costs, taxes (if any) and health insurance costs on account of the travel, will be on account of the Bank.
  - Spouse travel, where required to be accompanied, costs to be borne by the Bank.
- The Performance Evaluation of the Board of Directors of the Bank shall be in accordance with the guidelines issued by the State Bank of Pakistan from time to time.

For the approval of the Board Remuneration policy, the Board of Directors have recommended that the Members consider and, if deemed fit, to pass the Ordinary Resolution with or without modification set forth at Agenda Item 6 of this Notice.

The Non-Executive Directors and Chairman of the Bank are directly interested in this matter to the extent of Directors fee, travel, TA/DA and other expenses as explained above.