

HBL



SHAPING THE FUTURE

ANNUAL REPORT 2018



SHAPING THE FUTURE

The future is already upon us. HBL will thrive through a shift towards a 'Technology company with a banking license'. Technology will be a key enabler in the way we serve our customers through value added products & services, enhance financial inclusion, promote diversity and stay connected to the wider world.

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CORPORATE INFORMATION

Board of Directors

Mr. Sultan Ali Allana	Chairman
Mr. Shaffiq Dharamshi	Director
Mr. Moez Ahamed Jamal	Director
Ms. Sadia Khan	Director
Mr. Salim Raza	Director
Dr. Najeeb Samie	Director
Mr. Agha Sher Shah	Director
Mr. Muhammad Aurangzeb	President & CEO

Board Committees

Board Audit Committee

Dr. Najeeb Samie	Chairman
Mr. Moez Ahamed Jamal	Member
Ms. Sadia Khan	Member
Mr. Armughan Ahmed Kausar	Secretary

Board Compliance and Conduct Committee

Mr. Moez Ahamed Jamal	Chairman
Ms. Sadia Khan	Member
Mr. Sagheer Mufti	Non-voting member
Mr. Nauman Riaz	Secretary

Board Development Finance Committee

Mr. Salim Raza	Chairman
Mr. Sultan Ali Allana	Member
Mr. Muhammad Aurangzeb	Member
Mr. Rayomond Kotwal	Secretary

Board Human Resource and Remuneration Committee

Mr. Agha Sher Shah	Chairman
Mr. Sultan Ali Allana	Member
Mr. Shaffiq Dharamshi	Member
Ms. Sadia Khan	Member
Mr. Jamal Nasir	Secretary

Board IT Committee

Mr. Salim Raza	Chairman
Mr. Agha Sher Shah	Member
Mr. Muhammad Aurangzeb	Member
Mr. Sagheer Mufti	Secretary

Board Oversight Committee – International Governance

Mr. Sultan Ali Allana	Chairman
Dr. Najeeb Samie	Member
Mr. Muhammad Aurangzeb	Member
Ms. Neelofar Hameed	Secretary

Board Oversight Committee – New York

Mr. Shaffiq Dharamshi	Chairman
Dr. Najeeb Samie	Member
Ms. Neelofar Hameed	Secretary

Board Risk Management Committee

Mr. Salim Raza	Chairman
Mr. Shaffiq Dharamshi	Member
Mr. Muhammad Aurangzeb	Member
Mr. Rizwan Haider	Secretary

Chief Financial Officer

Mr. Rayomond Kotwal

Company Secretary

Ms. Neelofar Hameed

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

HLB Corporate Secretariat

Phone: (92-21) 3713-7543
Fax: (92-21) 3514-8370
Email: corporate.secretariat@hbl.com

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
9th 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

Konnect:

www.hbl.com/businesskonnect

 hblbank |  HBLPak

MANAGEMENT

Muhammad Aurangzeb
President & CEO

Sagheer Mufti
Chief Operating Officer

Naeem Bashir Ahmad
Head Business Transformation

Amer Aziz
Head Development Finance

Rizwan Haider
Chief Risk Officer

Neelofar Hameed
Company Secretary

Aamir Irshad
Head Branch Banking

Armughan Ahmed Kausar
Chief Internal Auditor

Afaq Khan
Head Islamic Banking

Rayomond Kotwal
Chief Financial Officer

Aamir Kureshi
Head Consumer Banking

Faisal Lalani
Head International Banking

Risha A. Mohyeddin
Global Treasurer

Jamal Nasir
Chief Human Resources Officer

Nauman Riaz
Chief Compliance Officer

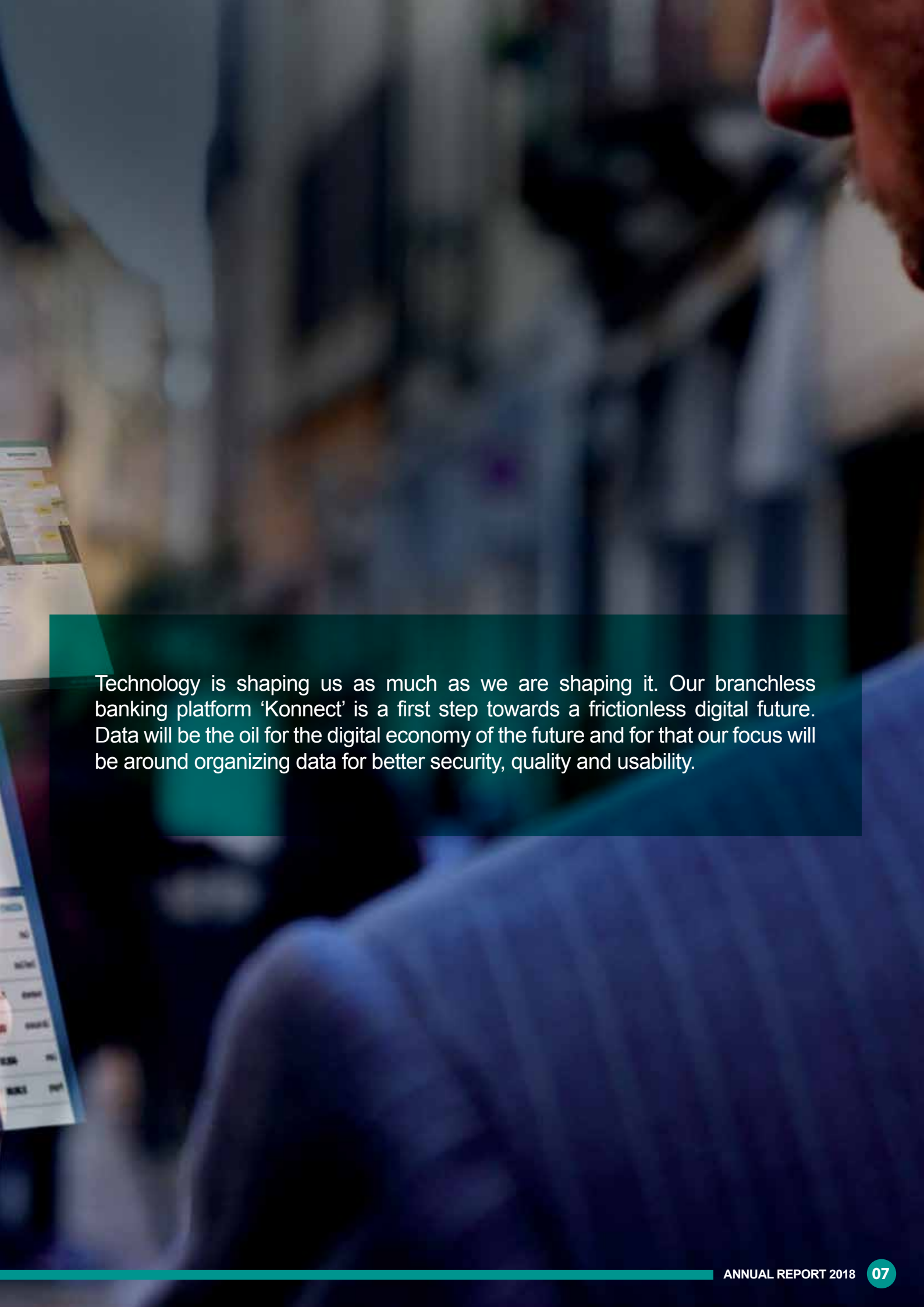
Khalid Mohsin Shaikh
Head Remedial & Structured Credits

Adnan Pasha Siddiqui
Chief of Staff

Farhan Talib
Head Corporate and Investment Banking

SHAPING TECHNOLOGY





Technology is shaping us as much as we are shaping it. Our branchless banking platform 'Konnnect' is a first step towards a frictionless digital future. Data will be the oil for the digital economy of the future and for that our focus will be around organizing data for better security, quality and usability.

VISION

Enabling people to advance with
confidence and success

MISSION

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

VALUES

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

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.

SHAPING INCLUSION





Our digital channels are helping us get closer to the vast unbanked population in unique ways. We are enabling individuals and businesses to have access to affordable financial services in a responsible and sustainable way. This is also leading to a reduction in gender gap in financial services at an accelerated pace as women can now conduct banking from the comfort and security of their home.

6-POINT BUSINESS AGENDA

We remain focused and consistent over a multi-year journey on our 6-Point Agenda. The HBL team is well positioned to provide its commitment to our customers, shareholders and communities at large to take this franchise to the next level.

We will continue sustainable revenue growth built around scale and relevance to our customer base, in conjunction with strict cost discipline. There is no institution in the country that can match the length and breadth of our products and services that we can deliver to our customers.

**Commitment
to deliver on
P&L**

**Relentless focus
on customer
experience**

**Giving back to
the country and
communities that
we serve**

Corporate Social Responsibility ('CSR') is at the heart of HBL values. This will be backed by a robust Development Finance agenda and proactive employee volunteerism.

We remain willing and able to constantly reinvent ourselves in anticipation and ahead of the change curve with the help of technology ('we are a technology company with a banking license') and constant process improvement ('good is never good enough').

**Making
Innovation the
driving force**

'Delighting our customers' is now our rallying cry - this mindset is institutionalized in the organization front-to-back.

The diagram consists of two circular nodes connected by a dotted line. The top node is grey and contains the text 'People Agenda is our top priority'. The bottom node is orange and contains the text 'Embedding Risk, Compliance and Control agenda in our Business Principles'. A dotted line connects the two nodes, with small circles at each end. A solid line extends from the right side of the top node to a text block. Another solid line extends from the right side of the bottom node to another text block. There are also dotted lines extending from the left side of both nodes towards the left edge of the page.

People Agenda is our top priority

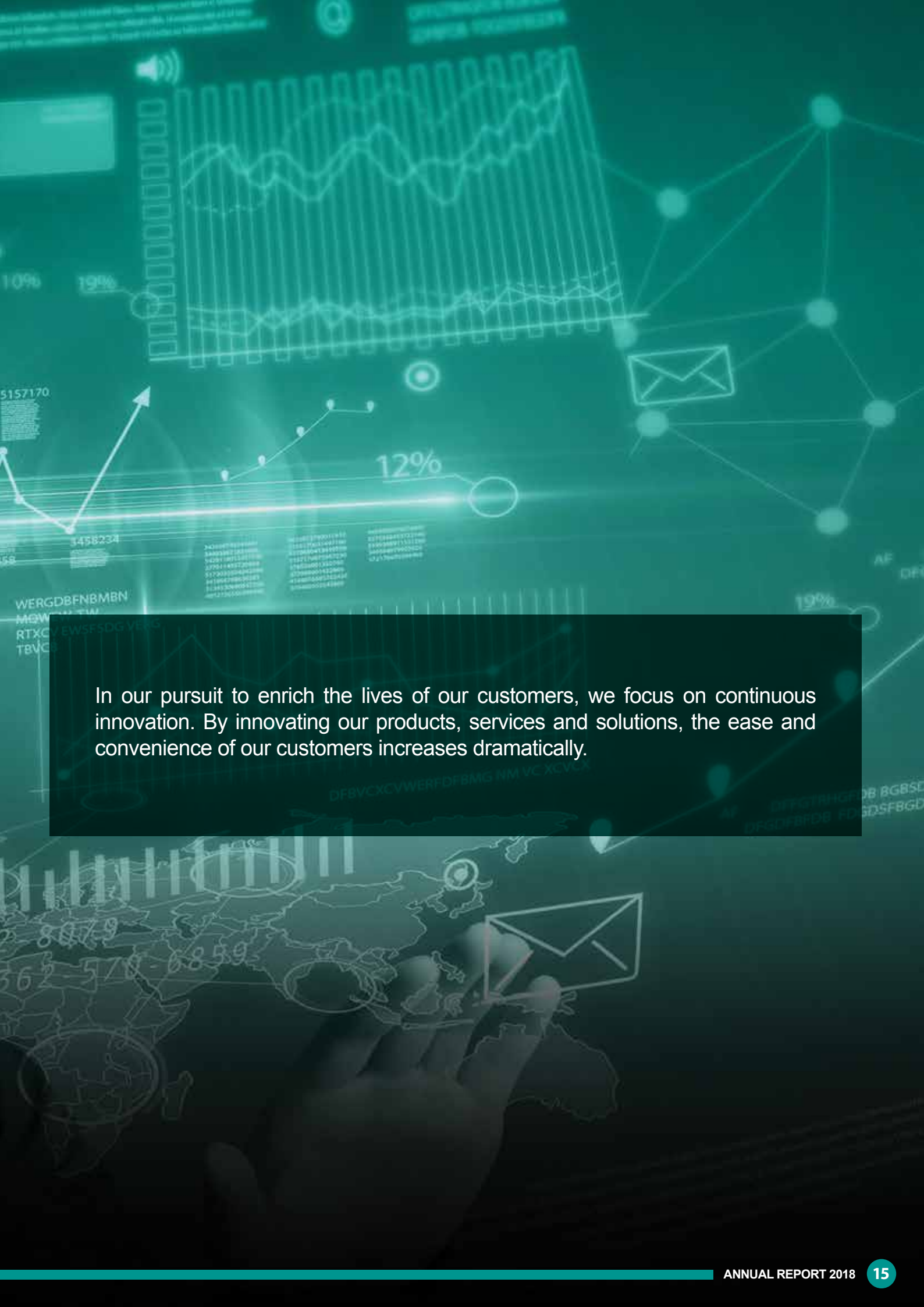
We will continue to attract and retain 'top talent'. Our focus on diversity will intensify to encourage more women participation in our work force, especially at senior levels.

Embedding Risk, Compliance and Control agenda in our Business Principles

We conduct '1st- class business in a 1st-class way'. This is going to become our biggest competitive advantage as we go forward compliant with the new norm/world order by strengthening our 1st, 2nd and 3rd lines of defense across all disciplines.

SHAPING INNOVATION





In our pursuit to enrich the lives of our customers, we focus on continuous innovation. By innovating our products, services and solutions, the ease and convenience of our customers increases dramatically.

SHAPING CONNECTIVITY



HBL

Our global footprint helps connect our customers to their clients, business partners or loved ones around the world. Be it the introduction of new investment in Pakistan, nurturing the international growth of local business or participation in the economic growth of our host countries, our international role will only strengthen as we connect our customers to the world, anywhere and anytime.

Branches:

Afghanistan | Bahrain | Bangladesh | Belgium | China | Lebanon | Maldives
Mauritius | Oman | Pakistan | Singapore | Sri Lanka | Turkey | UAE | USA

Representative Office:

People's Republic of China - Beijing



Subsidiaries:

UK | Switzerland | Netherlands | Hong Kong

Affiliates:

Nepal | Kenya | Kyrgyz Republic

SHAPING LEADERSHIP

Leadership for us is our 14 million customers and clients, who entrust us with their financial well-being, served by over 1,700 branches, +2100 ATMs and multiple digital channels. It is the unwavering commitment of our staff to serve our customers. It is through the recognition of independent observers of our industry who acknowledge that HBL has an extraordinary heritage and a promising future.



255 million
digital
transactions

\$2100
ATMs

14 million
Customers

ACCOLADES

Best Investment Bank

Pakistan Banking Awards held under the aegis of Institute of Bankers Pakistan

Best Bank for Agriculture

Pakistan Banking Awards held under the aegis of Institute of Bankers Pakistan

Best Belt and Road (CPEC) Bank

adjudged by FinanceAsia magazine

Best Investment Bank

adjudged by FinanceAsia magazine

#1 Credit Card in Pakistan

adjudged by VISA on payment volume and spend

Brand of the Year - Banking Pakistan

World Branding Awards 2018 - London

Best Bank as Employer of Choice for Gender Diversity

adjudged by Pakistan Business Council and International Finance Corporation

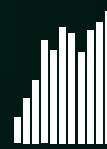
KEY PERFORMANCE INDICATORS



PKR **3.0**
TRILLION
ASSET BASE



2,139
ATMs



PKR **2.1**
TRILLION
DEPOSIT BASE



PKR **21.6**
BILLION
PROFIT
BEFORE TAXATION



1,743
BRANCHES
WORLDWIDE



OVER 14
MILLION
CUSTOMERS WORLDWIDE

BOARD OF DIRECTORS



Sitting (L - R)
(In alphabetical order):

Mr. Sultan Ali Allana *Chairman*

Mr. Sultan Ali Allana has served as the Chairman of the Board of Directors of HBL since privatisation February 2004. He has over 34 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. (AKFED) and as AKFED's nominee on the Boards of: AQA Holding S.p.A, Ceasar S.p.A, Jubilee Holdings Limited (East Africa), Jubilee Life Insurance Company Limited, Industrial Promotion Services (Pakistan) Limited and Tourism Promotion Services (Pakistan) Limited.

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.

Mr. Moez Ahamed Jamal *Director*

Mr. Moez Ahamed Jamal has been on the Board of HBL since 2009. He has over 40 years of experience in the financial sector.

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

Ms. Sadia Khan *Director*

Ms. Sadia Khan joined the Board in March, 2018. She has pursued a versatile career path traversing investment banking, financial regulation, family businesses and entrepreneurship across three continents. Ms. Khan has Master's degree in Business Administration from INSEAD and Master's degrees in Economics from both Cambridge University and Yale University and started her career at Lehman Brothers in New York.

Since then she has worked with various international institutions and local regulatory authorities, including Asian Development Bank in the Philippines, the Securities & Exchange Commission of Pakistan and State Bank of Pakistan. Ms. Khan currently serves on the Boards of Engro Fertilizers and Pakistan Cables.



Standing (L - R)
(In alphabetical order):

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.

Dr. Najeeb Samie
Director

Dr. Najeeb Samie was appointed to the Board in 2013. He has over 38 years of experience in the corporate and financial sector. He is currently the Managing Director of PIA Investments Limited, and the President of Roosevelt Hotel Corporation, and is a Director of Minhal France, S.A., amongst some other companies.

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, Thatta Cement Company Limited, Bandhi Powergen (Private) Limited and Triton LPG (Private) Limited.

Mr. Muhammad Aurangzeb
President & CEO

Mr. Muhammad Aurangzeb joined HBL on April 30, 2018 as the President & CEO.

Prior to this responsibility at HBL, Mr. Aurangzeb was the CEO for JP Morgan's Global Corporate Bank based in Asia, with a rich international banking experience of over 30 years in other senior management roles at ABN AMRO and RBS based in Amsterdam and Singapore.

Mr. Aurangzeb received his BS and MBA degrees from The Wharton School (University of Pennsylvania), and he is the only Pakistani to be invited to the exclusive membership of the Global CEO Council organized by WSJ/DowJones group.

SHAPING CUSTOMER EXPERIENCE





Our customers and clients are our main stakeholders and delighting them, responsibly and fairly, is ingrained in our business ethos. Our Business Transformation Program is revolutionizing the way our customers engage with us. We believe that conducting *1st class business in a 1st class way* is essential for improved customer experience.

CHAIRMAN'S MESSAGE



2018 may best be described as a year of transformation. We set our goals and channeled our energies to embrace global standards and global best practices in all that we do. We successfully built excitement as we progressed and launched technologically backed financial inclusion products never before seen in the market. We made significant investments in upgrading compliance and control frameworks, across all business lines, making this a core essence of our DNA. Effective governance structures were put in place at the board and at the management levels to strengthen the core of the bank and to ensure sustainability of our resolve to do what is “right” and in doing so, aligning ourselves with international and best practice principles in all spheres of our work. We have partnered with global experts and completely revamped our customer onboarding, risk management and related processes.

Over the year, the bank added nearly 2.5 million customers to its client base, using its fully digitized account opening process, which entails rigorous “Know Your Customer” (KYC) protocols and screening, modeled on international best practices. The new standards and processes such as the one’s adopted for onboarding, are being reinforced for our first, second and third lines of defense by providing rigorous training at all levels. I am pleased to report that, our efforts in ensuring adherence to control protocols are being recognized as best in class by our partner banks and institutions.

Leading the way

Whilst paving the path for a deep rooted and sustained compliance culture, we continued to grow our core business, over the year rigorously. HBL’s balance sheet size touched Rs. 3 trillion in 2018, a growth of 12%. Total deposits in Pakistan reached Rs 1.9 trillion, as HBL maintained its leadership position by maintaining a near 14% share of the market. HBL also became the first bank in Pakistan to cross Rs 1.0 trillion in total net advances; this is a result of continued efforts to grow

domestic lending (30% increase in 2018). HBL recorded a consolidated profit after tax of Rs 12.4 billion for the year ended December 31, 2018, a growth of 41% over 2017.

The Bank's consolidated capital adequacy ratio was 16.2% on December 31, 2018 closing, signifying a comfortable buffer and paving the way for further growth of our businesses. HBL's rating was reaffirmed at AAA in June 2018. While the rating on HBL's subordinated debt was upgraded from AA+ to AAA.

Shaping the Future

The information age is upon us and technological advancements are changing the way we work and the way we think. With the advent of Artificial Intelligence (AI), we are seeing the dawn of a new era. At HBL, we are totally committed to embracing this new era and repositioning HBL so that the future of the organization, may be best articulated by our vision of becoming a *'Technology company with a banking license'*. We intend to invest more than before and it is our endeavor to Insha'Allah become not only an industry leader in Pakistan but aim at being recognized as a progressive institution in the global context. In this review, we are pleased to report on two key product launches, which we are proud to say have surpassed most expectations, namely "Konnnect" and our mobile app based small-scale lending program. Since its launch in July 2018, through the Konnect platform, which primarily targets the unbanked and underbanked population of the country, we have been able to onboard over 1.4 million new customers thereby breaking all previous records. Noteworthy is that 25% of these accounts have been opened by women and that over 25% of these account openings were done by downloading the app. The second product launch worthy of mention is our mobile app based small-scale lending program to individuals that has reduced the loan disbursal time to a few hours compared to a few days. This was launched towards the end of the year and has contributed to nearly 10% of our personal loan portfolio growth for the year 2018. In 2019, this will be scaled up and we are looking to expand the asset-based product offering through our mobile app, which will include credit cards.

In terms of our international footprint, we have embarked on a plan to consolidate our network with a view of focusing our resources on branches with greatest potential. Efforts to standardize product offerings and upgrading our human capital in all international markets is beginning to show results. At the same time, we have put in place stringent risk management and compliance frameworks, which over the coming years will be formalized and strengthened resulting in better returns, which will augment further earnings for the bank.

Our people, our assets

Our high achievers have been the true drivers of the bank's transformation process. They have taken the challenges head on and are committed to making HBL the best

in its class. We wish to express our gratitude for their hard work to overcome the challenges of the past and for repositioning HBL for a brighter future. At the board level, there is complete unanimity that we will continue to add competencies where necessary and at the same time we adopt a “zero tolerance” approach for non-compliance. Training and human development has been and will continue to remain areas where there will be no compromises. We wish to engrain a transparent merit based culture throughout the bank and are determined on building an organization of equal opportunity. In this context, I am pleased to report that women now constitute for 16% of our workforce. We target achieving 20% by 2020.

Looking Ahead

In 2018, we have made meaningful investments in business transformation, compliance, technology and people, which have impacted our cost base, significantly. However, these are essential investments, which will chalk our future course and will undoubtedly result in the emergence of a stronger organization. In 2019, we will continue to focus on supporting the domestic economy through increased lending, with a focus on SME and small scale borrowers whilst delivering profitable growth and rationalizing our cost base on the back of our endeavors in technology. Innovation will remain our cornerstone and we are positioning for exciting strides in times to come.

Agriculture is and will remain the backbone of Pakistan's economy. There is much to be done in this area and HBL will play its part. We are currently the largest private sector financier in this segment and we intend to develop new products to support future growth through a focused initiative for which we have created a division, which will henceforth report to a new board committee, the “Development Finance Committee”, which will monitor progress and lend support to the management's efforts. As a responsible corporate citizen of the country we at HBL are committed to conducting business in an environmentally sustainable manner and our approach is reflected in the development of products and services focusing on green finance.

Being an intrinsic part of the economy of Pakistan, with our growing balance sheet, our strong capital base and technological advancements, aided by our inspired staff we will continue to support the economic growth of the country and Insha'Allah, remain a strong development partner for Pakistan.

Before ending my review for 2018, I wish to thank our customers for their unwavering support and continued patronage of HBL for the past seven decades. It is their trust and confidence in our capabilities that motivate us to continue to serve them for the future. I also express our sincere gratitude to our shareholders who have provided steadfast support and who remain a source of strength.

We also wish to express our gratitude to our Regulators for their support and guidance in all aspect of our workings.

We will be pleased to present before our shareholders at the forthcoming AGM, a final cash dividend of Rs 1.25 per share (12.50%), bringing the total dividend for the year 2018 to Rs 4.25 per share.

Sultan Ali Allana
Chairman

Directors' Report 2018

On behalf of the Board of Directors, we are pleased to present the Consolidated Financial Statements for the year ended December 31, 2018.

Macroeconomic Review

GDP growth for FY18 rose to 5.8% from the 5.4% achieved in FY17. This was supported by gains in Agriculture and Manufacturing, with Services maintaining a steady growth rate of 6.4%. However, the first half of FY19 has seen a slowdown in economic activity with the LSM index for H1FY19 contracting by 1.5% due to demand containment, and agricultural production declining from FY18 levels. GDP growth, after 3 years of acceleration is now projected to moderate down to under 4.0%. CPI inflation has been on an upward trajectory and reached a 51-month high of 7.2% in January 2019. Average inflation for 7MFY19 is 6.2% compared to 3.9% in the same period last year and is expected to be 6.5% – 7.5% for FY19.

The key determinant of macroeconomic policy has been the balance of payments situation where a protracted and historically large current account deficit has forced tough decisions on the economy. During FY18, imports rose to an all-time high of USD 67 billion, ballooning the trade deficit to USD 37 billion. For 7MFY19 the balance of trade has declined by 5.3% over 7MFY18; import containment has been somewhat successful with only a 2.4% decrease but, despite the weaker Rupee, exports have remained stagnant. Remittances, having returned to a nominal growth trajectory in FY18, picked up pace during the current fiscal year, increasing by 12% and, once again, served to mitigate the negative trade balance. The current account deficit of USD 8.4 billion for this period, while still significant, represents a 16.8% decline compared to the same period last year.

With the external account under considerable pressure, the Rupee continued to slide, losing 26% of its value during the year and crossing Rs 140 before retracting to slightly below this level. After declining by more than 15% from June 2018 levels, foreign exchange reserves rebounded slightly to USD 14.8 billion on inflows from Saudi Arabia and UAE. The weakening macroeconomic indicators have weighed on Pakistan's sovereign ratings as Moody's revised its Outlook on the current B3 rating to Negative in June while Fitch announced a cut to B- with a Stable Outlook in December. In February, S&P also downgraded Pakistan's long-term sovereign credit rating to B-with a Negative Outlook based on external account concerns. Recently, Moody's changed its Pakistan Banking System Outlook from Stable to Negative given the industry's high exposure to the sovereign and a slowing economy.

The fiscal deficit for FY18 was recorded at 6.6% of GDP, exceeding even the revised target of 5.5%. A similar trend is apparent for FY19 and Government estimates are for the deficit to reach 6.3% compared to a budgeted level of 5.1%. Performance on the fiscal front during H1FY19 has remained weak with revenue targets missed as a result of lower tax rates, the slowing economy and reduction in petroleum levies. On the other hand, expenditure has continued to increase, driven by rising debt servicing costs and escalating provincial current expenditure. Consequently, the deficit for H1FY19 is already at 2.7% of GDP.

Given the overall economic context, the equity market underperformed during 2018 with the PSX index showing a retracement of 8.4% and closing the year at 37,067 points. This is the first time since 1995-1996 that the PSX index has declined year-on-year for two consecutive years. After a brief rally in January 2019, the downturn in stocks has continued as the market awaits a clearer roadmap on economic policy and on the timing and quantum of the inevitable IMF program.

Currency in circulation rose by 19%, while Prize Bond issuance has increased substantially. These two developments indicate a medium-term cash-preference behavior for a broad section of the overall population, largely attributable to tax on cash withdrawals and other banking transactions. Private sector credit during H1FY19 increased by Rs 570 billion, nearly double the increase seen in the same period in FY18. This is largely attributed to higher raw material costs as well as capacity expansions in power and construction related sectors. The SBP has adopted a rapid tightening of monetary policy, increasing rates in all but one monetary policy; announcement, by a total of 425 bps during 2018. Total industry deposits grew by 8.0% during 2018, while advances increased by 22.4% over December 2017 levels. Banking system spreads, after bottoming out in August 2018, have been gradually rising, but the average for 11M18 is still lower than in 2017 due to the lagged repricing of loans in the rising rate environment.

Financial Performance

HBL's profit after tax for the year is Rs 12.4 billion, an increase of 41% over 2017, with earnings per share of Rs 8.22 compared to Rs 5.79 in 2017. Pretax profit of Rs 21.6 billion is 27% lower than in 2017 as a result of the multiple one-offs that affected the Bank's financial performance in 2018, including the impact of the continued slide in the Rupee and the remediation, legal and regulatory costs related to its New York branch.

HBL's balance sheet has grown by 12%, to Rs 3.0 trillion in Dec'18. Domestic deposits have increased by 6.8% helped by continued focus on soliciting current deposits which rose by 12.9% to Rs 709 billion. The mix of current deposits improved from 35.6% in Dec'17 to 37.6% in Dec'18. HBL has become the first bank in Pakistan to cross Rs 1.0 trillion in total

advances, driven by continued growth in domestic lending initiated over the last couple of years. Domestic advances have increased by 30% over 2017 to Rs 913 billion, with a broad-based growth across most business segments.

Key drivers of the domestic business remain strong and on a rising trajectory; average domestic current accounts increased by 14.9% over 2017 while average domestic loans increased by 32.4%. The average domestic balance sheet grew by 8%, offsetting the spread reduction caused by lower investment yields and lagged loan repricing. Domestic net interest income is thus 2.4% higher than for 2017. A turnaround is evident in international revenues in the last quarter of 2018; nevertheless, they are significantly lower than last year. HBL's total net interest income thus remained at nearly the same level as in 2017.

Core domestic fees remained strong and increased by 8% over 2017 driven by account operations and card related fees, consumer financing and general banking charges. Reported fee income at Rs 18.0 billion, is 8% lower as a result of lower international fee income and a steep, but expected, decline in home remittance income following the extensive de-risking in end 2017. The Bank's open FX position has resulted in a revaluation loss of Rs 6.8 billion due to the sharp depreciation of the Pak rupee; excluding this, FX income grew by 14% on the back of higher trading revenue. The Bank realized significant capital gains on fixed income bonds in late 2017 in anticipation of a rising interest rate environment. These were not expected to be replicated and capital gains are Rs 6.0 billion lower than in 2017. Consequently, non-markup income for 2018 is reported at Rs 19.9 billion.

Administrative expenses in 2018 increased by Rs 16.1 billion. This included several one-offs such as the costs related to New York, consultancy fees for the business transformation project, a new regulatory requirement of deposit insurance introduced in H2'18, a revision in the minimum pension level and the impact of rupee devaluation on international expenses. Excluding the impact of these items, the Bank's administrative expense growth is contained to low single digits.

With the stock market performing poorly during the year, the Bank recorded an impairment charge of Rs 2.9 billion on its listed equity investments. This, along with higher provisions in the international business, resulted in total provisions of Rs 5.0 billion for the year. However, domestic recovery streams continue to stay strong with net credit reversals of Rs 0.9 billion and a Rs 1.5 billion reduction in non-performing loans. Asset quality improved from 8.2% in December 2017 to 7.0% in December 2018, its lowest level in the last 15 years. The Coverage Ratio declined slightly from prior year end levels but remained strong at 89.1%.

Movement in Reserves

	2018	2017
	Rupees in million	
		(Restated)
Profit after tax	12,441	8,848
Unappropriated profit brought forward	96,974	106,142
Effect of retrospective change in accounting policies	-	(803)
- Deficit on revaluation of fixed assets – net of tax	-	-
- Impact of adoption of IFRS 9 – net of tax	(65)	-
Unappropriated profit brought forward – restated	96,909	105,339
Profit attributable to equity holders of the Bank	12,056	8,495
Exchange translation realized on sale of Bank branch	-	371
Re-measurement loss on defined benefit obligations – net of tax	(156)	(1,014)
Transferred from surplus on revaluation of assets – net of tax	64	48
	11,964	7,900
Profit available for appropriation	108,873	113,239
Appropriations:		
Transferred to statutory reserves	(1,428)	(883)
Transferred from statutory funds of associates	29	20
Cash dividend – Final	(1,467)	(5,134)
1 st interim cash dividend	(1,467)	(5,134)
2 nd interim cash dividend	(1,467)	(5,134)
3 rd interim cash dividend	(1,467)	-
Total appropriations	(7,267)	(16,265)
Unappropriated profit carried forward	101,606	96,974
Earnings per share (Rupees)	8.22	5.79

Capital Ratios

Despite the strong asset growth, the consolidated Capital Adequacy Ratio (CAR) improved from 16.0% as at December 31, 2017 to 16.2% at the end of 2018, while the Tier 1 CAR was maintained at 12.0%. This has been underpinned by a continued optimization of Risk Weighted Assets as well as a conservative dividend policy. 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 nearly 14%. This year HBL added nearly 1 million new customers through its branch network, bringing its total branch customer base to over 11 million.

HBL Asaan Account, offering a simplified account opening process for smaller ticket customers is a key product for increasing inclusion of the unbanked population. 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 2018, HBL added 187,000 new customers in this category. The Bank now has nearly 720,000 Asaan accounts with a total deposit balance of over Rs 10 billion.

HBL deepened the Nisa portfolio (the Bank's Women Markets program) through joint campaigns with the HBL Asaan Account product to further the Bank's financial inclusion objectives. Benefits were added to make the program more attractive. The Nisa program also promotes non-financial services, including workshops, training sessions and networking opportunities to help grow outreach. In 2018, the Bank added 112,000 new Nisa accounts, bringing the total portfolio to over 430,000 accounts with a deposit of Rs 34.2 billion. HBL now proudly serves 3 million female customers.

Despite gains by competitors, HBL maintained its position as the market leader in Bancassurance with a share of over 35%. Banca-Takaful, the Islamic variant of this product has now gained increasing acceptance, comprising more than a third of total sales. During the year the business launched HBL Sahara, a small ticket policy sold through Telesales and EFU Life's first product offering through HBL. A strengthened call back control mechanism was also implemented and sales scripts and product marketing material was revised to strengthen compliance.

HBL is the largest private sector agricultural finance provider with nearly 25% of the commercial bank market share. The Rural Banking business launched several innovative products this year including a mobile application which captures farm images through mobile and tower-based data. This tool provides significant data points of the farm including farm images, farmer pictures and geotagging of the farm along with a date and time stamp. Recently HBL became the first bank in the industry to integrate its system with the Punjab Land Records Authority, allowing online extraction of title documents and records of agricultural land holdings of farmers. This will enable ownership verification, ensuring the authenticity and availability of critical documents.

In line with HBL's customer-centricity goals, the business launched Kisaan ki Awaaz (Voice of the Farmer), a structured program of town halls where farmers are informed about agriculture finance products along with a series of value added discussions on agronomy and better farm management. HBL is committed to financial inclusion of the rural population as this segment is of critical importance to Pakistan's economic development. For the third year in a row, the Institute of Bankers Pakistan awarded HBL the Best Bank for Agriculture at the Pakistan Banking Awards. HBL is the only bank to have won this award since their inception.

HBL aspires to create a consistent quality experience for its existing as well as its prospective clients. Service Quality is a strategic priority for the Bank and is viewed as a key product offering to our clients. To improve the overall service culture, a Quality Council was established in 2018. Service pledges by staff, along with reward and recognition programs, have been launched under the umbrella HBL Cares, to recognize their contribution to the organization's strategic goals. To align internal service measures with customer feedback, the governance around monitoring and measurement was strengthened with internal mystery shopping as well as independent customer surveys. This resulted in tangible improvements in attitude and product disclosure, branch upkeep and Overall High Satisfaction. The organization-wide focus on visibility of customer complaints and quick complaint resolution has also improved the Problem Resolution Satisfaction scores.

The Conduct Assessment Framework (CAF) committee worked on various cross-functional initiatives to improve Fair Treatment to Customers as per the SBP's guidelines. They were able to achieve an improvement in the Bank's CAF rating, from 1.74 in 2017 to 1.81 in 2018. In 2018, 70,140 complaints were received directly by the Bank. On average, 4.67 days were taken to resolve the complaints.

HBL's Consumer Banking business, which helps people achieve their financial aspirations, continued its consistent and steady growth. In 2018, the portfolio grew by 15% crossing a landmark of Rs 50 billion, with the major contribution coming from personal loans and auto financing. The overall asset quality continues to be well managed with exceptionally low loss rates even after several years of sustained growth.

HBL's flagship Platinum Card continues to be one of the most acclaimed and sought-after cards in the market, with its extensive array of features and discounts for customers and worldwide acceptance. This year, the premium card suite was expanded with the launch of the HBL-Qatar Airways Cobrand, which allows cardholders to accumulate air miles against spend. In 2018, HBL's credit card spend grew by 34% over 2017 to Rs 46 billion and VISA adjudged the Bank as the #1 Credit Card in Pakistan based on payment volumes and spend. HBL continues to be the clear market leader in debit cards,

with 5.1 million cards in circulation and launched a Gold debit card targeted at the mass affluent segment. Debit card usage grew by over 42% to Rs 33 billion. Merchant Acquiring assumed clear market leadership with more than 21,000 POS terminals which processed a throughput of Rs 105 billion.

The Islamic Banking business grew its loans and deposits by over 20% while launching several new products – Islamic Home Finance, Tijarah (Inventory Financing), an Islamic version of the SBP's conventional Long Term Facility for Export-Oriented Projects and Islamic Tractor Financing. A dedicated Internal Shariah Audit unit has been set up within the Internal Audit function, consisting of adequately trained and skilled staff. During the year, HBL Islamic won the coveted Best Islamic Window of the year 2017, awarded by the CFA association of Pakistan.

HBL's Corporate Banking business demonstrated an exceptional performance, growing its loan book by 38% and acquiring 30 new relationships focussed on developing new market segments. The overall client relationship became the key driver of performance and cross-sell of HBL's powerful suite of products was emphasised. Renewed focus on trade resulted in a 46% growth in volumes.

Leadership in Investment Banking was strengthened and multiple landmark transactions were executed. These included a 330 MW indigenous coal-based power plant, a USD 190 million foreign currency financing facility for an electricity company and a first-of-its-kind privately placed book built Sukuk issue for a steel manufacturer. The Bank has received several accolades from both local and international bodies for its prowess in Investment Banking. Some of the most significant include the Best Investment Bank in Pakistan – International Banker, FinanceAsia, AsiaMoney and the Pakistan Banking Awards, Regional Bank of the Year for Belt and Road Initiatives in Southeast Asia – FinanceAsia and Best Bank for Infrastructure / Project Finance in the Region in South Asia – AsiaMoney.

HBL continues to lead the Transaction and Employee Banking space with a market share of 37% in cash management and 55% in employee banking through its proprietary HBL At Work (HAW) initiative. Total throughput in these initiatives increased to over Rs 3.1 trillion with over 2,000 mandates. HBL now processes nearly Rs 200 billion in salary payments to almost 1 million employees. In 2018, the product offering was extended to mid-market and commercial customers along with the launch of an Islamic HAW product.

HBL – SEMS (Social & Environmental Systems) continued to work with the SBP providing support in the development of the Green Banking Guidelines (GBG). In line with the facilitation requirements of the GBG, a Solar Product Development training course was conducted. An Environmental Committee has been formed and various Own Impact Reduction initiatives are underway. The ESG diligence process is already embedded in all corporate banking credit approvals with the environmental impact of HBL's financing scrutinized by the SEMS team. In 2018, this discipline was extended to other lending businesses.

HBL's Treasury strengthened its position in the domestic fixed income market by retaining its top-ranked Primary Dealer status for the fourth consecutive year. Over the course of the year the business hosted high-profile seminars in Karachi, Lahore, and Islamabad to keep clients updated about current and expected macroeconomic developments and their impact on business and industry. All three events were well-attended by leaders and executives as well as representatives from the not-for-profit and the public sectors. The Islamic Treasury successfully implemented the OPICS+ system during the year ensuring that risk management of the Islamic Banking balance sheet is accomplished via a state-of-the-art technology platform.

In 2018, the Bank accelerated its digitization drive and proactively engaged in conversations about digitization and innovation across the businesses with key internal and external stakeholders. 2018 was also a leap forward in our journey to enhance the customer's digital experience as both the Mobile and the Internet Banking platforms were revamped and relaunched with a far superior user experience and interface. The new versions have enabled key services which were previously available only through branch visits. These have now also been launched in key international locations. Redundancy was built into the technology infrastructure on which the Mobile, Internet and Konnect applications run, to meet the stringent uptime requirements demanded by these applications.

The Bank was also the first in the market to leverage opportunities on the asset side by offering Personal Loans using the Mobile App. Approval time has been reduced to hours with approved loans being disbursed directly to the customer's account. This revolutionary offering has created ease for our clients, with a quick turnaround and a more personalized offering to meet their financing needs. So far over Rs 1 billion have been disbursed through this product enhancement.

Konnect with its end-to-end Digital customer acquisition and servicing model was rolled out in July and, by the end of the year, had enrolled 1.4 million New to Bank customers; 25% of Konnect account holders are women. By leveraging key digital principles of a frictionless customer journey and a high degree of personalization, this mobile platform was built using agile methodology and leveraging a network of 40,000 agent locations Konnect offers a range of services for customers including a biometric authentication based instant account opening while adhering to high compliance standards. A pilot of open/collaborative banking through APIs was successfully deployed with integrations for two e-commerce merchants. This is expected to gather momentum in 2019.

HBL recognizes data to be a valuable organizational asset and a critical driver of the digital business model. 2018 saw the roll out of a comprehensive data strategy which included the initiation of a formal data governance program under the guidance of a Data Governance Council. A centralized advanced analytics team has also been created and has undergone

extensive training in artificial intelligence / machine learning techniques. Initial analytics projects are already underway which will help HBL in providing highly personalized client offerings.

In 2018, the Bank completed a strategic review of its global footprint, which it continued to consolidate, closing its Paris branch and progressing the orderly winddown of the Seychelles business. In the aftermath of the accelerated de-dollarization and de-risking carried out in late 2017 and early 2018, this has been a year of rebuilding for the international network, with a new strategy for the overall network focused on business / trade corridor connectivity with Pakistan. As the largest executor of CPEC related financing in Pakistan, special emphasis has been placed on Pak-China business flows. USD clearing challenges faced in 2018 have been addressed through new arrangements, along with enhanced controls and resources for payment screening and correspondent query management. Countries continue to make significant progress in improving their compliance systems, processes and governance. Indigenization is a new focus area and HBL will seek to on-board qualified local talent in the diverse locations in which it operates.

During the year HBL's Urumqi Branch was granted an RMB license by the China Banking and Inspection Regulatory Commission (CBIRC) and is targeted to commence RMB business at the end of Q1 2019. This will uniquely position HBL to offer door to door RMB intermediation. During the year, in-principle approval was received from SBP for upgrading HBL's Representative Office in Beijing to a branch and work is in progress on obtaining regulatory approvals in China.

HBL's subsidiary, the First MicroFinance Bank (FMFB) continued its strong growth while pursuing its objective of financial inclusion by providing opportunities and stability for its customers and helping them to improve their quality of life. FMFB's total loan portfolio grew by 64% to Rs 23.9 billion, covering nearly 420,000 borrowers, 36% of whom are women. Financial literacy remained a priority in all communications across all channels with unique infomercials placed on social media and used by branches to educate customers. In 2018, FMFB commercially launched its digital access channels, to further increase the touchpoints for its diverse customer base. Options now include a Mobile App, IVR Banking, SMS banking and USSD Banking for customers in remote areas with active support through a 24 x 7 call center. Through proprietary debit cards, FMFB's customers can now access their account at any ATM in Pakistan, in addition to the Bank's 76 own ATMs. FMFB remains focused on Compliance and launched a Compliance Certification program for all staff.

During 2018, FMFB achieved the Consumer Protection Certification by SMART Campaign, attained after an independent evaluation of the Bank's policies and procedures from Microfinanza Rating SRL, an international rating agency. This agency also awarded FMFB the "Gold Pricing Disclosure Award" a reflection of the Bank's commitment to transparency. These certifications demonstrate the Bank's commitment to expand outreach in a responsible and sustainable manner, adhering to globally recognized principles of consumer protection.

The initiative that consumed 2018 was HBL's Business Transformation program, which is a multiyear change initiative, centered on making the Bank fit for purpose with sufficient controls and mitigants for handling risks across all geographies in which the Bank operates. The program focusses on four key pillars – Governance, people, processes and technology – to ensure that the change is sustainable. These pillars cut across the entire organization, end-to-end and front-to-back, so that all of HBL's business and support functions are aligned to the change agenda.

New and enhanced control standards were enforced to create a robust governance framework, ensuring that the transformation is embedded throughout the organization and becomes part of the Bank's DNA. Customer onboarding, risk rating and related processes were totally revamped to create a strong control framework that can safeguard the Bank against Money Laundering (ML), Terrorist Financing (TF) and Know Your Customer (KYC) related risks. Continuous and repeated training, development and communication reinforced the transformation initiatives. Compliance and AML technology systems were upgraded to align with international best practices for sanctions screening and transaction monitoring so that ML, TF and KYC risks are adequately identified, assessed, mitigated and managed.

In 2018, the Bank took several initiatives to protect its customers against fraud and theft. HBL secured all 2,100+ ATMs with Skimming Protection Solutions and anti-skimming devices, making HBL the largest secured network in the country. Domestic EMV acquiring has been rolled out in line with Payment Card security regulations which enables HBL ATMs to acquire and process local EMV and Chip based transactions. All new card issuance is now EMV (Chip) based, which reduces the risk of card cloning to a very large extent. In order to enhance protection against fraudulent international usage, the Bank's debit cards have been configured so that they cannot be used outside Pakistan by default. Customers have to call and activate their cards for international POS and ATM usage. Likewise, 3D Secure has been implemented for all debit and credit card e-commerce transactions, thus reducing the possibility of fraudulent usage. HBL is now enrolled with Visa and Mastercard in their fraud monitoring programs, which enables the Bank to define rules and limits as appropriate to identify and prevent fraudulent transactions.

HBL continued to consolidate its strong brand equity throughout 2018. In research conducted by an independent external agency, HBL maintained its leadership position within the financial sector and its highest brand equity score remains more than twice that of its nearest competitor. HBL's marketing efforts were recognized by the World Branding Awards, which once again rated the Bank as Brand of the Year – Banking, Pakistan.

HBL Pakistan Super League (HBLPSL) remained the premier event on the country's sporting calendar and continues to advance the goal of bringing international cricket back to Pakistan. Each year, this tournament provides a platform for the youth of the country to showcase their talent and fulfill their dreams and ambitions, enabling the discovery of new cricketing stars. HBL has renewed its title sponsorship and is delighted to be continuing its association with the country's signature sporting event.

Human Resources

HBL aims to make the Bank an 'Employer of Choice' for top talent in the market.

In line with the Bank's strategy to increase bench strength in senior positions and to develop the future leadership of HBL, a number of highly experienced professionals were inducted as part of the Bank's Executive team. Interactive engagement sessions and town halls with the President and senior team members were held throughout the network to facilitate interaction with the field staff and to share the Bank's strategy and future plans.

With the objective of creating and developing an engaged workforce within the Bank, an engagement survey was rolled out for the first time. This was enthusiastically received with 82% of HBL's employees availing the opportunity to provide feedback. The overall engagement level of 78% was ahead of Mercer's 74% global average, reflecting positively on the interaction within the Bank. The focus going forward is for all teams to develop and implement their own engagement plans which will resultantly drive higher performance within the organization and also enhance employee retention.

To attract outstanding millennials, 30 high potential employees were selected as part of 'The League', the Bank's avidly sought-after Management Trainee program. As part of their development, selected individuals were provided short international assignments. To develop the leadership pool as part of the Bank's Talent Management program, structured plans were developed to engage and retain high potential employees. Over 1,200 staff were hired to build front-line talent in the branch network through program-based hiring. We were also selected as one of only two banks in Pakistan to be designated as a Training Organization Outside Practice (TOOP) by the Institute of Chartered Accountants, Pakistan which allows articleship to be completed through work experience at the Bank.

As always, building employee capacity remained a key area of focus. In particular, emphasis was placed on creating and driving a compliance culture and delivering the learning and training aspect of the Bank's business transformation initiatives. Specific learning interventions were rolled out that resulted in accomplishing a total of over 750,000 manhours of training during the year, including through e-learning programs covering a wide range of topics. High-end training was provided to over 180 IT employees where constant upgradation of skills is critical in a rapidly changing technology environment. More than 1,000 staff received Islamic Banking training while several also attended external training courses offered by SBP, IBA-CEIF and ETICHA Institute of Islamic Finance.

HBL places great emphasis on creating a diverse culture and promoting a healthy gender mix in its global workforce. Specific programs such as 'HBL Elevate' and 'HBL Beacon' were rolled out to develop women leadership. Progressing towards its objectives of increasing women representation in the Bank, emphasis was placed on hiring at least 30% women in new hires. In IT, the Bank hired an all-female batch of fresh IT graduates and onboarded them after an eight-week training program. These concerted efforts have resulted in the percentage of female employees increasing from 14.8% in 2017 to 15.7% in 2018. It is very encouraging that HBL's efforts in this area have been recognized, with the Bank receiving an award for 'Employer of Choice for Gender Balance' from IFC and the Pakistan Business Council.

Risk Management Framework

Effective risk management is the cornerstone of HBL's strategic priorities. This is articulated in the Bank's risk appetite which is set by the Board in line with international best practices, regulatory requirements and evolving business needs.

The Bank continuously evaluates its risk architecture and governance framework through 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.

To further strengthen monitoring of the investment portfolio, the Bank has implemented Value-at-Risk (VaR) based limits; this is a key milestone achieved towards the adoption of the Basel Internal Models Approach (IMA).

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 Operational Risk Profile and Fraud Risk Assessment are regularly shared with senior management and the Board Risk Management Committee. The Bank uses stress testing and scenario analysis to proactively assess the impact of different operational loss scenarios.

Management of Compliance risk has remained high on HBL's agenda for 2018. During this year, a dedicated Board Compliance & Conduct Committee was formed to improve governance and oversight of this critical area.

As part of the Bank's transformation program, HBL has upgraded its Sanctions screening and transaction monitoring systems while graduating to a real-time customer risk rating methodology incorporating FATF, Basel and Wolfsberg guidelines. Staffing has been more than doubled and subject matter experts have been inducted in new areas such as Trade-Based Money Laundering, compliance training and project management. HBL has developed a holistic Financial Crime Risk Assessment based on local and international best practices to better dimension and mitigate its Compliance risk.

The emphasis on Compliance training translated into the rollout of improved programs, both for e-learning as well as for classroom training. A suite of e-Learning modules was developed in Urdu, in addition to English, to ensure that the training is appropriately delivered and achieves maximum outreach and knowledge retention.

As consumers increasingly adopt and depend on mobile and digital technologies for their business as well as lifestyle needs, Information Security has become a critical business function and an essential component of governance. HBL is committed to protecting its clients and their information and has increased its efforts to stay ahead of industry trends. HBL continues to strengthen its cyber defenses by utilizing effective preventive and detective information security measures to counter evolving threats. In 2018, HBL successfully retained its PCI DSS certification, the de facto security standard for the Payment Card industry and remains the only bank in the country to have achieved this milestone. During the year HBL also achieved ISO 27001 international information security related certification. These measures allow HBL to provide protection, confidence and security to clients while offering them innovative digital solutions. Support was also provided to our UK and European operations to enable them to meet the September 2018 deadline of adherence to the EU's new GDPR regulations.

Corporate Social Responsibility (CSR)

Giving back to society is one of HBL's core values and the Bank continues to play its role as a responsible corporate citizen. In order to promote sustained economic and social development to the communities it serves, the Bank contributes 1% of its annual profit after tax to the HBL Foundation, which was established in 2009 to promote the development and well-being of the underprivileged, and improve their quality of life. During 2018, the Bank donated Rs 128 million, both to the HBL Foundation and also directly to deserving causes.

In 2018, significant financial support was provided to various organizations across Pakistan, primarily focusing on health and education. 29 doctors of Indus Hospital benefited from the Emergency Medicine Training Program which will provide free health care to the general public. 12 free eye surgical camps were setup in collaboration with Marie Adelaide Leprosy Center in Balochistan and Gilgit Baltistan, bringing the total number of beneficiaries to more than 15,000. HBL also partnered with the Cancer Care Hospital and Research Center, Jinnah Post Graduate Medical Center, Lady Dufferin Hospital and Aga Khan Health Service all of which will ultimately benefit the less privileged sections of society.

HBL firmly believes that education will be the driving force for the economic uplift of the people of Pakistan. Vocational training, conventional education and skill development were all invested in through collaboration with Helping Hands Welfare Association, Network of Organizations Working for People with Disabilities (NOWPDP) and others. Contributions were made to institutions across the country including a youth vocational training center in Skardu, Baltistan, and higher educational institutions in Balochistan and in interior Sindh. HBL's support has also facilitated The Citizens Archive of Pakistan to set up an interactive museum in an underprivileged area of Lahore.

