

Notice of Annual General Meeting

Notice is hereby given that the 79th Annual General Meeting of Habib Bank Limited will be held on Friday, March 26, 2021 at 10:00 a.m. at HBL Tower, 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, 2020, 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. The retiring Auditors, A.F. Ferguson & Co., Chartered Accountants, have completed five years as Auditors of the Bank and are no longer eligible for appointment. The Board of Directors recommends that KPMG Taseer Hadi & Co., Chartered Accountants, who have indicated their consent to act as Auditors, be appointed as Auditors at a fee of Rs. 27.901 million (i.e. the same statutory audit fees as currently being paid to the retiring Auditors). In addition, any Federal or Provincial taxes and reimbursements of out of pocket expenses will be paid at actuals.
3. To approve payment of a Final Cash Dividend of Rs. 3 per share, i.e. 30% for the year ended December 31, 2020, as recommended by the Board of Directors to Shareholders as at close of business on March 19, 2021, which is in addition to the 12.5% Interim Cash Dividend (i.e. Rs. 1.25 per share) already paid.
4. To elect 7 Directors of the Bank, as fixed by the Board under the provisions of section 159 of the Companies Act, 2017 ("the Act") for a period of 3 years commencing from March 27, 2021. The names of the retiring Directors are:
 - (i) Mr. Sultan Ali Allana
 - (ii) Mr. Shaffiq Dharamshi
 - (iii) Mr. Moez Ahamed Jamal
 - (iv) Mr. Syed Salim Raza
 - (v) Dr. Najeeb Samie
 - (vi) Ms. Diane Elizabeth Moore
 - (vii) Mr. Salim Yahya Chinoy

Special Business:

5. To approve and authorize equity investment in The First MicroFinanceBank Ltd. (FMFB) of up to Rs 4 billion over the next three years, subject to the approval of the State Bank of Pakistan.

The said equity investment will help FMFB to maintain a stronger capital base and provide sufficient headroom in its Capital Adequacy Ratio (CAR) to ensure compliance with the regulatory framework. The higher CAR will provide additional comfort to stakeholders and will enable FMFB to pursue its growth strategy and increase its business. The funds generated through the rights issue will be used for FMFB's on-going business expansion and growth plans as permitted by its Memorandum & Articles of Association in line with applicable laws and regulations.

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 invest up to Rs 4 billion in The First MicroFinanceBank Limited over the period of 3 years, subject to the approval of the State Bank of Pakistan."

"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 investment, including without limiting the generality of the foregoing, any approval, sanction or permission required thereof or in connection therewith."

For agenda 4 and 5, 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:

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

By Order of the Board

March 5, 2021
Karachi

Neelofar Hameed
Company Secretary

Notes:

1. The Register of Members and the Share Transfer Books will be closed from March 20, 2021 to March 26, 2021 (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 19, 2021 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, 2020 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 26, 2021; enabling the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 30%.

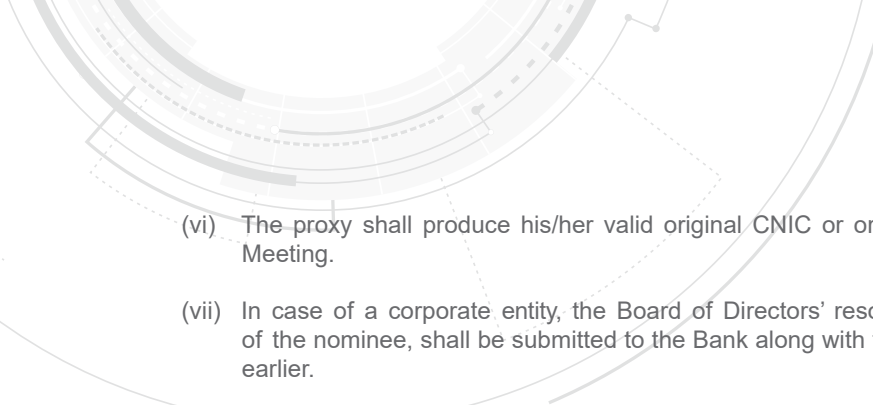
According to the FBR, withholding tax in case of joint accounts will be determined separately based on the 'Filer/ Non-Filer' status of the principal shareholder as well as the status of the joint holder(s) based on their shareholding proportions. Members that hold shares with joint shareholders are 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:

- (iii) 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.
- (iv) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (v) Attested copies of the valid CNICs or the passports of the beneficial owner(s) and the proxy shall be furnished with the proxy form.

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- (vi) The proxy shall produce his/her valid original CNIC or original passport at the time of the Annual General Meeting.
 - (vii) 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 the Act, 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 the Shareholder Information 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 Shakra-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 Shakra-e-Faisal, Karachi - 74400 without any further delay.

E. Unclaimed Dividend:

As per the provision of section 244 of the Act, 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 were 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 the Act.

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 the Act 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/investor-relations/annual-accounts, 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 Act 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."

H. Participation in AGM through Electronic Means:

In light of the continuing threats posed due to COVID-19 pandemic and to protect wellbeing of the Shareholders, the Securities & Exchange Commission of Pakistan (“SECP”) has vide its Circular No. 4 of 2021 dated 15th February, 2021 directed the listed companies to hold general meetings through video link, webinar, zooming etc. in addition to the requirements of holding physical meeting.

Accordingly, the AGM would be held at the venue/ via webinar and would be attended by the directors of HBL, those who are available in Pakistan, by way of video link and by shareholders including holders of proxies assembling at the HBL Tower, Islamabad. The shareholders are encouraged to consolidate their physical attendance and voting at the AGM into as few people as possible through proxies. The following arrangements have been made by the Bank to further facilitate the participation of the shareholders in the 79th AGM:

- The shareholders interested in attending the HBL’s AGM through webinar are requested to get themselves registered by sending their particulars to the Company Secretary HBL, at the designated email address (general.meetings@hbl.com), mentioning their names, folio number, email address by the close of business hours on **March 19, 2021**. The webinar link would be provided to the registered shareholders. The shareholders are also encouraged to send their comments / suggestions, related to the agenda items of the AGM on the above mentioned email address by **March 24, 2021**.
- As always, HBL intends, and undertakes, to hold the meeting in compliance with all applicable laws, and requirements, including for quorums, the keeping of minutes and voting while ensuring the safety of its shareholders, employees, directors and the public at large.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017:

This Statement sets out the material facts pertaining to the Ordinary Business and Special Business to be transacted at the Annual General Meeting of the Members of Habib Bank Limited (the “Bank”) to be held on March 26, 2021.

Ordinary Business:

Agenda Item 4 – Election of Directors

The term of office of the present Directors of the Bank will expire on March 26, 2021. In terms of Section 159(1) of the Act, the directors have fixed the number of elected directors at 7 to be elected in the Annual General Meeting for a period of three years.

The present Directors are interested to the extent that they are eligible for re-election as Directors of the Bank.

Any person who seeks to contest election to the office of director shall, whether he is a retiring director or otherwise, file with the Bank at its Registered Office, 9th Floor, Habib Bank Tower, Jinnah Avenue, Blue Area, Islamabad, not later than fourteen days before the date of the meeting, the following documents:

- i. Notice of his/her intention to offer himself/herself for election of directors in terms of Section 159(3) of the Act, together with the consent to act as a director in Form 28 prescribed under the Act;
- ii. A detailed profile along with office address as required under SECP’s SRO 1196 (I)/2019 dated October 3, 2019;
- iii. A director must be a member of the Bank at the time of filing of his/her consent for contesting election of directors except a person representing a member, which is not a natural person.
- iv. A declaration confirming that:
 - 1) He/she is aware of his/her duties and powers under the relevant laws, Memorandum & Articles of Association of Bank and Listing of Companies & Securities Regulations of Pakistan Stock Exchange;
 - 2) He/she is not ineligible to become a director of a listed company under any provision of the Act, the Listed Companies (Code of Corporate Governance) Regulations, 2019, and any other applicable law, rules and regulations.