Corporate volunteering is a key strategic agenda for the Bank and in 2018, more than 500 employees dedicated their time and resources to social and national causes. HBL, in collaboration with I AM KARACHI, participated in the Heritage Walk which aims to rekindle the general public's interest in the city's heritage and historic sites. Employees collaborated with the Indus Hospital to launch a Blood Donation Drive and organized an Eid Milan Party for special children.

HBL, in collaboration with the World Wildlife Fund, celebrated the World Environment Day with this year's theme/tag line #BeatPlasticPollution. An interactive awareness session for employees was organized and as a sequel, Karachi employees participated in a 'Beach Clean' Activity. 150 employees at the Bank's IT Innovation Center organized a plantation drive around the premises, sending out a strong message for the need to plant trees and contribute to the environment.

Donations to the HBL Foundation and others are disclosed in Note 28.4 to the financial statements.

Credit Ratings

The Bank's credit ratings were re-affirmed in June 2018 by JCR-VIS at AAA/A-1+ for long-term and short-term respectively. At the end of the year, JCR-VIS also restored the Outlook on HBL's ratings to Stable and the rating of the subordinated debt to AAA. In doing so, the rating agency cited the improvements in HBL's corporate governance framework in general and compliance in particular, and reflected the Bank's position as Pakistan's largest commercial bank with systemic importance, a strong franchise and diversified operations. Moody's also reaffirmed HBL's local currency deposit ratings at B3 and the baseline credit assessment at caa1. Based on Moody's rating of the sovereign as B3 Negative, the Bank's foreign currency rating is at Caa1 with the Outlook on the overall ratings as Negative.

Future Outlook

The headwinds affecting Pakistan's macroeconomics have intensified. The country's historical problem with the twin deficits, suppressed for some time, has resurfaced, with a combined deficit of over 12%. Core inflation continues to rise and, despite some curbing of demand, is expected to increase further with the knock-on effects of the exchange rate movements and higher electricity and gas tariffs. There is an urgent need to revitalize industrial production and stimulate exports which, despite the currency devaluation, have failed to show meaningful performance. On the fiscal side, with the

rising rate environment leading to spiraling debt servicing costs, revenue enhancements through a meaningful widening of the tax base remain imperative. Infrastructure gains made under the first phase of CPEC now need to be leveraged with export-centric industrial expansion in Phase II.

Support from friendly countries has temporarily averted a balance of payments crisis. However, given the looming repayments in 2019 IMF assistance will be required and a program appears to now be very much on the cards. However, this will require the Government to take tough steps on energy prices, ailing public sector enterprises and circular debt and to implement sweeping taxation reform.

After a challenging year, HBL is expected to deliver improved performance in 2019. Some of the exceptional cost pressures faced in 2018 will abate in both the domestic and international businesses as the external costs of the Bank's business transformation and the New York related remediation expenses have peaked. The Bank's investment in its transformation program is, as expected, now becoming a competitive advantage for the Bank and is being recognized by local and international partners and stakeholders.

HBL, as a Technology Company with a Banking License will accelerate its digital journey in 2019 transforming the customer experience through innovative products and channels. The Mobile First strategy will ensure that we keep delighting our customers with new product and feature offerings to make this their Lifestyle App of choice. Service quality, where much remains to be done, will remain a priority for the foreseeable future. Gains made under the Bank's business transformation program will be further embedded so that world class standards are achieved and maintained in all aspects of operations. The Bank is fully committed to its objective of financial inclusion for all and in female empowerment. With its growing balance sheet, improved capital strength and unmatched footprint across all channels, HBL has the capacity and the determination to make a significant contribution to the development of the country and its economy.

Dividend

The Board has recommended a final cash dividend of Rs 1.25 per share for the year ended December 31, 2018, bringing the total cash dividend for the year to Rs 4.25 per share. The Board had earlier declared and paid interim cash dividends totalling Rs 3.00 per share.

Change in Directors

Mr. Sajid Zahid retired from the Board of Directors on March 26, 2018, at the conclusion of his term, after having served on the HBL Board since 1999. The Board wishes to place on record its deepest appreciation for the contribution and wise counsel of Mr. Zahid. On March 27, 2018, the remaining six retiring Directors were elected to a new three-year term on the Board of HBL.

Ms. Sadia Khan was elected as a Director on March 27, 2018. Ms. Khan has extensive domestic and international experience, having served with multilateral organizations, and in the areas of financial regulation and entrepreneurship. The Board welcomes Ms. Khan and looks forward to her contribution.

Meetings of the Board

	Board Meeting	
	Meetings held during tenure	Attendance
Mr. Sultan Ali Allana	10	10
Mr. Shaffiq Dharamshi	10	9
Mr. Moez Ahamed Jamal	10	10
Mr. Salim Raza	10	10
Dr. Najeeb Samie	10	10
Mr. Agha Sher Shah	10	8
Mr. Sajid Zahid ¹	3	3
Ms. Sadia Khan ²	7	7
Mr. Rayomond H. Kotwal ³	4	4
Mr. Muhammad Aurangzeb ⁴	6	6

¹ Mr. Sajid Zahid completed his term as a Director on March 26, 2018

² Ms. Sadia Khan was elected as a Director with effect from March 27, 2018

³ Mr. Rayomond H. Kotwal was appointed as Acting President & CEO effective December 1, 2017 to April 29, 2018

⁴ Mr. Muhammad Aurangzeb was appointed as President & CEO effective April 30, 2018

Meetings of Board Committees

	Audit Committee		Risk Management Committee		Human Resource and Remuneration Committee		Board Compliance & Conduct Committee	
	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	4	4	5	5	N/A	N/A
Mr. Moez Ahamed Jamal	8	8	N/A	N/A	1	1	6	6
Mr. Salim Raza	N/A	N/A	4	4	N/A	N/A	N/A	N/A
Dr. Najeeb Samie	8	8	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Agha Sher Shah	N/A	N/A	N/A	N/A	6	5	N/A	N/A
Mr. Sajid Zahid ¹	2	2	1	1	N/A	N/A	N/A	N/A
Ms. Sadia Khan ²	6	6	N/A	N/A	4	4	6	6
Mr. Rayomond H. Kotwal ³	N/A	N/A	2	2	N/A	N/A	N/A	N/A
Mr. Muhammad Aurangzeb ⁴	N/A	N/A	2	2	N/A	N/A	N/A	N/A

¹ Mr. Sajid Zahid completed his term as a Director on March 26, 2018

² Ms. Sadia Khan was elected as a Director with effect from March 27, 2018

³ Mr. Rayomond H. Kotwal was appointed as Acting President & CEO effective December 1, 2017 to April 29, 2018

⁴ Mr. Muhammad Aurangzeb was appointed as President & CEO effective April 30, 2018

	Development Finance Committee		Board Oversight Committee – New York		Board IT Committee	
	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance
Mr. Sultan Ali Allana	3	2	N/A	N/A	N/A	N/A
Mr. Shaffiq Dharamshi	N/A	N/A	11	11	N/A	N/A
Mr. Moez Ahamed Jamal	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Salim Raza	3	3	N/A	N/A	4	4
Dr. Najeeb Samie	N/A	N/A	11	11	N/A	N/A
Mr. Agha Sher Shah	N/A	N/A	N/A	N/A	4	4
Mr. Sajid Zahid ¹	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Sadia Khan ²	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Rayomond H. Kotwal ³	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Muhammad Aurangzeb ⁴	3	3	N/A	N/A	2	2

¹ Mr. Sajid Zahid completed his term as a Director on March 26, 2018

² Ms. Sadia Khan was elected as a Director with effect from March 27, 2018

³ Mr. Rayomond H. Kotwal was appointed as Acting President & CEO effective December 1, 2017 to April 29, 2018

⁴ Mr. Muhammad Aurangzeb was appointed as President & CEO effective April 30, 2018

The Board IT Committee was reconstituted on February 15, 2018

The Board Committee on Agri, SME and Financial Inclusion was formed on April 10, 2018 and renamed as the Development Finance Committee on May 30, 2018

The Board Committees were reconstituted on April 10, 2018

Ms. Sadia Khan was co-opted in the Board Human Resources and Remuneration Committee from May 30, 2018

In addition to the above, a Board Oversight Committee – International Governance was formed in the Board Meeting held on December 14 & 15, 2018, to bring dedicated focus on the international business. The committee is chaired by Mr. Sultan Ali Allana and includes Dr. Najeeb Samie and Mr. Muhammad Aurangzeb. The committee has not held any meetings in 2018.

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 2019.

Statement on Corporate and Financial Reporting

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:

- a) The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- b) Proper books of accounts of the Bank have been maintained.
- c) Other than the changes as disclosed in Note 4.1 to the financial statements, accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The Bank has followed International 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.
- e) As a continuous process, efforts have been made to effectively implement the internal control system. HBL follows the SBP Internal Control Guidelines, including the roadmap and the guidelines for Internal Controls over Financial Reporting (ICFR). The Bank has evaluated its ICFR process and developed a Framework document for the management 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 six years is presented in the financial statements under the section "Growth 2013 to 2018 – 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, Compliance and Conduct, Development Finance 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 ten 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 Auditor's Reports are attached to the Financial Statements.

Events After the Balance Sheet Date

The Finance Supplementary (Second Amendment) Bill, 2019 laid down before the National Assembly of Pakistan on January 23, 2019, amended the rates of Super Tax noted in the earlier Finance Act 2018 and prescribed a flat rate of 4% super tax for all accounting years from 2017 to 2020. The changes proposed by the Bill are being deliberated and have not yet been enacted. If the Bill is enacted in its proposed form, the potential financial impact of the revision in the rate of Super Tax for the accounting year 2017 would amount to Rs 1,933 million.

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, 2018.

	Rupees in million
Employees' Provident Fund	6,176
Employees' Pension Fund	4,351
Employees' Gratuity Fund	1,845
Employees' Benevolent Fund – Executives and Officers	1,446
Employees' Benevolent Fund – Clerical and Non-Clerical	699

Pattern of Shareholding

The pattern of shareholding as at December 31, 2018 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.

Parent Company

As disclosed in Note 1.1 of the financial statements, 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.

Training programs attended by Directors

As mentioned in the Statement of Compliance with the Code of Corporate Governance (the Code), a majority of the Directors have previously attended the SECP approved Directors' Training program offered by the Institute of Business Administration, Karachi and are certified as Directors in accordance with the Code. During this year, the Board attended a two-day training program on Financial Crime Prevention organized by the Commonwealth Development Corporation PLC (CDC), to ensure an appropriate level of focus on this critical area.

Composition of the Board and Board Committees

The composition of the Board and details of the Board Committees are given in the Statement of Compliance with the Code of Corporate Governance.

Compensation of Directors

The Directors are paid Rs 400,000 for attending Board and Committee Meetings. In addition, the non-Executive Directors are entitled to receive TA/DA and fare for travel as per the TA/DA policy approved by the Board from time to time. These were approved by the Shareholders in the Bank's Extraordinary General Meeting held on March 19, 2018.

The aggregate amount of fees paid to the Directors is disclosed in Note 39 to the Consolidated Financial Statements.

Appreciation and Acknowledgement

On behalf of the Board and management, we would like to place on record our appreciation for the efforts of our Regulators and the Government of Pakistan, in particular the State Bank of Pakistan, the Ministry of Finance 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.

We are indebted to our customers, many of whom have banked with us for generations, and who continue to entrust us with their business and confidence. Our shareholders have provided steadfast support and to them and 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 be industry leaders in this area. We would also like to thank our employees and their families for their dedication and their tireless efforts towards the growth of HBL.

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

February 20, 2019

ڈائریکٹر رپورٹ-2018

ہم، بورڈ آف ڈائریکٹرز کی جانب سے سال مختتم 31 دسمبر، 2018 کے حوالے سے مجموعی مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

کلیاتی اقتصادیات کا جائزہ

مالی سال 2018ء میں جی ڈی پی میں اضافہ مالی سال 2017ء کی شرح اضافہ 5.4% سے بڑھ کر 5.8% ہو گیا جس میں زراعت اور مینوفیکچرنگ کا حصہ بھی شامل تھا جبکہ خدمات کے شعبہ نے 6.4% کی مستحکم شرح اضافہ کو برقرار رکھا۔ تاہم مالی سال 2019ء کے اول نصف میں معاشی سرگرمی میں سست روی دیکھی گئی جس میں طلب میں قدرے کمی کے باعث لارج اسکیل مینوفیکچرنگ میں 1.5% کمی واقع ہوئی جبکہ زرعی پیداوار مالی سال 2018ء کی سطح سے گر گئی۔ جی ڈی پی کی شرح اضافہ تین برس تک بڑھنے کے بعد اب 4.0% سے نیچے رہنے کی توقع ہے۔ کنزیومر پرائس انڈیکس بدستور اوپر جا رہا ہے اور جنوری 2019ء میں 7.2% تک پہنچ گیا جو 51 ماہ میں بلند ترین ہے۔ اوسط افراط زر مالی سال 2019ء سات مہینوں کے لئے گزشتہ برس کی اسی مدت میں 3.9% کے مقابلے میں 6.2% رہا اور مالی سال 2019ء میں افراط زر 6.5% سے 7.5% تک رہنے کی توقع ہے۔

کلیاتی اقتصادیات کی پالیسی کا تعین کرنے والی کلیدی صورت حال ادائیگیوں کے توازن کی رہی جہاں تاریخی کرنٹ اکاؤنٹ خسارہ نے معیشت کے لئے سخت فیصلے کرنے پر مجبور کیا۔ مالی سال 2018ء میں درآمدات 67 ارب ڈالر کے ساتھ بلند ترین سطح پر پہنچ گئیں جس کی وجہ سے تجارتی خسارہ بڑھ کر 37 ارب ڈالر ہو گیا۔ مالی سال 2019ء کے سات ماہ میں تجارتی توازن مالی سال 2018ء کے سات ماہ کے مقابلے میں 5.3% کم ہو گیا، درآمدات میں کمی کی کوششیں 2.4% کمی کے ساتھ کسی نہ کسی حد تک کامیاب رہیں لیکن روپے کی قدر میں کمی کے باوجود برآمدات اپنی جگہ پر جامد رہیں۔ ترسیلات زر جن میں مالی سال 2018ء میں معمولی اضافہ ہی ممکن ہوا تھا، رواں مالی سال میں تیزی دیکھنے میں آرہی ہے جو 12% بڑھ گئی اور ایک مرتبہ پھر منفی تجارتی توازن میں کمی کا باعث بنیں۔ کرنٹ اکاؤنٹ خسارہ اسی مدت کے لئے 8.4 ارب ڈالر رہا جو بدستور بہت زیادہ ہے تاہم گزشتہ سال کی اسی مدت کے مقابلے میں 16.8% کی کمی کو ظاہر کرتا ہے۔

بیرونی اکاؤنٹ پر قابل لحاظ دباؤ کے ساتھ روپیہ بدستور نیچے گرتا رہا جس کی قدر میں جاری مالی سال کے دوران 26% کمی واقع ہوئی اور اس کی شرح تبادلہ ایک ڈالر کے مقابلے میں 140 روپے تک گر جانے کے بعد معمولی سی بہتری آئی۔ زرمبادلہ کے ذخائر جون 2018ء کی سطح سے 15% سے زائد تنزلی کے بعد سعودی عرب اور یو اے ای سے ترسیلات کی وجہ سے بہتر ہو کر 14.8 ارب ڈالر ہو گئے۔ مسلسل کمزور پڑتے ہوئے میکرو اکنامک اشاریوں کا پاکستان کی غیر ملکی ریٹنگ پر اثر پڑا جس کے باعث موڈیز نے اپنے آؤٹ لک میں تبدیلی کرتے ہوئے موجودہ B3 ریٹنگ کو جون میں منفی کر دیا جبکہ فچ نے بھی دسمبر میں کمی کرتے ہوئے مستحکم آؤٹ لک کے ساتھ B- کر دی ہے۔ فروری میں ایس اینڈ پی نے بھی پاکستان کی طویل مدتی کریڈٹ ریٹنگ بیرونی اکاؤنٹ سے متعلق تشویش کی بنیاد پر منفی آؤٹ لک کے ساتھ B- کر دی ہے۔ حال ہی میں موڈیز نے پاکستان کے بینکنگ سسٹم آؤٹ لک کو مستحکم سے منفی کر دیا ہے جو انڈسٹری کو سست روی کا شکار معیشت کی صورت میں لاحق معاملات کے باعث ہوا۔

مالیاتی خسارہ مالی سال 2018ء میں جی ڈی پی کے 6.6% ریکارڈ کیا گیا جو کہ اپنے ہدف 5.5% سے بھی آگے بڑھ گیا۔ مالی سال 2019ء میں بھی اس سے مماثل رجحان ظاہر ہو رہا ہے اور حکومتی تخمینوں میں خسارہ کی شرح 6.3% کہی جا رہی ہے جو بجٹ میں طے شدہ 5.1% کی سطح سے بھی زائد ہے۔ مالی سال 2019ء کے اول نصف میں مالی محاذ پر کارکردگی نسبتاً کم شرح محاصل، سست روی کا شکار معیشت اور بیوروکریسی میں کمی کے باعث ریونیو اہداف حاصل نہ ہونے کے ساتھ کمزور رہی ہے۔ دوسری جانب قرضوں کی ادائیگی کی بڑھتی ہوئی لاگت اور بڑھتے ہوئے صوبائی جاری اخراجات میں مسلسل اضافہ ہو رہا ہے۔ نتیجتاً مالی سال 2019ء کے اول نصف میں خسارے کی شرح پہلے ہی جی ڈی پی کے 7.2% ہو گئی ہے۔

مجموعی معاشی تناظر کو دیکھتے ہوئے حصص بازار نے بھی 2018ء میں اہلیت سے کم کارکردگی کا مظاہرہ کیا اور پاکستان اسٹاک ایکسچینج انڈیکس 8.4% کی ری ٹریسمنٹ کا مظاہرہ کرتے ہوئے سال کے خاتمہ پر 37,067 پوائنٹس پر رہی۔ 1995-1996ء کے بعد سے ایسا پہلی مرتبہ ہوا ہے کہ پاکستان اسٹاک ایکسچینج انڈیکس سال بہ سال دو متواتر برس تک تنزلی کا شکار رہا۔ جنوری 2019ء میں ایک مختصر تیزی کے بعد حصص میں تنزلی جاری رہی کیونکہ مارکیٹ بدستور معاشی پالیسی اور ناقابل گزیر آئی ایم ایف پروگرام کے اوقات اور مالیاتی قدر سے متعلق واضح تر روڈ میپ کی منتظر ہے۔

از کم پنشن کی سطح پر نظر ثانی اور بین الاقوامی اخراجات پر روپے کی قدر میں گراؤٹ کے اثرات شامل ہیں۔ ان اخراجات کو نکال دیا جائے تو بینک کے انتظامی اخراجات میں اضافہ واحد اکائی تک محدود ہیں۔

سال کے دوران اسٹاک مارکیٹ کے مایوس کن کارکردگی کے باعث، بینک نے لسٹڈ حصص کی سرمایہ کاری پر 2.9 ارب روپے کا نقصان ریکارڈ کیا۔ یہ، بشمول بین الاقوامی تجارت میں زائد پرویشن کے ساتھ، اس سال کے لئے مجموعی پرویشن 5.0 ارب روپے تک رہا۔ تاہم، مقامی ریکوری کے باعث 0.9 ارب روپے کے کریڈٹ ریورسز کے ساتھ مضبوط اور نان پرفارمنگ قرضہ جات میں 1.5 ارب روپے کی کمی ہوئی۔ اثاثہ جات کا معیار دسمبر 2017 کے 8.2% سے بہتر ہو کر دسمبر 2018 میں 7.0% ہو گیا، جو گزشتہ پندرہ سالوں کی سب سے کم ترین سطح ہے۔ کوریج کا تناسب، گزشتہ سال کے اختتام سے نسبتاً کم لیکن 89.1% کی مضبوط سطح پر رہا۔

ذخائر میں اتار چڑھاؤ

2017	2018
ملین روپے	
(تبدیل شدہ)	
8,848	12,441
106,142	96,974
(803)	-
-	(65)
105,339	96,909
8,495	12,056
371	-
(1,014)	(156)
48	64
7,900	11,964
113,239	108,873

بعد از محصول نفع

افتتاحی غیر تخصیص شدہ منافع
گزشتہ اکاؤنٹنگ پالیسیوں میں تبدیلی کا اثر
- پائیدار اثاثوں کی نظر ثانی پر خسارہ - محصول کا خالص
- IFRS-9 کو اپنانے کا اثر - محصول کا خالص
اختتامی غیر تخصیص شدہ منافع - تبدیل شدہ

بینک ایکویٹی کے حامل افراد کے لیے قابل ادائیگی منافع
بینک برانچ کی فروخت پر ظاہر ہونے والے مبادلہ کی تبدیلی
وضاحت شدہ منفعیت کی ذمہ داریوں پر نقصان کی دوبارہ پیمائش - محصول کا خالص
اثاثہ جات کی دوبارہ تشخیص پر سرپلس سے منتقل شدہ - محصول کا خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

(883)	(1,428)
20	29
(5,134)	(1,467)
(5,134)	(1,467)
(5,134)	(1,467)
-	(1,467)
(16,265)	(7,267)
96,974	101,606

قانونی ذخائر میں منتقل شدہ
ایسوسی ایٹس کے قانونی فنڈز میں منتقل شدہ
نقد منافع منقسمہ - حتمی
پہلا نقد عبوری منافع منقسمہ
دوسرا نقد عبوری منافع منقسمہ
تیسرا نقد عبوری منافع منقسمہ
مجموعی مناسب کارروائیاں
اختتامی غیر تخصیص شدہ منافع

فی حصص (شیئر) آمدنی (روپے)

5.79	8.22
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گردش زر میں 19% اضافہ ہوا جبکہ پرائز بانڈ کا اجر ابھی خاصی حد تک بڑھ گیا۔ یہ دونوں معاملات کل آبادی کے ایک ایسے وسیع حصہ کی درمیانی مدت کے نقدی کو ترجیحات کے رویے کی نشاندہی کرتا ہے جسے بینکوں سے نقدی نکالنے اور دیگر بینکاری معاملات پر محصول عائد ہونے جیسے معاملات کا سامنا ہے۔ نجی شعبہ میں کریڈٹ مالی سال 2019ء کے اول نصف میں 570 ارب روپے بڑھ گیا جو مالی سال 2018ء کی اسی مدت کے مقابلے میں لگ بھگ دو گنا ہے۔ یہ اضافہ توانائی اور تعمیرات کے شعبوں میں گنجائش میں اضافوں اور خام مال کی زائد تر لاگت کو ظاہر کرتا ہے۔ اسٹیٹ بینک نے مالیاتی پالیسی میں سختی کو تیزی سے اختیار کیا جس میں اس نے سوائے ایک مالیاتی پالیسی کے تمام مالیاتی پالیسیوں میں اضافہ کیا ہے جو 2018ء کے دوران کل 425 بی پی ایلز رہا۔ دسمبر 2017ء کے مقابل مجموعی صنعتی ڈپازٹس 2018ء میں 8.0% جبکہ قرضہ جات 22.4% بڑھ گئے۔ بینکاری سسٹم اسپریڈز اگست 2018ء میں نچلی ترین سطح کو پہنچنے کے بعد دھیرے دھیرے بڑھ رہے ہیں لیکن 2018ء کے گیارہ ماہ میں بدستور 2017ء کے مقابل اوسطاً کمتر ہیں جس کی وجہ بڑھتی ہوئی شرح کی فضا میں قرضہ جات کے پیچھے رہ جانے والی ری پرائسنگ ہے۔

مالیاتی کارکردگی

ایچ بی ایل کا بعد از محصول منافع 2018ء کے لئے 12.4 ارب روپے ہے جو 2017ء کے مقابلے میں 41% زائد ہے جبکہ فی شیئر آمدنی 2017ء کی 5.79 روپے کے برعکس 8.22 روپے ہے۔ قبل از محصول 21.6 ارب روپے کا منافع 2017ء سے 27% کمتر ہے جو متعدد یک مرتبہ کی جانے والی ادائیگیوں کا نتیجہ ہے جس نے 2018ء میں کارکردگی کو متاثر کیا جس میں روپے کی قدر میں مسلسل گراؤ اور نیویارک برانچ سے متعلق ریسیڈی ایشن، لیگل اور ریگولیٹری لاگت بھی شامل ہیں۔

ایچ بی ایل کی سیلنس شیٹ دسمبر 2018ء میں 12% بڑھ کر 3.0 کھرب روپے ہو گئی۔ مقامی ڈپازٹس 6.8% بڑھ گئے جبکہ کرنٹ ڈپازٹس حاصل کرنے پر ارتکاز کی وجہ سے بھی مدد ملی جو 12.9% بڑھ کر 709 ارب روپے ہو گئے۔ کرنٹ ڈپازٹس کے مکس دسمبر 2017ء میں 35.6% سے بہتر ہو کر دسمبر 2018ء میں 37.6% ہو گئے۔ ایچ بی ایل پاکستان کا پہلا بینک بن گیا ہے جس کے قرضہ جات کی مالیت 1.0 کھرب روپے کی حد کو عبور کر گئی جس کی بڑی وجہ گزشتہ دو برسوں سے مقامی قرضہ جات میں متواتر اضافہ ہے۔ مقامی قرضہ جات 2017ء کے مقابلے میں 30% اضافہ کے ساتھ زیادہ تر کاروباری شعبوں میں وسیع البنیاد بڑھوتری کے ساتھ 913 ارب روپے ہو گئے۔

مقامی کاروبار کے کلیدی عناصر مضبوط اور اضافہ کی راہ پر رہے اور اوسط مقامی کرنٹ اکاؤنٹس 2017ء کے مقابل 14.9% بڑھ گئے جبکہ اوسط مقامی قرضہ جات میں 32.4% کا اضافہ ہوا۔ اوسط مقامی سیلنس شیٹ میں 8% اضافہ ہوا جس نے سرمایہ کاری کی کٹریافت اور پیچھے رہ جانے والے قرضوں کی ری پرائسنگ کے باعث اسپریڈ میں کمی کے اثرات کو دور کر دیا۔ لہذا مقامی خالص انٹریسٹ کی آمدنی 2017ء کے مقابل 2.4% زائد ہے۔ 2018ء کی آخری سہ ماہی میں بین الاقوامی ریونیوز میں ایک بدلاؤ بالکل واضح ہے؛ اس کے باوجود وہ گزشتہ برس کے مقابل معنی خیز حد تک کمتر ہیں۔ ایچ بی ایل کی مجموعی خالص انٹرسٹ آمدنی اسی لئے 2017ء جیسی سطح کے قریب ہی رہی۔

بنیادی مقامی فیس سے آمدن مستحکم رہی اور اس میں 2017ء کے مقابل 8% اضافہ ہوا جس میں اکاؤنٹ آپریشن اور کارڈ سے متعلق فیس، کنزیومر فنانسنگ اور عمومی بینکاری چارجز کا عمل دخل رہا۔ رپورٹڈ فیس آمدنی 18.0 ارب روپے رہی جو 8% کمتر ہے جس کی وجہ کمتر بین الاقوامی فیس آمدنی اور داخلی ترسیلاتی آمدنی میں ایک سرلیج مگر متوقع کمی رہی جو 2017ء کے اختتامی حصے میں وسیع ڈی رسکنگ کا نتیجہ تھیں۔ بینک کی غیر ملکی کرنسی اوپن پوزیشن کے نتیجے میں 6.8 ارب روپے کاری ویلیو ایشن نقصان ہوا جس کا سبب پاکستانی روپے کی قدر میں تیز گراؤ تھی؛ اس کے بغیر دیکھا جائے تو فاریکس آمدنی میں زائد تر تجارتی ریونیوز کے باعث 14% کا اضافہ ہوا۔ بینک نے بڑھتے ہوئے شرح انٹرسٹ کی فضا کی امید پر 2017ء کے اواخر میں فکسڈ انکم بانڈز پر معنی خیز کیپٹل منافع ریلانز کر لیا۔ ان کی دوبارہ توقع نہیں تھی اور کیپٹل منافع 2017ء کے مقابل 6.0 ارب روپے کمتر رہا۔ نتیجتاً نان مارک اپ آمدنی 2018ء کے لئے 19.9 ارب روپے رپورٹ کی گئی ہے۔

انتظامی اخراجات 2018ء میں 16.1 ارب روپے بڑھ گئے اس میں ایک مرتبہ کی جانے والی متعدد ادائیگیاں مثلاً نیویارک کی لاگت سے متعلق ادائیگی، بزنس ٹرانسفارمیشن پروجیکٹ کی کنسلٹنسی فیس، 2018ء کے نصف ثانی میں متعارف کرائی جانے والی ڈپازٹ انشورنس کی ایک نئی ریگولیٹری شرط، کم

ایچ بی ایل اپنے موجودہ اور ممکنہ کسٹمرز کے لیے مسلسل معیاری تجربے بڑھا رہا ہے۔ سروس کوالٹی بینک کے لئے ایک اسٹریٹجک ترجیح ہے اور کسٹمرز کو کلیدی مصنوعات کی پیشکش کرتی ہے۔ مجموعی طور پر سروس کلچر کو بہتر بنانے کے لیے 2018 میں ایک کوالٹی کونسل قائم کی گئی ہے۔ اجرائی اور شناخت کے پروگراموں کے ساتھ عملے کی خدمات کے وعدوں کو ادارے کے اسٹریٹجک مقاصد میں ان کا کردار تسلیم کرنے کے لیے ایچ بی ایل کیسز پروگرام شروع کیا گیا ہے۔ داخلی خدمات کے معیار کو کسٹمرز کی آراء، نگرانی اور پیمائش کے نظام کو اندرونی اقدامات کے ساتھ کسٹمر کے خود مختار جائزوں کی روشنی میں بہتر اور مضبوط کیا گیا۔ برانچ کی ترقی اور مجموعی طور پر اعلیٰ اطمینان میں زبردست بہتری لائی گئی۔ کسٹمرز کی شکایات اور اس کے ازالے کے نظام پر وسیع پیمانے پر توجہ مرکوز کی گئی اور ان کے سدباب کے نظام کو بہتر بنایا گیا۔

کنڈکٹ ایسیمنٹ فریم ورک (CAF) کمیٹی نے مختلف سرگرمیوں پر کام کیا ہے اور اس کو ایس بی پی کی ہدایات کے مطابق کسٹمرز کی طرف مناسب رویے کو بہتر بنانے میں مدد ملی اور اس CAF کی وجہ سے بینک کی ریٹنگ 2017 میں 1.74 سے 2018 میں 1.81 ہو گئی۔ 2018 میں 70,140 شکایات بینک کو براہ راست موصول ہوئی تھیں۔ شکایات کو حل کرنے کے لیے اوسط 4.67 دن لگے۔

ایچ بی ایل کانٹریبو مر بینکنگ کاروبار جو لوگوں کو اپنی مالی خواہشات کو پورا کرنے میں مدد فراہم کرتا ہے اور اس کی مسلسل ترقی کو جاری رکھا۔ 2018 میں پورٹ فولیو میں 15 فیصد اضافہ ہوا، جس کی بدولت 50 ارب روپے کے سنگ میل کو عبور کیا، جس میں ذاتی قرضے اور آٹو فنانس کی اہم شرکت ہے۔ اثاثہ کے معیار کو مسلسل ترقی کی وجہ سے کئی سال بعد بھی غیر معمولی کم نقصان کی شرح کے ساتھ منظم کیا گیا۔

مارکیٹ میں ایچ بی ایل کے فلیگ شپ پلائینم کارڈ مارکیٹ میں سب سے زیادہ سراہا گیا اور مطلوب کارڈوں میں سے ایک ہے، اس کے کسٹمرز اور دنیا بھر میں قبولیت کے لیے خصوصیات اور چھوٹ کی وسیع اقسام حاصل ہیں۔ اس سال ایچ بی ایل قطر ایئرویز کو برانڈ کے آغاز سے پریمیم کارڈ سوئٹ کو وسیع پیمانے پر بڑھایا گیا، جس میں کارڈ ہولڈرز خرچ کرنے کے ساتھ ساتھ ایئر مائلز کو بھی جمع کرنے کی اجازت دیتا ہے۔ 2018 میں ایچ بی ایل کریڈٹ کارڈ سے خرچ میں 2017 میں 34% سے 46 ارب روپے اضافہ ہوا اور ویزا نے پاکستان میں ایچ بی ایل کے کارڈ کو ادائیگی کے حجم اور خرچ کی بنیاد پر پاکستان کا اول درجے کا کریڈٹ کارڈ کے ایوارڈ سے نوازا۔ ایچ بی ایل ڈیٹ کارڈز مارکیٹ میں واضح حیثیت رکھتا ہے جس میں 5.1 ملین کارڈز گردش میں رہتے ہیں اور گولڈ ڈیٹ کارڈ کا آغاز کیا ہے، جو کے بالخصوص امتیازی طبقے کو مد نظر رکھتے ہوئے بنایا گیا ہے۔ ڈیٹ کارڈ کا استعمال 42% سے 33 ارب روپے تک پہنچ گیا۔ مرچنٹ ایکوارنگ میں POS Terminal 21,000 کے ذریعے سے مارکیٹ میں واضح برتری حاصل کی جس کے توسط سے 105 ارب روپے وقوع پذیر ہوئے۔

اسلامک بینکنگ کے کاروبار نے اپنے قرضوں اور ڈپازٹس میں 20% سے زائد اضافہ کیا جس میں کئی نئی مصنوعات کو متعارف کرایا، جن میں ایس بی پی کی روایتی کثیر المعیاد برآمداتی سہولت کے اسلامی نسخے، اسلامک ٹریکیٹر فنانسنگ، اسلامک ہوم فنانس اور تجارتی (انوٹری فنانسنگ) شامل ہیں۔ شریعہ آڈٹ یونٹ کو داخلی آڈٹ فنکشن کے اندر قائم کیا گیا ہے جو بہت تجربہ کار، مناسب تربیت یافتہ اور ماہر ارکان پر مشتمل ہے۔ سال کے دوران، ایچ بی ایل اسلامک کو پاکستان کے CFA ایسوی ایشن نے بہترین اسلامک ونڈو ایوارڈ 2017 سے نوازا۔

ایچ بی ایل کی کارپوریٹ بینکنگ کے کاروبار نے غیر معمولی کارکردگی کا مظاہرہ کیا 38% قرضہ جات میں اضافہ ہوا اور نئے مارکیٹ حصوں کی ترقی پر توجہ مرکوز کرتے ہوئے 30 نئے تعلقات بنائے۔ مجموعی طور پر کسٹمرز سے تعلق کارکردگی کا اہم جز ہے اور ایچ بی ایل کی طاقتور مصنوعات بنا جس کو ہر جگہ فروخت کرنے پر زور دیا گیا۔ تجارت پر غیر معمولی توجہ مرکوز کرنے سے 46 فیصد اضافہ ہوا۔

انویسمنٹ بینکنگ میں قیادت کو مضبوط بنانے کے لئے کئی تاریخی ٹرانزیکشنز کو عمل میں لایا گیا جن میں 330 میگاواٹ بجلی، گھریلو کوئلہ کی بنیاد پر پاور پلانٹ، ایک بجلی کمپنی کے لیے 190 ملین ڈالر کی غیر ملکی کرنسی کی انویسمنٹ فنانسنگ سہولت اور ایک اسٹیل مینوفیکچررز کے لیے اپنی نوعیت کا واحد نجی اسلامک بانڈ جاری کیا۔

سرمائے کا تناسب

اثاثوں میں مضبوط اضافے کے باوجود، مجموعی کیپیٹل ایڈیکولٹی ریشیو (CAR)، 31 دسمبر، 2017 میں 16.0% سے بہتر ہو کر 2018 کے اختتام پر 16.2% ہو گیا، جبکہ Tier 1 CAR 12% پر برقرار رہا۔ جس میں رسک ویڈ ایسٹس میں مسلسل اصلاحات کے ساتھ ساتھ ائیل پسنڈ ڈیویڈنڈ پالیسی سے سہارا دیا گیا۔ دونوں شرح کا تناسب ریگولیٹری ضروریات سے بہتر ہیں۔

کاروباری ترقی

برانچ بینکنگ، نئے کسٹمر کی شمولیت کے ساتھ کم لاگتی ڈپازٹ میں اضافے کے باعث، بینک کی ترقی کا سبب بنا رہا۔ ایچ بی ایل نے 14% مارکیٹ شیئر کے ساتھ اپنی قیادی حیثیت برقرار رکھی ہے۔ اس سال ایچ بی ایل نے اپنی برانچوں کے نیٹ ورک کے ذریعے تقریباً 1 ملین نئے کسٹمرز کو شامل کیا، جس سے مجموعی برانچ کسٹمر کی تعداد بڑھ کر 11 ملین سے زائد ہو گئی۔

ایچ بی ایل آسان اکاؤنٹ، کم ٹکٹ کسٹمرز کے لئے ایک سادہ اکاؤنٹ کھولنے کے عمل کی پیشکش سے غیر منقول آبادی کی شمولیت میں اضافہ کرنے کی کلیدی مصنوعات ثابت ہوئی۔ اس مصنوعات کے آغاز کے بعد سے، ایچ بی ایل اکاؤنٹس اور حجم کے لحاظ سے، 25% کے ساتھ مارکیٹ میں سرفہرست رہا۔ 2018 میں ایچ بی ایل نے اس زمرے میں 187,000 نئے کسٹمرز کو شامل کیا۔ بینک تقریباً 720,000 آسان اکاؤنٹس کے ساتھ مجموعی 10 ارب روپے ڈپازٹ رقم کا حامل ہے۔

ایچ بی ایل نے بینک کے مالی شمولیت کے مقاصد کے تحت ایچ بی ایل آسان اکاؤنٹس کی مصنوعات کے ساتھ مشترکہ مہم کے ذریعے نساء پورٹ فولیو (بینک کا خواتین متعلقہ مارکیٹ پروگرام) میں بھی گہری دلچسپی لی۔ پروگرام کو مزید پرکشش بنانے کے لئے دیگر فوائد شامل کیے گئے۔ نساء پروگرام غیر مالی خدمات کو بھی فروغ دیتا ہے، بشمول ورکشاپ، تربیتی سیشن اور نیٹ ورکنگ مواقع شامل ہیں تاکہ رسائی بڑھانے میں مدد ملے۔ 2018 میں، بینک نے 112,000 نئے نساء اکاؤنٹ کو بھی شامل کیا، جس سے مجموعی پورٹ فولیو 430,000 اکاؤنٹس کے ساتھ 34.2 ارب روپے ڈپازٹ پر پہنچ گیا۔ ایچ بی ایل اب فخر سے 3 ملین خاتون کسٹمرز کو خدمت فراہم کر رہا ہے۔

حریفوں کے منافع کے باوجود، ایچ بی ایل نے بینکا انشورنس میں 35% شراکت سے مارکیٹ کے لیڈر کے طور پر اپنا مقام بنایا۔ بینکا تکفل، اس کی اسلامک مصنوعات کی قسم نے اب تک بے پناہ مقبولیت حاصل کی ہے جو کہ مجموعی فروخت کا ایک تہائی حصہ ہے۔ سال کے دوران ایچ بی ایل سہارا کاروبار کے ذریعے، جو کہ چھوٹی ٹکٹ پالیسی ہے، ٹیلی سلز اور ای ایف یو لائف کی پہلی مصنوعات کو فروخت کیا گیا۔ ایک مضبوط کال بیک کنٹرول طریقہ کار کو بھی لاگو کیا گیا اور سیلز اسکرپٹ اور مصنوعات کے مارکیٹنگ میٹریل کی نظر ثانی کی گئی تاکہ کمپلائنس کو مضبوط بنایا جاسکے۔

ایچ بی ایل نجی شعبے میں مارکیٹ شیئرز کے تقریباً 25% کے ساتھ زرعی فنانس فراہم کرنے والا ایک بڑا بینک ہے۔ دیہی بینکنگ کے کاروبار نے اس سال کئی جدید مصنوعات متعارف کرائیں جن میں موبائل ایپلی کیشن بھی شامل ہیں جو زمین کی تصاویر، موبائل اور ٹاور ڈیٹا کے ذریعے موصول کرتا ہے۔ یہ آلہ زمین کی اہم تصویر اور ڈیٹا پوائنٹس فراہم کرتا ہے جن میں زمین کی تصاویر، کسانوں کی تصاویر اور زمین کی جیو لگنگ جو کہ تاریخ اور وقت کی مہر کے ساتھ ہوتی ہیں۔ حال ہی میں ایچ بی ایل، انڈسٹری میں پہلا بینک بن گیا ہے جس نے پنجاب لینڈ ریکارڈ اتھارٹی کے ساتھ اپنے نظام کو ضم کیا، جو کہ کسانوں کے عنوان کی دستاویزات اور زرعی زمین کے حصول کے ریکارڈوں کو آن لائن نکالنے کی اجازت دیتا ہے۔ اس کے ذریعے سے ملکیت کی توثیق، اہم دستاویزات کی صداقت اور دستیابی کو یقینی بنائے جائے گا۔

ایچ بی ایل کے کسٹمر کے اہداف کے مد نظر کسان کی آواز (وائس آف فارمر) کے کاروبار کی بنیاد رکھی ہے۔ کسانوں کو کاشتکاری سے متعلق مالیاتی مصنوعات فراہم کرنے کے ساتھ ساتھ دیہی معیشت اور بہتر کھیتی نظام سے متعلق گفتگو کے لئے ضلعی مراکز میں پروگرام مرتب کئے۔ اور ایچ بی ایل نے دیہی آبادی کی مالی شمولیت کے لیے عزم ظاہر کیا کیونکہ یہ حصہ پاکستان کی اقتصادی ترقی کے لیے اہمیت کا حامل ہے۔ تیسرے سال بھی، دی انسٹیٹیوٹ آف مینکزر، پاکستان نے پاکستان بینکنگ ایوارڈز میں ایچ بی ایل کو بہترین بینک برائے زراعت سے نوازا ہے۔ ایچ بی ایل آغاز سے ہی اس ایوارڈ کو حاصل کرنے والا واحد بینک ہے۔

ایچ بی ایل ڈیٹا کو بیش قیمت تنظیمی اثاثہ اور ڈیجیٹل بزنس ماڈل کا اہم جز تسلیم کرتا ہے۔ 2018 نے اس وسیع ڈیٹا بیس کو حکمت عملی سے نمٹا دیکھا جس میں ایک ڈیٹا گورننس کونسل کے تحت حسب ضابطہ ڈیٹا گورننس پروگرام کا آغاز کیا گیا۔ مرکزی اعلیٰ درجے کی تجزیاتی ٹیم کو بھی تشکیل کیا گیا اور مصنوعی ذہانت / مشین ٹریننگ کی تکنیکوں میں وسیع تربیت حاصل کی گئی۔ ابتدائی تجزیاتی منصوبے جو کہ پہلے سے جاری ہیں وہ ایچ بی ایل کے کسٹمر کو انتہائی پرسنلائزیشن خدمات مہیا کرنے میں مددگار ثابت ہوئے۔

سال 2018 میں، بینک نے اپنے عالمی موجودگی کا ایک اسٹریٹجک جائزہ لیا، جس سے یہ واضح ہو گیا کہ سیشلز، پیرس برانچ کے کاروبار کو کم کرتے ہوئے بند کر دیا جائے۔ سال 2017 کے آخر اور 2018 کے آغاز میں تیزی سے ڈی۔ ڈالر انزیشن اور ڈی۔ رسکنگ کے رجحان کے نتیجے میں، یہ سال بین الاقوامی نیٹ ورک کی تعمیر نو کا سال رہا، جس کے تحت ایک نئی حکمت عملی سے مجموعی نیٹ ورک کی پاکستان کے ساتھ کاروباری / تجارتی راہداری کی ربط سازی پر توجہ مرکوز رہی۔ پاکستان میں CPEC سے متعلق سرمایہ کاری میں سب سے بڑے مالیاتی ادارے کے طور پر، پاک چین کاروباری بہاؤ پر خصوصی زور دیا گیا ہے۔ 2018 میں امریکی ڈالر کی کلیئرنگ کے درپیش چیلنجوں کے نئے انتظامات کے ساتھ بہتر کنٹرول اور وسائل بروئے کار لا کر سامنا کیا گیا تاکہ پیمینٹ اسکریننگ اور کار سپونڈنٹ کیوری مینجمنٹ کی جاسکے۔ مختلف ممالک نے اپنے کمپلائنس کے نظام، طریقہ کار اور نگرانی کو بہتر بنانے میں اہم پیش رفت کی ہے۔ مقامیت پروری نئی توجہ کا مرکز ہے اور ایچ بی ایل مختلف متنوع جگہوں میں جہاں کار فرما ہے معیاری مقامی ٹیلنٹ کا متلاشی ہے۔

سال کے دوران ایچ بی ایل کی عریچی برانچ کو چینی بینکنگ اور انسپیکشن ریگولیٹری کمیشن (CBIRC) کی جانب سے RMB کلائننس دیا گیا اور اس کا ہدف سال 2019 کی پہلی سہ ماہی کے اختتام تک RMB کاروبار شروع کرنا ہے۔ یہ ایچ بی ایل کو RMB میں مصالحت کے ساتھ کاروبار کی پیشکش کرنے میں منفرد مقام دلاتا ہے۔ سال کے دوران، اسٹیٹ بینک آف پاکستان کی جناب سے بیجنگ میں ایچ بی ایل کے نمائندہ دفتر کو اپ گریڈ کر کے برانچ کا درجہ دینے کی اصولی منظوری مل گئی اور چین میں ریگولیٹری منظوری حاصل کرنے کے لئے پیش رفت جاری ہے۔

ایچ بی ایل کے ماتحت ادارے، فرسٹ مائیکرو فنانس بینک (FMFB) نے اپنی مستحکم افزائش کو برقرار رکھا جس سے اپنے کسٹمرز کے لئے مواقع اور استحکام فراہم کرنے اور ان کی زندگی کو بہتر بنانے کے مقاصد کی جانب گامزن رہے۔ FMFB کے قرضہ جات %64 سے بڑھ کر 23.9 ارب روپے ہو گئے، جو تقریباً 420,000 قرض داروں پر مشتمل ہے، جس میں %36 خواتین ہیں۔ مالیاتی آگاہی جو تمام ذرائع ابلاغ کا اہم مقصد ہے اور سوشل میڈیا پر مختلف مالیاتی معلومات دی جاتی ہیں تاکہ براؤزر کسٹمرز کو صحیح تعلیم دے سکیں۔ متنوع کسٹمر بیس چھ پوائنٹس بڑھانے کے لئے 2018 میں FMFB نے تجارتی طور پر اپنی ڈیجیٹل رسائی چینل کا آغاز کیا۔ موبائل ایپ، IVR، بینکنگ، SMS، بینکنگ اور USSD بینکنگ کے آپشنز شامل ہیں جو دور دراز کسٹمرز کو 24x7 کال سینٹر کے ذریعے سہولت فراہم کر رہی ہیں۔ FMFB کے کسٹمرز بینک کے 76 اے ٹی ایمز کے علاوہ پاکستان کے تمام اے ٹی ایمز پر اپنے اکاؤنٹ تک رسائی حاصل کر سکتے ہیں۔ FMFB نے کمپلائنس پر ہمیشہ توجہ مرکوز رکھی ہے اور تمام ملازمین کے لئے کمپلائنس کے سرٹیفیکیشن پروگرام کا آغاز کیا ہے۔

مائیکرو فنانسز اریٹنگ SRL جو ایک بین الاقوامی ریٹنگ ایجنسی ہے، جس نے بینک کی پالیسیوں اور طریقہ کار کی آزادانہ تشخیص کے باعث 2018 میں FMFB کو کمزور پروٹیکشن اسمارٹ کیمپین کا سرٹیفکیٹ دیا۔ اس ایجنسی نے FMFB کو ”گولڈ پرائسنگ ڈسکلوژر ایوارڈ“ سے نوازا جو بینک کی شفافیت کے عزم کا عکاس ہے۔ یہ سرٹیفکیٹ کمزور کے تحفظ کے عالمی طور پر تسلیم شدہ اصولوں کے مطابق ایک ذمہ دار اور پائیدار انداز میں وسیع پیمانے پر رسائی کو بڑھانے کے لئے بینک کے عزم کو ظاہر کرتا ہے۔

سال 2018 ایچ بی ایل کے کاروباری تبدیلی پروگرام کے اقدام میں صرف ہوا، جو کہ طویل مدتی تبدیلی کا اقدام ہے، جس کا بنیادی مقصد جن جغرافیائی علاقوں میں بینک مصروف عمل ہے، رسک سے نمٹنے کے مناسب اور اطمینان بخش کنٹرول کے لئے موزوں بنانا ہے۔ پروگرام کی توجہ چار اہم ستونوں پر مرکوز ہے، جن میں گورننس، افراد، طریقہ کار اور ٹیکنالوجی۔ تاکہ پائیدار تبدیلی کو یقینی بنایا جاسکے۔ یہ ستون ادارے میں ہر زاویے سے اثر انداز ہوتے ہیں، تاکہ ایچ بی ایل کے تمام کاروباری اور معاونت کے افعال تبدیلی کے لیجنڈا سے منسلک ہو جائے۔

بینک نے انویسٹمنٹ بینکنگ میں اس کے کارکردگی کے لئے ملکی اور بین الاقوامی اداروں سے کئی اعزاز حاصل کیے ہیں۔ جن میں سے بیسٹ انویسٹمنٹ بینک ان پاکستان، انٹرنیشنل بینکر، فنانس ایشیاء، ایشیاء مانی اور پاکستان بینکنگ ایوارڈز، ریجنل بینک آف دی ائیر فار سیٹ اور روڈ انیشی ایٹو ان ساوتھ ایشیاء- فنانس ایشیاء اور بیسٹ بینک فار انفراسٹرکچر / پراجیکٹ فنانس ان دی ریجن ان ساوتھ ایشیاء- ایشیاء مانی قابل ذکر ہیں۔

ایچ بی ایل ایٹ ورک (HAW) اقدام کی وجہ سے 37% کیش مینجمنٹ اور 55% ایمپلائی بینکنگ کے مارکیٹ شیئر کے ساتھ ٹرانز ایکشن اور ایمپلائی بینکنگ میں برتری برقرار رکھے ہوئے ہے۔ جس کی بدولت حجم میں اضافہ 2,000 سے زائد مینڈیٹس کے ساتھ 3.1 کھرب روپے ہو گیا۔ ایچ بی ایل اب تقریباً 200 ارب روپے تنخواہ کی مد میں تقریباً 1 ملین ملازمین کو ادائیگی کر رہا ہے۔ 2018 میں یہ پروڈکٹ درمیانی درجے کی مارکیٹ اور تجارتی کسٹمرز کو بھی فراہم کی گئی اور اس کے ساتھ ساتھ اسلامک HAW پروڈکٹ کو بھی متعارف کیا گیا۔

ایچ بی ایل سوشل اور ماحولیاتی نظام (HBL-SEMS) کے تحت گرین بینکنگ ہدایات (GBG) کے فروغ میں ایس بی پی کو تعاون فراہم کیا۔ GBG کی سہولیتی ضروریات کے مطابق سولر پروڈکٹ تربیتی کورس کا انعقاد کیا گیا۔ ایک ماحولیاتی کمیٹی قائم کی گئی اور مختلف اثرات کو کم کرنے کے احکامات جاری کئے گئے۔ ESG ڈیلیجنس کا عمل تمام کارپوریٹ بینکنگ قرضہ جات کی منظوری میں شامل کر دیا گیا ہے اور SEMS کی ٹیم ماحولیاتی اثرات کے مالیاتی جانچ پڑتال کا جائزہ لیتی ہے۔ 2018 میں اس نظم و ضبط کو دیگر کاروباری قرضوں میں بھی شامل کر دیا گیا ہے۔

ایچ بی ایل کی ٹریڈری نے مسلسل چوتھے سال بھی پرائمری ڈیلر کارتبہ برقرار رکھتے ہوئے فیکسڈ انکم مارکیٹ میں اپنی سہولت کو مستحکم کیا۔ سال کے دوران کاروبار میں حالیہ اور متوقع اقتصادی ترقی کے بارے میں کسٹمرز کو اپ ڈیٹ رکھنے اور کاروباری اور صنعت پر ان کے اثرات کو برقرار رکھنے کیلئے کراچی، لاہور اور اسلام آباد میں ہائی پروفائل سیمنارز کی میزبانی بھی کی ہے۔ ان تینوں تقاریب میں رہنماؤں اور ایگزیکٹوز کے ساتھ ساتھ غیر منافع بخش اور عوامی شعبوں کے نمائندوں نے شرکت کی۔ اسلامک ٹریڈری نے OPICS + سسٹم کو کامیابی سے نافذ کیا تاکہ اسلامک بینکنگ کی سیلنس شیٹ کی رسک مینجمنٹ کو ایک جدید پلیٹ فارم کے ذریعے پورا کیا جاسکے۔

2018 میں بینک نے ڈیجیٹل شعبہ کو مزید فعال کیا اور اس کو اہم طور پر کلیدی اندرونی اور بیرونی اسٹیک ہولڈرز کے ساتھ کاروبار میں ڈیجیٹلائزیشن اور جدت کے بارے میں بات چیت کی گئی۔ 2018 میں کسٹمر کے ڈیجیٹل تجربے کو بڑھانے کے لیے پیش رفت ہوئی، موبائل اور انٹرنیٹ بینکنگ دونوں پلیٹ فارم کے صارف کے تجربے اور انٹرفیس کو بہتر بنا کر دوبارہ متعارف کرایا گیا۔ اس نئے ورژن نے کلیدی خدمات کو فعال کیا ہے جو صرف برانچوں کے دورے کے ذریعے ہی دستیاب تھیں۔ یہ اب اہم بین الاقوامی مقامات میں بھی شروع کر دیے گئے ہیں۔ ٹیکنالوجی کے بنیادی ڈھانچے کو اس انداز میں تیار کیا گیا ہے جس پر موبائل، انٹرنیٹ، اور کنیکٹ اپلیکیشن روانی سے چلنے کی ضروریات کے تقاضوں کو پورا کرے۔