Independent Directors will be elected through the process of election of directors in terms of Section 159 of the Act and they shall meet the criteria laid down under Section 166(2) of the Act.

Special Business:

Agenda Item 5 - Approval of Investment of up to PKR 4 Billion in The First MicroFinanceBank Limited:

The First MicroFinanceBank Ltd. Pakistan (FMFB) is a subsidiary of HBL, in which HBL's shareholding is 50.51%. FMFB's principal business is to provide microfinance services to the poor and underserved segments of 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 is planning to issue rights shares up to Rs. 4 billion over the next three years subject to the approval of the State Bank of Pakistan and HBL being the parent, is willing to subscribe to the rights issue and take up any portion of unsubscribed rights.

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 05 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:

(A) Disclosure regarding associated company																										
(i)	Name of Associated Company or Associated Undertaking	The First MicroFinanceBank Limited (FMFB).																								
(ii)	Basis of Relationship	Habib Bank Limited (HBL) holds shareholding of 50.51% in FMFB.																								
(iii)	Earnings / (Loss) per Share for the last three years	2017: Rs 2.51 per share 2018: Rs 3.66 per share 2019: Rs 1.95 per share																								
(iv)	Break-up value per Share, based on last audited financial statements	2017: Rs 16.50 per share 2018: Rs 20.15 per share 2019: Rs 22.15 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"> <thead> <tr> <th></th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>4,873.7</td> <td>5,821.7</td> </tr> <tr> <td>Operating Expense</td> <td>3,112.2</td> <td>4,267.7</td> </tr> <tr> <td>Operating Profit</td> <td>1,761.6</td> <td>1,554.0</td> </tr> <tr> <td>Customer Deposits</td> <td>31,129.1</td> <td>38,403.6</td> </tr> <tr> <td>Customer Loans & Advances – net</td> <td>23,554.4</td> <td>30,936.3</td> </tr> <tr> <td>Cash, Balances with Banks and Investment</td> <td>11,030.8</td> <td>10,793.7</td> </tr> <tr> <td>Equity</td> <td>5,503.3</td> <td>6,047.4</td> </tr> </tbody> </table>		2018	2019	Revenue	4,873.7	5,821.7	Operating Expense	3,112.2	4,267.7	Operating Profit	1,761.6	1,554.0	Customer Deposits	31,129.1	38,403.6	Customer Loans & Advances – net	23,554.4	30,936.3	Cash, Balances with Banks and Investment	11,030.8	10,793.7	Equity	5,503.3	6,047.4
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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) General Disclosures:			
(i)		Maximum amount of investment to be made	The amount of investment would be up to Rs. 4 billion over the next three years.
(ii)		Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	The rights issue will help FMFB to maintain a stronger capital base and provide sufficient headroom in its Capital Adequacy Ratio (CAR) to ensure compliance with the regulatory framework. The higher CAR will provide additional comfort to stakeholders and will enable FMFB to pursue its growth strategy and increase its business. The funds generated through the rights issue will be used for FMFB's on-going business expansion and growth plans as permitted by its Memorandum & Articles of Association in line with applicable laws and regulations. This is an equity investment in a subsidiary and is a long term investment.
(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.	Not Applicable
(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	HBL holds shareholding of 50.51% in FMFB. The Aga Khan Fund for Economic Development (AKFED) is the parent company of the HBL. The Aga Khan Agency for Microfinance (AKAM) holds 29.72% shareholding and the Aga Khan Rural Support Program (AKRSP) holds 10.99% shareholding. The Directors of the Bank have no direct or indirect interest except in their stated capacity as directors of the Bank.
(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.	(a) Since the last equity investment in 2016, FMFB's balance sheet has grown five times, with advances and deposits increasing at a CAGR of 51% and 50% respectively. The net assets of FMFB have grown from Rs. 3.8 billion in 2016 to Rs. 6.0 billion as at December 31, 2019. FMFB's profit before tax has grown from Rs 489 million for 2016, to Rs 701 million for 2019. With this growth in balance sheet and profit, the value of the Bank's investment in FMFB has grown correspondingly. (b) Further, the Bank has also extended an unsecured, subordinated loan facility (which qualifies as Tier II capital) to FMFB amounting to Rs 2 billion in July 2020. The facility tenor is 8 years and it is priced at 6 Month KIBOR + 2%. This was required to support FMFB's business growth and profitability. FMFB's profits directly contribute towards the consolidated profit of the Group.
(vii)		Any other important details necessary for the members to understand the transaction	Not Applicable