بینک اپنی اپیلی کیشن کے ذریعے ذاتی قرضوں کی پیشکشوں کے مواقع مارکیٹ میں فراہم کرنے والا اولین بینک ہے۔ کسٹمر کے اکاؤنٹ سے براہ راست قرض کی ادائیگی کے ساتھ ساتھ قرضوں کی منظوری کی معیاد بھی کم کر دی گئی ہے۔ اس انقلابی پیشکش نے بینک کے کسٹمرز کے لیے آسانی پیدا کی جس سے وہ اپنی ذاتی ضروریات کو بروقت پورا کر سکیں گے۔ اس سے اب تک 1 ارب روپے سے زائد رقم کی ادائیگی کی جا چکی ہے۔

کنیکٹ کے ذریعے دست بدست ڈیجیٹل کسٹمرز کے حصول اور سروسنگ ماڈل کو جولائی میں متعارف کرایا، اور سال کے اختتام تک 1.4 ملین نئے بینک کے کسٹمرز جس میں کنیکٹ کے اکاؤنٹ ہولڈرز میں 25% خواتین شامل ہیں۔ اس سفر میں کسٹمر اہم ڈیجیٹل کے اصولوں اور اعلیٰ درجہ بندی کی پراسلاریشن سے اس موبائل پلیٹ فارم کو اگائل میتھاڈولوجی استعمال کرتے ہوئے بنایا گیا ہے۔ 40,000 مینڈیٹس کے نیٹ ورک کی مدد سے کنیکٹ اپنے کسٹمرز کو بیش بہا خدمات پیش کرتا ہے جس میں بائیو میٹرک تصدیق سے فوراً اکاؤنٹ اوپننگ کے اعلیٰ معیار کو استوار کیا گیا ہے۔ کھلی / باہمی بینکنگ کے آزمائشی API کو دو الیکٹرانک کامرس مرچنٹ کے درمیان کامیابی سے تعینات کر دیا گیا ہے۔ امید ہے کہ 2019 میں اس میں مزید تیزی آجائے گی۔

ہو اور ایمپلائر ریٹینشن میں اضافہ کیا جائے۔

بینک کے مینجمنٹ پروگرام کے تحت بینک کے باقی ماندہ میلیںیلز کو اپنی طرف راغب کرنے کے لئے 30 اعلیٰ ممکنہ ملازمین کو لیگ کے طور پر انتخاب کیا گیا ہے۔ منتخب افراد کی نشوونما کے لئے مختصر بین الاقوامی اسائنمنٹ فراہم کئے گئے۔ لیگ کے ٹیلنٹ مینجمنٹ پروگرام میں قائدانہ صلاحیت کو بڑھانے کے لئے تعمیری پروگرام بناتے گئے تاکہ اعلیٰ ممکنہ ملازمین مشغول اور برقرار رکھا جاسکے۔ 1,200 سے زائد عملے کی پروگرام کی بنیاد پر تقرری کے ذریعے برانچ نیٹ ورک میں صف اول کے ٹیلنٹ کی تعمیر کے لئے خدمات حاصل کی گئی، ہم پاکستان کے دو بینکوں میں سے واحد بینک ہے جس کو انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹ آف پاکستان نے ٹریننگ اور گنارزیشن آؤٹ سائڈ پریکٹس (TOOP) کے طور پر منتخب کیا ہے جس کے ذریعے آرٹیکل شپ بینک میں کام کرتے ہوئے مکمل کی جاسکے گی۔

ملازمین کی تنظیم نو قابلیت کو بڑھانا ہمیشہ کی طرح اہم مرکز نگاہ رہا ہے۔ خاص طور پر اس بات پر زور دیا گیا ہے کہ کمپلائنس کے کلچر کو فروغ دیا جائے اور بینک کے کاروباری تبدیلی کے پہلوؤں کے سیکھنے اور تربیتی پہلو کو بنانے اور چلانے پر زور دیا گیا ہے۔ جس کے نتیجے میں سال بھر کے دوران 750,000 سے زائد گھنٹوں پر مبنی الیکٹرانک تعلیم مختلف موضوعات پر دی گئی۔ 180 سے زائد آئی ٹی ملازمین کو اعلیٰ ترین ٹریننگ فراہم کی گئی جہاں تیزی سے بدلتی ہوئی ٹیکنالوجی کے ماحول میں مسلسل اپ گریڈ اہمیت کی حامل ہے۔ 1,000 سے زائد عملے نے اسلامک بینکنگ کی تربیت حاصل کی جبکہ کئی افراد نے ایس بی پی، IBA-CEIF اور ETICHA انسٹیٹیوٹ آف اسلامک فنانس کی طرف سے پیش کردہ بیرونی تربیتی نصاب میں حصہ لیا۔

ایچ بی ایل نے اپنی عالمی افرادی قوت میں صحت مند مخلوط صنفی اور متفرق ثقافت کو فروغ دیا ہے۔ خواتین کی قیادت کو فروغ دینے کے لئے ایچ بی ایل ایلویٹ، اور ایچ بی ایل، لیکن نامی پروگرامز متعارف کروائے۔ بینک میں خواتین کی نمائندگی بڑھانے کے لئے اس بات پر زور دیا گیا کہ تمام نئی اسامیوں میں کم از کم 30% خواتین کو روزگار فراہم کیا جائے۔ بینک کے انفارمیشن ٹیکنالوجی ڈیپارٹمنٹ میں ایک خواتین کے نئے آئی ٹی گریجویٹس کے پورے گروہ کا تقرر کیا اور انہیں آٹھ ہفتوں کی ٹریننگ کے بعد بینک میں تعینات کیا۔ اس اجتماعی کوشش کی وجہ سے بینک میں خواتین ملازمین کی تعداد جو کہ 2017 میں 14.8%، سے بڑھ کر 2018 میں 15.7% حد تک ہو گئی۔ یہ حوصلہ افزاء بات ہے کہ ایچ بی ایل کو انہی کوششوں کی وجہ سے پذیرائی ملی اور اسے IFC اور پاکستان بزنس کونسل کی جانب سے 'ایمپلائر آف چوائس فار جینڈر میلنس' کے ایوارڈ سے نوازا گیا۔

رиск مینجمنٹ فریم ورک

موثر رиск مینجمنٹ ایچ بی ایل کی بنیادی اسٹریٹیجک ترجیحات میں سے ایک ہے۔ یہ بات بینک کے رиск ایسیٹائیٹ میں موجود ہے جو کہ بورڈ کی طرف سے بین الاقوامی طریقہ کار، انتظامی ضروریات اور ابھرتے ہوئی کاروباری ضروریات کو مد نظر رکھتے ہوئے تعین کی گئی ہے۔

بینک مسلسل رиск کے خدوخال کی تشخیص اور حتمی فریم ورک کو بذریعہ بورڈ رиск مینجمنٹ کمیٹی نگرانی کرتا ہے جو مستقل بنیادوں پر بینک کے رиск پروفائل کی نگرانی، اس کی تشخیص اور انتظام و انصرام کا کام کرتی ہے۔ سینئر سطح پر مختلف رиск مینجمنٹ کمیٹیز اس پر نظر رکھنے اور روزمرہ کی رиск مینجمنٹ کی سرگرمیوں، جو کہ مختلف سطحوں پر مختلف انتظامی نگرانی اور وضع شدہ پالیسیز، طریقہ کار کے ذریعے تفویض کی جاتی ہے، اور وہ اس کی انجام دہی کی ذمہ دار ہے۔

سرمایہ کاری پورٹ فولیو کی نگرانی کو مزید موثر بنانے کے لئے بینک نے ویلیو ایٹ رиск (VaR) کے تحت حدود کے طریقہ کار کو نافذ کیا ہے۔ یہ بینک میں Basel انٹرئل ماڈلز کے طریقہ کار (IMA) کے اطلاق میں ایک اہم سنگ میل ہے۔

آپریشنل رиск مینجمنٹ پریکٹس کی منظم اور مستقل انداز میں نگرانی کے لئے پالیسیز، طریقہ کار اور سسٹمز موجود ہیں۔ اہم آلات جیسے رиск کنٹرول سیلف ایسیسمنٹ (RCSA)، اہم رиск علامات اور آپریشنل لاس ڈیٹا مینجمنٹ کو آپریشنل رиск کے امکانات اور اس کی شدت کو جانچنے کے لئے استعمال کیا جاتا ہے۔ آپریشنل رиск پروفائل اور فراڈ رиск کی تشخیص باقاعدگی سے سینئر مینجمنٹ اور بورڈ رиск مینجمنٹ کمیٹی کو مطلع کیا جاتا ہے۔ بینک مختلف آپریشنل نقصانات کے نظریات کے اثرات کا جائزہ لینے کے لئے اسٹریٹس ٹیسٹنگ اور نظریاتی تجربات کا استعمال کرتا ہے۔

ایک مضبوط نگرانی کا فریم ورک بنانے کے لئے نئے اور بہتر معیاری کنٹرول نافذ کیے گئے، تاکہ اس بات کو یقینی بنایا جائے کہ یہ تبدیلی تنظیم میں ہر لحاظ سے سرایت کر جائے اور بینک کا جز بن جائے۔ کسٹمر کی شمولیت، رسک کی درجہ بندی اور متعلقہ عمل میں ایک مضبوط کنٹرول فریم ورک بنانے کے لئے مکمل نظر ثانی کی گئی تاکہ بینک کو منی لانڈرنگ (ML)، دہشت گردی کی مالی امداد (TF)، اور کسٹمر کو جاننے سے متعلقہ (KYC) رسک کے خلاف محفوظ کیا جاسکے۔ بار بار اور مسلسل تربیت، ترقی اور ابلاغ نے تبدیلی والی سرگرمیوں کو بھی تقویت پہنچائی۔ کمپلائنس اور 4 منی لانڈرنگ ٹیکنالوجی کے نظام کو بین الاقوامی رائج بہترین طریقوں کے مطابق استوار کیا گیا تاکہ ادائیگیوں پر نظر اور ٹرانزیکشن کی نگرانی کی جاسکے تاکہ منی لانڈرنگ، دہشت گردی کی مالی امداد اور کسٹمر کو جاننے سے متعلقہ رسک کی مناسب انداز میں نشاندہی، تشخیص، کمی اور انتظام کیا جاسکے۔

سال 2018 میں بینک نے فراڈ اور چوری کے خلاف اپنے کسٹمرز کی حفاظت کے لئے کئی اقدامات کئے۔ ایچ بی ایل نے سکیمنگ کے تحفظ کے حل اور 4 منی سکیمنگ آلات کے ساتھ تمام +2,100 اے ٹی ایم کو محفوظ کر کے، ملک میں ایچ بی ایل کو سب سے بڑا محفوظ نیٹ ورک بنایا۔ ملکی ای ایم وی کو پیمنٹ کارڈ سیکورٹی کے قواعد و ضوابط کے مطابق کیا گیا ہے جس کے تحت ایچ بی ایل کے اے ٹی ایم ملکی ای ایم وی اور چپ پر مبنی ٹرانزیکشنز کو موصول اور عمل کرنے کے قابل ہیں۔ تمام نئے کارڈ کا اجراء اب ای ایم وی (چپ) کی بنیاد پر ہے، جس سے ایک بڑی حد تک کارڈ کی نقل کا خطرہ کم ہو گیا ہے۔ بین الاقوامی استعمال میں دھوکہ دہی سے بچنے کے لئے بینک نے ڈیٹ کارڈ کو ایسا مرتب کیا ہے کہ وہ بنیادی طور پر پاکستان سے باہر ناقابل استعمال ہو۔ کسٹمرز کو ان کے کارڈ بین الاقوامی POS اور اے ٹی ایم کے استعمال کے لئے کال کر کے متحرک کرنا ہو گا۔ اسی طرح، 3D سیکورٹی نظام تمام ڈیٹ اور کریڈٹ کارڈ الیکٹرانک کامرس ٹرانزیکشن کے لئے لاگو کیا گیا ہے، تاکہ دھوکہ دہی سے استعمال کے امکان کو کم کیا جاسکے۔ ایچ بی ایل اب ویزا اور ماسٹر کارڈ کے دھوکہ دہی کی نگرانی کے پروگراموں میں شامل ہے، جو بینک کو قوانین اور حدود وضع کرنے کے قابل بناتا ہے جو دھوکہ دہی سے متعلق ٹرانزیکشن اور روک تھام کے لئے موزوں ہے۔

ایچ بی ایل نے سال 2018 کے دوران مضبوط برانڈ لیکوٹی کو مزید مستحکم بنائے رکھا۔ ایک خود مختار بیرونی ایجنسی کی جانب سے کئے گئے تحقیق کے مطابق،

ایچ بی ایل نے مالی شعبے میں اپنی قیادت کی حیثیت برقرار رکھی اور اس کے برانڈ لیکوٹی سکور قریب ترین حریف کے مقابلے میں دوگنی سے زائد ہے۔ ورلڈ برانڈنگ ایوارڈز نے بھی ایچ بی ایل کی مارکیٹنگ کی کاوشوں کا اعتراف کیا، اور ایک مرتبہ پھر بینک کو برانڈ آف دی ایئر۔ بینکنگ، پاکستان کا درجہ دیا۔

ایچ بی ایل پاکستان سپر لیگ (HBL PSL) ملک کا کھیلوں کا سب سے اہم ایونٹ رہا اور پاکستان میں بین الاقوامی کرکٹ کی واپسی کے مقصد کی جانب گامزن رہا۔ ہر سال، یہ ٹورنامنٹ ملک کے نوجوانوں کو اپنی صلاحیتوں کا مظاہرہ کرنے کے لئے ایک پلیٹ فارم فراہم کرتا ہے تاکہ وہ اپنے خواب اور عزائم کو پورا کر سکیں، اور نئے کرکٹ کے ستاروں کی دریافت کی جاسکے۔ ایچ بی ایل نے عنوانی اسپانسر شپ کی تجدید کی اور ملک کے سب سے اہم کھیل کے ایونٹ کے ساتھ اپنی وابستگی باعث مسرت ہے۔

ہیومن ریسورسز

ایچ بی ایل کا بنیادی مقصد ہے کہ بینک کو "آجر کا پسندیدہ"، بنائے جو مارکیٹ سے بہترین اور ذہین افراد تلاش کرے۔

بینک کی حکمت عملی کے مطابق جس کا مقصد بینک کے اعلیٰ عہدوں پر فائز افراد میں اضافہ اور مستقبل کے لیڈر تیار کرنا ہے، بینک نے ایگزیکٹو ٹیم میں بہترین تربیت یافتہ اور تجربہ کار لوگوں کو شامل کیا ہے۔ بینک کی حکمت عملی اور مستقبل کے منصوبوں کا اشتراک کرنے کے لئے صدر اور سینئر ٹیم کے ارکان کا فیلڈ اسٹاف کے ساتھ انٹر ایکٹو سیشن تمام تربیت ورک میں مرتب کئے گئے۔

بینک کے اندر بہترین افرادی قوت کو بروئے کار لانے اور انہیں ترقی دینے کے لئے بینک میں پہلی مرتبہ ایک سروے کا انتخاب کیا گیا۔ بینک کے ملازمین کی 82% تعداد نے پورے جوش اور جذبے کے ساتھ اس میں حصہ لیا اور بینک کو اپنے خیالات سے آگاہ کیا۔ اس سلسلے میں 78% مصروفیت کا تناسب جو کہ Mercer's کے 74% اوسط سے زیادہ ہے۔ جو کہ مثبت طریقے سے بینک کے باہمی عمل کو ظاہر کرتا ہے۔ آئندہ کے لئے اس توجہ کو مرکوز رکھا گیا ہے کہ تمام ٹیم اپنی مصروفیت کی خود منصوبہ بندی کریں اور اس پر عمل پیرا ہوں جس کے نتیجے میں ادارے کے اندر اعلیٰ کارکردگی حاصل

2018 میں کارپوریٹ سطح پر رضاکارانہ طور پر کام کرنا بینک کا ایک اہم اسٹریٹجک لیجنڈا ہے، 500 سے زائد ملازمین نے اپنے وقت اور وسائل کو سماجی اور قومی مقاصد پر وقف کیا، ایچ بی ایل نے ”آئی ایم کراچی“ کے تعاون سے، ہیریٹیج واک میں حصہ لیا جس کا مقصد شہر کی تاریخ اور راشی مقامات کی اہمیت کو اجاگر کرنا تھا۔ ملازمین نے انڈس ہسپتال کے تعاون سے خون کے عطیات جمع کرنے اور اسپیشل بچوں کے لئے عید ملن پارٹی کا اہتمام کیا۔

ورلڈ وائلڈ لائف فنڈ کے تعاون کے ساتھ ایچ بی ایل نے عالمی ماحولیات کا دن منایا جس کا موضوع پلاسٹک سے متعلقہ آلودگی کو ختم کرنا تھا۔ ملازمین کے لئے ایک متعامل آگہی سیشن منعقد کیا گیا اور اسی تسلسل میں کراچی کے ملازمین نے ساحل کی صفائی کی سرگرمی میں حصہ لیا۔ 150 ملازمین نے بینک کے آئی ٹی انوویشن سینٹر کے احاطے میں شجرکاری کی مہم میں حصہ لیا تاکہ نئے درختوں کو لگانے اور ماحول کو بہتر بنانے کے پیغام کو اجاگر کیا جائے۔

ایچ بی ایل فاؤنڈیشن اور دیگر کو دیئے جانے والے عطیات مالیاتی گوشواروں کے نوٹ 28.4 میں ظاہر کئے گئے ہیں۔

کریڈٹ ریٹنگ

JCR-VIS کی جانب سے جون 2018ء میں بینک کی بالترتیب طویل مدتی اور قلیل مدتی کریڈٹ ریٹنگ AAA/A-1+ سے دوبارہ تصدیق کی گئی ہے۔ سال کے اختتام پر، JCR-VIS نے ایچ بی ایل کی ریٹنگ کے آؤٹ لک کو مستحکم درجے پر بحال کر دیا اور ماتحت قرض (subordinated debt) کی ریٹنگ کو AAA قرار دیا۔ ایسا کرنے میں، ریٹنگ ایجنسی نے ایچ بی ایل کے کارپوریٹ گورننس فریم ورک میں بہتری اور خصوصاً کمپلائنس کا حوالہ دیا، جو کے نظام کی اہمیت کے ساتھ پاکستان کا سب سے بڑا تجارتی بینک، مضبوط فریجائز اور متنوع آپریشن کے طور پر بینک کی حیثیت کی عکاسی کرتا ہے۔ Moody's نے بھی ایچ بی ایل کے ملکی کرنسی ڈپازٹس کی ریٹنگ B3 اور بیس لائن کریڈٹ کی شخصیت Caa1 کی بھی دوبارہ تصدیق کی۔ Moody's کی خود مختار منفی B3 ریٹنگ کی بناء پر، بینک کی غیر ملکی کرنسی کی ریٹنگ Caa1 کے ساتھ مجموعی طور پر ریٹنگ کا آؤٹ لک منفی ہے۔

مستقبل کی پیش بینی

پاکستان کی مجموعی اقتصادیات پر اثر انداز باد مخالف میں شدت آگئی ہے۔ ملک کے جڑواں خسارے کا تاریخی مسئلہ، جو کہ کچھ عرصے ضبط میں رہنے کے بعد، 12% مجموعی خسارے کے ساتھ دوبارہ نمودار ہو گیا ہے۔ بنیادی افراط زر میں اضافہ ہو رہا ہے اور ضروریات میں کمی کے باوجود، ایکسچینج کی شرح کی نقل و حرکت کے اثرات اور اضافی بجلی اور گیس کے نرخوں کے سبب مزید بڑھنے کی امید ہے۔ صنعتی پیداوار کو دوبارہ بحال کرنے اور برآمد کی حوصلہ افزائی کرنے کی فوری ضرورت ہے، جو کرنسی کی قدر میں کمی کے باوجود، معنی خیز کارکردگی دکھانے میں ناکام رہے ہیں۔ مالیاتی بنیاد پر، بڑھتی ہوئی شرح کے ماحول کے باعث جو قرض سروسنگ کے اخراجات میں اضافہ ہوا ہے اس کے لئے، ایک بامعنی ٹیکس کی بنیاد کو وسیع کر کے آمدنی بڑھانے کی ضرورت ہے۔ CPEC کے پہلے مرحلے کے تحت بنیادی انفراسٹرکچر کی کامیابیوں کے حصول کو اب دوسرے مرحلے میں برآمد مرکزی صنعتی توسیع کے ساتھ فوائد اٹھانے کی ضرورت ہے۔

دوست ممالک کی امداد سے عارضی طور پر ادائیگیوں کے توازن کا بحران ٹل گیا ہے۔ تاہم، 2019ء میں دوبارہ اقساط کی ادائیگیوں کے لئے آئی ایم ایف کی مدد کی ضرورت ہوگی اور یہ پروگرام بہت حد تک مرتب ہوتا نظر آ رہا ہے۔ تاہم، اس کے لئے حکومت کو توانائی کی قیمتوں، کمزور پبلک سیکٹر کے ادارے، گردش قرضوں اور وسیع ٹیکس اصلاحات کو نافذ کرنے کے لئے سخت اقدام اٹھانے کی ضرورت ہوگی۔

ایک کٹھن سال کے بعد، ایچ بی ایل 2019ء میں بہتر کارکردگی کی امید رکھتا ہے۔ 2018 میں سامنے آنے والی بعض غیر معمولی لاگت کے دباؤ میں ملکی اور بین الاقوامی کاروبار دونوں کو بینک کی کاروباری تبدیلی کے بیرونی اخراجات اور نیویارک سے متعلق اصلاحات کے اخراجات میں اضافہ اٹھانا ہو گا۔ بینک کی اپنے تبدیلی کے پروگرام میں سرمایہ کاری، متوقع طور پر اب بینک کے لئے فائدہ مند ثابت ہو رہا ہے اور ملکی اور بین الاقوامی شراکت داروں اور اسٹیک ہولڈرز کی طرف سے تسلیم کیا جا رہا ہے۔

ایچ بی ایل، ایک ٹیکنالوجی کمپنی کے طور پر بینکنگ لائسنس کے ہمراہ، 2019 میں جدید مصنوعات اور چینلز کے ذریعہ کسٹمر کے تجربے کو تبدیل کر کے اپنا ڈیجیٹل سفر تیز کر دے گا۔ دی موبائل فرسٹ کی حکمت عملی کے تحت اس بات کو یقینی بنایا جائے گا کہ ہم اپنے کسٹمرز کو نئی مصنوعات اور خصوصیت

ایچ بی ایل کے 2018ء کے لیجنڈا میں کمپلائنس رسک مینجمنٹ بہت اہمیت کا حامل رہا ہے۔ اس سال کے دوران ایک مخصوص بورڈ برائے کمپلائنس اور کنڈکٹ کمیٹی تشکیل دی گئی جو اس کے اہم حصوں کے انتظام اور نگرانی کو بہتر بنانے کے کام کو سرانجام دے رہی ہے۔

بینک کے ٹرانسفارمیشن پروگرام کے تحت ایچ بی ایل نے سینکشنز اسکریننگ اور ٹرانزیکشن کی نگرانی کے نظام کو اپ گریڈ کیا ہے اور اس کے ساتھ ساتھ ایک ریلیٹو رسک ریٹنگ کے طریقہ کار کی جانب بڑھ رہے ہیں جس میں Basel, FATF اور Wolfsberg کی ہدایات کو شامل کیا گیا ہے۔ ملازمین کی تعداد گنی ہو گئی ہے اور ماہرین کو نئے شعبوں میں شامل کیا گیا ہے جس میں تجارتی منی لانڈرنگ، کمپلائنس کی تربیت اور منصوبوں کے انتظامات جیسے شعبے شامل ہیں۔ ایچ بی ایل نے ملکی اور بین الاقوامی بہترین طریقوں پر مبنی ایک مجموعی مالیاتی جرائم کی رسک اسیسمنٹ قائم کی جس نے کمپلائنس رسک کو بہتر زاویہ اور کمی فراہم کی۔

کمپلائنس کی تربیت پر زور دینے کا نتیجہ الیکٹرانک تعلیم کے ساتھ کلاس روم کی تربیت کے بہتر پروگرامز کی صورت میں نکلا۔ الیکٹرانک تعلیم کے ماڈیولز کا ایک سیٹ انگریزی کے ساتھ ساتھ اردو میں بھی تیار کیا گیا ہے تاکہ اس بات کو یقینی بنایا جائے کہ تربیت مناسب انداز میں پہنچائی جائے، اس کی زیادہ سے زیادہ رسائی ہو اور علم برقرار رہے۔

جیسا کہ صارفین تیزی سے ان کے کاروبار اور طرز زندگی کی ضروریات کے لیے موبائل اور ڈیجیٹل ٹیکنالوجی پر انحصار کرتے ہیں، اسی طرح انفارمیشن سیکورٹی کاروبار اور گورننس کا ایک اہم حصہ بن چکا ہے۔ ایچ بی ایل اپنے کسٹمرز اور ان کی معلومات کی حفاظت کے لیے مصروف عمل ہے اور صنعت کے رجحانات کی بنا پر بروقت اس کی کوششوں میں اضافہ ہوا ہے۔ خطرات کے مقابلے کے لیے ایچ بی ایل موثر حفاظتی تدابیر اور سیکورٹی کے اقدامات کرتے ہوئے اس کے سائبر دفاع کو مضبوط بنا رہا ہے۔ ایچ بی ایل نے دوران سال PCIDSS سرٹیفیکیشن حاصل کی۔ ایچ بی ایل ملک کا واحد بینک ہے جس نے یہ اعزاز حاصل کیا ہے۔ دوران سال ایچ بی ایل نے انفارمیشن سیکورٹی ISO-27001 کا بھی سرٹیفکیٹ حاصل کیا ہے۔ یہ اقدامات ایچ بی ایل کو جدید ڈیجیٹل سروسز فراہم کرتے ہوئے کسٹمر کو تحفظ، اعتماد اور سلامتی فراہم کی۔ یورپی یونین کے نئے GDPR کے قواعد و ضوابط کی تعمیل ستمبر 2018 کے اختتام تک پوری کرنے کے لئے بھی ایچ بی ایل نے برطانیہ اور یورپی آپریشنز میں معاونت فراہم کی۔

سماجی بہبود کی ذمہ داری (CSR)

سوسائٹی کو سپورٹ کرنا ایچ بی ایل کے بنیادی اقدار میں سے ایک ہے اور بینک ایک ذمہ دار کارپوریٹ شہری کے طور پر اپنا کردار ادا کر رہا ہے۔ کمیونٹی کی مستقل معاشی اور سماجی ترقی کو فروغ دینے کے لیے بینک، ٹیکس کے بعد سالانہ منافع کا 1% حصہ ایچ بی ایل فاؤنڈیشن کو دیتا ہے، جس کا قیام سال 2009 میں پسماندہ لوگوں کی ارتقاء اور خوشحالی کے فروغ اور ان کے معیار زندگی کو بہتر بنانے کی غرض سے عمل میں آیا۔ 2018 کے دوران بینک نے 128 ملین روپے ایچ بی ایل فاؤنڈیشن کے ساتھ براہ راست قابل مستحق مقاصد کے لئے بطور عطیات دیئے۔

2018 کو پاکستان بھر میں مختلف تنظیموں کو اہم مالی امداد فراہم کی گئی تھی، بنیادی طور پر صحت اور تعلیم پر توجہ مرکوز کی گئی تھی، انڈس ہسپتال کے 29 ڈاکٹروں نے ایمر جنسی میڈیکل ٹریننگ پروگرام سے فائدہ اٹھایا جس میں عام عوام کو مفت صحت کی فراہمی کی گئی۔ بلوچستان، گلگت، بلتستان میں میری ایڈیلیٹ پروسیسٹر کے ساتھ ساتھ 12 مفت آنکھوں کی جراحی کے کیمپس لگائے گئے تھے جس سے فائدہ مند افراد کی تعداد 15,000 سے زیادہ تھی، ایچ بی ایل نے کینسر کیمرو ہسپتال اور ریسرچ سینٹر، جناح پوسٹ گریجویٹ، میڈیکل سینٹر، لیڈی ڈفرین ہسپتال اور آغا خان ہسپتال سروس کے ساتھ بھی شرکت کی جس کے نتیجے میں بالآخر سوسائٹی کا کم امتیازی طبقہ مستفید ہوگا۔

ایچ بی ایل یہ یقین رکھتا ہے کہ تعلیم پاکستان کے عوام کی اقتصادی ترقی کے لئے نہایت اہم ہے۔ سیلنگ ہینڈ ویلفیئر ایسوسی ایشن، نیٹ ورک آف ارگنائزیشنز ورکنگ فار پیپل و تھ ڈس ایبیلیٹیز (NOWPDP) اور دیگر کی شراکت کے ساتھ پیشہ ورانہ تربیت، روایتی تعلیم اور ماہرینہ تعلیم کے شعبوں میں تعاون کیا۔ ملک بھر میں بشمول اسکرو، بلتستان میں نوجوانوں کا پیشہ ورانہ تربیتی مرکز، بلوچستان اور اندرون سندھ میں اعلیٰ تعلیمی اداروں میں مختلف اداروں کی اعانت کی۔ ایچ بی ایل کے تعاون نے پاکستان کے سٹیزن آرکائیو آف پاکستان کو لاہور کے پسماندہ علاقے میں ایک انٹر ایکٹو میوزیم قائم کرنے میں مدد کی۔

بورڈ کمیٹیز کے اجلاس

آڈٹ کمیٹی		رسک مینجمنٹ کمیٹی		ہیومن ریسورس اور ریمونریشن کمیٹی		بورڈ کمپلائنس اور کنڈکٹ کمیٹی	
دورانِ مدت	حاضری	دورانِ مدت	حاضری	دورانِ مدت	حاضری	دورانِ مدت	حاضری
منعقد شدہ میٹنگز		منعقد شدہ میٹنگز		منعقد شدہ میٹنگز		منعقد شدہ میٹنگز	
N/A	N/A	6	6	N/A	N/A	N/A	N/A
N/A	N/A	5	5	4	4	N/A	N/A
8	8	1	1	N/A	N/A	6	6
N/A	N/A	N/A	N/A	4	4	N/A	N/A
8	8	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	5	6	N/A	N/A	N/A	N/A
2	2	N/A	N/A	1	1	N/A	N/A
6	6	4	4	N/A	N/A	6	6
N/A	N/A	N/A	N/A	2	2	N/A	N/A
N/A	N/A	N/A	N/A	2	2	N/A	N/A

¹ جناب ساجد زاہد نے 26 مارچ، 2018 کو ڈائریکٹر کے طور پر اپنی مدت پوری کی

² محترمہ سعدیہ خان کو 27 مارچ، 2018 سے ڈائریکٹر کے طور پر منتخب کیا گیا

³ جناب زیومنڈا ایچ۔ کو تو ال 1 دسمبر، 2017 سے 29 اپریل، 2018 تک قائم مقام صدر اور CEO کے طور پر مقرر کیا گیا

⁴ جناب محمد اورنگزیب کو 30 اپریل، 2018 کو صدر اور CEO کے طور پر مقرر کیا گیا

ڈیولپمنٹ فنانس کمیٹی		بورڈ اوور سائٹ کمیٹی۔ نیویارک		بورڈ آئی ٹی کمیٹی	
دورانِ مدت	حاضری	دورانِ مدت	حاضری	دورانِ مدت	حاضری
منعقد شدہ میٹنگز		منعقد شدہ میٹنگز		منعقد شدہ میٹنگز	
3	2	N/A	N/A	N/A	N/A
N/A	N/A	11	11	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
3	3	N/A	N/A	4	4
N/A	N/A	11	11	N/A	N/A
N/A	N/A	N/A	N/A	4	4
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
3	3	N/A	N/A	2	2

¹ جناب ساجد زاہد نے 26 مارچ، 2018 کو ڈائریکٹر کے طور پر اپنی مدت پوری کی

² محترمہ سعدیہ خان کو 27 مارچ، 2018 سے ڈائریکٹر کے طور پر منتخب کیا گیا

³ جناب زیومنڈا ایچ۔ کو تو ال 1 دسمبر، 2017 سے 29 اپریل، 2018 تک قائم مقام صدر اور CEO کے طور پر مقرر کیا گیا

⁴ جناب محمد اورنگزیب کو 30 اپریل، 2018 کو صدر اور CEO کے طور پر مقرر کیا گیا

سے مسرت فراہم کریں تاکہ وہ ان کی طرز زندگی کی منتخب کردہ ایپ ہو۔ سروس کا معیار، جہاں بہت کچھ کرنا ابھی باقی ہے، مستقبل قریب میں ایک ترجیح رہے گا۔ بینک کے کاروباری تبدیلی کے پروگرام کے تحت ہونے والے فوائد مزید شامل کئے جائیں گے تاکہ آپریشن کے تمام پہلوؤں میں بین الاقوامی معیار کو حاصل اور برقرار رکھا جاسکے۔ بینک سب کے لئے مالی شمولیت اور خواتین کو بااختیار بنانے کے مقصد میں مکمل طور پر پرعزم ہے۔ بڑھتی ہوئی سیلنس شیڈ، بہتر سرمائے کی طاقت اور تمام چینلز میں بے مثال اثرات کے ساتھ، ایچ بی ایل ملک اور اس کی معیشت کی ترقی میں اہم کردار ادا کرنے کی صلاحیت اور عزم رکھتا ہے۔

منافع منقسمہ

بورڈ نے سال محتمم 31 دسمبر، 2018 کے حوالے سے فی حصص (شیر) پر 1.25 روپے کا حتمی نقد منافع منقسمہ تجویز کیا ہے، اسی طرح سال بھر میں فی حصص (شیر) پر مجموعی نقد منافع منقسمہ 4.25 روپے بنتا ہے۔ بورڈ نے اعلان کردہ تمام عبوری نقد منافع منقسمہ، جو فی حصص (شیر) پر 3.00 روپے ہے، پہلے ہی ادا کر دیا ہے۔

ڈائریکٹرز میں تبدیلی

جناب ساجد زاہد 26 مارچ، 2018 کو بورڈ آف ڈائریکٹرز سے 1999 سے ایچ بی ایل بورڈ پر کام کرنے کے بعد، اپنی مدت کے اختتام پر ریٹائر ہوئے۔ بورڈ جناب ساجد زاہد صاحب کی خدمات اور دانشورانہ مشوروں کا خلوص دل سے خراج تحسین پیش کرتا ہے۔ 27 مارچ 2018 کو، باقی چھ ریٹائر ہونے والے ڈائریکٹرز کو نئی تین سالہ مدت کے لئے ایچ بی ایل کے بورڈ پر منتخب کیا گیا۔

محترمہ سعدیہ خان کو 27 مارچ، 2018 کو ڈائریکٹر کے طور پر منتخب کیا گیا۔ محترمہ سعدیہ خان وسیع پیمانے پر ملکی اور بین الاقوامی تجربہ کی حامل ہیں، انہوں نے کثیر الفریق اداروں کے ساتھ کام کیا ہے، اور مالیاتی ضوابط اور تجارتی شعبوں میں خدمات انجام دی ہیں۔ بورڈ محترمہ سعدیہ خان کا خیر مقدم کرتا ہے اور ان کی خدمات کا منتظر ہے۔

بورڈ کے اجلاس

بورڈ میٹنگ		
حاضری	دوران مدت منعقد شدہ میٹنگز	
10	10	جناب سلطان علی الانہ
9	10	جناب شفیق دھر مشی
10	10	جناب معیز احمد جمال
10	10	جناب سلیم رضا
10	10	ڈاکٹر نجیب سمیع
8	10	جناب آغا شیر شاہ
3	3	جناب ساجد زاہد ¹
7	7	محترمہ سعدیہ خان ²
4	4	جناب ریومنڈ ایچ۔ کوٹوال ³
6	6	جناب محمد اورنگزیب ⁴

¹ جناب ساجد زاہد نے 26 مارچ، 2018 کو ڈائریکٹر کے طور پر اپنی مدت پوری کی

² محترمہ سعدیہ خان کو 27 مارچ، 2018 سے ڈائریکٹر کے طور پر منتخب کیا گیا

³ جناب ریومنڈ ایچ۔ کوٹوال کو 1 دسمبر، 2017 سے 29 اپریل، 2018 تک قائم مقام صدر اور CEO کے طور پر مقرر کیا گیا

⁴ جناب محمد اورنگزیب کو 30 اپریل، 2018 کو صدر اور CEO کے طور پر تقرر کیا گیا

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 آڈیٹر کی رپورٹس، مالیاتی گوشوارے کے ساتھ منسلک ہیں۔

واقعات بعد از سلیبس شیٹ کی تاریخ

23 جنوری، 2019 کو پاکستان کی قومی اسمبلی کے سامنے مالیاتی ضمیمہ (دوسرے ترمیمی) بل، 2019 پیش کیا گیا، اور سابقہ مالیاتی ایکٹ 2018 میں بیان کردہ سپرنٹیکس کی شرح میں ترمیم کی گئی اور 2017 سے 2020 تک کے تمام اکاؤنٹنگ سالوں کے لئے 4% سپرنٹیکس کی یکساں شرح کا تعین کیا گیا۔ بل میں تجویز کردہ تبدیلیوں پر غور کیا جا رہا ہے اور ابھی تک نافذ نہیں کیا گیا ہے۔ اگر بل اپنی پیش کردہ صورت میں نافذ ہو جائے تو، اکاؤنٹنگ سال 2017 کے لئے سپرنٹیکس کی شرح میں نظر ثانی کا ممکنہ مالیاتی اثر 1,933 ملین روپے ہو گا۔

ایمپلائز ریٹائرمنٹ سینیفٹ فنڈز میں سرمایہ کاریوں کی قدر

مورخہ 31 دسمبر، 2018 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	
6,176	ایمپلائز پروویڈنٹ فنڈ
4,351	ایمپلائز پینشن فنڈ
1,845	ایمپلائز گریجویٹ فنڈ
1,446	ایمپلائز مینوولنٹ فنڈ، ایگزیکٹو اور آفیسرز
699	ایمپلائز مینوولنٹ فنڈ، کلریکل اور نان کلریکل

پیٹرن آف شیئر ہولڈنگ

31 دسمبر، 2018 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۔

پیرنٹ کمپنی

جیسا کہ مالیاتی گوشوارے کے نوٹ 1.1 میں بیان کیا گیا ہے، The Aga Khan Fund for Economic Development (AKFED), S.A، بینک کی پیرنٹ کمپنی ہے اور اس کا رجسٹرڈ آفس جینیوا، سوئٹزرلینڈ میں ہے۔

تریتی پروگرامز میں ڈائریکٹرز کی شرکت

جیسا کہ کارپوریٹ گورننس کے ضابطہ (دی کوڈ) کے تحت کمپلائنس اسٹیٹمنٹ میں ذکر کیا گیا ہے، ڈائریکٹروں کی اکثریت نے پہلے ہی انسٹیٹوٹ آف بزنس ایڈمنسٹریشن، کراچی کی طرف سے پیش کردہ ای سی پی کے منظور شدہ ڈائریکٹرز کے ٹریننگ پروگرام میں شرکت کی ہے اور ضابطہ کے مطابق ڈائریکٹرز کے طور پر تصدیق شدہ ہیں۔ اس سال کے دوران، بورڈ نے کامن ویلتھ ڈیولپمنٹ کارپوریشن پی ایل سی (CDC) کی طرف سے منظم مالی جرم کی روک تھام پر دوروزہ تربیتی پروگرام میں شرکت کی، تاکہ اس اہم معاملے پر مناسب سطح کی توجہ مرکوز کرنے کو یقینی بنایا جائے۔

بورڈ اور بورڈ کمیٹیوں کی تشکیل

بورڈ کی تشکیل اور بورڈ کمیٹیوں کی تفصیلات کارپوریٹ گورننس کے ضابطہ کے مطابق تعمیل کے بیان میں دی گئی ہے۔

15 فروری، 2018 کو بورڈ کی آئی ٹی کمیٹی کو دوبارہ تشکیل کیا گیا
ایگری، ایس ایم ای اور مالی شمولیت پر بورڈ کمیٹی 10 اپریل، 2018 کو تشکیل دی گئی اور 30 مئی، 2018 کو اسکا نام ڈیولپمنٹ فنانس کمیٹی کر دیا گیا
10 اپریل، 2018 کو بورڈ کمیٹیوں کو دوبارہ تشکیل دیا گیا
محترمہ سعدیہ خان کو 30 مئی، 2018 سے بورڈ آف ہیومن ریسورس اور ریمونریشن کمیٹی میں شامل کیا گیا

مندرجہ بالا کے علاوہ، ایک بورڈ اور سائٹ کمیٹی۔ انٹرنیشنل گورننس 14 اور 15 دسمبر، 2018 کو منعقد ہونے والے بورڈ کے اجلاس میں قائم کی گئی، تاکہ بین الاقوامی کاروبار پر توجہ مرکوز کی جاسکے۔ اس کمیٹی کے صدر جناب سلطان علی الانہ ہیں جبکہ ڈاکٹر نجیب سمیع اور جناب محمد اورنگزیب بھی اس میں شامل ہیں۔ اس کمیٹی نے سال 2018 میں کوئی اجلاس منعقد نہیں کیا۔

آڈیٹرز

موجودہ آڈیٹرز میسرز 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 ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس، کو مالی سال 2019 کے لیے بینک کے آڈیٹرز کے طور پر انتخاب کی تجویز دی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ پر بیان

بورڈ اس بات کے لیے پر عزم ہے کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مرتب کردہ کارپوریٹ گورننس کی ضروریات کو پورا کیا جائے اور ڈائریکٹرز یہ 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 ز اور لیکویٹی میں تبدیلی درست انداز میں تیار کئے گئے ہیں۔
- بینک کے بکس آف اکاؤنٹس باقاعدہ طور پر برقرار رکھی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں نوٹ 4.1 میں بیان شدہ تبدیلیوں کے علاوہ اکاؤنٹنگ پالیسیز کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور محتاط انداز پر مبنی ہیں۔
- 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 عمل کے طور پر انٹرئل کنٹرول سسٹم پر مؤثر انداز میں عمل درآمد کرنے کی کوششیں جاری ہیں۔ ایچ بی ایل، اسٹیٹ بینک آف پاکستان کی انٹرئل کنٹرول سے متعلق ہدایات اور انٹرئل کنٹرولز اور فنانشل رپورٹنگ (ICFR) کی ہدایات اور روڈ میپ پر عمل درآمد کرتا ہے۔ بینک نے 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 ”گرو تھ 2013 سے 2018- مجموعی“ میں گزشتہ چھ سالوں کے اہم عملیاتی اور مالیاتی گوشوارے پیش کئے گئے ہیں۔
- ڈائریکٹرز، سی ای او، سی ایف او اور کمپنی سیکریٹری نے تصدیق کی ہے کہ وہ اور ان کی ازواج کسی طرح کے بھی اسٹاک بروکر ج میں شامل نہیں ہیں۔
- بورڈ کی طرف سے قائم کردہ آڈٹ، ہیومن ریسورس اینڈ ریمونریشن، رسک مینجمنٹ، آئی ٹی، کمپلائنس اور کنڈکٹ، ڈیولپمنٹ فنانس اور بورڈ اور سائٹ کمیٹیاں اپنے اختیارات کے تحت مؤثر انداز میں کام کر رہی ہیں۔ بورڈ باقاعدگی سے کم از کم سہ ماہی میں ایک بار اور اس سال میں دس اجلاس کر چکا ہے۔

ڈائریکٹرز کا معاوضہ

بورڈ اور کمیٹی کے اجلاسوں میں شرکت کے لئے ڈائریکٹرز کو 400,000 روپے ادا کئے جاتے ہیں۔ اس کے علاوہ غیر انتظامی ڈائریکٹر ٹی اے / ڈی اے اور سفری اخراجات، بورڈ کی طرف سے وقتاً فوقتاً منظور کردہ ٹی اے / ڈی اے پالیسی کے مطابق حاصل کرنے کے اہل ہیں۔ جس کی منظوری 19 مارچ، 2018 کو منعقد بینک کے غیر معمولی جنرل اجلاس میں حصص یافتگان کی جانب سے دی گئی تھی۔

ڈائریکٹرز کی مجموعی ادا شدہ فیس کی تفصیلات مجموعی مالیاتی رپورٹ کے نوٹ 39 میں ظاہر کی گئی ہے۔

اظہارِ تشکر

بورڈ اور انتظامیہ کی جانب سے، ہم اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص اسٹیٹ بینک آف پاکستان، وزارت خزانہ اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا تہہ دل سے شکریہ ادا کرتے ہیں 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۔

ہم اپنے کسٹمرز کے احسان مند ہیں، جن میں سے بہت سے لوگ نسلوں سے ہمارے ساتھ بینکاری کر رہے ہیں، اور جو اپنا کاروبار اور اعتماد ہم پر مسلسل بنائے ہوئے ہیں۔ ہمارے حصص یافتگان (شیئر ہولڈرز) نے ثابت قدمی سے ہمارا ساتھ دیا انہیں اور ان کے ساتھ تمام اسٹیک ہولڈرز کے ہم انتہائی شکر گزار ہیں۔ بورڈ اور انتظامیہ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے لئے پرعزم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ اس خطے میں ہم اپنے کاروباری صنعت میں عروج پر ہوں گے۔ ہم اپنے ملازمین اور ان کے خاندانوں کی ایچ بی ایل کی ترقی کے لئے لگن اور انتھک کوششوں کا شکریہ ادا کرنا چاہیں گے۔

منجانب بورڈ

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

معیز احمد جمال
ڈائریکٹر

20 فروری، 2019

Growth at a Glance - 2013 to 2018 (Consolidated)

	2013	2014	2015	2016	2017	2018
Balance Sheet (Rs in Million)						
Investments	826,062	922,691	1,270,824	1,344,405	1,374,816	1,390,052
Advances	563,701	600,020	637,384	748,466	851,502	1,080,440
Total assets	1,715,271	1,864,618	2,218,433	2,519,077	2,696,218	3,025,853
CASA deposits	1,027,284	1,190,428	1,348,095	1,552,598	1,668,837	1,755,960
Total deposits	1,401,230	1,524,645	1,634,944	1,885,959	1,998,935	2,137,293
Borrowings	107,864	103,411	314,319	331,727	397,803	523,319
Total equity	142,434	169,595	182,620	196,269	188,751	199,252
Operating results (Rs in Million)						
Net interest income	55,398	68,583	78,169	81,951	81,833	81,677
Non fund income	18,941	23,425	36,584	31,435	34,116	19,894
Total revenue	74,339	92,008	114,753	113,387	115,949	101,571
Total expenditure	36,854	42,227	49,713	55,970	62,371	74,978
Operating profit	37,485	49,781	65,040	57,417	53,578	26,593
Provision against advances & others	1,351	1,531	4,754	892	374	5,009
Extraordinary and unusual item	-	-	-	-	23,717	-
Profit before taxation	36,133	48,250	60,286	56,525	29,487	21,585
Profit after taxation	23,027	31,483	35,102	34,206	8,848	12,441
Profitability ratios						
Return on average assets (RoA)	1.4%	1.8%	1.7%	1.4%	0.3%	0.4%
Return on average equity (RoE)	16.8%	20.2%	19.9%	18.1%	5.2%	7.1%
Cost to income ratio	48.6%	44.8%	42.2%	48.3%	52.9%	76.2%
NFI to gross revenue	25.5%	25.5%	31.9%	27.7%	29.4%	19.6%
Asset quality & liquidity ratios						
Gross advances to deposits ratio	45.0%	43.7%	43.2%	43.3%	46.1%	53.9%
Investment to deposits ratio	59.0%	60.5%	77.7%	71.3%	68.8%	65.0%
NPLs to gross advances	12.7%	11.9%	10.9%	9.2%	8.2%	7.0%
Coverage - specific	80.8%	79.9%	85.8%	86.4%	87.6%	84.7%
Coverage - total	83.5%	83.2%	90.1%	91.2%	91.6%	89.1%
Current deposits mix	29.4%	34.2%	36.7%	37.0%	36.7%	38.0%
CASA mix	73.3%	78.1%	82.5%	82.3%	83.5%	82.2%
Share information						
Earnings per share	17.2	21.6	23.9	23.2	5.8	8.2
Cash dividend per share	8.0	12.0	14.0	14.0	8.0	4.3
Bonus issue per share	1.0	-	-	-	-	-
Dividend yield (based on cash dividend)	6.1%	6.3%	6.8%	6.8%	3.4%	2.5%
Dividend payout ratio	46.0%	56.0%	58.0%	60.0%	138.2%	51.7%
Price to book value ratio (times)	1.2	1.6	1.7	1.5	1.8	1.3
Price to earnings ratio (times)	7.6	8.8	8.6	8.8	40.3	20.7
Market value per share						
Closing	161.2	216.3	200.1	273.3	167.1	120.5
High during the year	177.5	225.8	236.9	284.0	314.0	229.7
Low during the year	88.0	156.0	167.5	169.0	148.3	117.3
Market Capitalisation (Rs in Billion)	215.0	317.2	293.5	400.8	245.1	176.7
Breakup value per share	106.8	116.0	124.5	133.8	128.7	135.8

Growth at a Glance - 2013 to 2018 (Consolidated)

	2013	2014	2015	2016	2017	2018
Industry share						
Deposits	15.1%	14.8%	14.1%	14.1%	14.3%	13.9%
Advances	10.7%	11.0%	10.7%	11.3%	11.6%	12.2%
Trade (Rs in Million)						
Import volume	476,574	401,464	385,846	390,224	438,466	426,155
Export volume	427,845	442,093	450,522	359,214	322,267	316,900
Capital adequacy						
CET1 to RWA	12.9%	13.3%	13.1%	12.0%	12.0%	12.0%
Tier-1 to RWA	12.9%	13.3%	13.1%	12.0%	12.0%	12.0%
Total capital to RWA	15.4%	16.2%	17.0%	15.5%	16.0%	16.2%
RWA to total assets	49.3%	52.0%	47.8%	48.1%	43.1%	39.0%
Touchpoints (Number)						
Branches	1,594	1,644	1,716	1,731	1,751	1,743
ATMs	1,283	1,592	1,947	2,000	2,007	2,139
Branchless banking agents	4,607	8,425	17,268	18,699	27,000	37,503
POS terminals	-	1,619	12,300	14,926	18,015	21,024
Customer base (Number)						
Customers (in million)	6.8	7.6	8.8	10.2	11.6	14.1
Women customers - %	19%	24%	24%	24%	24%	24%
Mobile & net banking subscribers ('000)	84	120	168	387	711	773
Debit cards ('000)	2,098	2,319	4,736	4,233	4,636	5,168
Credit cards ('000)	129	116	119	132	142	162
Headcount (Number)						
Permanent employees	13,825	14,103	15,042	17,220	18,085	20,093
Female staff - %	8.0%	9.8%	12.5%	12.3%	14.8%	15.7%

Annual Statement on Internal Controls 2018

An internal control system is a set of procedures and activities designed to identify 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, even a well-designed system of internal controls has inherent limitations and therefore can 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.

The Bank's internal control structure comprises of different levels of monitoring activities. The Bank follows the "three lines of defense" model with the first line comprising of front-office and customer facing and enabling functions, the second line being Compliance and other Risk and Control Functions and the third line of defense being Internal Audit. In 2018, management has formed a Compliance Committee of Management and a Control Committee, to monitor, review and provide oversight of compliance and control related matters across all units and locations of the Bank. Where known gaps exist, plans are in place to address them and these plans are reviewed and monitored by the two committees. Both these Committees are chaired by the President. In addition, the HBL Board has formed a Board Compliance & Conduct Committee, which acts as an oversight authority and supports the Board in embedding a compliance and conduct culture in the Bank.

The front-line management's role is to monitor day to day operations and ensure that business risks are properly mitigated, control breaches are identified on a timely basis and corrective actions are promptly implemented. The Bank's Internal Control Unit (ICU) conducts 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.

The Compliance function's role is to strengthen the compliance environment and minimize compliance risk across the institution through effective compliance with laws, regulations, guidelines and internal policies and procedures. Internal Audit conducts audit of relevant activities and processes to evaluate the effectiveness of the control environment throughout the Bank. All significant/material findings of Internal Audit are reported to the Board Audit Committee, which oversees implementation of internal controls to ensure that any identified risks are mitigated to safeguard the interest of the Bank.

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. The Bank's external auditors are engaged annually to provide a 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 throughout the year. None of the deficiencies identified are expected to have a material impact on financial reporting.

At the end of 2017, the Bank had embarked on a business and compliance transformation program across the organization to proactively review and further enhance the Bank's controls, compliance and governance. Progress on this major initiative has been satisfactory and has been recognized by our various stakeholders. While the majority of the formal program is expected to be completed in 2019, management will continue to strengthen its compliance and control environment on an ongoing basis.

Based upon the results achieved from reviews, ongoing testing of financial reporting controls and audits conducted during the year 2018, the management considers that the Bank's existing system of internal controls, including ICFR, is adequate and has been effectively implemented and monitored, although room for improvement always exists.

The Board of Directors has duly endorsed management's evaluation of internal controls including ICFR in the Director's Report.

Rayomond Kotwal
Chief Financial Officer

Nauman Riaz
Chief Compliance Officer

Armughan Ahmed Kausar
Chief Internal Auditor

Sagheer Mufti
Chief Operating Officer

Independent Auditor's Review Report

To the members of Habib Bank Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Habib Bank Limited For the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations 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 and also ensure compliance with the requirements of section 208 of the Companies Act 2017. 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 procedures to assess and determine the Bank's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Bank For the year ended December 31, 2018.

A.F. Ferguson & Co.

Chartered Accountants

Engagement Partner: Salman Hussain

Karachi

Date: February 25, 2019

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Habib Bank Limited (hereinafter referred to as 'the Bank') has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") in the following manner:

1. The total number of Directors is 8 as shown in the following table:

	Category	Number of Directors
a.	Male Director*	7
b.	Female Director	1

* including the President & CEO, who is an Executive Director

2. The composition of the Board of Directors is as follows:

Categories	Names of Directors
Independent Directors	1- Mr. Salim Raza 2- Dr. Najeeb Samie 3- Mr. Agha Sher Shah
Non-Executive Directors	4- Mr. Sultan Ali Allana 5- Mr. Shaffiq Dharamshi 6- Mr. Moez Ahamed Jamal 7- Ms. Sadia Khan
Executive Directors	8- Mr. Muhammad Aurangzeb

3. The Directors have confirmed that none of them is serving as a Director of more than five (5) listed companies (excluding the listed subsidiaries of listed holding companies where applicable), including the Bank.
4. The Bank has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has approved 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Companies Act 2017 and the Regulations.
7. The meetings of the Board were presided over by the Chairman of the Board. The Board has complied with the requirements of Companies Act 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act 2017 and the Regulations.
9. A majority of the Directors have attended SECP approved Directors' Training Programs and are certified as Directors in accordance with the Code.
10. The Board has approved appointment of the President & CEO, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
11. The Chief Financial Officer and the Chief Executive Officer have duly endorsed the financial statements before the approval of the Board.

12. The Board has formulated the following committees comprising of the members listed against each committee as of December 31, 2018:

Name of Committee	Composition
a) Board Audit Committee (BAC)	1. Dr. Najeeb Samie, Chairman 2. Mr. Moez Ahamed Jamal, Member 3. Ms. Sadia Khan, Member
b) Board Compliance and Conduct Committee (BCNC)	1. Mr. Moez Ahamed Jamal, Chairman 2. Ms. Sadia Khan, Member 3. Mr. Sagheer Mufti, Non-voting member
c) Board Development Finance Committee (BDFC)	1. Mr. Salim Raza, Chairman 2. Mr. Sultan Ali Allana, Member 3. Mr. Muhammad Aurangzeb, Member
d) Board Human Resource & Remuneration Committee (BHR&RC)	1. Mr. Agha Sher Shah, Chairman 2. Mr. Sultan Ali Allana, Member 3. Mr. Shaffiq Dharamshi, Member 4. Ms. Sadia Khan, Member
e) Board IT Committee (BITC)	1. Mr. Salim Raza, Chairman 2. Mr. Agha Sher Shah, Member 3. Mr. Muhammad Aurangzeb, Member
f) Board Oversight Committee – International Governance (BOC-IG)	1. Mr. Sultan Ali Allana, Chairman 2. Dr. Najeeb Samie, Member 3. Mr. Muhammad Aurangzeb, Member
g) Board Oversight Committee – New York (BOC-NY)	1. Mr. Shaffiq Dharamshi, Chairman 2. Dr. Najeeb Samie, Member
h) Board Risk Management Committee (BRMC)	1. Mr. Salim Raza, Chairman 2. Mr. Shaffiq Dharamshi, Member 3. Mr. Muhammad Aurangzeb, Member

13. The Terms of Reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The number of meetings of the committees held during the year were as per the following table:

Name of Committee	Number of Meetings
a) Board Audit Committee (BAC)	8
b) Board Compliance and Conduct Committee (BCNC)	6
c) Board Development Finance Committee (BDFC)	3
d) Board Human Resource and Remuneration Committee (BHR&RC)	6
e) Board IT Committee (BITC)	4
f) Board Oversight Committee – International Governance (BOC-IG) *	-
g) Board Oversight Committee – New York (BOC-NY)	11
h) Board Risk Management Committee (BRMC)	4

* The Committee was formed and its Terms of Reference were approved by the Board in December 2018. Therefore, no meetings of this committee were held in 2018.

15. The Board has set up an effective Internal Audit function. The Internal Auditors are conversant with the policies and procedures of the Bank and are considered suitably qualified and experienced for the purpose.

16. 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 are registered with the Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act 2017, the regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other material requirements of the Regulations have been complied with.

Muhammad Aurangzeb
President & CEO

Dr. Najeef Samie
Director

Date: February 20, 2019

Report of Shariah Board

For the year ended December 31, 2018

Presented to the Board of Directors

Alhamdulillah, HBL – Islamic Banking (HBL-IB) has completed another year of successful Islamic banking operations. The Shariah Board (SB) hereby presents its opinion on the affairs of HBL's Islamic Banking operations. The Board of Directors (BoD) and the management is committed to providing an effective and comprehensive Shariah Governance environment to regulate the overall functions of the bank. During the year Shariah Board convened various SB meetings to discuss different matters referred to the Shariah Board including Shariah compliance review reports, Internal/External Shariah Audit Reports, policies and procedures, new products/ renewals of existing products, transaction structuring, Shariah queries, process flows, business and marketing material etc.

HBL-IB is equipped with a team of qualified professionals in its Shariah Compliance Department (SCD), working under the supervision and guidance of the Shariah Board. The prime objective of this function is to ensure Shariah Compliance at various levels and take corrective measures.

The SB has reviewed and evaluated the Shariah basis and principles used in products & services, agreements & contracts, transactional processes & structures and policies introduced by HBL-IB during the year. The SB has also conducted Shariah compliance reviews through the Sharia Compliance Department (SCD), which includes examination of transactions on sample basis. SCD has reviewed relevant documentation and procedures adopted by HBL-IB and obtained sufficient information and evidence to form an opinion and provide reasonable assurance whether HBL-IB has complied with respective Shariah rules and guidelines issued by the SB and the SBP. The SCD, besides conducting Shariah reviews of Islamic Banking Windows (IBWs) and Islamic Banking Branches (IBBs) has reviewed financing transactions and monthly review of profit distribution to the Investment Account holders. Internal Shariah Audit Unit has also conducted quarterly post-disbursement audits of the profit distribution and presented their reports to the SB.

The SCD has revamped the Shariah Compliance Manual in the light of the revised Shariah Governance Framework issued by the SBP in 2018. Moreover, as required, the SCD has also developed a separate Shariah Governance Framework for HBL approved by the Shariah Board and the BoD. One of the key developments in this framework is the inclusion of Islamic Banking operations of international locations, currently constituting Sri Lanka and Mauritius.

In compliance with the Shariah Governance Framework issued by SBP to strengthen the Shariah environment, the Bank, in addition to a Shariah Scholar in the SCD, has appointed one scholar in the Internal Shariah Audit unit, while two are under hiring process for the Product Development Department.

Going forward, keeping in view the growing pace of financing portfolio of SME and consumer business, it is recommended to further strengthen the Shariah Compliance Department by adding resources to the existing team.

Product Developments

To contribute to the agricultural segment and to address the need of farmers, an Islamic Tractor Financing product based on Diminishing Musharakah was launched during the year, which was HBL-IB's first product for the Rural Banking segment. In addition, several new products were added in order to offer multiple financing solutions to cater to varied customer segments. HBL Tijarah and Islamic Long-Term Financing Facility (ILTFF) were launched to cater to the Corporate, Commercial and SME business segments. An Islamic Housing Finance facility was also introduced for retail customers as well as for HBL Islamic staff.

The existing products & policies due for renewal were reviewed and aligned with current market needs. To extend the outreach of Islamic Banking to overseas locations, i.e. Sri Lanka and Mauritius, the Shariah Board (SB) has approved Murabaha, Diminishing Musharakah, Placement & Acceptance of Funds and Profit & Loss Distribution policy for these locations only, while assessment of the Shariah compliance environment of these locations is planned in the upcoming year.

Moreover, SME Credit Policy, Rural Banking Manual and Consumer Banking Policy' were also developed to set out guiding principles for these segments.

In addition to the above achievements, the Bank has also participated in the structuring transaction of a steel manufacturer and in Tier-2 Sukuk launched by two full-fledged Islamic banks during the year.

Training and Resource Development

During the year 2018, Human Resource development remained a top priority of HBL-IB. A training needs assessment was one of the significant activities performed for capacity building of the staff and to equip them with better understanding for implementation of Shariah-compliant products. HBL continued its focus on human resource development by providing in-house and external Islamic Banking trainings to its employees. The SB along with the SCD had imparted numerous training sessions, thereby more than 1,300 employees across the country participated in these programs through respective Learning & Development Centers.

Charity

As per the Charity Policy, PKR 1.518 million was received from clients in respect of charity on account of delay in payments and was credited to the charity account.

An amount of PKR 230.0Mn was disbursed from the Charity Fund during the year in line with the approved Charity Policy.

Business Review

The SB appreciates that HBL-IB had used various Islamic modes for its financing activities during the year including Ijarah, Diminishing Musharakah, Running Musharakah, Tijarah, Salam, Istisna, and Murabaha. Resultantly, the Bank has witnessed a significant growth in its financing portfolio by achieving a new mark of PKR 104 billion evidencing a growth of 23% on a Year-on-Year basis. On the deposit side, the Bank also maintained its growth pace vis-à-vis financing portfolio, by achieving a new deposit size of PKR 203 billion, a 24% increase over last year.

Shariah Opinion

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

- i. HBL-IB has overall complied with Shariah rules and principles in the light of Shariah rulings and guidelines issued by the Shariah Board.
- ii. HBL-IB has overall complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by the 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 the charity account. HBL-IB has a well-defined system in place to utilize the charity account properly.
- v. HBL-IB has overall complied with the SBP guidelines on profit and loss distribution and pool management.
- vi. The level of awareness of staff and management regarding Islamic Banking and the importance of Shariah compliance in products and processes of the Bank is satisfactory and 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.

Shariah Board recommends management to continue focusing on Shariah Compliance at priority.

Recommendations

On the basis of Shariah compliance review and Internal/External Shariah Audit reports we recommend the following for consideration:

Account Opening

A centralized account opening process was introduced by the management during the year, which will result in minimization/elimination of usage of incorrect account opening form. We appreciate this initiative which may resolve a long outstanding issue of using conventional account opening forms by IBWs which persists in accounts opened till July 2018. Under the new account opening procedure, it has been identified that in some cases, only the account opening forms were being signed by the customers and the terms and conditions of account opening forms were not separately signed. It is recommended to rectify the identified instances at the earliest.

Staff Rotation

Despite issuance of clear guidelines by Global Operations on training of staff posted in Islamic Banking Windows (IBWs), certain instances were noted where posted staff had not been given the appropriate training. We recommend that a robust process is implemented by HR to ensure that all staff in Islamic Banking Branches/Windows are trained.

Automation of Pool Management

In order to ensure further transparency in profit distribution mechanism to its Investment Account Holders, the Bank has automated the profit distribution process through in-house development. The Bank has automated both General and Special pools which is highly appreciated. We recommend to explore options for automation of IERS and Treasury Pools as well, although it remains a challenge for the whole industry.

Customer Awareness Sessions

In order to enhance customer awareness of Islamic Banking, the management has arranged a public awareness session on Islamic banking in Quetta. The session was delivered by the Resident Shariah Board Member (RSBM) and was appraised by participants as highly interactive and informative. We recommend to arrange more sessions in the coming years.

Staff Training

While appreciating the management's efforts and focus on HR development, we recommend to the management to ensure compliance of recent guidelines issued by SBP on HR capacity building by taking necessary measures for imparting extensive training to staff at all levels involved in Islamic banking operations. We have been informed that the Learning & Development department is developing an extensive training plan in compliance with these guidelines.

Mufti Muhammad Yahya Asim
Resident Member Shariah Board

Dr. Ejaz Ahmad Samadani
Member Shariah Board

Dr. Muhammad Zubair Usmani
Chairman Shariah Board

Date: February 20, 2019

شریہ بورڈ رپورٹ

برائے بورڈ آف ڈائریکٹرز مالی سال ۲۰۱۸ء

الحمد للہ اللہ تعالیٰ لیل (HBL) اسلامک بینکنگ کا مزید ایک سال کامیابی کے ساتھ پایہ تکمیل کو پہنچ گیا۔ اس موقع پر شریہ بورڈ ایچ بی لیل اسلامک بینکنگ کے امور سے متعلق اپنی تفصیلی رائے پیش کرتا ہے۔ بورڈ آف ڈائریکٹرز اور انتظامیہ کی ذمہ داری ہے کہ وہ بینک کے مجموعی امور کو منظم رکھنے کے لیے ایک جامع اور موثر شریہ گورننس کا ماحول فراہم کرے۔ دوران سال شریہ بورڈ نے کئی اجلاس منعقد کئے جس میں شریہ بورڈ میں پیش کئے گئے مختلف امور پر تبادلہ خیال کیا گیا، ان میں شرعی جائزہ رپورٹس، انٹرئل اور ایکسٹرنل شریہ آڈٹ رپورٹس، حکمت عملی اور طریقہ کار، مالی معاملات کا خاکہ، شرعی سوالات، لائحہ عمل کی ترتیب، کاروباری اور تشریری مواد زیر بحث لائے گئے۔

ایچ بی ایل اسلامک بینکنگ کا شریہ کمپلائنس ڈپارٹمنٹ پیشہ ور تربیت یافتہ افراد پر مشتمل ہے جو شریہ بورڈ کی زیر نگرانی اور ہدایات کی روشنی میں اپنی ذمہ داریاں سرانجام دے رہا ہے۔ ان معاملات کا بنیادی مقصد بینک کی مختلف سطح پر شرعی امور کی تعمیل کو یقینی بنانا اور اصلاحی اقدامات اٹھانا ہے۔

شریہ بورڈ نے دوران سال ایچ بی لیل اسلامک بینکنگ کی طرف سے متعارف کرائی جانے والی مصنوعات، خدمات، معاہدات، لین دین سے متعلق طریقہ کار، خاگوں اور حکمت عملی کی شرعی بنیادوں اور اصولوں کا جائزہ لیا اور ان کے معیار کو پرکھا۔ شریہ بورڈ نے بذریعہ شریہ کمپلائنس ڈپارٹمنٹ شرعی جائزہ کا اہتمام کیا جو نمونے کی بنیاد پر مالی معاملات کی جانچ پڑتال پر مشتمل تھا۔ شریہ کمپلائنس ڈپارٹمنٹ نے ایچ بی لیل اسلامک بینکنگ کی طرف سے اختیار کردہ متعلقہ دستاویزات اور لائحہ عمل کا جائزہ لیا اور معقول حد تک معلومات اور شہادتیں جمع کیں جن کی بدولت رائے قائم کی جاسکے کہ کیا ایچ بی لیل اسلامک بینکنگ نے شریہ بورڈ اور اسٹیٹ بینک آف پاکستان کی جانب سے جاری کردہ متعلقہ شرعی اصولوں اور ہدایات پر عملدرآمد کیا ہے یا نہیں؟ شریہ کمپلائنس ڈپارٹمنٹ نے اسلامی بینکاری کی برانچوں اور اسلامی وٹڈوز کے جائزے کے ساتھ ساتھ مالی معاملات اور کھاتہ داروں کے درمیان مابانہ منافع کی تقسیم کا شرعی جائزہ بھی لیا۔ انٹرئل شریہ آڈٹ ڈپارٹمنٹ نے بھی کھاتہ داروں کے درمیان سہ ماہی بنیادوں پر منافع کی تقسیم کی جانچ پڑتال کی اور اس کی رپورٹ شریہ بورڈ کو پیش کی۔

شریہ کمپلائنس مینول ۲۰۱۸ میں قابل تجدید تھا لہذا شریہ کمپلائنس ڈپارٹمنٹ نے اسٹیٹ بینک آف پاکستان کے شریہ گورننس فریم ورک ۲۰۱۸ء کی روشنی میں موجودہ مینول کی تجدید کی۔ مزید برآں شعبہ شریہ کمپلائنس نے ایک علیحدہ شریہ گورننس فریم ورک تیار کیا اور شریہ بورڈ آف ڈائریکٹرز سے منظور کروایا۔ اس فریم ورک میں کلیدی اضافہ بیرون ملک اسلامی بینکنگ کے معاملات کو مذکورہ فریم ورک میں شامل کرنا ہے جو فی الوقت سری لیکا اور موریشیس میں جاری ہیں۔

اسٹیٹ بینک آف پاکستان کے جاری کردہ شریہ گورننس فریم ورک کی تعمیل میں بینک کے شرعی معاملات کو مستحکم کرنے کے لیے شریہ کمپلائنس ڈپارٹمنٹ میں شریہ اسکالرز کی تقرری کے علاوہ انٹرئل شریہ آڈٹ ڈپارٹمنٹ میں بھی ایک شریہ اسکالرز کی تقرری کی گئی جبکہ پراڈکٹ ڈیولپمنٹ ڈپارٹمنٹ میں دو شریہ اسکالرز کا تقرر منظوری کے مراحل میں ہے۔

ایس ایم ای اور صارفین سے متعلق کاروبار کے بڑھتے ہوئے حجم کے پیش نظر ضروری معلوم ہوتا ہے کہ شریہ کمپلائنس ڈپارٹمنٹ کی موجودہ افرادی قوت میں بھی اضافہ کر کے اس کو مزید مستحکم بنایا جائے۔

پراڈکٹ ڈیولپمنٹ

زراعت کے شعبہ اور کاشتکاروں کی ضرورتوں کو مد نظر رکھتے ہوئے دوران سال شرکت متناقصہ پر مبنی اسلامی ٹریڈر فنانسنگ کی پراڈکٹ متعارف کروائی گئی جو کہ دیہی بینکاری میں ایچ بی لیل کا پہلا اسلامی پراڈکٹ ہے۔ موجودہ مصنوعات میں کئی نئی مصنوعات کا اضافہ کیا گیا تاکہ ہر طرح کے صارفین کی ضرورتوں کا پورا کیا جاسکے۔ کارپوریٹ، کمرشل اور ایس ایم ای کاروبار کے لیے ”تجارت“ اور ”اسلامی طویل المیعاد فنانسنگ سہولت“ متعارف کروائی گئی۔ ایچ بی لیل اسلامک بینکنگ کے ملازمین سمیت ریٹیل صارفین کے لیے اسلامک ہاؤس فنانسنگ کی سہولت متعارف کروائی گئی۔ تمام قابل تجدید موجودہ مصنوعات اور پالیسیوں کو مارکیٹ کی ضرورت کے مطابق مرتب کیا گیا۔ بیرون ملک سری لیکا اور موریشیس میں اسلامی بینکاری کا دائرہ کار بڑھنے کی وجہ سے ان کے لیے مراجمہ، مشارکہ متناقصہ، فنڈ کی وصولی، سرمایہ کاری اور نفع و نقصان کی پالیسی کی منظوری شریہ بورڈ نے دی جبکہ ان دونوں ممالک میں شریہ کمپلائنس کے ماحول کا جائزہ آئندہ سال متوقع ہے۔

علاوہ ازیں ایس ایم ای کریڈٹ پالیسی، دیہی بینکاری مینول اور صارفین سے متعلق بینکاری کی پالیسی مرتب کی گئی تاکہ مذکورہ شعبوں کو رہنما اصول میسر ہو سکیں۔

سفارشات

شرعی جائزوں، انٹرل اور ایکسٹرٹل شریعہ آڈٹ رپورٹس کی روشنی میں شریعہ بورڈ مندرجہ ذیل سفارشات پیش کرتا ہے۔

اکاؤنٹ اوپننگ سے متعلق معاملات کا جائزہ

دوران سال بینک نے مرکزی سطح پر کھاتہ کھولنے کا طریقہ کار متعارف کروایا جس کے نتیجے میں کھاتہ کھولنے کے فارم میں غلطی کے امکانات ختم یا نہ ہونے کے برابر ہو گئے ہیں۔ شریعہ بورڈ انتظامیہ کے اس اقدام کو قدر کی نگاہ سے دیکھتا ہے جس کے نتیجے میں طویل عرصہ سے جاری اسلامک ونڈوز میں اسلامی کھاتہ کھولنے کے لیے کنونشنل کھاتہ کھولنے کا فارم استعمال ہونے کا مسئلہ جو جولائی ۲۰۱۸ تک پایا جاتا تھا، حل ہو سکتا ہے۔

اکاؤنٹ اوپننگ کے نئے طریقہ کار کے تحت کھولے گئے اکاؤنٹس میں اس امر کی نشاندہی ہوئی ہے کہ بہت سے کھولے گئے اکاؤنٹس میں اکاؤنٹ کی شرائط و ضوابط پر کھاتہ دار کی رضامندہ حاصل نہیں کی گئی جو کہ شریعہ کی خلاف ورزی ہے۔ اس بات کی تاکید کی جاتی ہے کہ جلد از جلد ان نشاندہی کردہ کھاتوں کی اصلاح کی جائے۔

ملازمین کا تبادلہ

گلوبل آپریشن کی طرف سے اسلامک بینکنگ ونڈوز میں صرف اسلامی بکاری سے متعلق تربیت یافتہ ملازمین کے متعین کئے جانے کی واضح ہدایت کے باوجود مشاہدہ میں آیا کہ ملازمین کو اسلامک بینکنگ کی ٹریننگ دیئے بغیر اسلامک بینکنگ ونڈوز میں متعین کیا گیا۔ لہذا ہم تجویز پیش کرتے ہیں کہ ہیومن ریسورس ایک مستحکم منصوبہ بندی کے تحت رجسٹرڈ نگران میں اسلامی بینکاری سے آگاہی رکھنے والے ملازمین کی تعیناتی کو یقینی بنائے۔

پول منیجمنٹ کا خود کار نظام

ہم اس بات کو سراہتے ہیں کہ سرمایہ کاری کھاتہ داروں کے درمیان نفع کی شفاف تقسیم کو یقینی بنانے کے لیے بینک نے اپنے طور پر خود کار نظام مرتب کیا اور جزل اور خاص پول کو خود کار نظام سے منسلک کیا۔ ہماری تجویز ہے کہ ٹریڈری اور اسلامک ایکسپورٹ ری فنس پول کو بھی خود کار کیا جائے، اگرچہ یہ ابھی اسلامک بینکنگ انڈسٹری کے لئے ایک چیلنج ہے۔

صارفین کے لیے آگاہی نشستیں

صارفین کو اسلامی بینکاری سے متعلق آگاہی فراہم کرنے کے تناظر میں بینک نے کوئٹہ میں اسلامی بینکنگ کے بارے میں ایک آگاہی نشست کا انعقاد کیا۔ جس سے RSBM (ریزیڈنٹ شریعہ بورڈ ممبر) نے خطاب کیا جسے صارفین نے ایک معلوماتی اور مفید نشست قرار دیتے ہوئے سراہا۔ ہم تجویز پیش کرتے ہیں کہ آئندہ سالوں میں اس طرح کی مزید نشستوں کا انعقاد کیا جائے۔

ملازمین کی تربیت

ہم سراہتے ہیں کہ انتظامیہ نے اپنی محنت اور توجہ افراد سازی کی طرف مرکوز رکھی۔ ہم یہ تجویز پیش کرتے ہیں کہ انتظامیہ اسٹیٹ بینک آف پاکستان کی طرف سے افراد سازی سے متعلق جاری کردہ حالیہ ہدایات پر عملدرآمد کو یقینی بنانے کے لیے ضروری اقدامات کرے تاکہ ہر سطح پر اسلامک بینکنگ سے وابستہ ملازمین کی جامع تربیت ہو سکے۔ اس سلسلے میں ہمارے علم میں یہ بات لائی گئی ہے کہ SBP کی ہدایت کو مد نظر رکھتے ہوئے L&D جامع ٹریننگ پلان مرتب کر رہا ہے۔

ڈاکٹر محمد زبیر عثمانی

چیئر مین شریعہ بورڈ

ڈاکٹر اعجاز احمد صدیقی

ممبر شریعہ بورڈ

مفتی محمد یحییٰ عاصم

ریزیڈنٹ شریعہ بورڈ ممبر

تاریخ: ۲۰ فروری ۲۰۱۹ء

مذکورہ بالا اہم امور کی انجام دہی کے ساتھ ساتھ بینک نے آغا اسٹیل کے مالی معاملات کی لیے اسٹرکچرنگ اور دوران سال دو اسلامی بینکوں کی جانب سے جاری کردہ ٹر-2 سرمایہ کاری سکوک میں سرمایہ کاری کی منظوری دی۔

تربیت اور افراسازی

ہمیشہ کی طرح سال ۲۰۱۸ کے دوران بھی ملازمین کی تربیت ایچ بی ایل اسلامک بینکنگ کی اولین ترجیح رہی۔ ملازمین کی صلاحیتوں میں اضافہ کے لیے تربیت کی ضرورت ایک اہم سرگرمی رہی تاکہ اسلامی بینکاری کی مصنوعات کو شریعت کے مطابق بروئے کار لانے کے لیے صحیح آگاہی فراہم کی جاسکے۔ افراسازی کے لیے داخلی اور خارجی ذرائع سے تربیت فراہم کرنا ایچ بی ایل کی مسلسل توجہ کار مرکز رہا۔ شریعہ بورڈ اور شریعہ کمپلائنس ڈپارٹمنٹ کے ٹرینرز نے متعدد تربیتی سیشنز میں تربیتی کلاسز پڑھائیں، جن میں ملک بھر سے ۱۳۰۰ تیرہ سو سے زائد ملازمین نے متعلقہ ٹرنگ اینڈ ڈیولپمنٹ کے توسط سے شرکت کی۔

چیریٹی

چیریٹی پالیسی کے مطابق 1.518 ملین روپے کی رقم کسٹرز طرف سے ادائیگی میں تاخیر کی مد میں وصول ہوئی اور اسے چیریٹی اکاؤنٹ میں جمع کیا گیا۔

دوران سال 230 ملین چیریٹی فنڈ منظور شدہ پالیسی کے مطابق تقسیم کیا گیا۔

کاروباری جائزہ

شریہ بورڈ اس بات کی حوصلہ افزائی کرتا ہے کہ دوران سال ایچ بی ایل اسلامک بینکنگ مالیاتی سرگرمیوں کے لیے مختلف اسلامی مصنوعات کو بروئے کار لائی، جن میں قابل ذکر مصنوعات شرکت متناقصہ، رینگ مشارکہ، تجارت، سلم، استصناع، اور مراسیہ ہیں، جس کے نتیجے میں بینک کے اثاثوں کے حجم میں نمایاں اضافہ نظر آیا اور 104 بلین کا نیادف گذشتہ سال کے مقابلے میں 23 فیصد اضافہ کے ساتھ حاصل کیا۔ ڈپازٹ کے حجم میں بھی بینک نے 203 بلین کا نیادف گذشتہ سال کے مقابلے میں 24 فیصد اضافہ کے ساتھ حاصل کیا۔

شرعی تجزیہ ورائے

شرعی جائزہ، انٹرئل اور ایکسٹرنل شریعہ آڈٹ رپورٹ اور انتظامیہ کی طرف سے دی جانے والی وضاحتوں اور یقین دہانیوں کی روشنی میں شریعہ بورڈ مندرجہ ذیل رائے پیش کرتا ہے۔

1. ایچ بی ایل، اسلامک بینکنگ مجموعی طور پر شرعی اصولوں اور ان شرعی تعلیمات کے مطابق اسلامی بینکاری کر رہا ہے جو شریعہ بورڈ نے وقتاً فوقتاً جاری کیں۔
2. ایچ بی ایل اسلامک بینکنگ مجموعی طور پر ان اصولی ہدایات، تعلیمات اور قواعد و ضوابط پر بھی عمل پیرا رہا جو مرکزی بینک نے شریعہ کمپلائنس کے سلسلے میں جاری کیں۔
3. ایچ بی ایل اسلامک بینکنگ میں شریعہ کمپلائنس کا ایک ایسا نظام موجود ہے جو اس کے تمام آپریشنز کو اسلامی بنیادوں پر ہونے کو یقینی بنا سکتا ہے۔
4. ایچ بی ایل 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 وہ چیریٹی اکاؤنٹ میں جائے۔ جبکہ چیریٹی اکاؤنٹ کو صحیح طور پر استعمال کرنے کے لیے ایچ بی ایل اسلامک بینکنگ میں جامع اور مکمل تفصیلات پر مبنی نظام موجود ہے۔
5. ایچ بی ایل اسلامک بینکنگ عمومی طور پر نفع و نقصان کی تقسیم کے طریقہ کار اور اسٹیٹ بینک آف پاکستان کی پول مینجمنٹ (Pool Management) ہدایات پر عمل پیرا رہا ہے۔
6. بحیثیت مجموعی حبیب بینک اسلامک کے اسٹاف اور انتظامیہ کی اسلامک بینکنگ پروڈکٹس، اس کی ضرورت و اہمیت اور شریعہ کمپلائنس کی افادیت سے آگاہی قابل اطمینان ہے۔
7. شریعہ بورڈ کو بینک کی طرف سے اپنی ذمہ داریوں کی ادائیگی کے لیے قابل اطمینان وسائل فراہم کئے گئے ہیں۔

شریہ بورڈ نے ترجیحی بنیاد پر انتظامیہ کو شریعہ کمپلائنس کی طرف مسلسل توجہ مرکوز رکھنے کی تاکید کی۔

The background is a dark teal gradient. In the upper half, there are vertical lines of varying heights, each topped with a white binary digit (0 or 1), resembling a digital rain or data stream effect. In the lower half, there is a glowing, semi-transparent sphere or dome shape, with a complex, circuit-like pattern of white lines and dots radiating from its base and across the foreground. The overall aesthetic is high-tech and digital.

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report

To the members of Habib Bank Limited

Opinion

We have audited the annexed consolidated financial statements of Habib Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Provision against advances (Refer note 9.5 to the consolidated financial statements)	
	<p>The Group makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for the consumer portfolio.</p> <p>Provision against advances of overseas branches and subsidiaries is made as per the requirements of the respective regulatory regimes.</p> <p>The Group has recognized a net provision against advances amounting to Rs. 1,961.36 million in the consolidated profit and loss account in the current year. As at December 31, 2018, the Group holds a provision of Rs 71,993.60 million against advances.</p>	<p>Our audit procedures to verify provision against advances, amongst others, included the following:</p> <p>We reviewed the design and tested operating effectiveness of key controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing loans.</p> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none">• automated (IT system based) controls over correct classification of non-performing advances on time based criteria;• controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria;• controls over accurate computation and recording of provisions; and• controls over the governance and approval process related to provisions, including continuous reassessment by the management.

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements/estimations and the materiality of advances relative to the overall statement of financial position of the Group, we considered the area of provision against advances as a key audit matter.</p>	<p>In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio and performed the following substantive procedures for sample loan accounts:</p> <ul style="list-style-type: none"> • verified repayments of loan / mark-up installments and checked that non-performing loans have been correctly classified and categorized based on the number of days overdue. • examined watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate. <p>We checked the accuracy of specific provision made against non-performing advances and of general provision made against consumer finance by recomputing the provision amount in accordance with the criteria prescribed under the PRs.</p> <p>We issued instructions to auditors of those overseas branches and subsidiaries which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches and subsidiaries performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.</p>
2	<p>Regulatory Matters in respect of New York Branch (Refer note 21.3.2 to the consolidated financial statements)</p>	
	<p>Habib Bank Limited (the Bank) operates a branch in New York which is licensed by the New York State Department of Financial Services (NYSDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY).</p> <p>On September 07, 2017, NYSDFS, the Bank and the New York Branch agreed to a Consent Order. Pursuant to the Consent Order, the expanded review by an independent third party is currently in progress. The US Attorney's office for the Eastern District of New York, a component of the U.S. Department of Justice (DOJ), had sought documents in relation to the Bank's compliance with the anti – money laundering laws and the Bank Secrecy Act.</p> <p>When there is a possibility of outflow of economic resources, the related disclosure is key to understanding the risk. As is acknowledged in the note, the management considers that resolution of the above matters cannot be determined at this stage including any possible impact on the Group. The said matter has been disclosed as a contingency in the consolidated financial statements. Given the level of uncertainty involved, the matter was identified as a significant risk and considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • we held discussions with the senior management and Board Audit Committee to obtain their views on the status of the regulatory matters and any potential impact on the consolidated financial statements; • we met and held discussions with the Bank's legal counsel dealing with the HBL NY matter in Pakistan to understand the nature and status of the regulatory action and any further potential exposure; • we reviewed relevant regulatory correspondence; • we obtained a legal opinion from the Bank's external legal counsel; • we read the minutes of meetings of the Board to assess the appropriateness of conclusions reached; and • We assessed the disclosure made on this matter in the consolidated financial statements to determine whether it complied with the applicable financial reporting framework.

S. No.	Key Audit Matters	How the matter was addressed in our audit
3	<p>Retirement benefit obligations (Refer note 36 to the consolidated financial statements)</p> <p>The Bank operates various defined benefit schemes for its employees.</p> <p>Determining liability in respect of defined benefit obligations involves the use of estimates and is sensitive to demographic and financial variables that are used in calculating the present value of defined benefit obligations. As a result, actual amounts may be significantly different from the amount recognized on the statement of financial position.</p> <p>The provision for employee retirement benefits includes liability in respect of pension payable to eligible employees. During the year, the Honorable Supreme Court of Pakistan announced a judgement based on a proposal submitted by banks, including Habib Bank Limited, in which it raised the minimum monthly pension of employees. Based on legal advice, and in accordance with the judgement of the Honorable Supreme Court, the Bank has commenced pension payments.</p> <p>We focused on this area as a key audit matter because the judgement of the Supreme Court in relation to pensions was a significant development during the year. Also, the whole subject of valuation of retirement benefit obligations is complex and requires significant judgment in choosing appropriate actuarial assumptions including the involvement of management's experts.</p>	<p>Our audit procedures to assess the determination of the retirement benefit obligations, amongst others, included the following:</p> <ul style="list-style-type: none"> • we tested the fair value of the scheme's assets; • we independently verified, on a test basis, the Bank's data used by the actuary in the calculation; • we engaged an independent actuarial expert to assess the reasonableness of management's key assumptions and actuarial calculations; • we reviewed a legal opinion obtained by the management in respect of pension matter; • we reviewed Board minutes where the pension matter was specifically discussed to assess appropriateness of conclusions reached; and • we also assessed the disclosure made on this matter in the consolidated financial statements to determine whether it complied with the applicable financial reporting framework.
4	<p>Change in format of the financial statements (Refer note 4.1.3 to the consolidated financial statements)</p> <p>The State Bank of Pakistan (SBP) has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these consolidated financial statements on the new format prescribed by the State Bank of Pakistan.</p> <p>As part of this transition to the new requirements, the management performed a gap analysis to identify differences between the previous and current format. The adoption of the new format required certain recognition requirements and reclassification of certain financial information. The amended format also introduced certain new disclosures in the consolidated financial statements.</p> <p>In view of the significant impact of the first time adoption of the revised format on these consolidated financial statements, we considered this as a key audit matter.</p>	<p>We reviewed and understood the requirements of the SBP's amended format of annual financial statements for banks. Our audit procedures included the following:</p> <ul style="list-style-type: none"> • considered the management's process to identify the changes required in the consolidated financial statements to comply with the new format; and • obtained relevant underlying supports relating to changes required in the consolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified them on a test basis.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Salman Hussain.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Date: February 25, 2019

Consolidated Statement of Financial Position

As at December 31, 2018

2018	2017	2016		Note	2018	2017	2016
(US \$ in '000)	(US \$ in '000)	(US \$ in '000)			(Rupees in '000)	(Rupees in '000)	(Rupees in '000)
(Restated)	(Restated)	(Restated)			(Restated)	(Restated)	(Restated)
ASSETS							
2,012,508	1,771,854	1,717,089	Cash and balances with treasury banks	5	279,460,688	246,043,030	238,438,283
307,082	293,848	330,970	Balances with other banks	6	42,642,022	40,804,269	45,959,095
369,269	244,130	237,386	Lendings to financial institutions	7	51,277,336	33,900,345	32,963,803
10,010,323	9,900,602	9,681,596	Investments	8	1,390,052,464	1,374,816,442	1,344,404,771
7,780,682	6,132,009	5,390,005	Advances	9	1,080,440,220	851,502,420	748,466,297
461,489	406,464	216,119	Fixed assets	10	64,083,277	56,442,342	30,010,739
56,643	45,732	43,761	Intangible assets	11	7,865,361	6,350,501	6,076,770
4,110	-	-	Deferred tax assets	12	570,717	-	-
788,273	621,904	523,954	Other assets	13	109,461,065	86,358,715	72,757,266
21,790,379	19,416,543	18,140,880			3,025,853,150	2,696,218,064	2,519,077,024
LIABILITIES							
305,776	243,063	224,654	Bills payable	14	42,460,568	33,752,219	31,195,900
3,768,630	2,864,736	2,388,896	Borrowings	15	523,319,055	397,802,667	331,726,654
15,391,501	14,395,130	13,581,544	Deposits and other accounts	16	2,137,293,065	1,998,935,057	1,885,959,026
-	-	-	Liabilities against assets subject to finance lease		-	-	-
71,942	71,971	72,000	Subordinated debt	17	9,990,000	9,994,000	9,998,000
-	6,995	43,864	Deferred tax liabilities	12	-	971,368	6,090,983
817,635	475,379	416,511	Other liabilities	18	113,538,251	66,012,132	57,837,591
20,355,484	18,057,274	16,727,469			2,826,600,939	2,507,467,443	2,322,808,154
1,434,895	1,359,269	1,413,411	NET ASSETS		199,252,211	188,750,621	196,268,870
REPRESENTED BY							
Shareholders' equity							
105,634	105,634	105,634	Share capital	19	14,668,525	14,668,525	14,668,525
464,024	376,391	345,368	Reserves		64,435,243	52,266,420	47,958,414
104,648	154,258	178,991	Surplus on revaluation of assets - net of tax	20	14,531,643	21,420,452	24,855,064
731,708	697,882	758,587	Unappropriated profit		101,606,320	96,909,270	105,338,759
1,406,014	1,334,165	1,388,580	Total equity attributable to the equity holders of the Bank		195,241,731	185,264,667	192,820,762
28,881	25,104	24,831	Non-controlling interest		4,010,480	3,485,954	3,448,108
1,434,895	1,359,269	1,413,411			199,252,211	188,750,621	196,268,870
CONTINGENCIES AND COMMITMENTS							

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2018

2018 (US \$ in '000) (Restated)	2017 (Restated)		Note	2018 (Rupees in '000) (Restated)	2017 (Restated)
1,190,267	1,065,881	Mark-up / return / profit / interest earned	23	165,282,752	148,010,269
602,079	476,567	Mark-up / return / profit / interest expensed	24	83,605,886	66,177,013
588,188	589,314	Net mark-up / return / profit / interest income		81,676,866	81,833,256
Non mark-up / interest income					
129,799	140,564	Fee and commission income	25	18,024,117	19,519,052
7,100	8,783	Dividend income		985,867	1,219,610
19,609	14,776	Share of profit of associates and joint venture		2,722,983	2,051,887
(17,269)	19,828	Foreign exchange (loss) / income		(2,397,975)	2,753,305
(6,533)	1,306	(Loss) / income from derivatives		(907,204)	181,376
7,417	55,917	Gain on securities - net	26	1,029,880	7,764,681
3,143	4,506	Other income	27	436,377	625,737
143,266	245,680	Total non mark-up / interest income		19,894,045	34,115,648
731,454	834,994	Total income		101,570,911	115,948,904
Non mark-up / interest expenses					
557,247	441,449	Operating expenses	28	77,380,215	61,300,444
(20,873)	7,486	Workers' Welfare Fund	29	(2,898,437)	1,039,582
3,570	226	Other charges	30	495,726	31,356
539,944	449,161	Total non mark-up / interest expenses		74,977,504	62,371,382
191,510	385,833	Profit before provisions, extraordinary / unusual item and taxation		26,593,407	53,577,522
36,069	2,689	Provisions and write offs - net	31	5,008,578	373,557
-	170,796	Extraordinary / unusual item - settlement payment to New York State Department of Financial Services		-	23,717,115
155,441	212,348	Profit before taxation		21,584,829	29,486,850
65,849	148,628	Taxation	32	9,143,886	20,638,576
89,592	63,720	Profit after taxation		12,440,943	8,848,274
Attributable to:					
86,817	61,177	Equity holders of the Bank		12,055,571	8,495,211
2,775	2,543	Non-controlling interest		385,372	353,063
89,592	63,720			12,440,943	8,848,274
Basic and diluted earnings per share					
				-----Rupees-----	
				33	8.22 5.79

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

2018 (US \$ in '000)	2017 (Restated)		2018 (Rupees in '000)	2017 (Restated)
86,817	61,177	Profit after taxation for the year attributable to:	12,055,571	8,495,211
2,775	2,543	Equity holders of the Bank	385,372	353,063
89,592	63,720	Non-controlling interest	12,440,943	8,848,274
		Other comprehensive income / (loss)		
		<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>		
		Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax, attributable to:		
77,874	26,954	Equity holders of the Bank	10,813,654	3,742,908
1,344	1,037	Non-controlling interest	186,605	143,989
79,218	27,991	Share of exchange translation reserve of associates	11,000,259	3,886,897
(526)	279		(73,028)	38,788
		Movement in surplus / deficit on revaluation of investments - net of tax, attributable to:		
(51,344)	(83,740)	Equity holders of the Bank	(7,129,697)	(11,628,370)
(332)	(107)	Non-controlling interest	(46,056)	(14,890)
(51,676)	(83,847)	Movement in share of surplus / deficit on revaluation of investments of associates - net of tax	(7,175,753)	(11,643,260)
1,481	(7,085)		205,744	(983,872)
		<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>		
		Remeasurement loss on defined benefit obligations - net of tax, attributable to:		
(1,114)	(7,280)	Equity holders of the Bank	(154,907)	(1,010,912)
(6)	(26)	Non-controlling interest	(793)	(3,548)
(1,120)	(7,306)	Share of remeasurement loss on defined benefit obligations of associate - net of tax	(155,700)	(1,014,460)
(10)	(20)		(1,366)	(2,671)
		Movement in surplus / deficit on revaluation of operating fixed assets - net of tax, attributable to:		
-	68,494	Equity holders of the Bank	-	9,511,105
-	8	Non-controlling interest	-	1,165
-	68,502	Transferred from surplus on revaluation of non-banking assets - net of tax	-	9,512,270
10	73	Movement in surplus / deficit on revaluation of fixed assets of associates - net of tax	1,348	10,078
(301)	757		(41,848)	105,175
(10)	(73)	Transferred to surplus on revaluation of fixed assets - net of tax	(1,348)	(10,078)
1,011	(2,816)	Movement in surplus / deficit on revaluation of non-banking assets - net of tax	140,421	(391,112)
1,001	(2,889)		139,073	(401,190)
117,669	60,175	Total comprehensive income	16,339,672	8,356,029
		Total comprehensive income attributable to:		
113,888	56,720	Equity holders of the Bank	15,814,544	7,876,250
3,781	3,455	Non-controlling interest	525,128	479,779
117,669	60,175		16,339,672	8,356,029

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

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Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Attributable to shareholders of the Bank											Non-controlling interest	Total
	Share capital	Exchange translation reserve	Reserves				Surplus/(Deficit) on revaluation of		Sub Total				
			Capital		Non-distributable capital reserve	Capital reserve on acquisition of common control entity	General reserve	Unappropriated profit		Investments	Fixed / Non Banking Assets		
			Statutory reserves	Bank									
	Associates, Joint venture and subsidiary	Bank											
(Rupees in '000)													
Balance as at December 31, 2016 (as reported)	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
Effect of retrospective changes in accounting policies	-	-	-	-	-	-	-	-	12,209,309	11,842,140	24,051,449	12,398	24,063,847
Reclassification of surplus to equity (note 4.1.3)	-	-	-	-	-	-	-	-	-	803,615	-	-	-
Deficit on revaluation of fixed assets transferred to unappropriated profit (note 4.1.1)	-	-	-	-	-	-	-	(803,615)	12,209,309	12,645,755	24,051,449	12,398	24,063,847
Balance as at December 31, 2016 (restated)	14,668,525	10,839,728	582,381	30,072,084	547,115	(156,706)	6,073,812	105,338,759	12,209,309	12,645,755	192,820,762	3,448,108	196,268,870
Comprehensive income for the year													
Profit after taxation for the year ended December 31, 2017 (restated)	-	-	-	-	-	-	-	8,495,211	-	-	8,495,211	353,063	8,848,274
Other comprehensive income / (loss)													
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 of tax	-	-	-	-	-	-	-	(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)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	(11,628,370)	9,119,993	(2,508,377)	(13,725)	(2,522,102)
Share of surplus on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	(983,872)	105,175	(878,697)	-	(878,697)
	-	3,781,696	-	-	-	-	-	7,481,628	(12,612,242)	9,225,168	7,876,250	479,779	8,356,029
Transferred to statutory reserves	-	-	176,326	706,440	-	-	-	(882,766)	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	47,538	-	(47,538)	-	-	-
Transactions with owners, recorded directly in equity													
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)
Acquisition of additional interest in a subsidiary from a minority shareholder	-	-	-	-	-	-	-	-	-	-	-	(441,933)	(441,933)
Capital contribution from statutory funds of associates	-	-	-	-	-	-	-	19,914	-	-	19,914	-	19,914
Exchange translation realised on sale of Bank branch to HBL Bank UK Limited (formerly Habibsons Bank Limited)	-	(371,022)	-	-	-	-	-	371,022	-	-	-	-	-
Exchange translation realised on sale of Bank branches	-	14,566	-	-	-	-	-	-	-	-	14,566	-	14,566
Balance as at December 31, 2017 (restated)	14,668,525	14,264,968	758,707	30,778,524	547,115	(156,706)	6,073,812	96,974,143 (64,873)	(402,933)	21,823,385	185,329,540 (64,873)	3,485,954	188,815,494 (64,873)
Impact of adoption of IFRS 9 - net of tax (note 4.1.2)	14,668,525	14,264,968	758,707	30,778,524	547,115	(156,706)	6,073,812	96,909,270	(402,933)	21,823,385	185,264,667	3,485,954	188,750,621
Comprehensive income for the year													
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	12,055,571	-	-	12,055,571	385,372	12,440,943
Other comprehensive income / (loss)													
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	-	10,813,654	-	-	-	-	-	-	-	-	10,813,654	186,605	11,000,259
Share of exchange translation reserve of associates	-	(73,028)	-	-	-	-	-	-	-	-	(73,028)	-	(73,028)
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	-	-	(154,907)	-	-	(154,907)	(793)	(155,700)
Share of remeasurement loss on defined benefit obligations of associate - net	-	-	-	-	-	-	-	(1,366)	-	-	(1,366)	-	(1,366)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	(7,129,697)	140,421	(6,989,276)	(46,056)	(7,035,332)
Share of surplus on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	205,744	(41,848)	163,896	-	163,896
	-	10,740,626	-	-	-	-	-	11,899,298	(6,923,953)	98,573	15,814,544	525,128	16,339,672
Transferred to statutory reserves	-	-	249,281	1,178,916	-	-	-	(1,428,197)	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	64,031	-	(63,429)	602	(602)	-
Transactions with owners, recorded directly in equity													
Final cash dividend - Rs 1.0 per share declared subsequent to the year ended December 31, 2017	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
1st interim cash dividend - Rs 1.0 per share	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
2nd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
3rd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
	-	-	-	-	-	-	-	(5,867,408)	-	-	(5,867,408)	-	(5,867,408)
Capital contribution from statutory funds of associates	-	-	-	-	-	-	-	29,326	-	-	29,326	-	29,326
Balance as at December 31, 2018	14,668,525	25,005,594	1,007,988	31,957,440	547,115	(156,706)	6,073,812	101,606,320	(7,326,886)	21,858,529	195,241,731	4,010,480	199,252,211

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

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Director

Moez Ahamed Jamal
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2018

2018 (US \$ in '000)	2017 (Restated)		Note	2018 (Rupees in '000)	2017 (Restated)
155,441	383,144	CASH FLOWS FROM OPERATING ACTIVITIES		21,584,829	53,203,965
(7,100)	(8,783)	Profit before extraordinary / unusual item and taxation		(985,867)	(1,219,610)
(19,609)	(14,776)	Dividend income		(2,722,983)	(2,051,887)
(26,709)	(23,559)	Share of profit of associates and joint venture		(3,708,850)	(3,271,497)
128,732	359,585			17,875,979	49,932,468
23,247	23,943	Adjustments:		3,228,184	3,324,805
2,316	4,925	Depreciation		321,624	683,948
-	(4,849)	Amortisation		-	(673,370)
23,917	4,586	Reversal of impairment		3,321,271	636,899
14,125	3,335	Provision for diminution in value of investments		1,961,357	463,130
1,492	3,577	Provision against loans and advances		207,143	496,671
512	(3,829)	Provision against other assets		71,156	(531,722)
(78)	528	Provision / (reversal) of provision against off-balance sheet obligations		(10,789)	73,353
(2,471)	(1,825)	Unrealised (gain) / loss on held-for-trading securities		(343,173)	(253,239)
-	105	Exchange gain on goodwill		-	14,566
(397)	(238)	Loss on sale of Bank branches - net		(55,195)	(33,107)
(20,873)	7,486	Gain on sale of fixed assets - net		(2,898,437)	1,039,582
41,790	37,744	Workers' Welfare Fund		5,803,141	5,241,516
170,522	397,329			23,679,120	55,173,984
(125,139)	(6,744)	(Increase) / decrease in operating assets		(17,376,991)	(936,542)
448,839	(197,596)	Lendings to financial institutions		62,326,578	(27,438,553)
(1,662,797)	(745,339)	Held-for-trading securities		(230,899,157)	(103,499,253)
(35,700)	(50,326)	Advances		(4,957,302)	(6,988,202)
(1,374,797)	(1,000,005)	Other assets (excluding advance taxation)		(190,906,872)	(138,862,550)
62,712	18,409	(Decrease) / increase in operating liabilities		8,708,349	2,556,319
903,894	475,840	Bills payable		125,516,388	66,076,013
996,371	813,586	Borrowings from financial institutions		138,358,008	112,976,031
334,811	41,469	Deposits and other accounts		46,492,509	5,758,728
2,297,788	1,349,304	Other liabilities		319,075,254	187,367,091
1,093,513	746,628			151,847,502	103,678,525
(159,985)	(196,245)	Income tax paid		(22,215,778)	(27,250,907)
933,528	550,383	Net cash flows from operating activities		129,631,724	76,427,618
(1,097,138)	32,328	CASH FLOWS FROM INVESTING ACTIVITIES		(152,350,622)	4,489,122
452,529	(160,568)	Net investments in available-for-sale securities		62,838,987	(22,296,738)
6,488	(17,235)	Net investments in held-to-maturity securities		900,885	(2,393,342)
7,356	9,073	Net investment in associates		1,021,434	1,259,924
(77,573)	(136,254)	Dividend income received		(10,771,978)	(18,920,541)
(10,754)	(5,772)	Investments in fixed assets		(1,493,311)	(801,566)
584	599	Investments in intangible assets		81,042	83,110
77,348	27,234	Proceeds from sale of fixed assets		10,740,626	3,781,696
(641,160)	(250,595)	Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates		(89,032,937)	(34,798,335)
		Net cash flows used in investing activities			
1,344	1,037	CASH FLOWS FROM FINANCING ACTIVITIES		186,605	143,989
(29)	(29)	Effect of translation of net investment by non-controlling interest in a subsidiary		(4,000)	(4,000)
-	(3,183)	Repayment of subordinated debt		-	(441,933)
(39,795)	(109,175)	Acquisition of additional interest in a subsidiary from a minority shareholder		(5,525,981)	(15,160,303)
(38,480)	(111,350)	Dividend paid		(5,343,376)	(15,462,247)
-	(170,796)	Net cash flows used in financing activities		-	(23,717,115)
253,888	17,642	Cash outflow for settlement payment to New York State Department of Financial Services		35,255,411	2,449,921
1,899,342	1,966,387	Increase in cash and cash equivalents during the year		263,746,248	273,056,213
166,360	81,673	Cash and cash equivalents at the beginning of the year		23,101,051	11,341,165
2,065,702	2,048,060	Effect of exchange rate changes on cash and cash equivalents		286,847,299	284,397,378
2,319,590	2,065,702	Cash and cash equivalents at the end of the year	34	322,102,710	286,847,299

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

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Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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 1,697 (2017: 1,703) branches inside Pakistan including 47 (2017: 47) Islamic Banking Branches and 46 (2017: 48) 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 The Bank has decided to close its branch in Seychelles. Accordingly, after receiving permission from the Central Bank of Seychelles, the branch is being wound down. All customer activities have ceased as of December 28, 2018 and the branch is now completing the required formalities for closure.

1.3 Subsidiaries

- Habib Allied Holding Limited – 90.50% shareholding

Habib Allied Holding Limited (HAHL) is a private company incorporated in the United Kingdom with its registered office at 9 Portman Street, London, UK. HAHL is the holding company of HBL Bank UK Limited (formerly Habibsons Bank Limited).