(C) Additional disclosure regarding Equity Investment:		
(i)	Maximum price at which securities will be acquired	Par i.e. Rs 10 per share.
(ii)	In case the purchase price is higher than fair value in case of unlisted securities, justification thereto	Not Applicable
(iii)	Maximum number of securities to be acquired	400,000,000
(iv)	Number of securities and percentage thereof held before and after the proposed investment.	<p>HBL's current holding is 137,931,035 (50.51%) shares in FMFB.</p> <p>On a pro-rata basis, HBL's shareholding will remain the same, i.e. 50.51% and the number of shares held will rise to 339,971,035.</p> <p>In case none of the other shareholders subscribe, HBL will take up any portion of unsubscribed rights. HBL's shareholding in FMFB would become 537,931,035 i.e. 80%.</p>
(v)	Fair value of the security	In progress. Will be presented at the meeting, if requested.

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 2020
The First Microfinance Bank Limited (FMFB)	To approve and authorise a subordinated loan to First Microfinance Bank Limited (FMFB) of up to Rs 2 billion for a tenor of eight (8) years.	March 30, 2020.	A subordinated loan of Rs 2 billion was disbursed to The First Microfinance Bank Limited (FMFB) for a tenor of up to eight years (8) on July 27, 2020.
HBL Bank UK Limited (HBL UK)	To approve and authorize 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. HBL seeks to invest in these Loan Notes through its Bahrain branch.	March 30, 2020	During the year, the Bank subscribed to USD 10 million of Loan Notes issued by HBL UK. The investment has been made through the Bahrain branch of the Bank. The Bank will continue to invest additional amounts in these Loan Notes up to the full amount of \$30 million during the tenor of the approval.

(i) The First Microfinance Bank Limited (FMFB):

1	Total Investment approved:	Approved by the shareholders in the Annual General Meeting held on March 30, 2020 to extend a subordinated loan of Rs 2 Billion.
2	Maximum amount of investment made	The Bank has extended a 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).
3	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	The said financing facility contributes towards FMFB's Tier II Capital for the calculation of its Capital Adequacy Ratio (CAR). This was required to support FMFB's business growth and profitability. FMFB's profits directly contribute to the consolidated profit of the Group.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	The financial position of the company is given in the table below.

Rs in million

Financial Position	2018	2019
Revenue	4,873.7	5,821.7
Operating expense	3,112.2	4,267.7
Operating profit	1,761.6	1,554.0
Customer deposits	31,129.1	38,403.6
Customer loans and advances	23,554.4	30,936.3
Cash, Balances with Banks and Investments	11,030.8	10,793.7
Equity	5,503.3	6,047.4

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

1	Total Investment approved	Approved by the Shareholders in the Annual General Meeting held on March 30, 2020 to invest up to US\$ 30 million in Loan Notes issued by HBL Bank UK Limited (HBL UK) over the next three (3) years.
2	Amount of investment made to date	The first tranche of \$10million has been issued by HBL Bank UK. HBL has invested in this instrument through its Bahrain branch.
3	Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time	The timeframe specified for making the complete investment is March 2023.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	The financial position of the company is given in the table below.

GBP in millions

	2018	2019
Revenue	17.0	17.5
Operating expense	20.0	25.1
Operating loss	(3.0)	(7.6)
Deposits	519.1	493.4
Loans and Advances	309.0	345.2
Cash, Balances at Central Banks and Investments	297.8	233.2
Equity	87.3	82.9

As at December 31, 2020 the GBP / US\$ Spot exchange was GBP 0.7317 / US\$.