- HBL Bank UK Limited (formerly Habibsons Bank Limited) – 90.50% effective shareholding

HBL Bank UK Limited (HBL UK) (formerly Habibsons Bank Limited) is a wholly owned subsidiary of HAHL and is incorporated in the United Kingdom. HBL UK provides a range of commercial banking services to individuals as well as to businesses. The registered office of HBL UK is at 9 Portman Street, London, UK. HBL UK operates a network of 9 branches in the UK and one each in the Netherlands and Switzerland. During the year, HBL UK has closed its branch in Paris.

- 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) is a private limited company, incorporated in Pakistan under the Companies Act, 2017. HCEL is engaged in the business of dealing in foreign exchange and its registered office is at Plot No. 49-A, Block-6, PECHS Nursery, Main Shahrah-e-Faisal, Karachi, Pakistan.

- HBL Asset Management Limited – 100% shareholding

HBL Asset Management Limited (HBL AML) is an unlisted public limited company, incorporated in Pakistan under the Companies Act, 2017. 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) is an unlisted public limited company, incorporated in Pakistan under the Companies Act, 2017. 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 203 (2017: 186) business locations comprising of 184 (2017: 145) branches / permanent booths and 19 (2017: 41) Pakistan Post Office (PPO) sub offices.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

- 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 Act, 2017. It is registered as a Modaraba Management Company with the Registrar of Modaraba Companies and Modarabas, Islamabad. The registered office of the company is at 1st floor, Bank House No-1, Habib Bank Square, M.A. Jinnah Road, Karachi, Pakistan.

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.

Key financial figures of the Islamic banking branches are disclosed in Annexure I to these consolidated financial statements.

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, 2018 and 2017 have all been converted using an exchange rate of Rupees 138.8619 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 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the accounting and reporting 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 Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the SBP and the Securities & Exchange Commission of Pakistan (SECP) from time to time.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, 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 Act, 2017 and the said directives shall prevail.

The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property, for banking companies till further instructions. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

IFRS 10, Consolidated Financial Statements, was notified by the SECP as applicable for accounting periods beginning from January 1, 2015. However, the SECP, through SRO 56(I)/2016 dated January 28, 2016, has directed that the requirement of consolidation under this standard and under Section 228 of the Companies Act, 2017 is not applicable in the case of investments by a bank in mutual funds managed by its own asset management company and established under the trust structure. Therefore, direct investments by the Bank in mutual funds managed by HBL Asset Management Limited (HBL AML) are not consolidated as would otherwise be required under the definition of control specified in IFRS 10.

2.3 Standards, interpretations of and amendments to existing accounting standards that have become effective in the current year.

During the current year, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches of the Bank. The impact of the adoption of IFRS 9 on the Group's financial statements is disclosed in note 4.1.2 below.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2018. These are considered either to not be relevant or to not have any significant impact on the Group's financial statements.

2.4 Standards, interpretations of and amendments to existing accounting standards that are not yet effective.

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

	Effective date (annual periods beginning on or after)
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 11 - Joint Venture - (Amendments)	January 1, 2019
- IFRS 16 - Leases	January 1, 2019
- IAS 19 - Employee Benefits - (Amendments)	January 1, 2019
- IAS 28 - Investments in Associates and Joint Ventures - (Amendments)	January 1, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
- IFRS 3 - Business Combinations - (Amendments)	January 1, 2020
	Effective date (annual periods ending on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	June 30, 2019

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

On adoption of IFRS 16, the Group shall recognise a 'right to use asset' with a corresponding liability for lease payments. The Group is in the process of assessing the full impact of this standard.

Notes to the Consolidated Financial Statements

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IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Group which are exposed to credit risk. As detailed in note 4.1.2, the Bank has already adopted IFRS 9 in respect of certain overseas branches.

The Group is in the process of assessing the full impact of this standard.

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

2.5 Critical accounting estimates and judgements

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 judgement in the process of applying the Group's accounting policies. Estimates and judgements 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 judgement was exercised in the application of accounting policies are as follows:

- i) Classification of investments (note 4.4)
- ii) Valuation and impairment of available-for-sale equity investments and associates (note 4.4.4)
- iii) Provision against non-performing advances (note 4.5)
- iv) Fixed assets valuation and depreciation (note 4.6)
- v) Intangible assets valuation and amortisation (note 4.7)
- vi) Defined benefit plans and other retirement benefits (note 4.11)
- vii) Taxation (note 4.14)
- viii) Fair value of derivatives (note 4.21)

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.

During the year, the Bank has reviewed the useful lives of its furniture and fixtures, electrical, office and computer equipment and intangible assets as required by IAS 16 and IAS 38. This review has resulted in a change in the useful lives of these assets. This revision has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8. Accordingly, the effect of this change in accounting estimate has been recognised prospectively in the consolidated profit and loss account from the current year. The impact of this change is disclosed in notes 10.2.1 and 11.1.1 to these consolidated financial statements.

3 BASIS OF MEASUREMENT

3.1 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 Pakistani rupees, which is the Group's functional currency. Amounts are rounded to the nearest thousand Rupees.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as disclosed in note 4.1 below.

Notes to the Consolidated Financial Statements

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4.1 Changes in accounting policies

- 4.1.1 The Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy, in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular asset was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular asset is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against the surplus for any other asset, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016
Impact on Statement of Financial Position	(Rupees in '000)		
Decrease in unappropriated profit	(129,607)	(131,799)	(803,615)
Increase in surplus on revaluation of assets – net of tax	129,607	131,799	803,615
	For the year ended		
	December 31, 2018	December 31, 2017	
Impact on Statement of Comprehensive Income	(Rupees in '000)		
Increase in profit and loss account	-	666,147	
Decrease in other comprehensive income	-	(666,147)	

- 4.1.2 As per the accounting policy of the Bank, provision against advances, investments and off-balance sheet obligations of overseas branches is made as per the requirements of the respective regulatory regimes in which the branches operate. During the current year, provision requirement under IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches of the Bank. Under this accounting standard, provision against advances, investments and off-balance sheet obligations is determined under the expected credit loss model whereas previously, it was determined under the incurred loss model. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9 while determining the requirements for recording provision against advances, investments and off-balance sheet obligations.

The adoption of this standard by these overseas branches has been applied retrospectively which resulted in an additional provision of Rs 106.349 million (Rs 64.873 million net of tax) as at December 31, 2017. The effect of the additional provision against advances is Rs 95.044 million (note 9.5) and provision against off-balance sheet obligations is Rs 11.305 million (note 18.1).

- 4.1.3 The SBP vide BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format contains recognition requirements, reclassification of comparative information and additional disclosures and accordingly a third statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has been presented in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements. The amended format also introduced certain new disclosures and has resulted in the following significant changes:

- Acceptances amounting to Rs 12,526.361 million (2017: Rs 12,074.889 million, 2016: Rs 12,978.821 million) which were previously shown as part of contingencies and commitments are now recognised on the consolidated statement of financial position both as assets and liabilities. They are included in other assets (note 13) and other liabilities (note 18);
- Surpluses on revaluation of assets (note 20) amounting to Rs 14,531.643 million as at December 31, 2018 (2017: Rs 21,420.252 million, 2016: Rs 24,855.064 million) which were previously shown below equity as required by the repealed Companies Ordinance, 1984 has now been included as part of equity;

Notes to the Consolidated Financial Statements

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- Intangibles (note 11) amounting to Rs 7,865.361 million (2017: Rs 6,350.501 million, 2016: Rs 6,076.770 million) which were previously shown as part of fixed assets (note 10) are now shown separately on the consolidated statement of financial position;
- Cost of foreign currency swaps (note 24) amounting to Rs 1,592.062 million (2017: Rs 1,234.216 million) which was previously shown as part of foreign exchange income / (loss) has now been shown as part of mark-up / return / profit / interest expense in the consolidated statement of profit and loss account.

4.2 Cash and cash equivalents

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

4.3 Lending / borrowing transactions with financial institutions

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

4.3.1 Purchase under resale agreements (reverse repo)

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

4.3.2 Sale under repurchase agreement (repo)

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

4.3.3 Bai Muajjal

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

4.4 Investments

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

Held-for-trading

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

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold till maturity.

Available-for-sale

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

4.4.1 Initial measurement

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

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

4.4.2 Subsequent measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

Listed 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 as part of 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.

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

4.4.3 Investments in associates and joint ventures

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

4.4.4 Impairment

The Group determines that available-for-sale listed 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 judgement. In making this judgement, the Group evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired listed 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 unlisted 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. Provision against investments by the Group's overseas branches is made as per the requirements of the respective regulatory regimes in which the overseas branches operate.

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. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the profit and loss account. When a debt security classified as held to maturity is considered to be impaired, the impairment is charged to profit and loss account directly.

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

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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 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 associates and joint ventures, is credited to the profit and loss account.

4.5 Advances

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

4.5.1 Finance lease receivables

Leases where the Group transfers a substantial portion of 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.

4.5.2 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. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. 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 enter a Musharakah agreement where the Bank agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Bank creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Bank receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

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

Under Tijarah, the Bank purchases the finished goods from the customer against payment, takes possession and appoints customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognised on accrual basis over the period of transaction.

Wakalah is an agency contract in which Bank provides funds to the customer who invests it in a Shariah compliant manner.

4.6 Fixed Assets

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.

Items included in property and equipment, other than land, are depreciated over the 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.

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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. An increase arising on revaluation is credited to the surplus on revaluation of fixed assets account. A decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset 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 (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred. Major repairs and renovations that increase the useful life of an asset are capitalised.

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.

4.7 Intangible assets

4.7.1 Intangible assets other than goodwill

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 11.1 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.

4.7.2 Goodwill

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less impairment, 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.

4.8 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 adjusted against the surplus of that asset, 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 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.

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 fixed assets. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to fixed assets.

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4.9 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.

4.10 Subordinated debt

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

4.11 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 the profit and loss account 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 remeasurement 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.

4.12 Foreign currency

4.12.1 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani 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.

4.12.2 Foreign operations

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

Exchange differences arising from the translation of the net investment in foreign branches, associates, joint venture and subsidiaries, 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 branches, associates, joint venture or subsidiaries.

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4.12.3 Translation gains and losses

Translation gains and losses on assets and liabilities denominated in foreign currencies 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.

4.12.4 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.

4.13 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.

4.13.1 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 the SBP regulations or by the regulatory authorities of the countries where the Group operates.

4.13.2 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 through the profit and loss account when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

4.13.3 Fee, Commission and Brokerage Income

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

4.13.4 Dividend income

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

4.14 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.

4.14.1 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.

4.14.2 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.

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4.14.3 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to 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 and a corresponding charge to deferred tax expense is recognised in the profit and loss account.

4.15 Impairment of 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 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.

4.16 Provision for claims under guarantees

A provision for claims under guarantees is recognised 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 recognised in other liabilities.

4.17 Other provisions

Other provisions are recognised 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.

4.18 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.

4.19 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.

4.20 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 other receivables, bills payable, borrowings, deposits, subordinated debt and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the relevant policy notes.

4.21 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.

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4.22 Dividends paid

Declarations of dividends to shareholders are recognised as a liability in the period in which they are approved.

4.23 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.

4.24 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 environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4.24.1 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, SME and commercial customers.

ii) *Consumer banking*

Consists of loans to consumer customers.

iii) *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.

iv) *Treasury*

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

v) *International and correspondent banking*

International and correspondent banking consists of the Group's operations outside Pakistan and financial institutions' correspondent banking.

vi) *Asset management*

This represents HBL Asset Management Limited.

vii) *Head Office / Others*

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

4.24.2 Geographical segments

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

5	CASH AND BALANCES WITH TREASURY BANKS	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
	In hand			
	Local currency		31,732,010	25,969,521
	Foreign currencies		4,413,924	4,174,919
			<u>36,145,934</u>	<u>30,144,440</u>
	With State Bank of Pakistan in			
	Local currency current accounts	5.1	89,523,321	75,138,113
	Foreign currency current accounts	5.2	6,660,233	5,327,299
	Foreign currency deposit accounts	5.3	18,077,471	15,968,819
			<u>114,261,025</u>	<u>96,434,231</u>
	With other Central Banks in			
	Foreign currency current accounts	5.4	37,297,608	54,120,944
	Foreign currency deposit accounts	5.5	5,424,122	6,089,104
			<u>42,721,730</u>	<u>60,210,048</u>
	With National Bank of Pakistan in			
	Local currency current accounts		85,848,781	58,922,899
	Local currency deposit account	5.6	355,293	239,017
	National Prize Bonds		127,925	92,395
			<u>279,460,688</u>	<u>246,043,030</u>
5.1	These represent current accounts maintained under the Cash Reserve Requirement of the SBP.			
5.2	These represent foreign currency current accounts maintained under the Cash Reserve Requirement of the SBP.			
5.3	These represent 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 1.35% per annum (2017: 0.00% to 0.37% 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 7,113.816 million (2017: Rs 6,216.790 million), which carry mark-up at rates ranging from 0.65% to 2.00% per annum (2017: 0.01% to 7.25% 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. These carry mark-up at rates ranging from 0.00% to 15.00% per annum (2017: 1.00% to 2.90% per annum).			
5.6	This represents deposit account maintained with the National Bank of Pakistan. This carries mark-up at rate of 3.00% per annum (2017: 3.00% per annum).			
6	BALANCES WITH OTHER BANKS	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
	In Pakistan			
	In current accounts		231,594	324,032
	In deposit accounts	6.1	3,284,178	1,071,383
			<u>3,515,772</u>	<u>1,395,415</u>
	Outside Pakistan			
	In current accounts	6.2	16,511,609	20,954,810
	In deposit accounts	6.3	22,614,641	18,454,044
			<u>39,126,250</u>	<u>39,408,854</u>
			<u>42,642,022</u>	<u>40,804,269</u>
6.1	These carry mark-up at rates ranging from 3.75% to 11.00% per annum (2017: 3.75% to 7.00% per annum).			
6.2	These include balances in remunerative current accounts amounting to Rs 4,860.167 million (2017: Rs 4,148.355 million), which carry mark-up at a rate of 0.85% per annum (2017: 0.05% to 0.72% per annum).			
6.3	These accounts carry mark-up at rates ranging from 0.15% to 23.55% per annum (2017: 0.70% to 13.25% per annum).			
7	LENDINGS TO FINANCIAL INSTITUTIONS	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
	Call money lendings	7.2	8,900,000	500,000
	Repurchase agreement lendings (reverse repo)	7.3	38,045,810	31,785,507
	Bai Muajjal receivables			
	- with State Bank of Pakistan		-	1,614,838
	- with other financial institutions	7.4	4,331,526	-
			<u>51,277,336</u>	<u>33,900,345</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

7.1 Lendings to financial institutions are all in local currency.

7.2 Call money lendings carry mark-up at rates ranging from 8.21% to 9.60% per annum (2017: 6.50% per annum) and are due to mature latest by April 11, 2019.

7.3 Repurchase agreement lendings carry mark-up at rates ranging from 8.40% to 10.39% per annum (2017: 5.75% to 6.20% per annum) and are due to mature latest by February 1, 2019.

7.3.1 Securities held as collateral against lendings to financial institutions

	2018			2017		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	4,995,810	-	4,995,810	485,507	-	485,507
Pakistan Investment Bonds	33,050,000	-	33,050,000	31,300,000	-	31,300,000
	<u>38,045,810</u>	<u>-</u>	<u>38,045,810</u>	<u>31,785,507</u>	<u>-</u>	<u>31,785,507</u>

7.3.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs 37,301.886 million (2017: Rs 32,478.463 million).

7.4 Bai Muajjal receivables from other financial institutions carry profit at 9.85% per annum (2017: Nil) and are due to mature latest by January 31, 2019.

8 INVESTMENTS

Note

8.1 Investments by type

	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Held-for-trading (HFT) securities								
<i>Federal Government securities</i>								
- Market Treasury Bills	2,569,965	-	(1,499)	2,568,466	48,402,667	-	(24,920)	48,377,747
- Pakistan Investment Bonds	3,683,617	-	(12,287)	3,671,330	17,918,321	-	(13,149)	17,905,172
- Ijarah Sukuks	-	-	-	-	1,999,062	-	(262)	1,998,800
<i>Shares</i>								
- Listed companies	-	-	-	-	274,651	-	(19,058)	255,593
<i>Foreign securities</i>								
- Government debt securities	90,499	-	24,575	115,074	149,311	-	(15,964)	133,347
	<u>6,344,081</u>	<u>-</u>	<u>10,789</u>	<u>6,354,870</u>	<u>68,744,012</u>	<u>-</u>	<u>(73,353)</u>	<u>68,670,659</u>
Available-for-sale (AFS) securities								
<i>Federal Government securities</i>								
- Market Treasury Bills	758,446,236	-	(275,397)	758,170,839	462,384,221	-	(81,386)	462,302,835
- Pakistan Investment Bonds	234,800,806	-	(10,064,365)	224,736,441	372,877,489	-	569,276	373,446,765
- Ijarah Sukuks	53,675,083	-	(170,821)	53,504,262	83,205,706	-	485,521	83,691,227
- Government of Pakistan US Dollar Bonds	5,759,910	(33,047)	(52,654)	5,674,209	2,656,628	-	(7,256)	2,649,372
<i>Shares</i>								
- Listed companies	14,599,566	(4,043,987)	(385,376)	10,170,203	19,661,232	(1,117,390)	(1,794,580)	16,749,262
- Unlisted companies	3,761,058	(82,274)	-	3,678,784	2,716,232	(82,274)	-	2,633,958
<i>Non-Government debt securities</i>								
- Unlisted	4,949,525	(274,630)	-	4,674,895	6,799,664	(303,387)	-	6,496,277
<i>Foreign securities</i>								
- Government debt securities	21,179,684	(45,262)	(12,207)	21,122,215	10,779,643	-	(3,816)	10,775,827
- Non-Government debt securities								
- Listed	50,437,302	(383,589)	(626,014)	49,427,699	36,542,874	-	42,915	36,585,789
- Unlisted	6,477,305	(2,724)	944	6,475,525	3,972,253	-	3,357	3,975,610
- Equity securities - Unlisted	5,413	-	-	5,413	4,414	-	-	4,414
<i>National Investment Trust units</i>	11,113	-	31,449	42,562	11,113	-	36,190	47,303
<i>Real Estate Investment Trust units</i>	55,000	-	4,950	59,950	154,000	-	-	154,000
<i>Preference shares</i>	97,500	-	-	97,500	97,500	-	-	97,500
	<u>1,154,255,501</u>	<u>(4,865,513)</u>	<u>(11,549,491)</u>	<u>1,137,840,497</u>	<u>1,001,862,969</u>	<u>(1,503,051)</u>	<u>(749,779)</u>	<u>999,610,139</u>
Held-to-maturity (HTM) securities								
<i>Federal Government securities</i>								
- Market Treasury Bills	154,580	-	-	154,580	90,938	-	-	90,938
- Pakistan Investment Bonds	172,011,963	-	-	172,011,963	229,759,743	-	-	229,759,743
- Government of Pakistan US Dollar Bonds	139,274	-	-	139,274	1,177,868	-	-	1,177,868
<i>Non-Government debt securities</i>								
- Listed	9,092,850	-	-	9,092,850	6,631,274	-	-	6,631,274
- Unlisted	22,538,405	-	-	22,538,405	20,526,447	-	-	20,526,447
<i>Foreign Securities</i>								
- Government debt securities	8,657,345	(609)	-	8,656,736	17,270,979	-	-	17,270,979
- Non-Government debt securities								
- Listed	2,535,536	-	-	2,535,536	2,920,679	-	-	2,920,679
- Unlisted	1,208,886	(110)	-	1,208,776	799,898	-	-	799,898
	<u>216,338,839</u>	<u>(719)</u>	<u>-</u>	<u>216,338,120</u>	<u>279,177,826</u>	<u>-</u>	<u>-</u>	<u>279,177,826</u>
Investments in associates and joint venture	29,013,650	-	505,327	29,518,977	27,169,019	-	188,799	27,357,818
Total investments	<u>1,405,952,071</u>	<u>(4,866,232)</u>	<u>(11,033,375)</u>	<u>1,390,052,464</u>	<u>1,376,953,826</u>	<u>(1,503,051)</u>	<u>(634,333)</u>	<u>1,374,816,442</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

8.2 Investments by segments

Federal Government securities

	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Market Treasury Bills	761,170,781	-	(276,896)	760,893,885	510,877,826	-	(106,306)	510,771,520
Pakistan Investment Bonds	410,496,386	-	(10,076,652)	400,419,734	620,555,553	-	556,127	621,111,680
Ijarah Sukuks	53,675,083	-	(170,821)	53,504,262	85,204,768	-	485,259	85,690,027
Government of Pakistan US Dollar Bonds	5,899,184	(33,047)	(52,654)	5,813,483	3,834,496	-	(7,256)	3,827,240
	1,231,241,434	(33,047)	(10,577,023)	1,220,631,364	1,220,472,643	-	927,824	1,221,400,467

Shares

	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Listed companies	14,599,566	(4,043,987)	(385,376)	10,170,203	19,935,883	(1,117,390)	(1,813,638)	17,004,855
Unlisted companies	3,761,058	(82,274)	-	3,678,784	2,716,232	(82,274)	-	2,633,958
	18,360,624	(4,126,261)	(385,376)	13,848,987	22,652,115	(1,199,664)	(1,813,638)	19,638,813

Non-Government debt securities

	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Listed	9,092,850	-	-	9,092,850	6,631,274	-	-	6,631,274
Unlisted	27,487,930	(274,630)	-	27,213,300	27,326,111	(303,387)	-	27,022,724
	36,580,780	(274,630)	-	36,306,150	33,957,385	(303,387)	-	33,653,998

Foreign securities

	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Government debt securities	29,927,528	(45,871)	12,368	29,894,025	28,199,933	-	(19,780)	28,180,153
Non-Government debt securities								
Listed	52,972,838	(383,589)	(626,014)	51,963,235	39,463,553	-	42,915	39,506,468
Unlisted	7,686,191	(2,834)	944	7,684,301	4,772,151	-	3,357	4,775,508
Equity securities - Unlisted	5,413	-	-	5,413	4,414	-	-	4,414
	90,591,970	(432,294)	(612,702)	89,546,974	72,440,051	-	26,492	72,466,543

National Investment Trust units

	11,113	-	31,449	42,562	11,113	-	36,190	47,303
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Real Estate Investment Trust units

	55,000	-	4,950	59,950	154,000	-	-	154,000
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Preference shares

	97,500	-	-	97,500	97,500	-	-	97,500
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Investments in associates and joint venture

Diamond Trust Bank Kenya Limited	11,717,187	-	-	11,717,187	8,866,059	-	(65,258)	8,800,801
Himalayan Bank Limited, Nepal	3,779,452	-	(1,590)	3,777,862	2,739,781	-	-	2,739,781
Kyrgyz Investment and Credit Bank, Kyrgyz Republic	1,594,778	-	-	1,594,778	1,187,420	-	-	1,187,420
Jubilee General Insurance Company Limited	2,840,731	-	232,974	3,073,705	2,678,795	-	-	2,678,795
Jubilee Life Insurance Company Limited	1,940,512	-	(2,123)	1,938,389	1,533,450	-	-	1,533,450
HBL Cash Fund	28,573	-	-	28,573	86,069	-	-	86,069
HBL Energy Fund	301,246	-	-	301,246	443,653	-	-	443,653
HBL Equity Fund	54,057	-	-	54,057	87,236	-	-	87,236
HBL Financial Planning Fund - Strategic Allocation	96,694	-	-	96,694	99,924	-	-	99,924
HBL Government securities Fund	11,038	-	-	11,038	101,224	-	-	101,224
HBL Income Fund	821,419	-	(329)	821,090	1,752,660	-	487	1,753,147
HBL Islamic Asset Allocation Fund	631,037	-	(3,537)	627,500	619,678	-	(4,259)	615,419
HBL Islamic Equity Fund	59,059	-	-	59,059	85,921	-	-	85,921
HBL Islamic Income Fund	266,065	-	-	266,065	250,652	-	-	250,652
HBL Islamic Money Market Fund	321,276	-	-	321,276	405,136	-	-	405,136
HBL Islamic Pension Fund - Debt Sub Fund	45,704	-	234	45,938	43,919	-	319	44,238
HBL Islamic Pension Fund - Equity Sub Fund	78,532	-	16,180	94,712	89,871	-	8,838	98,709
HBL Islamic Pension Fund - Money Market Sub Fund	45,555	-	13	45,568	43,688	-	(4)	43,684
HBL Islamic Stock Fund	636,153	-	63,365	699,518	676,462	-	58,565	735,027
HBL Money Market Fund	992,991	-	(57)	992,934	358,886	-	(57)	358,829
HBL Multi Asset Fund	96,973	-	77,977	174,950	100,522	-	77,131	177,653
HBL Pension Fund - Equity Sub Fund	94,177	-	9,388	103,565	106,273	-	2,442	108,715
HBL Pension Fund - Debt Sub Fund	52,450	-	(9)	52,441	50,206	-	(20)	50,186
HBL Pension Fund - Money Market Sub Fund	48,988	-	(5)	48,983	46,671	-	(5)	46,666
HBL Stock Fund	1,805,581	-	97,619	1,903,200	4,025,154	-	60,419	4,085,573
HBL Investment Fund Class A	336,967	-	(28,470)	308,497	-	-	-	-
HBL Investment Fund Class B	316,455	-	43,697	360,152	-	-	-	-
PICIC Investment Fund	-	-	-	-	689,709	-	50,201	739,910
	29,013,650	-	505,327	29,518,977	27,169,019	-	188,799	27,357,818

Total investments

	1,405,952,071	(4,866,232)	(11,033,375)	1,390,052,464	1,376,953,826	(1,503,051)	(634,333)	1,374,816,442
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Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

8.2.1 Investments given as collateral	2018 (Rupees in '000)	2017
The market value of investments given as collateral is as follows:		
Federal Government securities		
- Market Treasury Bills	333,213,434	131,176,965
- Pakistan Investment Bonds	29,329,018	134,613,696
Foreign securities		
Government debt securities	674,637	-
Non-Government debt securities		
- Listed	12,381,600	15,430,235
	<u>375,598,689</u>	<u>281,220,896</u>
8.3 Investments include securities amounting to Rs 304.162 million (2017: Rs 293.708 million) which are held to comply with the SBP's statutory liquidity requirements and are available for rediscounting with the SBP.		
8.4 Investments include Rs 222.214 million (2017: Rs 238.518 million) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.		
8.5 Investments include Rs 9.768 million (2017: Rs 10.484 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the Bank.		
8.6 The market value of investment classified as held-to-maturity amounted to Rs 200,460.226 million (2017: Rs 281,253.970 million) as at December 31, 2018.		

8.7 Particulars of provision held against diminution in the value of investments	2018 (Rupees in '000)	2017
Opening balance	1,503,051	866,152
Exchange adjustments	41,910	-
Charge / reversals		
Charge for the year	4,000,586	1,289,086
Reversal for the year	(28,757)	(32,573)
Reversal on disposals during the year	(650,558)	(619,614)
Net charge	3,321,271	636,899
Closing balance	<u>4,866,232</u>	<u>1,503,051</u>

8.8 Particulars of provision against debt securities

Category of classification	2018		2017	
	Non Performing Investments	Provision	Non Performing Investments	Provision
Domestic	(Rupees in '000)			
Loss				
	274,630	274,630	303,387	303,387
Overseas				
Not past due but impaired	724,975	377,549	-	-
	<u>999,605</u>	<u>652,179</u>	<u>303,387</u>	<u>303,387</u>

- 8.8.1 In addition to the above, overseas branches hold a provision of Rs 87.792 million pertaining to investments in accordance with IFRS 9 to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.
- 8.8.2 Exposure amounting to Rs 4,249.895 million (2017: Rs 6,071.278 million) relating to privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) has not been classified as non-performing in accordance with a relaxation from Regulation-8 of the Prudential Regulations given by the SBP through its letter No. BPRD/ BRD(policy)/ 2018-21629 dated October 04, 2018. These TFCs are fully guaranteed by the Government of Pakistan and do not require any provision. However, mark-up income has been suspended on this amount and is only recognised when received.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

8.9 Quality of available-for-sale securities

Details regarding quality of available-for-sale (AFS) securities are as follows:

	2018	2017
	Cost	
	(Rupees in '000)	
Federal Government securities - Government guaranteed		
Market Treasury Bills	758,446,236	462,384,221
Pakistan Investment Bonds	234,800,806	372,877,489
Ijarah Sukuks	53,675,083	83,205,706
Government of Pakistan US Dollar Bonds	5,759,910	2,656,628
	<u>1,052,682,035</u>	<u>921,124,044</u>

Shares

Listed companies

Automobile Parts and Accessories	122,869	138,216
Cement	2,493,024	2,509,343
Chemical	224,083	224,083
Commercial Banks	1,115,136	2,271,099
Engineering	285,553	248,168
Fertilizer	1,566,292	3,633,896
Food and Personal Care Products	696,032	662,602
Insurance	270,498	270,498
Investment Banks / Investment Companies / Securities Companies	1,122,067	1,122,067
Oil and Gas Exploration Companies	921,375	900,210
Oil and Gas Marketing Companies	842,659	1,144,758
Power Generation and Distribution	3,586,815	4,675,568
Refinery	386,561	418,399
Technology and Communication	592,848	947,814
Textile Composite	373,754	494,511
	<u>14,599,566</u>	<u>19,661,232</u>

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Unlisted companies				
Central Depository Company of Pakistan Limited	256,347	658,861	256,347	439,179
Engro Powergen Thar (Private) Limited	1,599,623	2,624,676	1,395,085	1,998,345
Pakistan Mortgage Refinance Company Limited	500,000	501,286	15,300	15,735
Sindh Engro Coal Mining Company Limited	1,316,258	1,575,511	956,800	1,120,293
Pak Agriculture Storage and Services Corporation Limited	5,500	1,331,012	5,500	1,256,081
DHA Cogen Limited	-	(2,497,155)	-	(2,497,155)
National Institutional Facilitation Technologies (Private) Limited	1,527	71,188	1,527	68,784
First Women Bank Limited	63,300	208,937	63,300	219,603
National Investment Trust Limited	100	972,967	100	1,079,031
SME Bank Limited	13,474	(8,996)	13,474	(954)
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	4,929	41,350	8,799	42,607
	<u>3,761,058</u>	<u>5,479,637</u>	<u>2,716,232</u>	<u>3,741,549</u>

Non-Government debt securities

Unlisted

	2018	2017
	Cost	
	(Rupees in '000)	
Unrated	<u>4,949,525</u>	<u>6,799,664</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

Foreign securities

	2018		2017	
	Cost	Rating	Cost	Rating
Government debt securities	(Rupees in '000)		(Rupees in '000)	
Bahrain	2,624,914	BB-	256,346	BB+
Germany	977,881	Aaa	796,584	Aaa
Indonesia	27,656	Baa2	195,563	Baa3
Lebanon	1,282,142	B3	-	
Maldives	4,770,054	B2	-	
Mauritius	2,952,693	Baa1	1,318,699	Baa1
Netherlands	1,670,729	Aaa	1,394,770	Aaa
Oman	1,681,143	Baa3	222,483	Baa2
Singapore	2,440,884	Aaa	1,733,340	Aaa
South Africa	702,195	Baa3	-	
Sri Lanka	878,846	B2	729,511	B1
United States of America	1,170,547	Aaa	2,757,369	Aaa
France	-		1,374,978	Aa2
	21,179,684		10,779,643	

Non-Government debt securities

	2018	2017
	Cost	
Listed	(Rupees in '000)	
AAA	2,712,688	1,535,247
AA+, AA, AA-	9,003,225	5,319,496
A+, A, A-	19,529,831	16,950,784
BBB+, BBB, BBB-	16,297,458	10,372,599
BB+, BB, BB-	1,485,910	1,748,072
B+, B, B-	683,215	616,676
CCC and below	724,975	-
	50,437,302	36,542,874

Unlisted

AAA	102,009	331,113
A+, A, A-	1,890,230	1,502,990
BBB+, BBB, BBB-	-	42,183
Unrated	4,485,066	2,095,967
	6,477,305	3,972,253

Equity securities - Unlisted

The Benefit Company, Bahrain	2,947	2,343
Credit Information Bureau, Sri Lanka	61	58
LankaClear (Private) Limited, Sri Lanka	380	360
SME Equity Fund Limited, Mauritius	2,025	1,653
	5,413	4,414

National Investment Trust units - listed

11,113	11,113
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Real Estate Investment Trust Units - listed

55,000	154,000
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Preference shares - listed

97,500	97,500
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Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

8.10 Particulars relating to held-to-maturity securities are as follows:

	2018		2017	
	Cost / amortised cost		Cost / amortised cost	
	(Rupees in '000)		(Rupees in '000)	
Federal Government securities - Government guaranteed				
Market Treasury Bills	154,580		90,938	
Pakistan Investment Bonds	172,011,963		229,759,743	
Government of Pakistan US Dollar Bonds	139,274		1,177,868	
	172,305,817		231,028,549	
Non-Government debt securities				
Listed				
AA+, AA, AA-	8,658,877		6,497,274	
A+, A, A-	433,973		134,000	
	9,092,850		6,631,274	
Unlisted				
AAA	11,327,025		9,745,741	
AA+, AA, AA-	3,689,018		3,094,620	
A+, A, A-	2,403,822		1,974,755	
Unrated	5,118,540		5,711,331	
	22,538,405		20,526,447	
Foreign securities	2018		2017	
	Cost /	Rating	Cost /	Rating
	amortised		amortised	
	cost		cost	
	(Rupees in '000)		(Rupees in '000)	
Government debt securities				
Bahrain	866,409	BB-	1,680,086	BB+
Bangladesh	1,500,969	Ba3	2,484,279	Ba3
Indonesia	695,841	Baa2	567,988	Baa3
Kenya	486,491	B1	390,801	B1
Lebanon	342,548	B3	1,373,582	B3
Maldives	904,084	B2	4,157,501	B2
Mauritius	304,077	Baa1	1,992,051	Baa1
Oman	2,861,553	Baa3	2,135,241	Baa2
Sri Lanka	695,373	B2	792,713	B1
Nigeria	-		553,525	B
Seychelles	-		436,199	BB-
Turkey	-		334,338	Ba1
UK	-		372,675	Aa2
	8,657,345		17,270,979	
Non-Government debt securities				
Listed				
AAA	692,254		1,103,414	
AA+, AA, AA-	415,530		333,197	
A+, A, A-	415,519		663,712	
BBB+, BBB, BBB-	692,384		551,902	
BB+, BB, BB-	319,849		-	
B+, B, B-	-		268,454	
	2,535,536		2,920,679	
Unlisted				
AA+, AA, AA-	642,242		87,528	
A+, A, A-	-		179,950	
Unrated	566,644		532,420	
	1,208,886		799,898	

Notes to the Consolidated Financial Statements

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8.11 Summary of financial information of associates and joint venture

2018								
	Based on the annual / interim financial statements as on	Country of incorporation	Percentage of holding	Assets	Liabilities	Revenue	Profit / (loss) after tax	Total Comprehensive income / (loss)
(Rupees in '000)								
Diamond Trust Bank Kenya Limited	September 30, 2018	Kenya	16.15%	525,377,300	447,614,792	49,162,423	8,363,446	7,791,007
Himalayan Bank Limited	October 17, 2018	Nepal	20.00%	153,717,681	135,061,073	13,288,725	3,015,678	3,020,298
Kyrgyz Investment and Credit Bank	December 31, 2018	Kyrgyzstan	18.00%	52,956,428	43,965,367	3,978,561	571,876	571,876
Jubilee General Insurance Company Limited	September 30, 2018	Pakistan	19.80%	23,190,518	14,828,283	6,378,439	1,048,444	790,395
Jubilee Life Insurance Company Limited	September 30, 2018	Pakistan	18.52%	137,154,653	127,160,799	12,806,103	2,997,144	2,995,177
HBL Cash Fund	December 31, 2018	Pakistan	0.28%	16,319,133	6,005,147	907,630	777,931	777,931
HBL Energy Fund	December 31, 2018	Pakistan	35.86%	877,028	42,772	(78,843)	(114,164)	(114,164)
HBL Equity Fund	December 31, 2018	Pakistan	19.37%	283,020	13,186	(3,944)	(16,183)	(16,183)
HBL Financial Planning Fund - Strategic Allocation	December 31, 2018	Pakistan	50.73%	191,895	318	(5,910)	(7,464)	(7,464)
HBL Government Securities Fund	December 31, 2018	Pakistan	4.12%	233,345	24,743	33,785	25,373	25,373
HBL Income Fund	December 31, 2018	Pakistan	35.57%	2,097,234	56,949	217,034	167,674	163,277
HBL Islamic Asset Allocation Fund	December 31, 2018	Pakistan	28.04%	2,253,997	2,232,949	127,722	59,111	51,684
HBL Islamic Equity Fund	December 31, 2018	Pakistan	9.75%	574,962	15,781	12,385	(27,837)	(27,837)
HBL Islamic Income Fund	December 31, 2018	Pakistan	7.13%	3,769,559	36,614	314,928	253,982	253,982
HBL Islamic Money Market Fund	December 31, 2018	Pakistan	32.35%	974,480	7,420	62,408	49,359	49,359
HBL Islamic Pension Fund - Debt Sub Fund	December 31, 2018	Pakistan	39.37%	111,923	1,130	6,707	4,500	4,181
HBL Islamic Pension Fund - Equity Sub Fund	December 31, 2018	Pakistan	57.86%	189,006	3,801	190	(4,557)	5,808
HBL Islamic Pension Fund - Money Market Sub Fund	December 31, 2018	Pakistan	45.88%	94,573	890	5,443	3,664	3,702
HBL Islamic Stock Fund	December 31, 2018	Pakistan	29.24%	2,274,282	36,665	(126,967)	(214,001)	(195,650)
HBL Money Market Fund	December 31, 2018	Pakistan	12.39%	10,973,341	3,520,870	521,111	429,651	429,651
HBL Multi Asset Fund	December 31, 2018	Pakistan	50.20%	282,413	16,493	17,126	(1,929)	(5,927)
HBL Pension Fund - Debt Sub Fund	December 31, 2018	Pakistan	28.20%	176,381	2,203	12,552	8,687	8,588
HBL Pension Fund - Equity Sub Fund	December 31, 2018	Pakistan	45.22%	222,227	2,972	12,411	(4,453)	10,307
HBL Pension Fund - Money Market Sub Fund	December 31, 2018	Pakistan	27.38%	168,263	1,864	11,149	7,960	7,960
HBL Stock Fund	December 31, 2018	Pakistan	49.76%	4,198,376	844,630	(234,682)	(436,709)	(344,301)
HBL Investment Fund Class A	December 31, 2018	Pakistan	17.13%	2,193,289	9,164	37,705	(1,237)	(205,443)
HBL Investment Fund Class B	December 31, 2018	Pakistan	17.32%	2,747,029	249,721	(79,713)	(206,909)	(206,909)
PICIC Investment Fund	December 31, 2018	Pakistan	-	-	-	200,505	115,858	308,902
2017								
	Based on the annual / interim financial statements as on	Country of incorporation	Percentage of holding	Assets	Liabilities	Revenue	Profit / (loss) after tax	Total Comprehensive income
(Rupees in '000)								
Diamond Trust Bank Kenya Limited	September 30, 2017	Kenya	16.15%	383,101,389	327,433,269	30,218,318	5,239,849	4,850,701
Himalayan Bank Limited	October 17, 2017	Nepal	20.00%	122,007,480	108,878,428	2,513,282	416,857	416,857
Kyrgyz Investment and Credit Bank	December 31, 2017	Kyrgyzstan	18.00%	43,044,952	36,055,814	3,273,636	480,270	462,477
Jubilee General Insurance Company Limited	September 30, 2017	Pakistan	19.25%	18,968,650	12,113,495	4,445,791	795,606	796,446
Jubilee Life Insurance Company Limited	September 30, 2017	Pakistan	18.52%	114,238,218	108,552,565	20,105,396	1,608,479	1,608,479
HBL Cash Fund	December 31, 2017	Pakistan	0.83%	10,444,221	37,996	218,977	163,438	163,438
HBL Energy Fund	December 31, 2017	Pakistan	38.14%	1,269,958	112,546	(50,358)	(55,115)	(55,115)
HBL Financial Planning Fund - Strategic Allocation Plan	December 31, 2017	Pakistan	49.11%	207,057	1,560	2,459	2,034	2,034
HBL Equity Fund	December 31, 2017	Pakistan	28.02%	331,016	26,121	(23,833)	(37,374)	(37,374)
HBL Government Securities Fund	December 31, 2017	Pakistan	15.13%	779,404	126,504	54,091	35,481	35,481
HBL Income Fund	December 31, 2017	Pakistan	48.48%	3,477,739	57,228	271,973	179,215	178,097
HBL Islamic Asset Allocation Fund	December 31, 2017	Pakistan	21.47%	2,877,444	17,145	220,739	75,698	33,756
HBL Islamic Income Fund	December 31, 2017	Pakistan	5.27%	4,767,919	10,821	164,957	135,275	135,275
HBL Islamic Money Market Fund	December 31, 2017	Pakistan	45.01%	887,232	5,807	38,247	27,141	27,143
HBL Islamic Equity Fund	December 31, 2017	Pakistan	6.35%	1,294,937	14,775	(166,180)	(195,370)	(195,370)
HBL Islamic Pension Fund - Debt Sub Fund	December 31, 2017	Pakistan	45.25%	93,651	1,010	5,496	3,568	2,930
HBL Islamic Pension Fund - Equity Sub Fund	December 31, 2017	Pakistan	72.03%	161,156	6,841	11,478	6,428	(34,641)
HBL Islamic Pension Fund - Money Market Sub Fund	December 31, 2017	Pakistan	56.95%	73,109	927	3,726	2,305	2,344
HBL Islamic Stock Fund	December 31, 2017	Pakistan	47.86%	1,494,818	55,752	85,868	(28,052)	(193,451)
HBL Money Market Fund	December 31, 2017	Pakistan	5.83%	5,032,999	67,337	211,754	197,860	197,861
HBL Multi Asset Fund	December 31, 2017	Pakistan	41.97%	337,752	13,742	43,997	15,186	(88,656)
HBL Pension Fund - Debt Sub Fund	December 31, 2017	Pakistan	23.57%	201,090	2,229	12,628	8,564	7,997
HBL Pension Fund - Equity Sub Fund	December 31, 2017	Pakistan	48.05%	220,042	3,026	12,205	7,300	(35,610)
HBL Pension Fund - Money Market Sub Fund	December 31, 2017	Pakistan	27.88%	157,373	2,197	10,289	7,229	7,217
HBL Stock Fund	December 31, 2017	Pakistan	71.87%	5,512,758	155,247	612,930	124,599	(855,707)
PICIC Investment Fund	December 31, 2017	Pakistan	17.13%	5,365,476	239,089	(314,685)	(441,111)	(896,843)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

8.12 Investment in associates and Joint venture

2018
(Rupees in '000)

2017

Diamond Trust Bank Kenya Limited - Listed

Opening balance	8,800,801	5,707,355
Investment	-	1,852,188
Share of profit	1,350,819	965,438
Movement in share of surplus / deficit on fixed assets	(2,467)	105,175
Movement in share of surplus / deficit on investments	65,258	-
Share of other comprehensive income	(91,121)	42,119
Exchange translation impact	1,734,157	217,274
Dividend received	(140,260)	(88,748)
Closing balance	11,717,187	8,800,801

Himalayan Bank Limited, Nepal - Listed

Opening balance	2,739,781	1,916,452
Investment	-	128,468
Share of profit	603,114	436,693
Movement in share of surplus / deficit on investments	(1,590)	-
Exchange translation impact	436,557	258,168
Closing balance	3,777,862	2,739,781

Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Unlisted

Opening balance	1,187,420	1,040,268
Share of profit	95,147	86,449
Exchange translation impact	329,101	63,906
Share of other comprehensive income	-	(3,203)
Dividend received	(16,890)	-
Closing balance	1,594,778	1,187,420

Jubilee General Insurance Company Limited - Listed

Opening balance	2,678,795	2,426,845
Investment	90,061	134,963
Share of profit	215,392	218,975
Movement in share of surplus / deficit on investments	232,974	-
Share of capital contribution from statutory reserve	1,550	1,397
Share of other comprehensive income	(2,129)	(2,799)
Dividend received	(142,938)	(100,586)
Closing balance	3,073,705	2,678,795

Jubilee Life Insurance Company Limited - Listed

Opening balance	1,533,450	1,261,559
Share of profit	634,140	451,018
Movement in share of surplus / deficit on investments	(2,123)	-
Share of capital contribution from statutory reserve	27,776	18,517
Share of other comprehensive income	2,216	-
Dividend received	(257,070)	(197,644)
Closing balance	1,938,389	1,533,450

HBL Cash Fund - Listed

Opening balance	86,069	-
Investment	180,908	180,000
Share of profit	4,679	1,182
Redemption	(242,175)	(95,113)
Dividend received	(908)	-
Closing balance	28,573	86,069

HBL Energy Fund - Listed

Opening balance	443,653	153,594
Investment	32,000	305,076
Share of loss	(41,407)	(9,941)
Redemption	(133,000)	-
Dividend received	-	(5,076)
Closing balance	301,246	443,653

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	(Rupees in '000)	
HBL Equity Fund - Listed		
Opening balance	87,236	101,800
Investment	20,000	7,878
Share of loss	(1,179)	(14,564)
Redemption	(52,000)	-
Dividend received	-	(7,878)
Closing balance	54,057	87,236
HBL Financial Planning Fund - Strategic Allocation - Listed		
Opening balance	99,924	-
Investment	-	99,920
Share of (loss) / profit	(3,230)	4
Closing balance	96,694	99,924
HBL Government Securities Fund - Listed		
Opening balance	101,224	81,470
Investment	98,702	338,058
Share of profit	3,862	6,825
Redemption	(189,048)	(325,129)
Dividend received	(3,702)	-
Closing balance	11,038	101,224
HBL Income Fund - Listed		
Opening balance	1,753,147	1,506,482
Investment	135,120	770,697
Share of profit	78,133	69,643
Redemption	(1,089,374)	(500,000)
Movement in share of surplus / deficit on investments	(816)	(541)
Dividend received	(55,120)	(93,134)
Closing balance	821,090	1,753,147
HBL Islamic Asset Allocation Fund - Listed		
Opening balance	615,419	113,341
Investment	1,807	507,086
Share of profit	11,359	10,712
Movement in share of surplus / deficit on investments	722	(8,634)
Dividend received	(1,807)	(7,086)
Closing balance	627,500	615,419
HBL Islamic Equity Fund - Listed		
Opening balance	85,921	284,942
Investment	-	1,199
Share of loss	(1,862)	(31,733)
Redemption	(25,000)	(167,288)
Dividend received	-	(1,199)
Closing balance	59,059	85,921
HBL Islamic Income Fund - Listed		
Opening Balance	250,652	-
Investment	139,161	250,000
Share of profit	17,005	652
Redemption	(133,602)	-
Dividend received	(7,151)	-
Closing balance	266,065	250,652
HBL Islamic Money Market Fund - Listed		
Opening balance	405,136	387,003
Investment	12,035	15,473
Share of profit	19,051	18,133
Redemption	(102,911)	-
Dividend received	(12,035)	(15,473)
Closing balance	321,276	405,136
HBL Islamic Pension Fund - Debt Sub Fund - Unlisted		
Opening balance	44,238	42,963
Share of profit	1,785	1,397
Movement in share of surplus / deficit on investments	(85)	(122)
Closing balance	45,938	44,238

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	2018	2017
	(Rupees in '000)	
HBL Islamic Pension Fund - Equity Sub Fund - Unlisted		
Opening balance	98,709	121,032
Share of loss	(11,339)	(8,813)
Movement in share of surplus / deficit on investments	7,342	(13,510)
Closing balance	94,712	98,709
HBL Islamic Pension Fund - Money Market Sub Fund - Unlisted		
Opening balance	43,684	42,355
Share of profit	1,867	1,323
Movement in share of surplus / deficit on investments	17	6
Closing balance	45,568	43,684
HBL Islamic Stock Fund - Listed		
Opening balance	735,027	861,459
Investment	-	75,205
Share of loss	(40,309)	(75,162)
Dividend received	-	(47,205)
Movement in share of surplus / deficit on investments	4,800	(79,270)
Closing balance	699,518	735,027
HBL Money Market Fund - Listed		
Opening balance	358,829	284,056
Investment	712,875	361,397
Share of profit	45,217	22,659
Redemption	(111,112)	(298,715)
Dividend received	(12,875)	(10,568)
Closing balance	992,934	358,829
HBL Multi Asset Fund - Listed		
Opening balance	177,653	806,906
Share of loss	(3,549)	(42,320)
Investment	-	27,023
Redemption	-	(550,000)
Dividend received	-	(27,023)
Movement in share of surplus / deficit on investments	846	(36,933)
Closing balance	174,950	177,653
HBL Mustahekum Sarmaya Fund - Listed		
Opening balance	-	578,278
Investment	-	34,923
Share of profit	-	15,701
Redemption	-	(593,979)
Dividend received	-	(34,923)
Closing balance	-	-
HBL Pension Fund - Debt Sub Fund - Unlisted		
Opening balance	50,186	48,214
Share of profit	2,244	2,008
Movement in share of surplus / deficit on investments	11	(36)
Closing balance	52,441	50,186
HBL Pension Fund - Equity Sub Fund - Unlisted		
Opening balance	108,715	125,576
Share of loss	(12,096)	(3,267)
Movement in share of surplus / deficit on investments	6,946	(13,594)
Closing balance	103,565	108,715
HBL Pension Fund - Money Market Sub Fund - Unlisted		
Opening balance	46,666	44,824
Share of profit	2,317	1,840
Movement in share of surplus / deficit on investments	-	2
Closing balance	48,983	46,666

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For the year ended December 31, 2018

	2018 (Rupees in '000)	2017 (Rupees in '000)
HBL Stock Fund - Listed		
Opening balance	4,085,573	4,789,316
Investment	-	249,887
Share of (loss) / profit	(211,890)	2,584
Redemption	(2,007,683)	-
Dividend received	-	(249,887)
Movement in share of surplus / deficit on investments	37,200	(706,327)
Closing balance	1,903,200	4,085,573
PICIC Investment Fund - Listed		
Opening balance	739,910	959,252
Investment	-	-
Share of profit / (loss)	19,843	(75,549)
Movement in share of surplus / deficit on investments	33,063	(78,100)
Transfer out on liquidation of PICIC Investment Fund	(709,552)	-
Transfer out of surplus on liquidation of PICIC Investment Fund	(83,264)	-
Dividend received	-	(65,693)
Closing balance	-	739,910
HBL Investment Fund - Class A		
Opening balance	-	-
Transfer in on liquidation of PICIC Investment Fund	337,179	-
Transfer in of surplus on liquidation of PICIC Investment Fund	39,567	-
Share of loss	(212)	-
Movement in share of surplus / deficit on investments	(68,037)	-
Closing balance	308,497	-
HBL Investment Fund - Class B		
Opening balance	-	-
Transfer in on liquidation of PICIC Investment Fund	372,373	-
Transfer in of surplus on liquidation of PICIC Investment Fund	43,697	-
Share of loss	(55,918)	-
Closing balance	360,152	-
	29,518,977	27,357,818

8.12.1 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	Performing		Non - performing		Total	
			2018	2017	2018	2017	2018	2017
			(Rupees in '000)					
	Loans, cash credits, running finances, etc.	9.1	904,889,946	714,288,322	75,471,126	70,575,071	980,361,072	784,863,393
	Islamic financing and related assets	9.2	103,488,928	84,304,490	111,174	103,513	103,600,102	84,408,003
	Bills discounted and purchased		63,223,929	46,569,734	5,248,713	5,166,809	68,472,642	51,736,543
	Advances - gross		1,071,602,803	845,162,546	80,831,013	75,845,393	1,152,433,816	921,007,939
	Provision against advances							
	- Specific	9.5	-	-	(68,465,249)	(66,417,176)	(68,465,249)	(66,417,176)
	- General		(3,528,347)	(3,088,343)	-	-	(3,528,347)	(3,088,343)
			(3,528,347)	(3,088,343)	(68,465,249)	(66,417,176)	(71,993,596)	(69,505,519)
	Advances - net of provision		1,068,074,456	842,074,203	12,365,764	9,428,217	1,080,440,220	851,502,420

9.1 This includes net investment in finance lease as disclosed below :

	2018				2017			
	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)								
Total minimum lease payments	62,580	18,823,708	4,244,227	23,130,515	38,140	16,524,839	3,961,144	20,524,123
Financial charges for future periods	(3,069)	(3,279,499)	(936,566)	(4,219,134)	(1,256)	(2,595,059)	(800,147)	(3,396,462)
Present value of minimum lease payments	59,511	15,544,209	3,307,661	18,911,381	36,884	13,929,780	3,160,997	17,127,661

9.2 Information related to Islamic financing and related assets is given in note 3 of Annexure "I" and is an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018 (Rupees in '000)	2017 (Rupees in '000)
9.3 Particulars of advances (Gross)		
In local currency	935,571,558	730,242,752
In foreign currencies	216,862,258	190,765,187
	1,152,433,816	921,007,939

- 9.4 Advances include Rs. 80,831.013 million (2017: Rs. 75,845.392 million) which have been placed under non-performing status as detailed below:

Category of classification	2018		2017	
	Non-performing advances	Provision	Non-performing advances	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	873,750	-	1,069,200	-
Substandard	4,154,859	662,072	2,891,184	1,164,228
Doubtful	1,708,204	852,642	1,560,805	778,980
Loss	42,080,394	41,014,020	44,829,967	43,694,869
	48,817,207	42,528,734	50,351,156	45,638,077
Overseas				
Not past due but impaired	1,703,389	432,809	1,382,799	223,242
Overdue by:				
Upto 90 days	47,250	3,875	316,710	66,339
91 to 180 days	1,910,162	1,156,936	678,529	335,938
181 to 365 days	1,813,514	1,003,933	1,036,304	421,350
> 365 days	26,539,491	23,338,962	22,079,894	19,732,230
	32,013,806	25,936,515	25,494,236	20,779,099
Total	80,831,013	68,465,249	75,845,392	66,417,176

9.5 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	66,417,176	3,088,343	69,505,519	65,160,197	3,623,544	68,783,741
Exchange adjustment	5,337,123	322,503	5,659,626	1,417,860	102,173	1,520,033
Charge for the year	6,111,202	424,324	6,535,526	5,294,493	337,509	5,632,002
Reversal for the year	(4,172,302)	(401,867)	(4,574,169)	(4,198,521)	(970,351)	(5,168,872)
Net charge / (reversal) against advances	1,938,900	22,457	1,961,357	1,095,972	(632,842)	463,130
Charged off during the year -						
agriculture financing	(477,679)	-	(477,679)	(400,719)	-	(400,719)
Written off during the year	(4,750,271)	-	(4,750,271)	(352,587)	-	(352,587)
Impact of adoption of IFRS 9	-	95,044	95,044	-	-	-
Transfer out on sale of Kenya business	-	-	-	(550,276)	(21,002)	(571,278)
Other movements	-	-	-	46,729	16,470	63,199
Closing balance	68,465,249	3,528,347	71,993,596	66,417,176	3,088,343	69,505,519

- 9.5.1 This includes reversal of provision amounting to Rs Nil (2017: Rs 68.374 million) due to acquisition of non-banking assets in satisfaction of claims.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

9.5.2 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	41,542,880	1,884,884	43,427,764	44,804,563	1,543,896	46,348,459
In foreign currencies	26,922,369	1,643,463	28,565,832	21,612,613	1,544,447	23,157,060
	<u>68,465,249</u>	<u>3,528,347</u>	<u>71,993,596</u>	<u>66,417,176</u>	<u>3,088,343</u>	<u>69,505,519</u>

9.6 General provision includes provision amounting to Rs 1,652.318 million (2017: Rs 1,405.701 million) against consumer finance portfolio and Rs 232.566 million (2017: Rs 138.195 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs 1,643.463 million (2017: Rs 1,544.447 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.

9.7 These represent non-performing advances for agriculture finance which have been classified as loss, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
9.8 Particulars of write offs			
9.8.1 Against provisions	9.5	4,750,271	352,587
Against charge-off		-	31,064
		<u>4,750,271</u>	<u>383,651</u>

9.8.2 Analysis of write offs

Write offs of Rs. 500,000 and above			
- Domestic	9.9.1	1,754,587	109,429
- Overseas	9.9.2	2,759,347	639
Write offs of below Rs. 500,000		<u>236,337</u>	<u>273,583</u>
		<u>4,750,271</u>	<u>383,651</u>

9.9 Details of written - off advances of Rs 500,000/- and above

9.9.1 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, 2018 is given in Annexure II to these consolidated financial statements.

9.9.2 These include write-offs or financial relief allowed to borrowers in those countries where there are disclosure restrictions.

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
10 FIXED ASSETS			
Capital work-in-progress	10.1	2,426,450	16,405,803
Property and equipment	10.2	<u>61,656,827</u>	<u>40,036,539</u>
		<u>64,083,277</u>	<u>56,442,342</u>

10.1 Capital work-in-progress

Civil works		858,424	12,685,722
Equipment		20,465	2,440,975
Advances to suppliers and contractors		<u>1,547,561</u>	<u>1,279,106</u>
		<u>2,426,450</u>	<u>16,405,803</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

10.2 Property and equipment

	2018									
	Free hold land	Lease hold land	Building on Freehold land	Building on Leasehold land	Machinery	Leasehold Improve-ments	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)									
At January 1, 2018										
Cost / revalued amount	512,214	24,303,961	579,842	7,403,018	340,352	5,594,790	2,170,234	16,621,170	687,579	58,213,160
Accumulated depreciation	-	-	(217,776)	(103,110)	(646)	(3,786,717)	(1,510,043)	(12,076,740)	(481,589)	(18,176,621)
Net book value	512,214	24,303,961	362,066	7,299,908	339,706	1,808,073	660,191	4,544,430	205,990	40,036,539
Year ended December 31, 2018										
Opening net book value	512,214	24,303,961	362,066	7,299,908	339,706	1,808,073	660,191	4,544,430	205,990	40,036,539
Additions	-	3,535,825	-	9,531,916	3,158,714	1,152,709	1,690,549	5,195,134	346,420	24,611,267
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	(6,000)	-	(470)	-	(4,153)	(4,983)	(10,007)	(234)	(25,847)
Depreciation charge	-	-	(41,280)	(154,734)	(71,480)	(661,711)	(211,733)	(1,988,947)	(98,299)	(3,228,184)
Exchange rate adjustments	95,912	-	39,323	3,510	-	102,440	41,904	70,729	11,103	364,921
Other adjustments / transfers	7,814	-	(600)	14,509	17	(133,380)	(15,079)	22,766	2,084	(101,869)
Closing net book value	615,940	27,833,786	359,509	16,694,639	3,426,957	2,263,978	2,160,849	7,834,105	467,064	61,656,827
At December 31, 2018										
Cost / revalued amount	615,940	27,833,786	506,433	16,855,389	3,499,213	6,890,382	3,673,141	21,530,199	1,018,085	82,422,568
Accumulated depreciation	-	-	(146,924)	(160,750)	(72,256)	(4,626,404)	(1,512,292)	(13,696,094)	(551,021)	(20,765,741)
Net book value	615,940	27,833,786	359,509	16,694,639	3,426,957	2,263,978	2,160,849	7,834,105	467,064	61,656,827
Rate of depreciation (%)	-	-	3 - 5	1.67 - 3.33	10	10 - 20	10 - 20	10 - 33	10 - 20	
	2017									
	Free hold land	Lease hold land	Building on Freehold land	Building on Leasehold land	Machinery	Leasehold Improve-ments	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)									
At January 1, 2017										
Cost / revalued amount	317,570	15,410,395	433,470	6,559,048	508,278	4,512,351	1,799,175	14,190,446	716,090	44,446,823
Accumulated depreciation	-	-	(184,609)	(507,893)	(82,957)	(3,247,839)	(710,896)	(10,081,309)	(459,347)	(15,274,850)
Net book value	317,570	15,410,395	248,861	6,051,155	425,321	1,264,512	1,088,279	4,109,137	256,743	29,171,973
Year ended December 31, 2017										
Opening net book value	317,570	15,410,395	248,861	6,051,155	425,321	1,264,512	1,088,279	4,109,137	256,743	29,171,973
Additions	-	495	-	320,726	39,522	374,349	635,667	1,968,283	56,076	3,395,118
Movement in surplus on assets revalued during the year	157,349	8,702,566	32,033	1,165,396	(62,537)	-	-	-	-	9,994,807
Impairment reversal during the year	-	483,714	-	189,656	-	-	-	-	-	673,370
Disposals	-	-	-	(2,152)	-	(17,181)	(4,747)	(5,535)	(20,388)	(50,003)
Depreciation charge	-	-	(20,232)	(177,495)	(69,165)	(535,137)	(899,669)	(1,549,211)	(73,896)	(3,324,805)
Exchange rate adjustments	48,074	-	12,540	19,854	-	45,425	1,079	(8,786)	13,342	131,528
Other adjustments / transfers	(10,779)	(293,209)	88,864	(267,232)	6,565	676,105	(160,418)	30,542	(25,887)	44,551
Closing net book value	512,214	24,303,961	362,066	7,299,908	339,706	1,808,073	660,191	4,544,430	205,990	40,036,539
At December 31, 2017										
Cost / revalued amount	512,214	24,303,961	579,842	7,403,018	340,352	5,594,790	2,170,234	16,621,170	687,579	58,213,160
Accumulated depreciation	-	-	(217,776)	(103,110)	(646)	(3,786,717)	(1,510,043)	(12,076,740)	(481,589)	(18,176,621)
Net book value	512,214	24,303,961	362,066	7,299,908	339,706	1,808,073	660,191	4,544,430	205,990	40,036,539
Rate of depreciation (%)	-	-	3 - 5	1.67 - 3.33	10	10 - 20	10 - 20	10 - 33	10 - 20	

10.2.1 With effect from January 2018, the estimated useful lives of certain items of furniture and fixtures and electrical, office and computer equipment have been revised from 3 years to upto 10 years to make them more reflective of the consumption pattern of the assets. The effect of these changes on depreciation expense in the current year and the next year is as follows:

	2019	2018
	(Rupees in '000)	
Decrease in depreciation expense		
- Furniture and fixtures	20,731	22,559
- Electrical, office and computer equipment	273,549	471,657
	294,280	494,216

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For the year ended December 31, 2018

10.3 Revaluation of properties

The properties of the Group were last revalued by independent professional valuers as at December 31, 2017. The revaluation was carried out by M/s Iqbal A. Nanjee & Co. (Private) Limited, M/s Colliers International Pakistan (Private) Limited, M/s J & M Associates, Imad Saffiuddine, M/s United Valuers (Pte) Limited, M/s Sunil Fernando & Associates (Private) Limited and M/s Shepherd, Chartered Surveyors and AJP Surveyors Limited on the basis of professional assessment of present market values. This revaluation had resulted in an increase in surplus by Rs 10,652.673 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounts to Rs 22,470.770 million.

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

	2018 (Rupees in '000)	2017 (Rupees in '000)
Freehold land	317,279	213,554
Leasehold land	8,632,036	5,096,459
Building on freehold land	226,365	195,285
Building on leasehold land	13,857,424	4,409,017
	<u>23,033,104</u>	<u>9,914,315</u>

10.5 Details of disposal of fixed assets

The information relating to disposal of fixed assets is given in Annexure III and is an integral part of these consolidated financial statements.

10.6 The carrying amount of fixed assets held for disposal amounted to Rs 7.191 million (2017: Rs 11.179 million).

10.7 The cost of fully depreciated fixed assets that are still in the Bank's use is as follows:

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Leasehold Improvements		2,314,122	1,818,780
Furniture and fixture		617,232	561,547
Electrical, office and computer equipment		6,569,448	6,103,467
Vehicles		202,328	204,254
		<u>9,703,130</u>	<u>8,688,048</u>

11 INTANGIBLE ASSETS

Capital work-in-progress - computer software
Intangible assets

		831,891	656,048
11.1		<u>7,033,470</u>	<u>5,694,453</u>
		<u>7,865,361</u>	<u>6,350,501</u>

11.1 Intangible Assets

	2018				2017			
	Computer Software	Management Rights	Goodwill	Total	Computer Software	Management Rights	Goodwill	Total
	(Rupees in '000)							
At January 1,								
Cost	3,720,009	2,367,577	2,195,587	8,283,173	3,354,894	2,367,577	1,942,348	7,664,819
Accumulated amortisation	(2,588,720)	-	-	(2,588,720)	(2,341,223)	-	-	(2,341,223)
Net book value	<u>1,131,289</u>	<u>2,367,577</u>	<u>2,195,587</u>	<u>5,694,453</u>	<u>1,013,671</u>	<u>2,367,577</u>	<u>1,942,348</u>	<u>5,323,596</u>
Year ended December 31,								
Opening net book value	1,131,289	2,367,577	2,195,587	5,694,453	1,013,671	2,367,577	1,942,348	5,323,596
Purchased during the year	1,304,263	-	-	1,304,263	796,647	-	-	796,647
Amortisation charge	(321,624)	-	-	(321,624)	(683,948)	-	-	(683,948)
Exchange rate adjustments	7,835	-	343,173	351,008	-	-	253,239	253,239
Other adjustments	5,370	-	-	5,370	4,919	-	-	4,919
Closing net book value	<u>2,127,133</u>	<u>2,367,577</u>	<u>2,538,760</u>	<u>7,033,470</u>	<u>1,131,289</u>	<u>2,367,577</u>	<u>2,195,587</u>	<u>5,694,453</u>
At December 31,								
Cost	5,201,329	2,367,577	2,538,760	10,107,666	3,720,009	2,367,577	2,195,587	8,283,173
Accumulated amortisation	(3,074,196)	-	-	(3,074,196)	(2,588,720)	-	-	(2,588,720)
Net book value	<u>2,127,133</u>	<u>2,367,577</u>	<u>2,538,760</u>	<u>7,033,470</u>	<u>1,131,289</u>	<u>2,367,577</u>	<u>2,195,587</u>	<u>5,694,453</u>
Rate of amortisation (%)	<u>10 - 33.33</u>	-	-		<u>10 - 33.33</u>	-	-	
Useful life (years)	<u>3 - 10</u>	-	-		<u>3 - 10</u>	-	-	

Notes to the Consolidated Financial Statements

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- 11.1.1 With effect from January 2018, the estimated useful lives of certain items of computer software have been revised and amortisation rates have been changed from 33% to 10% - 33% to make them more reflective of the consumption pattern of the assets. The effect of these changes on amortisation expense in the current year and the next year is as follows:

	2019 (Rupees in '000)	2018 (Rupees in '000)
Decrease in amortisation expense of computer software	<u>312,753</u>	<u>448,566</u>

- 11.2 The cost of fully amortised intangible assets that are still in the Bank's use amounted to Rs 1,702.357 million (2017: Rs 1,702.357 million).

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
11.3 Goodwill arising on acquisition of			
- HBL Bank UK (formerly Habibsons Bank Limited)	11.3.1	2,183,253	1,840,080
- PICIC AMC	11.3.2	355,507	355,507
		<u>2,538,760</u>	<u>2,195,587</u>

- 11.3.1 Habib Allied Holding Limited (HAHL) recorded goodwill on acquisition of HBL Bank UK (formerly Habibsons Bank Limited). HAHL has conducted an impairment assessment of goodwill as at December 31, 2018. The recoverable amount of the segment to which goodwill has been allocated, was determined based on value-in-use calculations which require the use of assumptions. The calculation uses cash flows projections covering a five year period which have been approved by management.

Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The growth rates are consistent with industry forecasts and management's best estimate of future growth of the segment.

The following table sets out the key assumptions which were used for the determination of the value-in-use of goodwill:

	2018
Advances growth rate (%)	9.00 - 24.00
Yield on advances (%)	4.44 - 5.00
Yield on surplus funds (%)	3.20 - 3.46
Deposits growth rate (%)	5.00 - 10.00
Cost of saving deposits (%)	0.95 - 1.28
Cost of term deposits (%)	2.09 - 2.42
Long term weighted average growth rate (%)	1.47
Pre tax discount rate (%)	10.25

- 11.3.2 HBL AML has conducted an impairment assessment of goodwill and management rights resulting from the acquisition of PICIC Asset Management Company (PICIC AMC) as at December 31, 2018. The recoverable amount for both goodwill and management rights is based on value-in-use calculations which require the use of assumptions. The management of HBL AML has considered the funds under management as acquired from PICIC AMC as one Cash Generating Unit (CGU) for the purpose of calculating value-in-use. The cash flow projections used in the calculations are based on financial projections covering a five-year period and approved by management. Cash flows beyond the five year period are extrapolated using estimated growth rates.

The following table sets out the key assumptions which were used for the determination of value-in-use for goodwill and management rights:

	2018	2017
Discount rate (%)	17.84	14.31
Long term growth rate (%)	9.00	9.00
Management fee rate (%)	0.50 - 2.00	0.50 - 2.00
Growth rate for funds under management (%)	10.00 - 59.40	10.00 - 40.00

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12	DEFERRED TAX ASSETS	Note	2018 (Rupees in '000)	2017 (Restated)
	Deductible temporary differences on			
	- Tax losses of subsidiary		83,496	101,331
	- Tax losses of overseas branches		249,991	-
	- Provision against investments		1,403,506	378,911
	- Provision against doubtful debts and off-balance sheet obligations		3,295,092	3,268,549
	- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001		1,383,110	1,273,915
	- Provision against other assets		45,760	63,953
	- Deficit on revaluation of investments	20	3,685,083	168,988
	- Deficit on revaluation of fixed assets		147,144	147,144
	- Islamic financing Ijarah		101,123	-
	- Others		61,503	66,539
			10,455,808	5,469,330
	Taxable temporary differences on			
	- Accelerated tax depreciation	20	(1,849,670)	(124,158)
	- Surplus on revaluation of fixed assets		(1,125,186)	(1,155,718)
	- Surplus on revaluation of fixed assets of associates		(50,608)	(11,227)
	- Surplus on revaluation of non-banking assets	20	-	(847)
	- Management rights and goodwill		(157,939)	(81,693)
	- Share of profit of associates		(4,880,054)	(4,690,782)
	- Exchange translation reserve		(1,821,634)	(376,273)
			(9,885,091)	(6,440,698)
	Net deferred tax assets / (liabilities)		570,717	(971,368)

12.1 Movement in temporary differences during the year

	Balance as at January 1, 2017	Recognised in profit and loss	Recognised in equity	Other movement	Balance as at December 31, 2017	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2018
	(Rupees in '000)							
Deductible temporary differences on								
- Tax losses of subsidiary	152,873	(97,431)	14,930	30,959	101,331	(30,959)	13,124	83,496
- Tax losses of overseas branches	-	-	-	-	-	249,991	-	249,991
- Provision against investments	142,699	250,681	-	(14,469)	378,911	1,024,595	-	1,403,506
- Provision against doubtful debts and off-balance sheet obligations	3,373,254	(128,476)	-	23,771	3,268,549	26,543	-	3,295,092
- Liabilities written back under section 34(5) of the ITO 2001	1,256,871	17,065	(146)	125	1,273,915	109,195	-	1,383,110
- Provision against other assets	72,853	(8,900)	-	-	63,953	(18,193)	-	45,760
- Deficit on revaluation of investments	(5,906,145)	-	6,075,133	-	168,988	-	3,516,095	3,685,083
- Deficit on revaluation of fixed assets	157,419	(10,275)	-	-	147,144	-	-	147,144
- Islamic financing Ijarah	-	-	-	-	-	101,123	-	101,123
- Others	32,142	5,905	5,381	23,111	66,539	(15,787)	10,751	61,503
Taxable temporary differences on								
- Accelerated tax depreciation	(110,152)	(23,481)	3,940	5,535	(124,158)	(1,730,544)	5,032	(1,849,670)
- Surplus on revaluation of fixed assets	(708,765)	25,506	(472,459)	-	(1,155,718)	31,298	(766)	(1,125,186)
- Surplus on revaluation of fixed assets of associates	(16,510)	-	5,283	-	(11,227)	-	(39,381)	(50,608)
- Surplus on revaluation of non-banking assets	(6,203)	90	5,266	-	(847)	81	766	-
- Management rights and goodwill	-	(81,693)	-	-	(81,693)	(76,246)	-	(157,939)
- Share of profit of associates	(4,420,572)	(270,210)	-	-	(4,690,782)	(189,272)	-	(4,880,054)
- Exchange translation reserve	(110,747)	110,747	(376,273)	-	(376,273)	-	(1,445,361)	(1,821,634)
Net deferred tax (liabilities) / assets	(6,090,983)	(210,472)	5,261,055	69,032	(971,368)	(518,175)	2,060,260	570,717

Notes to the Consolidated Financial Statements

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13	OTHER ASSETS	Note	2018 (Rupees in '000)	2017 (Restated)
	Mark-up / return / profit / interest accrued in local currency		29,286,417	30,448,216
	Mark-up / return / profit / interest accrued in foreign currency		2,618,087	2,426,564
	Advances, deposits, advance rent and other prepayments		2,896,944	2,691,028
	Advance taxation		44,618,050	27,664,218
	Advances for subscription of shares		50,000	50,000
	Stationery and stamps on hand		96,756	65,092
	Accrued fees and commissions		1,042,503	726,955
	Due from Government of Pakistan / SBP		1,076,509	1,151,538
	Mark to market gain on forward foreign exchange contracts		9,257,482	4,086,999
	Mark to market gain on derivative instruments	22.2	53,987	102,616
	Non-banking assets acquired in satisfaction of claims	13.1	1,596,579	1,728,765
	Receivable from defined benefit plan	36.4.4	35,293	-
	Branch adjustment account		678,113	-
	Acceptances		12,526,361	12,074,889
	Clearing and settlement accounts		1,894,880	2,531,088
	Dividend receivable		4,443	40,010
	Claims against fraud and forgeries		545,909	511,631
	Others		1,684,211	600,959
			<u>109,962,524</u>	<u>86,900,568</u>
	Provision held against other assets	13.2	(923,201)	(825,520)
	Other assets - net of provision		<u>109,039,323</u>	<u>86,075,048</u>
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	20.2	421,742	283,667
	Other assets - total		<u>109,461,065</u>	<u>86,358,715</u>

13.1 Details of revaluation of non-banking assets acquired in satisfaction of claims

The details of the latest revaluation of non-banking assets acquired in satisfaction of claims are as follows:

	Note	2018 (Rupees in '000)	2017
Carrying amount as at December 31,		1,844,326	2,340,949
Revalued amount as at December 31,		1,995,169	1,967,665
Increase/ (decrease) in surplus	20.2	140,421	(390,952)
Reversal of impairment		10,422	17,668
Year in which last valuation conducted		2018	2017

13.1.1 Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuers as at December 31, 2018. The revaluation was carried out by M/s Joseph Lobo (Private) Limited, M/s Harvester Services (Private) Limited, M/s J & M Associates, and M/s Creative Consultant and Construction on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs 140.421 million. The total surplus arising against revaluation of non banking assets acquired in satisfaction of claims as at December 31, 2018 amounts to Rs 421.742 million.

13.1.2	Non-banking assets acquired in satisfaction of claims	Note	2018 (Rupees in '000)	2017
	Opening balance		1,967,665	2,383,392
	Exchange adjustment		-	10,548
	Additions		-	68,374
	Revaluation during the year	20.2	140,421	(390,952)
	Transferred to fixed asset		(122,988)	(120,147)
	Depreciation		(351)	(1,218)
	Impairment reversal		10,422	17,668
	Closing balance		<u>1,995,169</u>	<u>1,967,665</u>

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For the year ended December 31, 2018

	Note	2018 (Rupees in '000)	2017
13.2 Provision held against other assets			
Advances, deposits, advance rent and other prepayments		5,819	3,324
Non-banking assets acquired in satisfaction of claims		23,152	44,767
Claims against fraud and forgery		545,909	511,631
Suit filed cases		294,272	233,602
Others		54,049	32,196
		923,201	825,520
13.2.1 Movement in provision against other assets			
Opening balance		825,520	537,651
Exchange adjustment		62,052	14,294
Charge for the year		220,974	566,741
Reversal for the year		(13,831)	(70,070)
Net charge		207,143	496,671
Written off during the year		(164,427)	(81,494)
Transfer out on sale of Kenya business		-	(157,002)
Other movement		(7,087)	15,400
Closing balance		923,201	825,520
14 BILLS PAYABLE			
In Pakistan		41,396,984	31,316,400
Outside Pakistan		1,063,584	2,435,819
		42,460,568	33,752,219
15 BORROWINGS			
Secured			
Borrowings from the SBP under			
- Export refinance scheme	15.2	33,533,707	26,343,510
- Long term financing facility	15.3	10,453,762	9,781,716
- Financing facility for renewable energy power plants	15.4	104,853	70,407
- Refinance facility for modernization of SMEs	15.5	14,300	9,500
- Financing facility for storage of agricultural produce	15.6	7,500	-
		44,114,122	36,205,133
Repurchase agreement borrowings	15.7	375,076,788	279,802,790
		419,190,910	316,007,923
Unsecured			
- Call money borrowings	15.8	5,700,000	11,385,000
- Overdrawn nostro accounts		6,053,011	1,829,975
- Borrowings of overseas branches and subsidiaries	15.9	43,439,812	28,375,417
- Other long-term borrowings	15.10	48,935,322	40,204,352
		104,128,145	81,794,744
		523,319,055	397,802,667
15.1 Particulars of borrowings with respect to currencies			
In local currency		414,536,805	314,696,249
In foreign currencies		108,782,250	83,106,418
		523,319,055	397,802,667

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

- 15.2 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 (2017: 1.00% to 2.00% per annum) and are due to mature latest by June 26, 2019.
- 15.3 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 (2017: 2.00% to 10.10% per annum) and are due to mature latest by December 18, 2028.
- 15.4 These borrowings have been obtained from the SBP under a scheme for financing the renewable energy power plants to promote renewable energy projects in the country. These carry mark up at 2.00% per annum (2017: 2.00% per annum) and are due to mature latest by July 6, 2027.
- 15.5 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 2.75% to 4.75% per annum (2017: 2.00% to 3.25% per annum) and are due to mature latest by March 31, 2021.
- 15.6 This borrowing has been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage private sector to establish Silos, Warehouses and Cold Storages. This carries mark up at 3.50% per annum and is due to mature latest by March 31, 2021.
- 15.7 Repurchase agreement borrowings carry mark-up at rates ranging from 3.28% to 10.41% per annum (2017: 2.13% to 5.86% per annum) and are due to mature latest by June 17, 2019. The market value of securities given as collateral against these borrowings is given in note 8.2.1.
- 15.8 Call money borrowings carry mark-up at rates ranging from 10.25% to 10.40% per annum (2017: 5.60% to 6.00% per annum) and are due to mature latest by January 3, 2019.
- 15.9 Borrowings by overseas branches and subsidiaries carry mark-up at rates ranging from 0.35% to 7.90% per annum (2017: 0.25% to 8.50% per annum) and are due to mature latest by September 16, 2019.
- 15.10 This includes following:
- 15.10.1 A loan from the International Finance Corporation amounting to US\$ 150 million (2017: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5.00% is payable semi annually from June 2015.
- 15.10.2 A loan from the China Development Bank amounting to US\$ 188 million (2017: US\$ 196 million). The principal amount is payable in six half yearly installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi annually from June 2017.
- 15.10.3 A loan from Allied Bank Limited amounting to Rs 2 billion (2017: Rs 2 billion). The principal amount is payable in ten equal half yearly installments from June 2020 to December 2024. Interest at KIBOR + 0.75% is payable semi annually commencing from June 2018.

16 DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	665,733,802	138,623,094	804,356,896	593,427,238	133,998,155	727,425,393
Savings deposits	808,534,689	94,595,375	903,130,064	786,143,531	90,194,815	876,338,346
Term deposits	254,106,362	118,117,489	372,223,851	238,734,663	90,132,591	328,867,254
	1,728,374,853	351,335,958	2,079,710,811	1,618,305,432	314,325,561	1,932,630,993
Financial institutions						
Current deposits	5,673,657	2,511,443	8,185,100	3,937,532	1,841,119	5,778,651
Savings deposits	40,106,567	181,029	40,287,596	59,294,770	-	59,294,770
Term deposits	7,110,418	1,999,140	9,109,558	1,229,818	825	1,230,643
	52,890,642	4,691,612	57,582,254	64,462,120	1,841,944	66,304,064
	1,781,265,495	356,027,570	2,137,293,065	1,682,767,552	316,167,505	1,998,935,057

Notes to the Consolidated Financial Statements

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	2018 (Rupees in '000)	2017
16.1 Composition of deposits		
- Individuals	1,183,366,585	1,052,635,512
- Government (Federal and Provincial)	146,580,293	126,409,404
- Public Sector Entities	74,000,479	62,928,539
- Banking Companies	15,864,928	2,195,171
- Non-Banking Financial Institutions	41,717,326	64,108,893
- Private Sector	675,763,454	690,657,538
	2,137,293,065	1,998,935,057

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 1,306,520.436 million (2017: Rs 1,190,252.649 million).

17 SUBORDINATED DEBT

The Bank has issued Over The Counter (OTC) listed, Term Finance Certificates (TFCs) as instruments of redeemable capital under Section 66 of the Companies Act, 2017 and the Basel III Guidelines set by the SBP. The key features of the issue are as follows:

Issue date	February 19, 2016
Issue amount	Rupees 10 billion
Rating	AAA (Triple A) {2017: AA+ (Double A plus)}
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 + 0.50% {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".

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 (Rupees in '000)	2017 (Restated)
18 OTHER LIABILITIES			
Mark-up / return / profit / interest payable in local currency		9,863,109	9,535,298
Mark-up / return / profit / interest payable in foreign currency		2,073,700	1,237,469
Security deposits		1,529,172	1,069,214
Accrued expenses		14,224,497	10,322,514
Mark to market loss on forward foreign exchange contracts		6,820,641	891,964
Mark to market loss on derivative instruments	22.2	1,248,504	50,418
Unclaimed dividends		685,622	417,969
Dividends payable		368,514	294,740
Provision for post retirement medical benefits	36.4.4	3,945,133	3,264,502
Provision for employees' compensated absences	36.4.4	3,080,403	4,065,541
Provision against off-balance sheet obligations	18.1	479,510	385,361
Acceptances		12,526,361	12,074,889
Branch adjustment account		-	377,284
Provision for staff retirement benefits		1,101,009	1,065,082
Payable to defined benefit plans	36.4.4	970,439	1,376,963
Provision for Workers' Welfare Fund	29	4,697,450	4,323,993
Unearned income		998,598	922,990
Qarza-e-Hasna Fund		339,107	339,402
Levies and taxes payable		3,963,884	1,758,747
Insurance payable		670,230	616,494
Provision for rewards program expenses		1,087,209	851,787
Liability against trading of securities		34,755,041	5,931,172
Clearing and settlement accounts		3,930,956	1,570,768
Payable to HBL Foundation		125,812	82,672
Contingent consideration payable		500,000	500,000
Charity fund		4,765	233,247
Others		3,548,585	2,451,652
		113,538,251	66,012,132
18.1 Provision against off-balance sheet obligations		2018 (Rupees in '000)	2017
Opening balance		385,361	928,634
Exchange adjustment		11,688	(103)
Charge for the year		121,962	89,440
Reversal for the year		(50,806)	(621,162)
Net charge / (reversal)		71,156	(531,722)
Impact of adoption of IFRS 9	4.1.2	11,305	-
Other movement		-	(11,448)
Closing balance		479,510	385,361
19 SHARE CAPITAL			
19.1 Authorised capital			
		2018	2017
		Number of shares in '000	
		2,900,000	2,900,000
		Ordinary shares of Rs 10 each	
		29,000,000	29,000,000
19.2 Issued, subscribed and paid-up capital			
		2018	2017
		Number of shares in '000	
		690,000	690,000
		Ordinary shares of Rs 10 each	
		776,852	776,852
		Fully paid in cash	
		1,466,852	1,466,852
		Issued as bonus shares	
		6,900,000	6,900,000
		7,768,525	7,768,525
		14,668,525	14,668,525

Notes to the Consolidated Financial Statements

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

Name of shareholder	2018		2017	
	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%

19.4 Shares of the Bank held by associated companies

	2018 (Number of shares)	2017
Jubilee General Insurance Company Limited	4,270,000	4,465,537
Jubilee Life Insurance Company Limited	13,025,000	7,727,000
HLB Equity Fund	101,400	81,100
HLB Government securities Fund	-	300
HLB Growth Fund Class B	1,859,300	-
HLB Investment Fund Class B	967,100	-
HLB Multi Asset Fund	73,971	77,971
HLB Stock Fund	1,442,619	1,685,419
PICIC Growth Fund	-	1,493,400
PICIC Investment Fund	-	784,500

19.5 Exchange translation reserve

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

19.6 Statutory reserve

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. Accordingly the Bank transfers 10% of its profit after tax every year to this reserve.

20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Note	2018			2017 (Restated)			
	Attributable to		Total	Attributable to		Total	
	Equity holders	Non-controlling interest		Equity holders	Non-controlling interest		
----- (Rupees in '000) -----							
Surplus / (deficit) arising on revaluation of assets, on							
- Fixed assets	20.1	22,611,081	4,285	22,615,366	22,705,686	5,211	22,710,897
- Available-for-sale securities	8.1	(11,500,460)	(49,031)	(11,549,491)	(745,815)	(3,964)	(749,779)
- Available-for-sale securities held by associates	8.1	505,327	-	505,327	188,799	-	188,799
- Non-banking assets acquired in satisfaction of claims	20.2	421,742	-	421,742	283,667	-	283,667
		12,037,690	(44,746)	11,992,944	22,432,337	1,247	22,433,584
Tax on surplus / (deficit) on revaluation of:							
- Fixed assets	20.1	1,174,294	1,500	1,175,794	1,165,121	1,824	1,166,945
- Available-for-sale securities		(3,845,111)	1,739	(3,843,372)	(220,163)	750	(219,413)
- Available-for-sale securities held by associates		176,864	-	176,864	66,080	-	66,080
- Non-banking assets acquired in satisfaction of claims	20.2	-	-	-	847	-	847
		(2,493,953)	3,239	(2,490,714)	1,011,885	2,574	1,014,459
Surplus on revaluation of assets - net of tax		14,531,643	(47,985)	14,483,658	21,420,452	(1,327)	21,419,125

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018 (Rupees in '000)	2017 (Restated)
20.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1,	22,563,834	12,641,903
Surplus recognised during the year	-	9,979,303
Transferred from surplus on revaluation of non-banking assets	2,114	15,504
Surplus realised on disposal of revalued properties during the year - net of deferred tax	(6,031)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(57,849)	(47,370)
Related deferred tax liability on surplus realised on disposal of revalued properties	(149)	-
Related deferred tax liability on incremental depreciation charged during the year	(31,149)	(25,506)
Surplus on revaluation of fixed assets as at December 31,	22,470,770	22,563,834
Less: related deferred tax liability on		
- Revaluation as at January 1,	1,155,718	708,765
- Revaluation recognised during the year	-	467,033
- Amount transferred from surplus on revaluation of non-banking assets	766	5,426
- Surplus realised on disposal of revalued properties during the year	(149)	-
- Incremental depreciation charged during the year	(31,149)	(25,506)
	1,125,186	1,155,718
Surplus on revaluation of fixed assets of associates	144,596	147,063
Related deferred tax liability	(50,608)	(11,227)
	93,988	135,836
	21,439,572	21,543,952

20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

	2018 (Rupees in '000)	2017
Surplus on revaluation as at January 1,	283,667	690,381
Surplus recognised / (reversed) during the year	140,421	(390,952)
Transferred to surplus on revaluation of fixed assets	(2,114)	(15,504)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(151)	(168)
Related deferred tax liability on incremental depreciation charged during the year	(81)	(90)
Surplus on revaluation as at December 31,	421,742	283,667
Less: related deferred tax liability on		
- Revaluation as at January 1,	847	6,203
- Revaluation recognised during the year	-	160
- Amount transferred to surplus on revaluation of fixed assets	(766)	(5,426)
- Incremental depreciation charged during the year	(81)	(90)
	-	847
	421,742	282,820

	Note	2018 (Rupees in '000)	2017 (Restated)
21 CONTINGENCIES AND COMMITMENTS			
- Guarantees	21.1	159,697,996	164,569,306
- Commitments	21.2	560,440,455	392,999,972
- Other contingent liabilities	21.3	26,316,205	28,370,682
		746,454,656	585,939,960
21.1 Guarantees:			
Financial guarantees		42,152,199	39,177,664
Performance guarantees		110,071,040	120,372,716
Other guarantees		7,474,757	5,018,926
		159,697,996	164,569,306

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	Note	2018 (Rupees in '000)	2017 (Restated)
21.2 Commitments:			
Trade-related contingent liabilities		99,605,884	120,073,515
Commitments in respect of:			
- forward foreign exchange contracts	21.2.1	396,554,320	226,925,165
- forward Government securities transactions	21.2.2	39,177,791	20,243,788
- derivatives	21.2.3	18,896,504	13,656,576
- forward lending	21.2.4	4,300,849	6,478,622
- operating lease	21.2.5	602,569	595,871
		<u>459,532,033</u>	<u>267,900,022</u>
Commitments for acquisition of:			
- fixed assets		680,462	4,396,205
- intangible assets		622,076	630,230
		<u>560,440,455</u>	<u>392,999,972</u>
		2018 (Rupees in '000)	2017 (Rupees in '000)
21.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		243,503,864	142,571,667
Sale		153,050,456	84,353,498
		<u>396,554,320</u>	<u>226,925,165</u>
21.2.2 Commitments in respect of forward Government Securities transactions			
Purchase		33,489,184	20,243,788
Sale		5,688,607	-
		<u>39,177,791</u>	<u>20,243,788</u>
21.2.3 Commitments in respect of derivatives			
Foreign currency options			
Purchase		532,918	-
Sale		532,918	-
		<u>1,065,836</u>	<u>-</u>
Cross Currency swaps			
Purchase		2,874,784	1,633,987
Sale		3,490,361	1,707,050
		<u>6,365,145</u>	<u>3,341,037</u>
Interest rate swaps			
Purchase		-	-
Sale		11,465,523	10,315,539
		<u>11,465,523</u>	<u>10,315,539</u>
21.2.4 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to extend credit		<u>4,300,849</u>	<u>6,478,622</u>
These represent commitments that are irrevocable because they can not be withdrawn at the discretion of the Bank without the risk of incurring any significant penalty or expense.			
		2018 (Rupees in '000)	2017 (Rupees in '000)
21.2.5 Commitments in respect of operating lease			
Not later than one year		409,045	88,200
Later than one year and not later than five years		57,845	384,974
Later than five years		135,679	122,697
		<u>602,569</u>	<u>595,871</u>
21.3 Other contingent liabilities			
21.3.1 Claims against the Bank not acknowledged as debts		<u>26,316,205</u>	<u>28,370,682</u>

Notes to the Consolidated Financial Statements

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These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Group 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.

- 21.3.2 The Bank's branch in New York is licensed by the New York State Department of Financial Services (NYDFS) and 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, the Bank, its New York Branch and the New York State Department of Financial Services agreed to a Consent Order as disclosed in Note 29 to the Financial Statements for the year ended December 31, 2017. Pursuant to the Order, the Bank and its New York Branch continue to cooperate with the US regulators. The expanded review by an independent party, as envisaged in the Order, is in progress and the wind-down plan for the Branch has been submitted to the regulators. To date there are no adverse findings from the review.

As stated in the above-mentioned Note 29, the U.S. Attorney's Office for the Eastern District of New York, a component of the U.S. Department of Justice (DOJ), had sought documents in relation to the Branch's compliance with anti-money laundering laws and the Bank Secrecy Act. 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.

22 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 risk management related to derivative is disclosed in note 45.5 to the financial statements.

22.1 Product Analysis

Counterparties	2018					
	Foreign currency options		Cross currency swaps		Interest rate Swaps	
	Notional principal	Mark to market gain/ (loss)	Notional principal	Mark to market gain/ (loss)	Notional principal	Mark to market gain/ (loss)
(Rupees in '000)						
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	532,918	10,607	3,015,075	(356,409)	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	532,918	(10,607)	3,350,070	(211,107)	11,465,523	(627,001)
Total						
Hedging	-	-	-	-	-	-
Market Making	1,065,836	-	6,365,145	(567,516)	11,465,523	(627,001)

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For the year ended December 31, 2018

Counterparties	2017					
	Foreign currency options		Cross currency swaps		Interest rate Swaps	
	Notional principal	Mark to market gain/(loss)	Notional principal	Mark to market gain/(loss)	Notional principal	Mark to market gain/(loss)
(Rupees in '000)						
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	-	-	3,018,211	(42,107)	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	-	-	322,826	(8,311)	10,315,539	102,616
Total						
Hedging	-	-	-	-	-	-
Market Making	-	-	3,341,037	(50,418)	10,315,539	102,616

22.2 Maturity Analysis

2018					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 Month	7	893,893	(71,816)	3,837	(67,979)
1 to 3 Months	11	910,804	(57,552)	5,496	(52,056)
3 Months to 6 Months	7	1,125,729	(7,299)	1,273	(6,026)
6 Months to 1 Year	1	485,524	(71,857)	-	(71,857)
1 to 2 Years	1	386,778	(23,737)	-	(23,737)
2 to 3 Years	3	2,047,121	(216,573)	-	(216,573)
3 to 5 Years	17	8,948,856	(511,599)	43,381	(468,218)
5 to 10 Years	3	4,097,799	(288,071)	-	(288,071)
	50	18,896,504	(1,248,504)	53,987	(1,194,517)
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 10 Years	12	5,722,000	-	44,756	44,756
	22	13,656,576	(50,418)	102,616	52,198

23 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	2018 (Rupees in '000)	2017 (Rupees in '000)
On:		
Loans and advances	77,821,986	59,015,601
Investments	82,123,560	87,003,750
Lendings to financial institutions	4,117,317	1,271,660
Balances with banks	1,219,889	719,258
	165,282,752	148,010,269

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For the year ended December 31, 2018

24	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		2018	2017
			(Rupees in '000)	(Restated)
	On:			
	Deposits		61,459,612	45,801,147
	Securities sold under repurchase agreement borrowings		12,955,219	14,624,057
	Borrowings		6,850,974	3,854,997
	Subordinated debt		748,019	662,596
	Cost of foreign currency swaps against foreign currency deposits / borrowings		1,592,062	1,234,216
			83,605,886	66,177,013
25	FEE AND COMMISSION INCOME	Note	2018	2017
			(Rupees in '000)	
	Branch banking customer fees		3,866,759	4,024,375
	Consumer finance related fees		1,047,736	790,303
	Card related fees (debit and credit cards)		4,159,438	4,620,533
	Credit related fees		989,677	760,269
	Investment banking fees		988,544	1,026,929
	Commission on trade related products and guarantees		2,469,831	3,080,281
	Commission on cash management		659,051	572,890
	Commission on remittances including home remittances		306,167	1,729,765
	Commission on bancassurance		2,840,072	2,788,793
	Commission on Benazir Income Support Programme (BISP)		396,392	542,235
	Management fee		850,918	861,130
	Merchant discount and interchange fees		1,701,108	982,913
	Others		413,867	555,662
			20,689,560	22,336,078
	Less: Sales tax / Federal Excise Duty on fee and commission income		(2,665,443)	(2,817,026)
			18,024,117	19,519,052
26	GAIN ON SECURITIES - NET			
	Realised	26.1	1,019,091	7,838,034
	Unrealised - held-for-trading	8.1	10,789	(73,353)
			1,029,880	7,764,681
26.1	Gain / (loss) on securities - realised			
	Federal Government securities			
	- Market Treasury Bills		948	10,858
	- Pakistan Investment Bonds		1,112,936	7,236,815
	- Ijarah Sukuks		(82,511)	9,042
	Shares and units of mutual funds		(36,453)	(275,749)
	Non-Government debt securities		(16,047)	-
	Foreign securities		40,218	857,068
			1,019,091	7,838,034
27	OTHER INCOME			
	Incidental charges		286,151	453,721
	Gain on sale of fixed assets - net		55,195	33,107
	Rent on properties		76,077	69,627
	Loss on sale of Bank branches - net		-	(7,583)
	Scrap Sales		18,954	-
	Grant Income		-	76,865
			436,377	625,737

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	Note	2018 (Rupees in '000)	2017 (Restated)
28 OPERATING EXPENSES			
Salaries, allowances, etc.	28.1	26,894,423	25,417,842
Charge for defined benefit / contribution plan and other benefits	28.2	2,288,761	3,637,089
Property expense			
Rent and taxes		4,523,198	3,947,620
Insurance		112,363	81,171
Utilities cost		2,025,884	1,724,752
Security (including guards)		1,721,902	1,514,071
Repair and maintenance (including janitorial charges)		2,160,583	1,764,900
Depreciation	10.2	1,708,972	1,775,233
Reversal of impairment		-	(673,370)
		12,252,902	10,134,377
Information technology expenses			
Software maintenance		1,941,942	1,182,760
Hardware maintenance		559,895	582,763
Depreciation	10.2	1,003,129	1,019,755
Amortisation	11.1	321,624	683,948
Network charges		1,174,789	1,223,109
Consultancy charges		395,356	342,307
		5,396,735	5,034,642
Other operating expenses			
Non-Executive Directors' fees		55,600	54,400
Fees and allowances to Shariah Board		7,931	7,120
Legal and professional charges		4,177,128	1,041,647
Outsourced services costs		1,402,096	1,282,938
Travelling and conveyance		911,766	801,885
Insurance		630,071	327,010
Remittance charges		794,968	649,468
Security charges		1,293,953	1,054,840
Repairs and maintenance		490,425	384,498
Depreciation	10.2	516,083	529,817
Training and development		357,054	290,893
Postage and courier charges		598,655	512,788
Communication		661,439	394,399
Stationery and printing		1,397,592	1,241,600
Marketing, advertisement and publicity		2,868,418	3,097,298
Donations	28.4	128,312	89,059
Auditors' remuneration	28.5	263,814	254,769
Brokerage and commission		254,927	194,443
Subscription		145,713	163,758
Documentation and processing charges		1,482,274	1,170,954
Entertainment		300,707	258,234
Consultancy charges		10,296,854	2,975,139
Deposit premium expense		952,202	-
Others		559,412	299,537
	28.3	30,547,394	17,076,494
		77,380,215	61,300,444

- 28.1 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 employees, 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 2017 was Nil (2017: Rs 170 million in respect of the year 2016). The aggregate amount paid during the year to Executives, in respect of the year 2017, was Rs 926.518 million (2017: Rs 1,693.515 million in respect of the year 2016).
- 28.2 On February 13, 2018 the Honourable Supreme Court of Pakistan announced a judgement based on a proposal submitted by banks, including HBL, in which it raised the minimum monthly pension of employees. Based on legal advice and in accordance with the Honourable Supreme Court's Order, the change in scheme is prospectively applied from the date of the judgement and the payments to eligible persons are being made accordingly.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

- 28.3 The total cost for the year included in other operating expenses relating to outsourced activities is Rs 1,822.828 million (2017: Rs 1,639.015 million). This cost includes outsourced services costs, which are disclosed specifically in note 28. Of the total cost, Rs 1,682.732 million (2017: Rs 1,490.924 million) pertains to companies incorporated in Pakistan and Rs 140.096 million (2017: Rs 148.091 million) pertains to companies incorporated outside Pakistan. The material outsourcing arrangements along with their nature of services are as follows:

Name of company	Nature of service	2018 (Rupees in '000)	2017
APEX Printry (Private) Limited	Cheque book printing services	119,055	143,768
Insource (Private) Limited	Cheque book printing services	99,532	98,688
Euronet Pakistan (Private) Limited	Host environment configuration, POS terminal and card outsourcing services	45,512	29,059
		264,099	271,515

28.4 Details of Donations

Donations individually exceeding Rs 500,000

HLB Foundation	125,812	82,672
Anjuman Behbood-e-Samat-e-Atfal	2,500	-
The Indus Hospital	-	2,500
Aghosh Special Children School through Shahsawar Fund HQ 6 Armored Division	-	2,500
Reham Khan Foundation	-	1,167
Donations individually not exceeding Rs 500,000	-	220
	128,312	89,059

Mr. Muhammad Aurangzeb, President and Chief Executive Officer, Mr. Sagheer Mufti, Chief Operating Officer, Mr. Rayomond Kotwal, Chief Financial Officer, Mr. Jamal Nasir, Chief Human Resources Officer and Mr. Sajid Zahid, Director till March 26, 2018 are Trustees of the HBL Foundation.

28.5 Auditors' remuneration

	2018			2017		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
Audit and audit related fees						
Audit fee of the Bank	25,954	73,068	99,022	24,143	54,869	79,012
Audit fee of subsidiaries	3,221	42,315	45,536	2,859	42,467	45,326
Fees for other statutory certifications	22,145	16,768	38,913	12,814	15,242	28,056
Out of pocket expenses	5,659	861	6,520	5,047	-	5,047
Sales tax on audit fees	2,076	-	2,076	1,931	-	1,931
	59,055	133,012	192,067	46,794	112,578	159,372
Other services						
Special certifications and sundry advisory services	31,300	17,223	48,523	27,782	49,043	76,825
Tax services	11,550	9,719	21,269	6,500	11,298	17,798
Out of pocket expenses	1,955	-	1,955	442	332	774
	44,805	26,942	71,747	34,724	60,673	95,397
	103,860	159,954	263,814	81,518	173,251	254,769

29 WORKERS' WELFARE FUND

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

The Honourable 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. Further, the Sindh Workers' Welfare Fund was levied during the year ended December 31, 2014 consequent to the 18th amendment in the Constitution. During the year, the management of the Group obtained a legal opinion which confirmed that review petitions filed against the Honourable Supreme Court's judgement have not been taken up for adjudication and the provision in respect of WWF can be reversed. Accordingly, the provision for WWF charged till December 31, 2013 amounting to Rs 3,323.960 million has been reversed in the profit and loss account and the remaining provision amounting to Rs 4,697.450 million pertaining to years 2014 onwards has been retained.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
30	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	474,821	2,505
	Penalties imposed by other regulatory bodies	20,905	28,851
		<u>495,726</u>	<u>31,356</u>
31	PROVISIONS AND WRITE OFFS - NET		
	Provision for diminution in value of investments	8.7 3,321,271	636,899
	Provision against loans and advances	9.5 1,961,357	463,130
	Provision against other assets	13.2.1 207,143	496,671
	Provision / (reversal) of provision against off-balance sheet obligations	18.1 71,156	(531,722)
	Bad debts written off directly	-	-
	Recoveries against written off / charged off bad debts	(528,510)	(512,684)
	Recoveries against written off investments	-	(171,032)
	Recoveries against written off other assets	(23,839)	(7,705)
		<u>5,008,578</u>	<u>373,557</u>
	Note	2018 (Rupees in '000)	2017 (Restated)
32	TAXATION		
	- Current	8,625,711	18,520,474
	- Prior years	-	1,907,630
	- Deferred	518,175	210,472
		<u>9,143,886</u>	<u>20,638,576</u>
32.1	Relationship between tax expense and accounting profit		
	Accounting profit for the current year	<u>21,584,829</u>	<u>29,486,850</u>
	Tax on income @ 39% (2017: 35%)	8,418,083	10,320,398
	Permanent differences		
	- Penalties imposed by the SBP and other regulatory bodies	193,333	10,975
	- Tax losses of subsidiary	30,959	97,431
	- Prior year charge	-	1,907,630
	- Others	501,511	8,302,142
	Tax charge for the current year	<u>9,143,886</u>	<u>20,638,576</u>
33	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the year attributable to equity holders of the Bank	<u>12,055,571</u>	<u>8,495,211</u>
		(Number)	
	Weighted average number of ordinary shares	<u>1,466,852,508</u>	<u>1,466,852,508</u>
		(Rupees) (Restated)	
	Basic and diluted earnings per share	<u>8.22</u>	<u>5.79</u>
33.1	Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.		
	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
34	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	5 279,460,688	246,043,030
	Balances with other banks	6 42,642,022	40,804,269
		<u>322,102,710</u>	<u>286,847,299</u>

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34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2018				
	Liabilities		Equity		
	Subordinated debt	Other liabilities	Reserves	Unappropriated profit	Non-controlling interest
	(Rupees in '000)				
Balance as at January 1, 2018	9,994,000	66,012,132	52,266,420	96,909,270	3,485,954
Changes from financing cash flows					
Repayment of subordinated debt	(4,000)	-	-	-	-
Dividend paid	-	-	-	(5,525,981)	-
Effect of translation of net investment by non-controlling interest in subsidiary	-	-	-	-	186,605
	(4,000)	-	-	(5,525,981)	186,605
Other changes					
Liability-related					
Changes in other liabilities					
- Cash based	-	46,492,509	-	-	-
- Dividend payable	-	341,427	-	(341,427)	-
- Non-cash based	-	692,183	-	-	-
Transfer of profit to statutory reserve	-	-	1,428,197	(1,428,197)	-
Total liability related other changes	-	47,526,119	1,428,197	(1,769,624)	-
Equity related other changes	-	-	10,740,626	11,992,655	337,921
Balance as at December 31, 2018	9,990,000	113,538,251	64,435,243	101,606,320	4,010,480

	2017 (Restated)				
	Liabilities		Equity		
	Subordinated debt	Other liabilities	Reserves	Unappropriated profit	Non-controlling interest
	(Rupees in '000)				
Balance as at January 1, 2017	9,998,000	57,837,591	47,958,414	105,338,759	3,448,108
Changes from financing cash flows					
Repayment of subordinated debt	(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)
Other changes					
Liability-related					
Changes in other liabilities					
- Cash based	-	5,758,728	-	-	-
- Dividend payable	-	241,649	-	(241,649)	-
- Non-cash based	-	2,174,164	-	-	-
Transfer of profit to statutory reserve	-	-	882,766	(882,766)	-
Total liability related other changes	-	8,174,541	882,766	(1,124,415)	-
Equity related other changes	-	-	3,425,240	7,855,229	335,790
Balance as at December 31, 2017	9,994,000	66,012,132	52,266,420	96,909,270	3,485,954

	2018	2017
	(Number)	(Number)
35 STAFF STRENGTH		
Permanent	20,093	18,085
On contract	161	158
Total staff strength	20,254	18,243

35.1 In addition to the above, 3,279 employees (2017: 3,282 employees) of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

	2018	2017
	(Number)	(Number)
35.2 Staff strength bifurcation		
Domestic	19,444	17,385
Overseas	810	858
	20,254	18,243

Notes to the Consolidated Financial Statements

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36 DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General Information

The Bank operates the following schemes for its employees:

36.1.1 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 36.1.3 below) and the provident fund (refer 36.1.4 below).

36.1.2 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.

36.1.3 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 36.1.1 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.

36.1.4 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 36.1.1 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.

36.1.5 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 the rules of the Fund.

36.1.6 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.

36.1.7 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.

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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.

36.1.8 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.

36.1.9 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.

36.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2018 using the Projected Unit Credit Method. The following significant assumptions were used for the valuation:

	2018 (Per annum)	2017
Valuation discount rate	13.25%	8.00%
Expected rate of increase in salary level	12.25%	7.00%
Expected rate of increase in pension (long term)	5.00%	0.00%
Expected rate of increase in medical benefit	11.25%	6.00%
Expected rate of return on funds invested	13.25%	8.00%

36.3 Number of employees under the scheme

	(Number)	
- Pension fund	2,152	2,580
- Gratuity fund	5	30
- Benevolent fund	16,357	15,156
- Post retirement medical benefit scheme	16,358	15,156
- Compensated absences	5,309	6,124
- Other Post-Retirement Benefits	1,958	1,789

36.4 Pension, gratuity, benevolent fund schemes and other benefits

36.4.1 The fair value of plan assets and the present value of defined benefit obligations of these schemes as at December 31, 2018 are as follows:

	2018					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Fair value of plan assets	4,434,303	39,550	2,190,450	-	-	-
Present value of defined benefit obligations	(5,404,742)	(4,257)	(1,090,293)	(3,945,133)	(3,080,403)	(504,466)
(Payable to) / receivable from the fund	(970,439)	35,293	1,100,157	(3,945,133)	(3,080,403)	(504,466)
	2017					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Fair value of plan assets	3,853,740	40,115	2,014,273	-	-	-
Present value of defined benefit obligations	(5,217,261)	(53,557)	(1,312,146)	(3,264,502)	(4,065,542)	(482,475)
(Payable to) / receivable from the fund	(1,363,521)	(13,442)	702,127	(3,264,502)	(4,065,542)	(482,475)

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36.4.2 Movement in the present value of defined benefit obligations

Note	2018					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Obligations at the beginning of the year	5,217,261	53,557	1,312,146	3,264,502	4,065,542	482,475
Current service cost	83,267	595	43,757	102,662	71,520	40,648
Interest cost	386,040	3,545	147,025	261,160	325,243	32,817
Benefits paid by the Bank	(489,603)	(16,099)	(177,862)	(321,603)	(522,067)	(61,495)
Past service cost	1,146,989	-	-	-	-	-
Remeasurement (gains) / losses	(939,212)	(37,341)	(234,773)	638,412	(859,835)	10,021
Obligations at the end of the year	5,404,742	4,257	1,090,293	3,945,133	3,080,403	504,466

	2017					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Obligations at the beginning of the year	4,969,585	58,772	1,316,849	3,130,623	2,545,747	475,701
Current service cost	77,246	1,288	7,995	25,282	83,604	35,245
Interest cost	382,829	3,844	99,746	235,110	176,363	38,056
Benefits paid by the Bank	(368,445)	(21,452)	(140,047)	(383,489)	(682,423)	(76,846)
Past service cost	-	-	-	-	-	-
Remeasurement losses	156,046	11,105	27,603	256,976	1,942,251	10,319
Obligations at the end of the year	5,217,261	53,557	1,312,146	3,264,502	4,065,542	482,475

36.4.3 Movement in fair value of plan assets

	2018			2017		
	Pension	Gratuity	Benevolent	Pension	Gratuity	Benevolent
	(Rupees in '000)					
Fair value at the beginning of the year	3,853,740	40,115	2,014,273	4,781,748	46,221	1,796,055
Expected return on plan assets	285,148	3,082	208,797	367,802	3,342	141,654
Contribution by the Bank	1,363,521	13,442	47,216	187,837	12,551	44,645
Contribution by the employees	-	-	47,230	-	-	44,645
Benefits paid by the Bank	(489,603)	(16,099)	(177,862)	(368,445)	(21,452)	(140,047)
Remeasurement (losses) / gains	(578,503)	(990)	50,796	(1,115,202)	(547)	127,321
Fair value at the end of the year	4,434,303	39,550	2,190,450	3,853,740	40,115	2,014,273

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

	2018					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Opening balance	1,363,521	13,442	(702,127)	3,264,502	4,065,542	482,475
Charge / (reversal) for the year	1,331,148	1,058	(65,245)	363,822	(463,072)	73,465
Contribution by the Bank - net	(1,363,521)	(13,442)	(47,216)	-	-	-
Remeasurement (gains) / losses recognised in OCI during the year	(360,709)	(36,351)	(285,569)	638,412	-	10,021
Benefits paid by the Bank	-	-	-	(321,603)	(522,067)	(61,495)
Closing balance	970,439	(35,293)	(1,100,157)	3,945,133	3,080,403	504,466

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	2017					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Opening balance	187,837	12,551	(479,206)	3,130,623	2,545,747	475,701
Charge / (reversal) for the year	92,273	1,790	(78,558)	260,392	2,202,218	73,301
Contribution by the Bank - net	(187,837)	(12,551)	(44,645)	-	-	-
Remeasurement losses / (gains) recognised in OCI during the year	1,271,248	11,652	(99,718)	256,976	-	10,319
Benefits paid by the Bank	-	-	-	(383,489)	(682,423)	(76,846)
Closing balance	1,363,521	13,442	(702,127)	3,264,502	4,065,542	482,475

36.4.5 Charge for defined benefit plans

36.4.5.1 Cost recognised in profit and loss

	2018					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Current service cost	83,267	595	43,757	102,662	71,520	40,648
Net interest on defined benefit asset / liability	100,892	463	(61,772)	261,160	325,243	32,817
Past service cost	1,146,989	-	-	-	-	-
Actuarial losses recognised	-	-	-	-	(859,835)	-
Contribution by the employees	-	-	(47,230)	-	-	-
	1,331,148	1,058	(65,245)	363,822	(463,072)	73,465

	2017					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Current service cost	77,246	1,288	7,995	25,282	83,604	35,245
Net interest on defined benefit asset / liability	15,027	502	(41,908)	235,110	176,363	38,056
Past service cost	-	-	-	-	-	-
Actuarial losses recognised	-	-	-	-	1,942,251	-
Contribution by the employees	-	-	(44,645)	-	-	-
	92,273	1,790	(78,558)	260,392	2,202,218	73,301

36.4.5.2 Remeasurements recognised in OCI during the year

	2018				
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Other Post-Retirement Benefits
	(Rupees in '000)				
(Gains) / losses on obligation					
- Financial assumptions	(1,255,572)	103	(388,271)	2,422,730	13,546
- Experience adjustment	316,360	(37,444)	153,498	(1,784,318)	(3,525)
	(939,212)	(37,341)	(234,773)	638,412	10,021
Losses / (gains) on plan assets	578,503	990	(50,796)	-	-
Total remeasurement (gains) / losses recognised in OCI	(360,709)	(36,351)	(285,569)	638,412	10,021

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	2017				
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Other Post-Retirement Benefits
	(Rupees in '000)				
Losses on obligation					
- Experience adjustment	156,046	11,105	27,603	256,976	10,319
Losses / (gains) on plan assets	1,115,202	547	(127,321)	-	-
Total remeasurement losses / (gains) recognised in OCI	1,271,248	11,652	(99,718)	256,976	10,319

36.4.6 Components of fair value of plan assets

	2018			2017		
	Pension	Gratuity	Benevolent	Pension	Gratuity	Benevolent
	(Rupees in '000)					
Cash and cash equivalents - net	2,777	489	335	6,698	535	7,342
Government securities	2,940,525	39,061	2,121,622	2,019,371	39,580	2,006,931
Shares	1,491,001	-	-	1,800,614	-	-
Non-Government debt securities	-	-	68,493	-	-	-
Units of mutual funds	-	-	-	27,057	-	-
	4,434,303	39,550	2,190,450	3,853,740	40,115	2,014,273

The funds primarily invest in Government securities (Market Treasury Bills, Pakistan Investment Bonds and Special Savings Certificates) and accordingly do not carry any credit risk. These are subject to interest rate risk based on market movements. Equity securities and units of mutual funds are subject to price risk whereas non-Government debt securities are subject to credit risk and interest rate risk. These risks are regularly monitored by Trustees of the employee funds.

36.4.7 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:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
1% increase in discount rate	2,483,179	4,211	1,041,763	2,142,579	2,825,629	472,790
1% decrease in discount rate	2,967,692	4,305	1,144,701	2,768,361	3,085,699	540,357
1 % increase in expected rate of salary	2,842,334	4,324	-	-	3,099,414	542,758
1 % decrease in expected rate of salary	2,582,713	4,191	-	-	2,810,872	470,147
1% increase in expected rate of pension	2,795,206	-	-	-	-	-
1% decrease in expected rate of pension	2,612,138	-	-	-	-	-
1% increase in expected rate of medical benefit	-	-	-	2,598,995	-	-
1% decrease in expected rate of medical benefit	-	-	-	2,264,114	-	-

36.4.8 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.

	2019					
	Pension	Gratuity	Benevolent	Post retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Expected charge / (reversal) for the year	200,044	(4,045)	(158,824)	680,904	400,892	156,706

36.4.9 Maturity profile

	2018					
	Pension	Gratuity	Benevolent	Post retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
The weighted average duration of the obligation (in years)	8.28	2.16	8.90	11.80	16.54	6.67

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36.4.10 Funding Policy

The Bank endeavors 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.

36.4.11 The significant risks associated with the staff retirement benefit schemes are as follows:

Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities.

Final salary risks

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

37 DEFINED CONTRIBUTION PLANS

37.1 Provident Fund

The employees covered under this scheme are 14,363 (2017: 13,532 employees). The employer and employee each contributes at the following rates:

For executives and officers	6% of basic salary
For clerical staff	12% of basic salary

For employees who are on a contract with the Bank, the contribution is paid as per their service contract.

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

37.2 Contributory Gratuity Fund

The employees covered under this scheme are 14,900 (2017: 13,398 employees). The employees are entitled for half month's pay per year of service on monthly basis based on existing basic pay. 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.

38 DEFINED BENEFIT PLANS AND OTHER BENEFITS OF SUBSIDIARY COMPANIES

38.1 General information

Employee benefits offered by subsidiary companies are as follows:

38.1.1 HBL Bank UK Limited (formerly Habibsons Bank Limited)

Pension Fund (defined contribution scheme)

HBL Bank UK Limited (HBL UK) (formerly Habibsons Bank Limited) operates a defined pension contribution arrangement for its employees and the cost is recognised as and when the contributions are made. Pension benefits are provided through a defined contribution scheme to which HBL UK contributes a percentage based on each member's earnings.

The employer's contribution for employees of HBL UK is minimum of 5.00% of basic salary. Minimum employee contribution is 1.00% of basic salary.

38.1.2 Habib Finance International Limited, Hong Kong

Habib Finance International Limited, Hong Kong maintains the following schemes for its employees.

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Mandatory Provident Fund (defined contribution scheme)

The company operates a funded mandatory provident fund scheme for all employees. The company is required to contribute 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.

These contributions 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.

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.

38.1.3 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.

38.1.4 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.

38.1.5 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.

39 REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
	(Restated)					
Non-Executive Directors' fees	-	-	55,600	54,400	-	-
Managerial remuneration (including allowances and leave encashment)	238,840	165,914	-	-	11,680,719	9,227,219
Contribution to retirement funds	357	4,860	-	-	433,334	331,574
Medical	4,064	289	-	-	329,326	220,594
House rent, maintenance, furnishing, others	5,371	1,999	-	-	27,707	38,670
Utilities	947	1,108	-	-	12,395	12,212
Conveyance	-	16	-	-	12,808	17,832
	<u>249,579</u>	<u>174,186</u>	<u>55,600</u>	<u>54,400</u>	<u>12,496,289</u>	<u>9,848,101</u>
Number of persons	<u>2</u>	<u>1</u>	<u>6</u>	<u>6</u>	<u>1,674</u>	<u>1,531</u>

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The Companies Act, 2017 has changed the definition of Executives from individuals with an annual basic salary exceeding Rs 0.500 million to individuals with an annual basic salary exceeding Rs 1.200 million. Pursuant to this change in definition, the comparative figures for executives have been restated.

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

Managerial remuneration includes joining related payments made to the CEO and certain Executives in line with their terms of employment.

All Executives, including the CEO of the Bank, are also entitled to certain short term employee benefits which are disclosed in note 28.1 to these consolidated financial statements.

40 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, deposits and certain long term borrowings, are frequently repriced.

All assets and liabilities for which fair value is measured or disclosed in these 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 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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.
Non-Government debt securities	Investment in non-Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in non-Government debt securities denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Foreign Government debt securities	The fair values of overseas Government securities are determined 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.
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.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

40.1 Fair value of financial assets

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

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As at December 31, 2018					
	Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	1,048,325,547	-	1,048,325,547	-	1,048,325,547
- Shares	10,170,203	10,170,203	-	-	10,170,203
- Foreign securities					
Government debt securities	21,237,289	-	21,237,289	-	21,237,289
Non-Government debt securities					
- Listed	49,427,699	-	49,427,699	-	49,427,699
- Unlisted	926,102	-	926,102	-	926,102
- National Investment Trust Units	42,562	-	42,562	-	42,562
- Real Estate Investment Trust units	59,950	59,950	-	-	59,950
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	156,199,342	-	156,199,342	-	156,199,342
- Non-Government debt securities	31,797,419	-	31,797,419	-	31,797,419
- Foreign securities					
Government debt securities	8,734,733	-	8,734,733	-	8,734,733
Non-Government debt securities	3,728,732	-	3,728,732	-	3,728,732
	1,330,649,578	10,230,153	1,320,419,425	-	1,330,649,578
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	396,554,320	-	2,436,841	-	2,436,841
- Forward Government securities transactions	39,177,791	-	(24,559)	-	(24,559)
- Derivative instruments	18,896,504	-	(1,194,517)	-	(1,194,517)
As at December 31, 2017					
	Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	990,371,918	-	990,371,918	-	990,371,918
- Shares	17,004,855	17,004,855	-	-	17,004,855
- Foreign securities					
Government debt securities	10,909,174	-	10,909,174	-	10,909,174
Non-Government debt securities					
- Listed	36,585,789	-	36,585,789	-	36,585,789
- Unlisted	969,629	-	969,629	-	969,629
- National Investment Trust Units	47,303	-	47,303	-	47,303
- Real Estate Investment Trust units	154,000	154,000	-	-	154,000
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	232,971,770	-	232,971,770	-	232,971,770
- Non-Government debt securities	27,158,016	-	27,158,016	-	27,158,016
- Foreign securities					
Government debt securities	17,403,608	-	17,403,608	-	17,403,608
Non-Government debt securities	3,720,577	-	3,720,577	-	3,720,577
	1,337,296,639	17,158,855	1,320,137,784	-	1,337,296,639
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	226,925,165	-	3,195,035	-	3,195,035
- Forward Government securities transactions	20,243,788	-	(10,809)	-	(10,809)
- Derivative instruments	13,656,576	-	52,198	-	52,198

40.2 Fair value of non-financial assets

As at December 31, 2018				
Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
- Fixed assets	45,503,874	-	45,503,874	45,503,874
- Non-banking assets acquired in satisfaction of claims	1,995,169	-	1,995,169	1,995,169
	47,499,043	-	47,499,043	47,499,043
As at December 31, 2017				
Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
- Fixed assets	32,478,149	-	32,478,149	32,478,149
- Non-banking assets acquired in satisfaction of claims	1,967,665	-	1,967,665	1,967,665
	34,445,814	-	34,445,814	34,445,814

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41 SEGMENT INFORMATION

41.1 Segment details with respect to Business Activities

	For the year ended December 31, 2018							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total
Profit and loss account	(Rupees in million)							
Net mark-up / return / profit - external	(27,189)	10,492	28,962	62,826	4,953	(182)	1,815	81,677
Inter segment revenue / (expense) - net	76,218	(3,171)	(22,168)	(58,092)	2,103	-	5,110	-
Non mark-up / return / interest income	6,841	5,337	3,069	2,993	3,542	868	(2,756)	19,894
Total Income	55,870	12,658	9,863	7,727	10,598	686	4,169	101,571
Segment direct expenses	25,226	4,753	1,465	640	20,923	321	21,650	74,978
Inter segment expense allocation	13,602	1,350	799	283	3,859	-	(19,893)	-
Total expenses	38,828	6,103	2,264	923	24,782	321	1,757	74,978
Provisions	945	317	(2,528)	2,347	2,801	-	1,126	5,008
Profit/ (loss) before tax	16,097	6,238	10,127	4,457	(16,985)	365	1,286	21,585
	As At December 31, 2018							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total
Statement of financial position	(Rupees in million)							
Cash and bank balances	145,159	-	215	87,342	83,229	-	6,158	322,103
Lendings to financial institutions	13,032	-	-	38,245	-	-	-	51,277
Net inter segment lending	1,218,886	-	-	-	54,497	-	57,585	1,330,968
Investments	74,496	-	17,929	1,181,543	85,755	299	30,030	1,390,052
Advances - performing	266,902	51,416	563,199	-	152,716	-	33,841	1,068,074
Advances - non-performing	2,002	99	4,043	-	6,077	-	145	12,366
Others	12,590	2,112	18,692	20,308	11,172	2,820	114,287	181,981
Total assets	1,733,067	53,627	604,078	1,327,438	393,446	3,119	242,046	4,356,821
Borrowings	10,532	-	59,688	385,532	65,567	2,000	-	523,319
Subordinated debt	-	-	-	-	-	-	9,990	9,990
Deposits and other accounts	1,693,016	2,831	154,212	64	255,030	-	32,140	2,137,293
Net inter segment borrowing	-	47,518	379,197	904,253	-	-	-	1,330,968
Others	18,168	3,278	10,981	44,240	12,753	225	66,354	155,999
Total liabilities	1,721,716	53,627	604,078	1,334,089	333,350	2,225	108,484	4,157,569
Equity	11,351	-	-	(6,651)	60,096	894	133,562	199,252
Total equity and liabilities	1,733,067	53,627	604,078	1,327,438	393,446	3,119	242,046	4,356,821
Contingencies and commitments	24,125	-	142,460	358,144	194,512	-	27,214	746,455
	For the year ended December 31, 2017							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total
Profit and loss account	(Rupees in million)							
Net mark-up / return / profit - external	(17,528)	9,257	19,158	61,585	7,564	(208)	2,005	81,833
Inter segment revenue / (expense) - net	60,010	(2,896)	(13,947)	(48,491)	1,868	-	3,456	-
Non mark-up / return / interest income	6,936	5,202	2,864	9,627	7,392	836	1,259	34,116
Total Income	49,418	11,563	8,075	22,721	16,824	628	6,720	115,949
Segment direct expenses	21,432	3,720	1,292	538	13,497	410	21,482	62,371
Inter segment expense allocation	14,031	391	2,095	407	1,517	-	(18,441)	-
Total expenses	35,463	4,111	3,387	945	15,014	410	3,041	62,371
Provisions	732	(34)	(3,354)	639	2,007	-	384	374
Profit before extraordinary / unusual item and taxation	13,223	7,486	8,042	21,137	(197)	218	3,295	53,204
Extraordinary / unusual item	-	-	-	-	-	-	(23,717)	(23,717)
Profit / (loss) before tax	13,223	7,486	8,042	21,137	(197)	218	(20,422)	29,487

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	As At December 31, 2017						
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others
Statement of financial position	(Rupees in million)						
Cash and bank balances	109,387	-	215	72,796	100,325	2	4,122
Lendings to financial institutions	1,615	-	-	32,285	-	-	-
Net inter segment lending	1,091,667	-	-	-	99,865	-	62,154
Investments	104,616	-	17,010	1,165,088	60,986	769	26,347
Advances - performing	227,713	44,705	415,697	-	131,959	-	22,000
Advances - non-performing	2,118	73	2,445	-	4,716	-	76
Others	14,700	860	13,318	22,509	8,144	2,968	86,654
Total assets	1,551,816	45,638	448,685	1,292,678	405,995	3,739	201,353
Borrowings	16,659	-	49,575	284,341	45,228	2,000	-
Subordinated debt	-	-	-	-	-	-	9,994
Deposits and other accounts	1,513,007	28	178,787	59	284,065	-	22,989
Net inter segment borrowing	-	42,871	209,823	1,000,428	-	564	-
Others	13,011	2,739	10,500	7,322	10,602	369	56,192
Total liabilities	1,542,677	45,638	448,685	1,292,150	339,895	2,933	89,175
Equity	9,139	-	-	528	66,100	806	112,178
Total equity and liabilities	1,551,816	45,638	448,685	1,292,678	405,995	3,739	201,353
Contingencies and commitments	29,000	-	154,309	191,946	177,888	-	32,797

41.2 SEGMENT DETAIL WITH RESPECT TO GEOGRAPHICAL LOCATION

	For the year ended December 31, 2018				
	Pakistan (including KEPZ)	Middle East	Asia and Africa	Europe and North America	Total
Profit and loss account	(Rupees in million)				
Net mark-up / return / profit - external	75,014	3,170	1,543	1,950	81,677
Non mark-up / return / interest income	16,854	1,285	739	1,016	19,894
Total Income	91,868	4,455	2,282	2,966	101,571
Segment direct expenses	54,214	4,721	2,669	13,374	74,978
Provisions	2,208	2,270	358	173	5,009
Profit / (loss) before tax	35,446	(2,536)	(745)	(10,581)	21,584
Statement of financial position					
(Rupees in million)					
Cash and bank balances	238,874	24,118	27,318	31,793	322,103
Lendings to financial institutions	51,277	-	-	-	51,277
Investments	1,308,112	23,477	17,813	40,650	1,390,052
Advances - performing	931,220	79,468	18,121	39,265	1,068,074
Advances - non-performing	6,288	875	1,339	3,864	12,366
Others	125,211	67,132	3,175	(13,537)	181,981
Total assets	2,660,982	195,070	67,766	102,035	3,025,853
Borrowings	457,752	59,862	2,365	3,340	523,319
Subordinated debt	9,990	-	-	-	9,990
Deposits and other accounts	1,913,556	101,707	31,828	90,202	2,137,293
Others	143,127	3,495	3,545	5,832	155,999
Total liabilities	2,524,425	165,064	37,738	99,374	2,826,601
Equity	136,557	30,006	30,028	2,661	199,252
Total equity and liabilities	2,660,982	195,070	67,766	102,035	3,025,853
Contingencies and commitments	618,225	86,984	9,352	31,894	746,455

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

Profit and loss account

Net mark-up / return / profit - external
Non mark-up / return / interest income
Total Income
Segment direct expenses
Provisions
Profit before extraordinary / unusual item and taxation
Extraordinary / unusual item
Profit / (loss) before tax

For the year ended December 31, 2017				
Pakistan (including KEPZ)	Middle East	Asia and Africa	Europe and North America	Total
(Rupees in million)				
73,306	4,325	2,340	1,862	81,833
28,653	2,490	904	2,069	34,116
101,959	6,815	3,244	3,931	115,949
49,165	3,664	2,827	6,715	62,371
(2,012)	1,464	740	182	374
54,806	1,687	(323)	(2,966)	53,204
(23,717)	-	-	-	(23,717)
31,089	1,687	(323)	(2,966)	29,487

Statement of financial position

Cash and bank balances
Lendings to financial institutions
Investments
Advances - performing
Advances - non-performing
Others
Total assets
Borrowings
Subordinated debt
Deposits and other accounts
Others
Total liabilities
Equity
Total equity and liabilities
Contingencies and commitments

As at December 31, 2017				
Pakistan (including KEPZ)	Middle East	Asia and Africa	Europe and North America	Total
(Rupees in million)				
185,085	45,301	19,483	36,978	286,847
33,900	-	-	-	33,900
1,314,246	11,628	17,606	31,336	1,374,816
713,961	66,948	25,590	35,575	842,074
4,713	856	748	3,111	9,428
141,477	2,196	2,482	2,998	149,153
2,393,382	126,929	65,909	109,998	2,696,218
352,503	39,031	5,327	942	397,803
9,994	-	-	-	9,994
1,783,325	95,269	37,731	82,610	1,998,935
108,232	(35,053)	(806)	28,362	100,735
2,254,054	99,247	42,252	111,914	2,507,467
139,328	27,682	23,657	(1,916)	188,751
2,393,382	126,929	65,909	109,997	2,696,217
493,212	60,992	6,069	25,667	585,940

42 TRUST ACTIVITIES

The Group is not engaged in any significant trust activities.

43 RELATED PARTY TRANSACTIONS

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

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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, 2018					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Balances with other banks						
In current accounts	-	-	178,527	-	22,884	-
Investments						
Opening balance	-	-	-	24,618,037	2,739,781	5,291,967
Investment made during the year	-	-	-	1,422,668	-	2,248,288
Share of profit	-	-	-	2,119,869	603,114	-
Share of other comprehensive income	-	-	-	(91,034)	-	-
Movement in share of surplus / deficit on assets	-	-	-	315,651	(1,590)	-
Share of capital contribution from statutory reserve	-	-	-	29,326	-	-
Exchange translation impact	-	-	-	2,063,258	436,557	-
Dividend received	-	-	-	(650,755)	-	-
Investment redeemed / disposed off during the year	-	-	-	(4,085,905)	-	(1,266,953)
Transfer in / (out) - net	-	-	-	-	-	(2,268,800)
Closing balance	-	-	-	25,741,115	3,777,862	4,004,502
Provision for diminution in value of investments	-	-	-	-	-	(131,491)
Advances						
Opening balance	-	145,569	3,147,907	3,962,169	-	16,536,672
Addition during the year	-	200,111	10,215,143	-	-	183,779,040
Repaid during the year	-	(43,073)	(9,826,657)	(2,462,169)	-	(177,108,006)
Transfer in / (out) - net	-	(68,595)	-	-	-	(9,831,207)
Closing balance	-	234,012	3,536,393	1,500,000	-	13,376,499
Provision held against advances	-	-	-	-	-	(1,726,437)
Other assets						
Interest / mark-up accrued	-	430	30,552	34,696	-	226,952
Receivable from staff retirement fund	-	-	-	-	-	35,293
Other receivable	-	-	9,042	1,000,240	-	53,873
	-	430	39,594	1,034,936	-	316,118
Borrowings						
Opening balance	-	-	1,141,977	3,312,516	1,104,172	-
Borrowings during the year	-	-	7,034,084	10,275,781	6,382,456	-
Settled during the year	-	-	(5,554,476)	(11,088,783)	(5,554,476)	-
Closing balance	-	-	2,621,585	2,499,514	1,932,152	-
Deposits and other accounts						
Opening balance	127,426	37,694	10,235,376	9,245,055	22,702	1,501,398
Received during the year	1,461,501	268,006	415,569,471	393,178,308	-	98,984,289
Withdrawn during the year	(1,417,307)	(262,047)	(413,738,325)	(397,898,699)	(22,702)	(99,412,868)
Transfer in / (out) - net	(22,892)	(20,136)	-	-	-	(293,900)
Closing balance	148,728	23,517	12,066,522	4,524,664	-	778,919
Other liabilities						
Interest / mark-up payable	1,604	276	189,843	69,854	9,181	2,426
Payable to staff retirement fund	-	-	-	-	-	970,439
Other payables	-	-	106,489	431,670	-	125,812
	1,604	276	296,332	501,524	9,181	1,098,677
Contingencies and commitments						
Letter of credit	-	-	580,316	-	-	8,847,142
Letter of guarantee	-	-	155,828	-	-	634,705
Forward purchase of Government securities	-	-	411,707	-	-	9,913,419
Forward sale of Government securities	-	-	-	-	-	809,625
Interest rate swaps	-	-	1,448,856	1,500,000	-	-
	-	-	2,596,707	1,500,000	-	20,204,891
Others						
Securities held as custodian	-	8,000	17,841,345	10,462,950	-	20,053,730

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

For the year ended December 31, 2018						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
(Rupees in '000)						
Profit and loss account						
Income						
Mark-up / return / profit / interest earned	-	21,055	189,961	126,723	-	1,472,570
Fee and commission income	-	-	84,267	2,864,505	-	27,754
Share of profit	-	-	-	2,119,869	603,114	-
Dividend income	-	-	-	-	-	135,971
Expenses						
Mark-up / return / profit / interest expensed	5,715	456	469,693	332,510	36,748	41,408
Loss from derivatives	-	-	101,621	152,758	-	-
Operating expenses						
Salaries and allowances	-	1,225,511	-	-	-	-
Contribution to provident and benevolent funds	-	18,497	-	-	-	-
Non-Executive Directors' fees	55,600	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	2,030,085
Insurance premium expense	-	-	-	1,145,012	-	-
Advertisement and publicity	-	-	57,172	-	-	318,655
Travelling	-	-	17,633	-	-	-
Subscription	-	-	-	-	-	36,382
Utilities cost	-	-	-	-	-	4,530
Donation	-	-	-	-	-	125,812
Brokerage and commission	-	-	-	-	-	2,615
Other expenses	-	-	3,375	1	-	-
Provision for diminution in value of investments	-	-	-	-	-	41,568
Others						
Purchase of Government securities	-	41,701	157,921,638	-	-	54,868,096
Sale of Government securities	-	57,685	179,373,011	72,823,633	-	74,588,094
Purchase of foreign currencies	-	-	1,801,358	-	-	16,775
Sale of foreign currencies	-	-	1,909,102	139,800	-	4,424,517
Insurance claims settled	-	-	-	145,748	-	-
Short term benefits paid	-	99,150	-	-	-	-
As at December 31, 2017						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
(Rupees in '000)						
Statement of financial position						
Balances with other banks						
In current accounts	-	-	169,804	-	-	-
Investments						
Opening balance	-	-	-	21,768,890	1,916,452	2,235,367
Investment made during the year	-	-	-	5,210,976	128,468	3,145,350
Share of profit	-	-	-	1,615,194	436,693	-
Share of other comprehensive income	-	-	-	141,292	-	-
Movement in share of surplus / deficit on assets	-	-	-	(937,059)	-	-
Share of capital contribution from statutory reserve	-	-	-	19,914	-	-
Exchange translation impact	-	-	-	281,180	258,168	-
Dividend received	-	-	-	(952,126)	-	-
Investment redeemed / disposed off during the year	-	-	-	(2,530,224)	-	(88,750)
Closing balance	-	-	-	24,618,037	2,739,781	5,291,967
Provision for diminution in value of investments	-	-	-	-	-	(68,800)
Advances						
Opening balance	-	38,221	3,372,408	364,901	-	26,762,345
Addition during the year	-	180,966	9,254,621	6,137,358	-	169,990,272
Repaid during the year	-	(73,618)	(9,479,122)	(2,540,090)	-	(180,215,945)
Closing balance	-	145,569	3,147,907	3,962,169	-	16,536,672
Provision held against advances	-	-	-	-	-	(1,726,437)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

As at December 31, 2017						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Other assets						
Interest / mark-up accrued	-	247	18,843	63,280	-	211,963
Other receivable	-	-	4,243	418,657	-	-
	-	247	23,086	481,937	-	211,963
Borrowings						
Opening balance	-	-	1,114,878	-	1,202,883	-
Borrowings during the year	-	-	662,283	3,312,516	441,669	-
Settled during the year	-	-	(635,184)	-	(540,380)	-
Closing balance	-	-	1,141,977	3,312,516	1,104,172	-
Deposits and other accounts						
Opening balance	110,019	65,214	6,922,983	5,801,458	48,893	2,586,669
Received during the year	155,906	382,004	143,090,997	291,090,185	38,646	69,369,910
Withdrawn during the year	(138,499)	(409,524)	(139,778,604)	(287,646,588)	(64,837)	(70,455,181)
Closing balance	127,426	37,694	10,235,376	9,245,055	22,702	1,501,398
Other liabilities						
Interest / mark-up payable	120	243	95,621	45,720	1,195	4,951
Payable to staff retirement fund	-	-	-	-	-	1,376,963
Other payables	-	-	13,722	380,935	-	82,672
	120	243	109,343	426,655	1,195	1,464,586
Contingencies and Commitments						
Letter of credit	-	-	366,972	-	-	13,447,606
Letter of guarantee	-	-	198,059	-	-	-
Forward purchase of Government securities	-	-	13,232,566	-	-	2,104,644
Interest rate swaps	-	-	1,743,539	1,500,000	-	-
	-	-	15,541,136	1,500,000	-	15,552,250
Others						
Securities held as custodian	-	8,220	16,223,810	28,200,745	-	8,478,905
	-	8,220	16,223,810	28,200,745	-	8,478,905
For the year ended December 31, 2017						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Profit and loss account						
Income						
Mark-up / return / profit / interest earned	-	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	-	-	-	-
Income from derivatives	-	-	11,938	22,775	-	-
Expenses						
Mark-up / return / profit / interest expensed	2,394	539	238,618	288,993	23,840	84,498
Operating expenses						
Salaries and allowances	-	1,063,854	-	-	-	-
Contribution to provident and benevolent funds	-	17,666	-	-	-	-
Non-Executive Directors' fees	54,400	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	636,960
Insurance premium expense	-	-	1,861	955,462	-	-
Advertisement and publicity	-	-	55,935	-	-	364,995
Travelling	-	-	14,607	-	-	-
Subscription	-	-	-	-	-	23,478
Utilities cost	-	-	-	-	-	13,792
Donation	-	-	-	-	-	82,672
Other expenses	-	-	3,532	-	-	221
Provision for diminution in value of investments	-	-	-	-	-	41,568
Others						
Purchase of Government securities	-	99,374	53,440,556	-	-	17,195,728
Sale of Government securities	-	105,539	60,554,773	25,778,575	-	24,214,472
Purchase of foreign currencies	-	-	1,490,249	-	-	889
Sale of foreign currencies	-	-	6,321,925	65,933	-	2,906,183
Insurance claims settled	-	-	-	150,330	-	-
Short term benefits paid	-	682,150	-	-	-	-

- 43.1 Donations disclosed in note 28.4 include donations to the HBL Foundation. The Foundation was established in 2009 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 18 to these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

2018
(Rupees in '000)

2017

14,668,525 14,668,525

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

141,243,268	139,487,966
61,035	-
141,304,303	139,487,966
49,513,636	46,149,564
190,817,939	185,637,530

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

873,803,178	788,565,586
132,656,725	201,759,938
173,042,280	172,678,453
1,179,502,183	1,163,003,977

Common Equity Tier 1 Capital Adequacy ratio

11.97% 11.99%

Tier 1 Capital Adequacy Ratio

11.98% 11.99%

Total Capital Adequacy Ratio

16.18% 15.96%

Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)

7.900% 7.275%

of which: capital conservation buffer requirement

1.900% 1.275%

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)

4.07% 4.72%

Other information:

2018 2017

National minimum capital requirements prescribed by the SBP

CET1 minimum ratio (%)

7.900% 7.275%

Tier 1 minimum ratio (%)

9.400% 8.775%

Total capital minimum ratio (%)

11.900% 11.275%

Leverage Ratio (LR)

2018 2017
(Rupees in '000)

Eligible Tier-1 Capital

141,304,303 139,487,966

Total Exposures

3,695,613,262 3,353,769,007

Leverage Ratio (%)

3.82% 4.16%

Minimum Requirement (%)

3.00% 3.00%

Liquidity Coverage Ratio (LCR)

2018 2017
Total Adjusted Value
(Rupees in '000)

Total High Quality Liquid Assets

987,612,556 962,730,144

Total Net Cash Outflow

571,294,024 520,941,525

Liquidity Coverage Ratio (%)

172.87% 184.81%

Minimum Requirement (%)

100.00% 90.00%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Total Weighted Value (Rupees in '000)	
Net Stable Funding Ratio (NSFR)		
Total Available Stable Funding	2,102,952,345	1,946,812,485
Total Required Stable Funding	1,490,821,433	1,229,522,456
Net Stable Funding Ratio (%)	141.06%	158.34%
Minimum Requirement (%)	100.00%	100.00%

44.1 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, 2018 stood at Rs. 14.669 billion (2017: 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, 2018:

- Common Equity Tier 1 (CET1) ratio of 7.90% including Capital Conservation Buffer (CCB) of 1.90%
- Tier 1 ratio of 9.40% including CCB of 1.90%
- Total Capital Adequacy Ratio (CAR) of 11.90% including CCB of 1.90%

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. The AT 1 capital recognized represents minority interests that, as per SBP guidelines, become eligible for consideration as AT1 capital on consolidation of less than wholly owned banking subsidiaries.
- Tier 2 capital includes general provisions for loan losses, surplus / (deficit) 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 risk weighted assets. Eligible collateral used includes Government of Pakistan (GoP) guarantees, GoP issued securities, bank guarantees, lien on deposits and margin accounts.
- 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.

44.2 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time has been placed on the website. The link to the full disclosure is available at <https://www.hbl.com/capitalandliquidity>.

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45 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 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

The Operational Risk Management Division (ORMD) operates within the Global Compliance Group, independent from Business Units and other support functions. The Head ORMD reports to 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 the Standardized Approach for credit risk. In addition, the Bank has adopted the simple approach for recognizing eligible collateral for credit risk mitigation. As the largest bank in Pakistan with a strong risk culture and focus, the Bank'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 Bank is following the Standardized Approach for market risk. The Bank intends to move towards adoption of Internal Models Approach (IMA) and has implemented value-at-risk (VaR) based limits; a significant milestone achieved towards the implementation of the IMA.

Scope of application of Basel III framework

The SBP, 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.

45.1 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 the Bank 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.

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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 the Bank 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.

Credit risk management software to automate loan origination has been implemented for Corporate and Commercial Customers and the Bank aims to extend the same to other business segments. 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.

Stress testing on the credit portfolio is performed in line with the 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. In line with the SBP circular on the impact assessment for IFRS 9, the Bank worked with a consultant to conduct the study and develop an assessment for Expected Credit Losses (ECL) for domestic branches. The Bank has also successfully implemented IFRS 9 in a number of overseas branches during the year.

The Bank has undertaken a number of initiatives to strengthen its credit risk management framework including in-house development of internal risk rating models (obligor and facility) 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. Based on a validation / back-testing exercise, a Probability of Default has been introduced for each obligor risk rating.

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.

45.1.1 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 utilises 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 utilises 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 the SBP rating grades are given below:

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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

45.1.2 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 collaterals. The Bank has in place detailed guidelines with respect to the valuation and management of each of these types of collaterals. Where the Bank's exposure on an obligor is wholly or partially guaranteed by an eligible guarantee, the risk weight / credit rating of the guarantor is substituted for the risk weight of the obligor.

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.

45.1.3 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 utilisation is controlled at Head Office level and country risk exposures are reported to BRMC at defined frequencies.

Particulars of the Bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

45.1.4 Lendings to financial institutions

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
Credit risk by public / private sector	(Rupees in '000)					
Public / Government	10,376,270	7,600,345	-	-	-	-
Private	40,901,066	26,300,000	-	-	-	-
	51,277,336	33,900,345	-	-	-	-

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45.1.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
(Rupees in '000)						
Chemical and pharmaceuticals	1,022,739	1,145,492	-	-	-	-
Textile	106,548	110,303	106,548	110,303	106,548	110,303
Automobile and transportation equipment	5,675,340	3,321,160	-	-	-	-
Financial	1,300,367,733	1,285,227,311	-	-	-	-
Insurance	-	225,632	-	-	-	-
Oil and gas	5,248,055	5,768,145	-	-	-	-
Power and energy	18,168,628	18,382,359	-	-	-	-
Telecommunication	876,347	1,340,098	168,082	193,084	168,082	193,084
Construction	2,178,000	-	-	-	-	-
Wholesale and retail trade	2,083,917	2,153,955	724,975	-	377,549	-
Metal and allied	900,000	-	-	-	-	-
Others	10,591,739	10,145,526	-	-	-	-
	<u>1,347,219,046</u>	<u>1,327,819,981</u>	<u>999,605</u>	<u>303,387</u>	<u>652,179</u>	<u>303,387</u>

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
(Rupees in '000)						
Public / Government	1,283,548,539	1,281,098,618	-	-	-	-
Private	63,670,507	46,721,363	999,605	303,387	652,179	303,387
	<u>1,347,219,046</u>	<u>1,327,819,981</u>	<u>999,605</u>	<u>303,387</u>	<u>652,179</u>	<u>303,387</u>

45.1.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
(Rupees in '000)						
Chemical and pharmaceuticals	34,203,499	28,255,491	1,405,016	1,221,528	1,322,404	1,195,364
Agribusiness	114,459,661	109,663,437	4,344,251	4,537,959	2,923,916	3,061,601
Textile	116,547,424	90,896,774	21,373,879	20,783,136	19,653,168	20,340,146
Cement	27,800,090	18,814,625	788,695	788,695	788,695	788,695
Sugar	12,335,973	8,729,924	252,971	295,770	232,347	225,473
Shoes and leather garments	14,978,526	14,479,767	895,399	858,264	855,236	820,095
Automobile and transportation equipment	17,043,267	7,622,879	2,977,653	1,048,157	2,964,534	1,023,567
Financial	84,473,489	35,896,099	1,623,707	39,417	1,623,706	39,416
Hotel and tourism	13,376,600	6,887,369	2,107,978	270,904	1,812,907	270,271
Insurance	3,311,210	3,506,585	-	-	-	-
Electronics and electrical appliances	10,976,677	7,083,283	2,214,876	3,201,307	2,214,876	3,200,983
Oil and gas	66,136,315	54,452,636	672,152	1,549,225	347,213	1,020,557
Power and energy	208,431,721	154,937,770	1,731,986	1,732,128	1,731,986	1,732,105
Education and medical	2,837,086	2,783,466	253,067	272,115	251,879	264,796
Telecommunication	20,223,338	22,370,100	1,222,633	1,223,133	1,222,633	1,223,133
Printing and publishing	9,594,475	5,579,018	441,896	483,451	441,896	461,002
Construction	44,797,971	20,636,748	944,991	1,262,456	918,007	1,262,231
Mining and quarrying	4,084,609	3,094,832	1,716	1,716	1,716	1,716
Food, tobacco and beverages	51,088,628	38,966,845	4,812,223	1,952,537	3,225,926	1,843,291
Wholesale and retail trade	57,952,428	58,101,421	11,976,961	12,082,912	11,685,199	10,819,762
Metal and allied	21,698,832	18,229,552	3,097,147	2,858,179	2,026,649	1,791,075
Individuals	94,066,227	81,437,884	5,842,637	1,481,784	2,896,952	1,343,872
Farming, cattle and dairy	12,705,409	3,475,585	902,606	291,976	305,307	96,898
Trust funds and non profit organisations	1,537,216	2,072,208	10	3	10	3
Others	107,773,145	123,033,641	10,946,563	17,608,641	9,018,087	13,591,124
	<u>1,152,433,816</u>	<u>921,007,939</u>	<u>80,831,013</u>	<u>75,845,393</u>	<u>68,465,249</u>	<u>66,417,176</u>

Credit risk by public / private sector

Public / Government	287,972,190	199,223,638	2,680,192	2,337,740	1,614,500	1,312,046
Private	864,461,626	721,784,301	78,150,821	73,507,653	66,850,749	65,105,130
	<u>1,152,433,816</u>	<u>921,007,939</u>	<u>80,831,013</u>	<u>75,845,393</u>	<u>68,465,249</u>	<u>66,417,176</u>

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45.1.7 Contingencies and Commitments

Credit risk by industry sector

	2018 (Rupees in '000)	2017 (Restated)
Chemical and Pharmaceuticals	16,339,051	9,226,388
Agribusiness	3,865,304	1,382,002
Textile	18,506,345	16,377,303
Cement	18,207,874	12,105,748
Defence	12,372,724	47,024,646
Sugar	634,351	602,894
Shoes and leather garments	348,774	1,256,913
Automobile and transportation equipment	10,293,111	7,343,905
Financial	473,488,492	309,883,670
Hotel and tourism	2,917,549	2,653,643
Research and development	720,674	733,585
Insurance	1,618,458	1,589,465
Electronics and electrical appliances	9,325,570	6,598,591
Oil and gas	27,436,372	14,731,959
Power and energy	35,827,323	30,912,274
Education and medical	1,681,428	2,025,516
Telecommunication	8,076,228	5,220,705
Printing and publishing	1,315,940	3,219,433
Construction	2,718,893	1,872,058
Mining and quarrying	3,122,569	1,790,857
Food, tobacco and beverages	11,600,662	8,867,555
Wholesale and retail trade	4,045,483	3,287,867
Metal and allied	8,314,931	14,906,199
Individuals	19,968,899	19,099,106
Farming, cattle and dairy	65,342	27,441
Ports and shipping	786,230	1,813,021
Trust funds and non profit organisations	5,131,106	17,392,378
Others	47,724,973	43,994,838
	746,454,656	585,939,960

Credit risk by public / private sector

Public / Government	114,350,539	127,968,094
Private	632,104,117	457,971,866
	746,454,656	585,939,960

45.1.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposure) aggregated to Rs 332,063.740 million (2017: Rs 314,902.617 million) are as following:

	2018 (Rupees in '000)	2017
Funded	295,691,275	227,105,446
Non - funded	36,372,465	87,797,171
Total exposure	332,063,740	314,902,617

The sanctioned limits against these top 10 exposures aggregated to Rs 457,331.599 million (2017: Rs 431,957.033 million).

Total funded classified therein

	2018 (Rupees in '000)	2017
Loss	144,788	-

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45.1.9 Advances - Province / Region-wise disbursement and utilisation

Province / Region	2018						
	Disbursements	Utilisation					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Punjab	2,120,033,375	2,057,917,898	50,376,447	2,904,094	8,000	7,126,542	1,700,394
Sindh	3,867,524,897	207,295,336	3,586,272,558	11,994,906	9,943,280	40,472,527	11,546,290
KPK including FATA	43,521,826	374,782	54,436	43,086,760	3,250	-	2,598
Balochistan	5,269,588	-	-	-	5,269,588	-	-
Islamabad	483,460,069	41,537,790	386,359	-	-	441,535,920	-
AJK including Gilgit-Baltistan	15,083,540	-	-	-	-	-	15,083,540
Total	6,534,893,295	2,307,125,806	3,637,089,800	57,985,760	15,224,118	489,134,989	28,332,822

Province / Region	2017						
	Disbursements	Utilisation					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Punjab	1,910,963,653	1,854,025,619	34,335,914	879,215	-	21,722,905	-
Sindh	2,948,024,937	79,320,969	2,815,687,742	10,424,247	9,190,854	33,401,125	-
KPK including FATA	38,311,237	-	-	38,311,237	-	-	-
Balochistan	4,597,968	-	-	-	4,597,968	-	-
Islamabad	487,038,919	44,468,380	-	-	-	442,570,539	-
AJK including Gilgit-Baltistan	12,004,786	-	-	-	-	-	12,004,786
Total	5,400,941,500	1,977,814,968	2,850,023,656	49,614,699	13,788,822	497,694,569	12,004,786

45.2 Market Risk

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 (TMO).

45.2.1 Statement of financial position split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	279,460,688	-	279,460,688	246,043,030	-	246,043,030
Balances with other banks	42,642,022	-	42,642,022	40,804,269	-	40,804,269
Lendings to financial institutions	51,277,336	-	51,277,336	33,900,345	-	33,900,345
Investments	330,096,626	1,059,955,838	1,390,052,464	359,709,422	1,015,107,020	1,374,816,442
Advances	1,080,440,220	-	1,080,440,220	851,502,420	-	851,502,420
Fixed assets	64,083,277	-	64,083,277	56,442,342	-	56,442,342
Intangible assets	7,865,361	-	7,865,361	6,350,501	-	6,350,501
Deferred tax assets	570,717	-	570,717	-	-	-
Other assets	100,149,596	9,311,469	109,461,065	82,169,100	4,189,615	86,358,715
	1,956,585,843	1,069,267,307	3,025,853,150	1,676,921,429	1,019,296,635	2,696,218,064

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45.2.2 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 the SBP.

	2018				2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)							
United States Dollar	239,157,806	287,629,582	31,076,219	(17,395,557)	215,774,362	240,637,522	16,613,284	(8,249,876)
Great Britain Pound	53,078,885	64,545,058	22,492,154	11,025,981	61,634,261	61,151,180	21,791,700	22,274,781
UAE Dirham	31,418,690	45,095,720	26,060,375	12,383,345	59,054,431	60,933,612	14,067,340	12,188,159
Japanese Yen	173,576	62,460	558,698	669,814	154,635	77,525	(69,539)	7,571
Euro	15,312,280	21,371,779	5,948,306	(111,193)	18,555,171	22,214,394	6,117,227	2,458,004
Other Currencies	105,095,955	64,994,757	837,885	40,939,083	117,849,210	79,860,157	(301,843)	37,687,210
	<u>444,237,192</u>	<u>483,699,356</u>	<u>86,973,637</u>	<u>47,511,473</u>	<u>473,022,070</u>	<u>464,874,390</u>	<u>58,218,169</u>	<u>66,365,849</u>

Impact of 1% change in foreign exchange rates on

- Profit and loss account
- Other comprehensive income

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
	-	345,935	-	289,248
	107,417	-	37,821	-

45.2.3 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.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	12,780
- Other comprehensive income	508,510	-	837,463	-

45.2.4 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. 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.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	(832,343)	28,611	1,564,700	780,469
- Other comprehensive income	343,679	7,163,129	372,719	10,828,987

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45.2.4.1 Mismatch of interest rate sensitive assets and liabilities

Interest rate sensitivity gap for assets and liabilities which have contractual maturities have been reported based on the earlier of re-pricing schedule or maturity date. However, for assets and liabilities which do not have any re-pricing schedule have been reported on the basis of an objective and systematic behavioural study approved by the ALCO committee.

Effective yield / interest rate	2018											Not exposed to yield / interest risk
	Total	Exposed to yield / interest risk										
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years		
(Rupees in '000)												
On-balance sheet assets												
Financial assets												
0.64% 7.19% 6.62% 8.50%	Cash and balances with treasury banks	279,460,688	29,388,832	16,046	500,500	1,065,325	-	-	-	-	-	248,489,985
	Balances with other banks	42,642,022	17,340,008	4,646,186	3,912,625	-	-	-	-	-	-	16,743,203
	Lendings to financial institutions	51,277,336	46,577,336	4,600,000	100,000	-	-	-	-	-	-	-
	Investments	1,390,052,464	478,767,475	406,056,232	111,268,997	96,913,416	85,320,225	64,229,815	68,758,702	35,164,213	-	43,573,389
	Advances	1,080,440,220	75,890,639	441,303,493	373,197,575	107,137,574	27,523,915	24,376,596	19,942,897	9,888,455	1,179,076	-
	Other assets	59,854,146	-	-	-	-	-	-	-	-	-	59,854,146
		2,903,726,876	647,964,290	856,621,957	488,979,697	205,116,315	112,844,140	88,606,411	88,701,599	45,052,668	1,179,076	368,660,723
Financial liabilities												
6.04% 3.12% 7.49%	Bills payable	42,460,568	-	-	-	-	-	-	-	-	-	42,460,568
	Borrowings	523,319,055	388,654,294	45,546,536	67,677,954	4,910,274	101,795	325,950	2,798,519	7,250,722	-	6,053,011
	Deposits and other accounts	2,137,293,065	158,340,378	83,502,819	949,720,687	82,145,293	8,870,529	17,231,176	13,204,113	11,406,608	329,466	812,541,996
	Subordinated debt	9,990,000	-	9,990,000	-	-	-	-	-	-	-	-
	Other liabilities	104,876,917	-	-	-	-	-	-	-	-	-	-
		2,817,939,605	546,994,672	139,039,355	1,017,398,641	87,055,567	8,972,324	17,557,126	16,002,632	18,657,330	329,466	965,932,492
	On-balance sheet gap	85,787,271	100,969,618	717,582,602	528,418,944	118,060,748	103,871,816	71,049,285	72,698,967	26,395,338	849,610	(597,271,769)
	Net non - financial assets	113,464,940										
	Total net assets	199,252,211										
Off-balance sheet financial instruments												
	Foreign exchange contracts forward purchases	243,503,864	67,167,792	80,929,154	92,018,989	3,387,929	-	-	-	-	-	-
	Foreign exchange contracts forward sales	(153,050,456)	(52,786,301)	(37,708,673)	(59,757,161)	(2,798,321)	-	-	-	-	-	-
	Government Securities transactions forward purchases	33,489,184	33,489,184	-	-	-	-	-	-	-	-	-
	Government Securities transactions forward sales	(5,688,607)	(5,688,607)	-	-	-	-	-	-	-	-	-
	Foreign Currency Options purchases	532,918	205,731	272,656	54,531	-	-	-	-	-	-	-
	Foreign Currency Options sales	(532,918)	(205,731)	(272,656)	(54,531)	-	-	-	-	-	-	-
	Cross Currency Swaps purchases	2,874,784	207,485	157,200	-	207,800	180,572	913,082	-	1,208,645	-	-
	Cross Currency Swaps sales	(3,490,361)	(274,946)	(208,293)	-	(277,724)	(206,206)	(1,134,039)	-	(1,389,153)	-	-
	Interest rate swaps purchases	-	-	-	-	-	-	-	-	-	-	-
	Interest rate swaps sales	(11,465,523)	-	-	(1,016,667)	-	-	-	-	(8,948,856)	(1,500,000)	-
	Off-balance sheet gap	106,172,885	42,114,607	43,169,388	31,245,161	519,684	(25,634)	(220,957)	(8,948,856)	(1,680,508)	-	-
	Total yield / interest rate risk sensitivity gap	143,084,225	760,751,990	(497,173,783)	118,580,432	103,846,182	70,828,328	63,750,111	24,714,830	849,610	(597,271,769)	
	Cumulative yield / Interest rate risk sensitivity gap	143,084,225	903,836,215	406,662,432	525,242,864	629,089,046	699,917,374	763,667,485	788,382,315	789,231,925	191,960,156	

(Rupees in '000)

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	Effective yield / interest rate	2017										Not exposed to yield / interest risk
		Exposed to yield / interest risk										
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 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%	1,374,816,442	117,359,439	418,273,458	200,375,100	92,031,872	218,184,885	91,441,324	139,049,032	50,691,857	28,750	47,380,725
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	141,206	-
Other assets		53,970,712	-	-	-	-	-	-	-	-	-	53,970,712
		2,601,037,218	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	341,469,979
Financial liabilities												
Bills payable		33,752,219	-	-	-	-	-	-	-	-	-	33,752,219
Borrowings	5.20%	397,802,667	289,832,467	41,692,442	52,518,292	3,903,328	116,591	301,701	2,393,676	7,044,170	-	-
Deposits and other accounts	2.44%	1,998,935,057	170,097,357	116,979,638	886,233,009	42,585,495	9,682,485	10,620,309	15,770,072	13,748,661	13,987	733,204,044
Subordinated debt	6.63%	9,994,000	-	9,994,000	-	-	-	-	-	-	-	-
Other liabilities		59,929,392	-	-	-	-	-	-	-	-	-	59,929,392
		2,500,413,335	459,929,824	168,666,080	938,751,301	46,488,823	9,799,076	10,922,010	18,163,748	20,792,831	13,987	826,885,655
On-balance sheet gap												
		100,623,883	(212,481,338)	549,367,355	(442,615,153)	148,472,025	240,528,904	113,801,537	152,191,353	36,618,907	155,969	(485,415,676)
Net non - financial assets												
		88,126,738	-	-	-	-	-	-	-	-	-	-
Total net assets												
		188,750,621	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
Foreign exchange contracts forward purchases		142,571,667	70,269,263	55,919,147	13,223,736	1,731,266	978,366	224,947	224,942	-	-	-
Foreign exchange contracts forward sales		(84,353,498)	(56,068,787)	(20,724,431)	(4,892,452)	(858,852)	(1,239,163)	(284,910)	(284,903)	-	-	-
Government Securities transactions forward purchases		20,243,788	5,389,458	13,966,808	887,522	-	-	-	(541,250)	-	-	-
Cross Currency Swaps purchases		1,633,987	-	-	-	312,453	780,284	-	541,250	-	-	-
Cross Currency Swaps sales		(1,707,050)	-	-	-	(329,043)	(825,921)	-	(552,086)	-	-	-
Interest rate swaps sales		(10,315,539)	-	-	-	-	(2,850,000)	-	(1,743,539)	(5,722,000)	-	-
		68,073,355	19,589,934	49,161,524	9,218,806	855,824	(3,156,434)	(59,963)	(1,814,336)	(5,722,000)	-	-
Off-balance sheet gap												
		(192,891,404)	598,528,879	(433,396,347)	149,327,849	237,372,470	113,741,574	150,377,017	30,896,907	155,969	(485,415,676)	
Total yield / interest rate risk sensitivity gap												
Cumulative yield / Interest rate risk sensitivity gap												
		(192,891,404)	405,637,475	(27,758,872)	121,568,977	358,941,447	472,683,021	623,060,038	653,956,945	654,112,914	168,697,238	

45.3

Operational Risk Management

Operational Risk is the risk of loss resulting from an inadequate or failed internal processes, people and systems or from external events.

The Operational Risk Management department (ORMD) is housed within the Global 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. ORCs 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.

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The Bank's ORM framework and practices address all the significant aspects of ORM i.e. people, processes, systems and external events. Key ORM tools such as Risk Control Self-Assessment (RCSA), KRI's and Operational Loss Data Management 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 is monitoring them at regular intervals. Operational risk reports are regularly submitted to the senior management.

45.3.1 Business Continuity

It is the policy of the Bank to maintain a well-defined business continuity program which comprises of policies and procedures with clearly defined roles, responsibilities and ownership for Crisis Management, Emergency Response, Business Recovery and IT Disaster Recovery Planning. The bank's Business Continuity Steering Committee, represented by the senior management of the bank, meet on a periodic basis and reviews key initiatives, testing results and related action plans for strengthening the bank's resilience to managing crisis situations. The bank's business continuity program complies with the regulatory framework and leading Business Continuity Management standard, i.e. ISO 22301. and is subject to regular internal, external and regulatory reviews and audits.

The bank's business continuity program complies with the regulatory framework & leading best practices and is subject to regular internal, external and regulatory reviews and audits.

45.3.2 IT related controls

The Bank's IT controls were further strengthened during the course of the year by ensuring that the Bank met all the requirements of SBP's Enterprise Technology Governance and Risk Management framework (including establishing of a Board IT Committee, customizing the standard templates to suit particular requirements for IT Governance, Project Management and IT Service Management, as well as revising IT procedures in accordance with the Regulatory framework). It was also ensured that the Bank's EU operations met the standards laid down in the General Data Protection Regulations of the UK.

More specifically, 85% outstanding observations within internal, external and regulatory audit streams were closed. These ranged from 2014 to 2018. An automated tool was deployed for tracking and monitoring audit observations all the way through to closure.

45.3.3 Information Security Risk

Information Security has become a critical business function and an essential component of governance affecting all aspects of the business environment. The Bank is committed to providing 'first-class business in a first-class way' to its customers while protecting clients and their information. Cybercrime is a growing threat to Corporations and Consumers who are increasingly adopting and depending on mobile and digital technologies to run their business and lives. Information/Cyber Security is one of the key focused areas for the bank and has increasing focus in line with Industry trends and move towards digital solutions for banking needs of the Customers. The Bank will continue to strengthen its cyber defense mechanism by utilizing effective preventive and detective information security measures to counter evolving cyber challenges. The Bank has achieved PCI DSS certification which is the de facto security standard for the Payment Card Industry and also achieved ISO27001 international information security related certification.

These measures allow the Bank to offer innovative digital solutions to its clients while ensuring them protection, confidence and peace of mind.

45.4 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 behavioural 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.

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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.

45.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2018													
(Rupees in '000)													
Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets													
Cash and balances with treasury banks	279,460,688	258,160,215	2,218,597	18,146,984	-	16,046	500,500	-	418,346	-	-	-	-
Balances with other banks	42,642,022	20,753,532	12,348,760	3,007,312	4,622,082	24,105	628,446	-	-	-	-	-	-
Lendings to financial institutions	51,277,336	-	24,345,810	6,331,526	4,500,000	100,000	100,000	-	-	-	-	-	-
Investments	1,390,052,464	23,036,613	3,368,219	41,710,891	40,631,118	313,359,809	87,089,434	36,599,053	48,301,040	91,660,467	70,379,565	79,283,655	100,386,852
Advances	1,080,440,220	297,110,245	32,848,976	10,774,038	22,397,220	48,128,905	119,837,314	42,009,400	54,136,394	116,594,578	70,949,473	146,942,658	86,578,712
Fixed assets	64,083,277	96,291	577,745	1,348,073	269,694	269,694	809,082	809,082	809,082	3,236,329	3,236,329	5,473,983	46,473,856
Intangible assets	7,865,361	30,420	182,522	425,885	19,879	19,879	425,885	59,637	59,637	238,549	238,549	477,097	5,840,728
Deferred tax assets	570,717	63,716	382,289	892,007	641,927	641,927	325,286	269,884	269,884	217,909	717,038	1,203,554	(5,500,707)
Other assets	109,461,065	1,075,208	6,451,252	7,933,482	10,141,994	10,141,994	13,711,965	6,325,183	6,856,770	4,633,808	26,647,296	489,191	-
	3,025,853,150	600,326,240	82,724,170	109,312,820	92,959,001	372,702,359	223,071,664	86,072,239	110,851,153	216,581,640	172,168,250	233,870,138	233,779,441
Liabilities													
Bills payable	42,460,588	41,375,217	102,230	778,826	18,474	34,005	67,753	-	-	-	-	-	-
Borrowings from financial institutions	523,319,055	6,053,011	352,567,247	11,821,237	14,827,757	30,718,780	19,298,079	4,895,118	770,603	25,496,937	725,950	17,484,709	14,393,817
Deposits and other accounts	2,137,293,065	1,616,277,234	75,101,391	138,789,677	22,571,390	47,248,875	66,845,403	36,814,157	48,163,184	9,859,368	17,221,547	13,091,688	11,717,249
Subordinated debt	9,990,000	-	-	-	2,000	-	-	2,000	-	4,000	4,000	8,000	9,970,000
Other liabilities	113,538,251	4,054,937	24,329,625	56,789,126	-	-	-	-	-	-	-	-	-
	2,826,600,939	1,667,760,399	452,100,493	208,158,866	37,419,621	78,001,660	86,211,235	41,711,275	48,933,787	35,360,305	17,951,497	30,584,397	36,081,066
Net assets													
	199,252,211	(1,067,434,159)	(369,376,323)	(98,846,046)	55,539,380	294,700,699	136,880,429	44,360,964	61,917,366	181,221,335	154,216,753	203,285,741	197,698,375
Share capital	14,668,525												
Reserves	64,435,243												
Surplus on revaluation of assets - net of tax	14,531,643												
Unappropriated profit	101,606,320												
Non-controlling interest	4,010,480												
	199,252,211												

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Notes to the Consolidated Financial Statements

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45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

Assets and liabilities which have contractual maturities have been reported as per the remaining maturities, whereas assets and liabilities which do not have any contractual maturities have been reported as per their expected maturities calculated on the basis of an objective and systematic behavioral study approved by the ALCO.

2018											
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years	
(Rupees in '000)											
Assets											
Cash and balances with treasury banks	279,460,688	64,906,993	38,964,301	57,284,312	6,886,830	1,454,857	1,425,192	2,089,447	53,502,208	52,946,548	
Balances with other banks	42,642,022	28,995,788	10,436,914	3,209,320	-	-	-	-	-	-	
Lendings to financial institutions	51,277,336	46,577,336	4,600,000	100,000	-	-	-	-	-	-	
Investments	1,390,052,464	472,347,427	354,327,633	94,283,455	116,350,413	91,490,561	74,190,031	82,924,326	83,824,715	20,313,903	
Advances	1,080,440,220	88,481,579	99,345,117	148,463,173	153,397,512	116,594,578	70,949,473	316,630,076	60,449,573	26,129,139	
Fixed assets	64,083,277	2,696,145	539,388	809,082	1,618,165	3,236,329	3,236,329	5,473,983	3,853,260	42,620,596	
Intangible assets	7,865,361	851,770	39,758	59,637	105,791	238,549	238,549	477,097	947,873	4,906,337	
Deferred tax Assets	570,717	1,784,015	1,283,854	325,286	539,768	217,909	717,038	1,203,554	(3,177,337)	(2,323,370)	
Other assets	109,461,065	30,512,866	20,285,289	13,713,918	13,182,661	4,634,477	26,642,663	489,191	-	-	
	3,025,853,150	737,153,919	529,822,254	318,248,183	292,081,140	217,867,260	177,399,275	409,287,674	199,400,292	144,593,153	
Liabilities											
Bills payable	42,460,568	7,633,978	14,100,291	20,726,299	-	-	-	-	-	-	
Borrowings	523,319,055	394,707,306	45,546,536	19,298,079	5,665,721	25,496,937	725,950	17,484,709	14,393,817	-	
Deposits and other accounts	2,137,293,065	269,379,849	96,034,470	106,176,068	163,650,260	33,726,616	34,615,036	44,964,166	699,905,070	688,841,530	
Subordinated debt	9,990,000	-	2,000	-	2,000	4,000	4,000	8,000	9,970,000	-	
Other liabilities	113,538,251	65,816,713	20,136,885	6,064,923	7,232,856	1,042,599	1,104,320	2,359,743	7,960,405	1,819,807	
	2,826,600,939	737,537,846	175,820,182	152,265,369	176,550,837	60,270,152	36,449,306	64,816,618	732,229,292	690,661,337	
Net assets	199,252,211	(383,927)	354,002,072	165,982,814	115,530,303	157,597,108	140,949,969	344,471,056	(532,829,000)	(546,068,184)	
Share capital											
Reserves	14,668,525										
Surplus on revaluation of assets - net of tax	64,435,243										
Unappropriated profit	14,531,643										
Non-controlling interest	101,606,320										
	4,010,480										
	199,252,211										

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2017

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 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	1,374,816,442	123,914,670	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
Fixed assets	56,442,342	16,677,693	543,779	815,668	1,631,336	3,262,673	1,304,439	407,399	726,463	31,072,892
Intangible assets	6,350,501	724,915	137,736	206,604	413,208	304,874	-	-	-	4,563,164
Other assets	86,358,715	34,446,136	10,823,127	12,741,862	15,139,638	4,679,062	1,333,868	206,828	494,143	6,494,061
	2,696,218,064	364,922,216	536,300,075	309,914,513	225,485,160	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	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	66,012,132	22,582,013	15,804,275	5,770,086	11,626,728	2,918,041	1,781,922	2,803,983	2,365,297	359,787
	2,507,467,443	575,310,680	208,343,134	169,133,264	201,574,765	48,772,463	68,686,006	95,874,819	589,072,202	550,700,110
Net assets										
Share capital	188,750,621	(210,388,464)	327,956,941	140,781,249	23,910,395	312,359,862	103,480,069	329,695,616	(411,847,313)	(427,197,734)
Reserves	14,668,525									
Surplus on revaluation of assets - net of tax	52,266,420									
Unappropriated profit	21,420,452									
Non-controlling interest	96,909,270									
	3,485,954									
	188,750,621									

45.5

Derivative Risk

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 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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 all counterparties is estimated and monitored by TMO.

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.

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.

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.

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.

46 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

46.1 The Board of Directors in its meeting held on February 20, 2019 has proposed a final cash dividend of Rs 1.25 per share for the year 2018. This is in addition to Rs 3 already paid during the year bringing the total dividend for the year to Rs 4.25 per share (2017: Rs 8 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, 2018 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2019.

46.2 The Finance Supplementary (Second Amendment) Bill, 2019 laid down before the National Assembly of Pakistan on January 23, 2019, amended the rates of Super Tax noted in the earlier Finance Act 2018 and prescribed a flat rate of 4% super tax for all accounting years from 2017 to 2020. The changes proposed by the Bill are being deliberated and have not yet been enacted.

If the Bill is enacted in its proposed form, the potential financial impact of the revision in the rate of Super Tax for the accounting year 2017 would amount to Rs 1,933 million.

47 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on February 20, 2019.

48 GENERAL

48.1 These consolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 2 dated January 25, 2018 and related clarifications / modifications.

48.2 The comparative figures have been re-arranged and reclassified for comparison purposes. The significant reclassifications have been disclosed in note 4.1.3 of these consolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeem Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Islamic banking business - Consolidated Financial Statements**ANNEXURE-I**

For the year ended December 31, 2018

Details of islamic banking business for the year ended December 31, 2018 is disclosed in Annexure I of the unconsolidated financial statements.

Details of advances written-off - Consolidated Financial Statements**ANNEXURE-II**

For the year ended December 31, 2018

Details of advances written-off for the year ended December 31, 2018 is disclosed in Annexure II of the unconsolidated financial statements.

Details of disposal of fixed assets - Consolidated Financial Statements**ANNEXURE-III**

For the year ended December 31, 2018

The particulars of disposal of fixed assets to related parties are given below:

Description	Original cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Particulars of buyer
------(Rupees in '000)-----						
Leasehold improvements	14,282	11,336	2,946	4,655	Insurance Claim	Jubilee General Insurance Company Limited
Furniture and fixtures	955	550	405	533	Insurance Claim	Jubilee General Insurance Company Limited
Electrical, office and computer equipment	7,965	6,102	1,863	2,895	Insurance Claim	Jubilee General Insurance Company Limited
Vehicles	1,824	1,641	183	1,492	Insurance Claim	Jubilee General Insurance Company Limited
Total	25,026	19,629	5,397	9,575		

HBL Domestic Network

As at December 31, 2018

- Retail Branches Conventional

Name of Region	Number of Branches
Bahawalpur	62
Faisalabad	99
Gujranwala	72
Gujrat	76
Hyderabad	60
Islamabad	144
Jhelum	78
Karachi	169
Lahore	115
Mardan	95
Mirpur A.K.	59
Multan	110
Muzaffarabad	40
Peshawar - D.I.Khan	105
Quetta	45
Sahiwal	82
Sargodha	77
Sialkot	81
Sukkur	51

- Islamic Banking

47

- Commercial

19

- Corporate (Including KEPZ)

12

1,698

Subsidiaries

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

FMFB Branch Network

	Number of Branches
Sindh	40
Punjab	74
Balochistan	4
Khyber Pakhtunkhwa	15
Capital Territory	1
Gilgit Baltistan	19
Azad Kashmir	2
	155

Associates

Jubilee General Insurance Company Limited
Jubilee Life Insurance Company Limited

A person in a dark suit is holding a magnifying glass over a document. A bright green laser beam points from the bottom left towards the center of the page, passing through the text. The background is dark and moody, with some faint grid lines visible on the left side.

UNCONSOLIDATED FINANCIAL STATEMENTS

Directors' Report 2018

On behalf of the Board of Directors, we are pleased to present the Unconsolidated Financial Statements for the year ended December 31, 2018.

Macroeconomic Review

GDP growth for FY18 rose to 5.8% from the 5.4% achieved in FY17. This was supported by gains in Agriculture and Manufacturing, with Services maintaining a steady growth rate of 6.4%. However, the first half of FY19 has seen a slowdown in economic activity with the LSM index for H1FY19 contracting by 1.5% due to demand containment, and agricultural production declining from FY18 levels. GDP growth, after 3 years of acceleration is now projected to moderate down to under 4.0%. CPI inflation has been on an upward trajectory and reached a 51-month high of 7.2% in January 2019. Average inflation for 7MFY19 is 6.2% compared to 3.9% in the same period last year and is expected to be 6.5% – 7.5% for FY19.

The key determinant of macroeconomic policy has been the balance of payments situation where a protracted and historically large current account deficit has forced tough decisions on the economy. During FY18, imports rose to an all-time high of USD 67 billion, ballooning the trade deficit to USD 37 billion. For 7MFY19 the balance of trade has declined by 5.3% over 7MFY18; import containment has been somewhat successful with only a 2.4% decrease but, despite the weaker Rupee, exports have remained stagnant. Remittances, having returned to a nominal growth trajectory in FY18, picked up pace during the current fiscal year, increasing by 12% and, once again, served to mitigate the negative trade balance. The current account deficit of USD 8.4 billion for this period, while still significant, represents a 16.8% decline compared to the same period last year.

With the external account under considerable pressure, the Rupee continued to slide, losing 26% of its value during the year and crossing Rs 140 before retracting to slightly below this level. After declining by more than 15% from June 2018 levels, foreign exchange reserves rebounded slightly to USD 14.8 billion on inflows from Saudi Arabia and UAE. The weakening macroeconomic indicators have weighed on Pakistan's sovereign ratings as Moody's revised its Outlook on the current B3 rating to Negative in June while Fitch announced a cut to B- with a Stable Outlook in December. In February, S&P also downgraded Pakistan's long-term sovereign credit rating to B-with a Negative Outlook based on external account concerns. Recently, Moody's changed its Pakistan Banking System Outlook from Stable to Negative given the industry's high exposure to the sovereign and a slowing economy.

The fiscal deficit for FY18 was recorded at 6.6% of GDP, exceeding even the revised target of 5.5%. A similar trend is apparent for FY19 and Government estimates are for the deficit to reach 6.3% compared to a budgeted level of 5.1%. Performance on the fiscal front during H1FY19 has remained weak with revenue targets missed as a result of lower tax rates, the slowing economy and reduction in petroleum levies. On the other hand, expenditure has continued to increase, driven by rising debt servicing costs and escalating provincial current expenditure. Consequently, the deficit for H1FY19 is already at 2.7% of GDP.

Given the overall economic context, the equity market underperformed during 2018 with the PSX index showing a retracement of 8.4% and closing the year at 37,067 points. This is the first time since 1995-1996 that the PSX index has declined year-on-year for two consecutive years. After a brief rally in January 2019, the downturn in stocks has continued as the market awaits a clearer roadmap on economic policy and on the timing and quantum of the inevitable IMF program.

Currency in circulation rose by 19%, while Prize Bond issuance has increased substantially. These two developments indicate a medium-term cash-preference behavior for a broad section of the overall population, largely attributable to tax on cash withdrawals and other banking transactions. Private sector credit during H1FY19 increased by Rs 570 billion, nearly double the increase seen in the same period in FY18. This is largely attributed to higher raw material costs as well as capacity expansions in power and construction related sectors. The SBP has adopted a rapid tightening of monetary policy, increasing rates in all but one monetary policy; announcement, by a total of 425 bps during 2018. Total industry deposits grew by 8.0% during 2018, while advances increased by 22.4% over December 2017 levels. Banking system spreads, after bottoming out in August 2018, have been gradually rising, but the average for 11M18 is still lower than in 2017 due to the lagged repricing of loans in the rising rate environment.

Financial Performance

HBL's profit after tax for the year is Rs 11.8 billion, an increase of 53% over 2017, with earnings per share of Rs 8.04 compared to Rs 5.27 in 2017. Pretax profit of Rs 19.8 billion is 28% lower than in 2017 as a result of the multiple one-offs that affected the Bank's financial performance in 2018, including the impact of the continued slide in the Rupee and the remediation, legal and regulatory costs related to its New York branch.

HBL's balance sheet has grown by 11.9%, to Rs 2.9 trillion in Dec'18. Domestic deposits have increased by 6.8% helped by continued focus on soliciting current deposits which rose by 12.9% to Rs 709 billion. The mix of current deposits improved from 35.6% in Dec'17 to 37.6% in Dec'18. HBL has become the first bank in Pakistan to cross Rs 1.0 trillion in

total advances, driven by continued growth in domestic lending initiated over the last couple of years. Domestic advances have increased by 30% over 2017 to Rs 913 billion, with a broad-based growth across most business segments.

Key drivers of the domestic business remain strong and on a rising trajectory; average domestic current accounts increased by 14.9% over 2017 while average domestic loans increased by 32.4%. The average domestic balance sheet grew by 8%, offsetting the spread reduction caused by lower investment yields and lagged loan repricing. Domestic net interest income is thus marginally higher than for 2017. A turnaround is evident in international revenues in the last quarter of 2018; nevertheless, they are significantly lower than last year. HBL's total net interest income thus declined by 2% at Rs 76.0 billion in 2018.

Core domestic fees remained strong and increased by 7% over 2017 driven by account operations and card related fees, consumer financing and general banking charges. Reported fee income at Rs 16.1 billion, is 8% lower as a result of lower international fee income and a steep, but expected, decline in home remittance income following the extensive de-risking in end 2017. The Bank's open FX position has resulted in a revaluation loss of Rs 6.8 billion due to the sharp depreciation of the Pak rupee; excluding this, FX income grew by 7% on the back of higher trading revenue. The Bank realized significant capital gains on fixed income bonds in late 2017 in anticipation of a rising interest rate environment. These were not expected to be replicated and capital gains are Rs 6.0 billion lower than in 2017. Consequently, non-markup income for 2018 is reported at Rs 16.4 billion.

Administrative expenses in 2018 increased by Rs 14.1 billion. This included several one-offs such as the costs related to New York, consultancy fees for the business transformation project, a new regulatory requirement of deposit insurance introduced in H2'18, a revision in the minimum pension level and the impact of rupee devaluation on international expenses. Excluding the impact of these items, the Bank's administrative expense growth is contained to low single digits.

With the stock market performing poorly during the year, the Bank recorded an impairment charge of Rs 2.9 billion on its listed equity investments. This, along with higher provisions in the international business, resulted in total provisions of Rs 4.6 billion for the year. However, domestic recovery streams continue to stay strong with net credit reversals of Rs 1.1 billion and a Rs 1.7 billion reduction in non-performing loans. Asset quality improved from 7.7% in December 2017 to 6.6% in December 2018, its lowest level in the last 15 years. The Coverage Ratio declined slightly from prior year end levels but remained strong at 92.6%.

Movement in Reserves

	2018	2017
	Rupees in million	
		(Restated)
Profit after tax	11,789	7,731
Unappropriated profit brought forward	87,301	97,446
Effect of retrospective change in accounting policies		
- Deficit on revaluation of fixed assets – net of tax	-	(803)
- Impact of adoption of IFRS 9 – net of tax	(65)	-
Unappropriated profit brought forward – restated	87,236	96,643
Profit after tax	11,789	7,731
Re-measurement loss on defined benefit obligations – net of tax	(153)	(1,008)
Transferred from surplus on revaluation of assets – net of tax	58	43
	11,694	6,766
Profit available for appropriation	98,930	103,409
Appropriations:		
Transferred to statutory reserves	(1,179)	(706)
Cash dividend – Final	(1,467)	(5,134)
1 st interim cash dividend	(1,467)	(5,134)
2 nd interim cash dividend	(1,467)	(5,134)
3 rd interim cash dividend	(1,467)	-
Total appropriations	(7,047)	(16,108)
Unappropriated profit carried forward	91,883	87,301
Earnings per share (Rupees)	8.04	5.27

Capital Ratios

Despite the strong asset growth, the unconsolidated Capital Adequacy Ratio (CAR) improved from 15.8% as at December 31, 2017 to 16.4% at the end of 2018, while the Tier 1 CAR was also improved from 12.1% to 12.5%. This has been underpinned by a continued optimization of Risk Weighted Assets as well as a conservative dividend policy. 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 nearly 14%. This year HBL added nearly 1 million new customers through its branch network, bringing its total branch customer base to over 11 million.

HBL Asaan Account, offering a simplified account opening process for smaller ticket customers is a key product for increasing inclusion of the unbanked population. 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 2018, HBL added 187,000 new customers in this category. The Bank now has nearly 720,000 Asaan accounts with a total deposit balance of over Rs 10 billion.

HBL deepened the Nisa portfolio (the Bank's Women Markets program) through joint campaigns with the HBL Asaan Account product to further the Bank's financial inclusion objectives. Benefits were added to make the program more attractive. The Nisa program also promotes non-financial services, including workshops, training sessions and networking opportunities to help grow outreach. In 2018, the Bank added 112,000 new Nisa accounts, bringing the total portfolio to over 430,000 accounts with a deposit of Rs 34.2 billion. HBL now proudly serves 3 million female customers.

Despite gains by competitors, HBL maintained its position as the market leader in Bancassurance with a share of over 35%. Banca-Takaful, the Islamic variant of this product has now gained increasing acceptance, comprising more than a third of total sales. During the year the business launched HBL Sahara, a small ticket policy sold through Telesales and EFU Life's first product offering through HBL. A strengthened call back control mechanism was also implemented and sales scripts and product marketing material was revised to strengthen compliance.

HBL is the largest private sector agricultural finance provider with nearly 25% of the commercial bank market share. The Rural Banking business launched several innovative products this year including a mobile application which captures farm images through mobile and tower-based data. This tool provides significant data points of the farm including farm images, farmer pictures and geotagging of the farm along with a date and time stamp. Recently HBL became the first bank in the industry to integrate its system with the Punjab Land Records Authority, allowing online extraction of title documents and records of agricultural land holdings of farmers. This will enable ownership verification, ensuring the authenticity and availability of critical documents.

In line with HBL's customer-centricity goals, the business launched Kisaan ki Awaaz (Voice of the Farmer), a structured program of town halls where farmers are informed about agriculture finance products along with a series of value added discussions on agronomy and better farm management. HBL is committed to financial inclusion of the rural population as this segment is of critical importance to Pakistan's economic development. For the third year in a row, the Institute of Bankers Pakistan awarded HBL the Best Bank for Agriculture at the Pakistan Banking Awards. HBL is the only bank to have won this award since their inception.

HBL aspires to create a consistent quality experience for its existing as well as its prospective clients. Service Quality is a strategic priority for the Bank and is viewed as a key product offering to our clients. To improve the overall service culture, a Quality Council was established in 2018. Service pledges by staff, along with reward and recognition programs, have been launched under the umbrella HBL Cares, to recognize their contribution to the organization's strategic goals. To align internal service measures with customer feedback, the governance around monitoring and measurement was strengthened with internal mystery shopping as well as independent customer surveys. This resulted in tangible improvements in attitude and product disclosure, branch upkeep and Overall High Satisfaction. The organization-wide focus on visibility of customer complaints and quick complaint resolution has also improved the Problem Resolution Satisfaction scores.

The Conduct Assessment Framework (CAF) committee worked on various cross-functional initiatives to improve Fair Treatment to Customers as per the SBP's guidelines. They were able to achieve an improvement in the Bank's CAF rating, from 1.74 in 2017 to 1.81 in 2018. In 2018, 70,140 complaints were received directly by the Bank. On average, 4.67 days were taken to resolve the complaints.

HBL's Consumer Banking business, which helps people achieve their financial aspirations, continued its consistent and steady growth. In 2018, the portfolio grew by 15% crossing a landmark of Rs 50 billion, with the major contribution coming from personal loans and auto financing. The overall asset quality continues to be well managed with exceptionally low loss rates even after several years of sustained growth.

HBL's flagship Platinum Card continues to be one of the most acclaimed and sought-after cards in the market, with its extensive array of features and discounts for customers and worldwide acceptance. This year, the premium card suite was

expanded with the launch of the HBL-Qatar Airways Cobrand, which allows cardholders to accumulate air miles against spend. In 2018, HBL's credit card spend grew by 34% over 2017 to Rs 46 billion and VISA adjudged the Bank as the #1 Credit Card in Pakistan based on payment volumes and spend. HBL continues to be the clear market leader in debit cards, with 5.1 million cards in circulation and launched a Gold debit card targeted at the mass affluent segment. Debit card usage grew by over 42% to Rs 33 billion. Merchant Acquiring assumed clear market leadership with more than 21,000 POS terminals which processed a throughput of Rs 105 billion.

The Islamic Banking business grew its loans and deposits by over 20% while launching several new products – Islamic Home Finance, Tijarah (Inventory Financing), an Islamic version of the SBP's conventional Long Term Facility for Export-Oriented Projects and Islamic Tractor Financing. A dedicated Internal Shariah Audit unit has been set up within the Internal Audit function, consisting of adequately trained and skilled staff. During the year, HBL Islamic won the coveted Best Islamic Window of the year 2017, awarded by the CFA association of Pakistan.

HBL's Corporate Banking business demonstrated an exceptional performance, growing its loan book by 38% and acquiring 30 new relationships focussed on developing new market segments. The overall client relationship became the key driver of performance and cross-sell of HBL's powerful suite of products was emphasised. Renewed focus on trade resulted in a 46% growth in volumes.

Leadership in Investment Banking was strengthened and multiple landmark transactions were executed. These included a 330 MW indigenous coal-based power plant, a USD 190 million foreign currency financing facility for an electricity company and a first-of-its-kind privately placed book built Sukuk issue for a steel manufacturer. The Bank has received several accolades from both local and international bodies for its prowess in Investment Banking. Some of the most significant include the Best Investment Bank in Pakistan – International Banker, FinanceAsia, AsiaMoney and the Pakistan Banking Awards, Regional Bank of the Year for Belt and Road Initiatives in Southeast Asia – FinanceAsia and Best Bank for Infrastructure / Project Finance in the Region in South Asia – AsiaMoney.

HBL continues to lead the Transaction and Employee Banking space with a market share of 37% in cash management and 55% in employee banking through its proprietary HBL At Work (HAW) initiative. Total throughput in these initiatives increased to over Rs 3.1 trillion with over 2,000 mandates. HBL now processes nearly Rs 200 billion in salary payments to almost 1 million employees. In 2018, the product offering was extended to mid-market and commercial customers along with the launch of an Islamic HAW product.

HBL – SEMS (Social & Environmental Systems) continued to work with the SBP providing support in the development of the Green Banking Guidelines (GBG). In line with the facilitation requirements of the GBG, a Solar Product Development training course was conducted. An Environmental Committee has been formed and various Own Impact Reduction initiatives are underway. The ESG diligence process is already embedded in all corporate banking credit approvals with the environmental impact of HBL's financing scrutinized by the SEMS team. In 2018, this discipline was extended to other lending businesses.

HBL's Treasury strengthened its position in the domestic fixed income market by retaining its top-ranked Primary Dealer status for the fourth consecutive year. Over the course of the year the business hosted high-profile seminars in Karachi, Lahore, and Islamabad to keep clients updated about current and expected macroeconomic developments and their impact on business and industry. All three events were well-attended by leaders and executives as well as representatives from the not-for-profit and the public sectors. The Islamic Treasury successfully implemented the OPICS+ system during the year ensuring that risk management of the Islamic Banking balance sheet is accomplished via a state-of-the-art technology platform.

In 2018, the Bank accelerated its digitization drive and proactively engaged in conversations about digitization and innovation across the businesses with key internal and external stakeholders. 2018 was also a leap forward in our journey to enhance the customer's digital experience as both the Mobile and the Internet Banking platforms were revamped and relaunched with a far superior user experience and interface. The new versions have enabled key services which were previously available only through branch visits. These have now also been launched in key international locations. Redundancy was built into the technology infrastructure on which the Mobile, Internet and Konnect applications run, to meet the stringent uptime requirements demanded by these applications.

The Bank was also the first in the market to leverage opportunities on the asset side by offering Personal Loans using the Mobile App. Approval time has been reduced to hours with approved loans being disbursed directly to the customer's account. This revolutionary offering has created ease for our clients, with a quick turnaround and a more personalized offering to meet their financing needs. So far over Rs 1 billion have been disbursed through this product enhancement.

Konnect with its end-to-end Digital customer acquisition and servicing model was rolled out in July and, by the end of the year, had enrolled 1.4 million New to Bank customers; 25% of Konnect account holders are women. By leveraging key digital principles of a frictionless customer journey and a high degree of personalization, this mobile platform was built using agile methodology and leveraging a network of 40,000 agent locations Konnect offers a range of services for customers including a biometric authentication based instant account opening while adhering to high compliance standards. A pilot of open/collaborative banking through APIs was successfully deployed with integrations for two e-commerce merchants. This is expected to gather momentum in 2019.

HBL recognizes data to be a valuable organizational asset and a critical driver of the digital business model. 2018 saw the roll out of a comprehensive data strategy which included the initiation of a formal data governance program under the guidance of a Data Governance Council. A centralized advanced analytics team has also been created and has undergone extensive training in artificial intelligence / machine learning techniques. Initial analytics projects are already underway which will help HBL in providing highly personalized client offerings.

In 2018, the Bank completed a strategic review of its global footprint, which it continued to consolidate, closing its Paris branch and progressing the orderly winddown of the Seychelles business. In the aftermath of the accelerated de-dollarization and de-risking carried out in late 2017 and early 2018, this has been a year of rebuilding for the international network, with a new strategy for the overall network focused on business / trade corridor connectivity with Pakistan. As the largest executor of CPEC related financing in Pakistan, special emphasis has been placed on Pak-China business flows. USD clearing challenges faced in 2018 have been addressed through new arrangements, along with enhanced controls and resources for payment screening and correspondent query management. Countries continue to make significant progress in improving their compliance systems, processes and governance. Indigenization is a new focus area and HBL will seek to on-board qualified local talent in the diverse locations in which it operates.

During the year HBL's Urumqi Branch was granted an RMB license by the China Banking and Inspection Regulatory Commission (CBIRC) and is targeted to commence RMB business at the end of Q1 2019. This will uniquely position HBL to offer door to door RMB intermediation. During the year, in-principle approval was received from SBP for upgrading HBL's Representative Office in Beijing to a branch and work is in progress on obtaining regulatory approvals in China.

The initiative that consumed 2018 was HBL's Business Transformation program, which is a multiyear change initiative, centered on making the Bank fit for purpose with sufficient controls and mitigants for handling risks across all geographies in which the Bank operates. The program focusses on four key pillars – Governance, people, processes and technology – to ensure that the change is sustainable. These pillars cut across the entire organization, end-to-end and front-to-back, so that all of HBL's business and support functions are aligned to the change agenda.

New and enhanced control standards were enforced to create a robust governance framework, ensuring that the transformation is embedded throughout the organization and becomes part of the Bank's DNA. Customer onboarding, risk rating and related processes were totally revamped to create a strong control framework that can safeguard the Bank against Money Laundering (ML), Terrorist Financing (TF) and Know Your Customer (KYC) related risks. Continuous and repeated training, development and communication reinforced the transformation initiatives. Compliance and AML technology systems were upgraded to align with international best practices for sanctions screening and transaction monitoring so that ML, TF and KYC risks are adequately identified, assessed, mitigated and managed.

In 2018, the Bank took several initiatives to protect its customers against fraud and theft. HBL secured all 2,100+ ATMs with Skimming Protection Solutions and anti-skimming devices, making HBL the largest secured network in the country. Domestic EMV acquiring has been rolled out in line with Payment Card security regulations which enables HBL ATMs to acquire and process local EMV and Chip based transactions. All new card issuance is now EMV (Chip) based, which reduces the risk of card cloning to a very large extent. In order to enhance protection against fraudulent international usage, the Bank's debit cards have been configured so that they cannot be used outside Pakistan by default. Customers have to call and activate their cards for international POS and ATM usage. Likewise, 3D Secure has been implemented for all debit and credit card e-commerce transactions, thus reducing the possibility of fraudulent usage. HBL is now enrolled with Visa and Mastercard in their fraud monitoring programs, which enables the Bank to define rules and limits as appropriate to identify and prevent fraudulent transactions.

HBL continued to consolidate its strong brand equity throughout 2018. In research conducted by an independent external agency, HBL maintained its leadership position within the financial sector and its highest brand equity score remains more than twice that of its nearest competitor. HBL's marketing efforts were recognized by the World Branding Awards, which once again rated the Bank as Brand of the Year – Banking, Pakistan.

HBL Pakistan Super League (HBLPSL) remained the premier event on the country's sporting calendar and continues to advance the goal of bringing international cricket back to Pakistan. Each year, this tournament provides a platform for the youth of the country to showcase their talent and fulfill their dreams and ambitions, enabling the discovery of new cricketing stars. HBL has renewed its title sponsorship and is delighted to be continuing its association with the country's signature sporting event.

Human Resources

HBL aims to make the Bank an 'Employer of Choice' for top talent in the market.

In line with the Bank's strategy to increase bench strength in senior positions and to develop the future leadership of HBL, a number of highly experienced professionals were inducted as part of the Bank's Executive team. Interactive engagement sessions and town halls with the President and senior team members were held throughout the network to facilitate interaction with the field staff and to share the Bank's strategy and future plans.

With the objective of creating and developing an engaged workforce within the Bank, an engagement survey was rolled out for the first time. This was enthusiastically received with 82% of HBL's employees availing the opportunity to provide feedback. The overall engagement level of 78% was ahead of Mercer's 74% global average, reflecting positively on the interaction within the Bank. The focus going forward is for all teams to develop and implement their own engagement plans which will resultantly drive higher performance within the organization and also enhance employee retention.

To attract outstanding millennials, 30 high potential employees were selected as part of 'The League', the Bank's avidly sought-after Management Trainee program. As part of their development, selected individuals were provided short international assignments. To develop the leadership pool as part of the Bank's Talent Management program, structured plans were developed to engage and retain high potential employees. Over 1,200 staff were hired to build front-line talent in the branch network through program-based hiring. We were also selected as one of only two banks in Pakistan to be designated as a Training Organization Outside Practice (TOOP) by the Institute of Chartered Accountants, Pakistan which allows articleship to be completed through work experience at the Bank.

As always, building employee capacity remained a key area of focus. In particular, emphasis was placed on creating and driving a compliance culture and delivering the learning and training aspect of the Bank's business transformation initiatives. Specific learning interventions were rolled out that resulted in accomplishing a total of over 750,000 manhours of training during the year, including through e-learning programs covering a wide range of topics. High-end training was provided to over 180 IT employees where constant upgradation of skills is critical in a rapidly changing technology environment. More than 1,000 staff received Islamic Banking training while several also attended external training courses offered by SBP, IBA-CEIF and ETICHA Institute of Islamic Finance.

HBL places great emphasis on creating a diverse culture and promoting a healthy gender mix in its global workforce. Specific programs such as 'HBL Elevate' and 'HBL Beacon' were rolled out to develop women leadership. Progressing towards its objectives of increasing women representation in the Bank, emphasis was placed on hiring at least 30% women in new hires. In IT, the Bank hired an all-female batch of fresh IT graduates and onboarded them after an eight-week training program. These concerted efforts have resulted in the percentage of female employees increasing from 14.8% in 2017 to 15.7% in 2018. It is very encouraging that HBL's efforts in this area have been recognized, with the Bank receiving an award for 'Employer of Choice for Gender Balance' from IFC and the Pakistan Business Council.

Risk Management Framework

Effective risk management is the cornerstone of HBL's strategic priorities. This is articulated in the Bank's risk appetite which is set by the Board in line with international best practices, regulatory requirements and evolving business needs.

The Bank continuously evaluates its risk architecture and governance framework through 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.

To further strengthen monitoring of the investment portfolio, the Bank has implemented Value-at-Risk (VaR) based limits; this is a key milestone achieved towards the adoption of the Basel Internal Models Approach (IMA).

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 Operational Risk Profile and Fraud Risk Assessment are regularly shared with senior management and the Board Risk Management Committee. The Bank uses stress testing and scenario analysis to proactively assess the impact of different operational loss scenarios.

Management of Compliance risk has remained high on HBL's agenda for 2018. During this year, a dedicated Board Compliance & Conduct Committee was formed to improve governance and oversight of this critical area.

As part of the Bank's transformation program, HBL has upgraded its Sanctions screening and transaction monitoring systems while graduating to a real-time customer risk rating methodology incorporating FATF, Basel and Wolfsberg guidelines. Staffing has been more than doubled and subject matter experts have been inducted in new areas such as Trade-Based Money Laundering, compliance training and project management. HBL has developed a holistic Financial Crime Risk Assessment based on local and international best practices to better dimension and mitigate its Compliance risk.

The emphasis on Compliance training translated into the rollout of improved programs, both for e-learning as well as for classroom training. A suite of e-Learning modules was developed in Urdu, in addition to English, to ensure that the training is appropriately delivered and achieves maximum outreach and knowledge retention.

As consumers increasingly adopt and depend on mobile and digital technologies for their business as well as lifestyle needs, Information Security has become a critical business function and an essential component of governance. HBL is committed to protecting its clients and their information and has increased its efforts to stay ahead of industry trends. HBL

continues to strengthen its cyber defenses by utilizing effective preventive and detective information security measures to counter evolving threats. In 2018, HBL successfully retained its PCI DSS certification, the de facto security standard for the Payment Card industry and remains the only bank in the country to have achieved this milestone. During the year HBL also achieved ISO 27001 international information security related certification. These measures allow HBL to provide protection, confidence and security to clients while offering them innovative digital solutions. Support was also provided to our UK and European operations to enable them to meet the September 2018 deadline of adherence to the EU's new GDPR regulations.

Corporate Social Responsibility (CSR)

Giving back to society is one of HBL's core values and the Bank continues to play its role as a responsible corporate citizen. In order to promote sustained economic and social development to the communities it serves, the Bank contributes 1% of its annual profit after tax to the HBL Foundation, which was established in 2009 to promote the development and well-being of the underprivileged, and improve their quality of life. During 2018, the Bank donated Rs 128 million, both to the HBL Foundation and also directly to deserving causes.

In 2018, significant financial support was provided to various organizations across Pakistan, primarily focusing on health and education. 29 doctors of Indus Hospital benefited from the Emergency Medicine Training Program which will provide free health care to the general public. 12 free eye surgical camps were setup in collaboration with Marie Adelaide Leprosy Center in Balochistan and Gilgit Baltistan, bringing the total number of beneficiaries to more than 15,000. HBL also partnered with the Cancer Care Hospital and Research Center, Jinnah Post Graduate Medical Center, Lady Dufferin Hospital and Aga Khan Health Service all of which will ultimately benefit the less privileged sections of society.

HBL firmly believes that education will be the driving force for the economic uplift of the people of Pakistan. Vocational training, conventional education and skill development were all invested in through collaboration with Helping Hands Welfare Association, Network of Organizations Working for People with Disabilities (NOWPDP) and others. Contributions were made to institutions across the country including a youth vocational training center in Skardu, Baltistan, and higher educational institutions in Balochistan and in interior Sindh. HBL's support has also facilitated The Citizens Archive of Pakistan to set up an interactive museum in an underprivileged area of Lahore.

Corporate volunteering is a key strategic agenda for the Bank and in 2018, more than 500 employees dedicated their time and resources to social and national causes. HBL, in collaboration with I AM KARACHI, participated in the Heritage Walk which aims to rekindle the general public's interest in the city's heritage and historic sites. Employees collaborated with the Indus Hospital to launch a Blood Donation Drive and organized an Eid Milan Party for special children.

HBL, in collaboration with the World Wildlife Fund, celebrated the World Environment Day with this year's theme/tag line #BeatPlasticPollution. An interactive awareness session for employees was organized and as a sequel, Karachi employees participated in a 'Beach Clean' Activity. 150 employees at the Bank's IT Innovation Center organized a plantation drive around the premises, sending out a strong message for the need to plant trees and contribute to the environment.

Donations to the HBL Foundation and others are disclosed in Note 28.4 to the financial statements.

Credit Ratings

The Bank's credit ratings were re-affirmed in June 2018 by JCR-VIS at AAA/A-1+ for long-term and short-term respectively. At the end of the year, JCR-VIS also restored the Outlook on HBL's ratings to Stable and the rating of the subordinated debt to AAA. In doing so, the rating agency cited the improvements in HBL's corporate governance framework in general and compliance in particular, and reflected the Bank's position as Pakistan's largest commercial bank with systemic importance, a strong franchise and diversified operations. Moody's also reaffirmed HBL's local currency deposit ratings at B3 and the baseline credit assessment at caa1. Based on Moody's rating of the sovereign as B3 Negative, the Bank's foreign currency rating is at Caa1 with the Outlook on the overall ratings as Negative.

Future Outlook

The headwinds affecting Pakistan's macroeconomics have intensified. The country's historical problem with the twin deficits, suppressed for some time, has resurfaced, with a combined deficit of over 12%. Core inflation continues to rise and, despite some curbing of demand, is expected to increase further with the knock-on effects of the exchange rate movements and higher electricity and gas tariffs. There is an urgent need to revitalize industrial production and stimulate exports which, despite the currency devaluation, have failed to show meaningful performance. On the fiscal side, with the rising rate environment leading to spiraling debt servicing costs, revenue enhancements through a meaningful widening of the tax base remain imperative. Infrastructure gains made under the first phase of CPEC now need to be leveraged with export-centric industrial expansion in Phase II.

Support from friendly countries has temporarily averted a balance of payments crisis. However, given the looming repayments in 2019 IMF assistance will be required and a program appears to now be very much on the cards. However, this will require the Government to take tough steps on energy prices, ailing public sector enterprises and circular debt and to implement sweeping taxation reform.

After a challenging year, HBL is expected to deliver improved performance in 2019. Some of the exceptional cost pressures faced in 2018 will abate in both the domestic and international businesses as the external costs of the Bank's business transformation and the New York related remediation expenses have peaked. The Bank's investment in its transformation program is, as expected, now becoming a competitive advantage for the Bank and is being recognized by local and international partners and stakeholders.

HBL, as a Technology Company with a Banking License will accelerate its digital journey in 2019 transforming the customer experience through innovative products and channels. The Mobile First strategy will ensure that we keep delighting our customers with new product and feature offerings to make this their Lifestyle App of choice. Service quality, where much remains to be done, will remain a priority for the foreseeable future. Gains made under the Bank's business transformation program will be further embedded so that world class standards are achieved and maintained in all aspects of operations. The Bank is fully committed to its objective of financial inclusion for all and in female empowerment. With its growing balance sheet, improved capital strength and unmatched footprint across all channels, HBL has the capacity and the determination to make a significant contribution to the development of the country and its economy.

Dividend

The Board has recommended a final cash dividend of Rs 1.25 per share for the year ended December 31, 2018, bringing the total cash dividend for the year to Rs 4.25 per share. The Board had earlier declared and paid interim cash dividends totalling Rs 3.00 per share.

Change in Directors

Mr. Sajid Zahid retired from the Board of Directors on March 26, 2018, at the conclusion of his term, after having served on the HBL Board since 1999. The Board wishes to place on record its deepest appreciation for the contribution and wise counsel of Mr. Zahid. On March 27, 2018, the remaining six retiring Directors were elected to a new three-year term on the Board of HBL.

Ms. Sadia Khan was elected as a Director on March 27, 2018. Ms. Khan has extensive domestic and international experience, having served with multilateral organizations, and in the areas of financial regulation and entrepreneurship. The Board welcomes Ms. Khan and looks forward to her contribution.

Meetings of the Board

	Board Meeting	
	Meetings held during tenure	Attendance
Mr. Sultan Ali Allana	10	10
Mr. Shaffiq Dharamshi	10	9
Mr. Moez Ahamed Jamal	10	10
Mr. Salim Raza	10	10
Dr. Najeeb Samie	10	10
Mr. Agha Sher Shah	10	8
Mr. Sajid Zahid ¹	3	3
Ms. Sadia Khan ²	7	7
Mr. Rayomond H. Kotwal ³	4	4
Mr. Muhammad Aurangzeb ⁴	6	6

¹ Mr. Sajid Zahid completed his term as a Director on March 26, 2018

² Ms. Sadia Khan was elected as a Director with effect from March 27, 2018

³ Mr. Rayomond H. Kotwal was appointed as Acting President & CEO effective December 1, 2017 to April 29, 2018

⁴ Mr. Muhammad Aurangzeb was appointed as President & CEO effective April 30, 2018

Meetings of Board Committees

	Audit Committee		Risk Management Committee		Human Resource and Remuneration Committee		Board Compliance & Conduct Committee	
	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	4	4	5	5	N/A	N/A
Mr. Moez Ahamed Jamal	8	8	N/A	N/A	1	1	6	6
Mr. Salim Raza	N/A	N/A	4	4	N/A	N/A	N/A	N/A
Dr. Najeeb Samie	8	8	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Agha Sher Shah	N/A	N/A	N/A	N/A	6	5	N/A	N/A
Mr. Sajid Zahid ¹	2	2	1	1	N/A	N/A	N/A	N/A
Ms. Sadia Khan ²	6	6	N/A	N/A	4	4	6	6
Mr. Rayomond H. Kotwal ³	N/A	N/A	2	2	N/A	N/A	N/A	N/A
Mr. Muhammad Aurangzeb ⁴	N/A	N/A	2	2	N/A	N/A	N/A	N/A

¹ Mr. Sajid Zahid completed his term as a Director on March 26, 2018

² Ms. Sadia Khan was elected as a Director with effect from March 27, 2018

³ Mr. Rayomond H. Kotwal was appointed as Acting President & CEO effective December 1, 2017 to April 29, 2018

⁴ Mr. Muhammad Aurangzeb was appointed as President & CEO effective April 30, 2018

	Development Finance Committee		Board Oversight Committee – New York		Board IT Committee	
	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance	Meetings held during tenure	Attendance
Mr. Sultan Ali Allana	3	2	N/A	N/A	N/A	N/A
Mr. Shaffiq Dharamshi	N/A	N/A	11	11	N/A	N/A
Mr. Moez Ahamed Jamal	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Salim Raza	3	3	N/A	N/A	4	4
Dr. Najeeb Samie	N/A	N/A	11	11	N/A	N/A
Mr. Agha Sher Shah	N/A	N/A	N/A	N/A	4	4
Mr. Sajid Zahid ¹	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Sadia Khan ²	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Rayomond H. Kotwal ³	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Muhammad Aurangzeb ⁴	3	3	N/A	N/A	2	2

¹ Mr. Sajid Zahid completed his term as a Director on March 26, 2018

² Ms. Sadia Khan was elected as a Director with effect from March 27, 2018

³ Mr. Rayomond H. Kotwal was appointed as Acting President & CEO effective December 1, 2017 to April 29, 2018

⁴ Mr. Muhammad Aurangzeb was appointed as President & CEO effective April 30, 2018

The Board IT Committee was reconstituted on February 15, 2018

The Board Committee on Agri, SME and Financial Inclusion was formed on April 10, 2018 and renamed as the Development Finance Committee on May 30, 2018

The Board Committees were reconstituted on April 10, 2018

Ms. Sadia Khan was co-opted in the Board Human Resources and Remuneration Committee from May 30, 2018

In addition to the above, a Board Oversight Committee – International Governance was formed in the Board Meeting held on December 14 & 15, 2018, to bring dedicated focus on the international business. The committee is chaired by Mr. Sultan Ali Allana and includes Dr. Najeeb Samie and Mr. Muhammad Aurangzeb. The committee has not held any meetings in 2018.

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 2019.

Statement on Corporate and Financial Reporting

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:

- a) The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- b) Proper books of accounts of the Bank have been maintained.
- c) Other than the changes as disclosed in Note 4.1 to the financial statements, accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The Bank has followed International 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.
- e) As a continuous process, efforts have been made to effectively implement the internal control system. HBL follows the SBP Internal Control Guidelines, including the roadmap and the guidelines for Internal Controls over Financial Reporting (ICFR). The Bank has evaluated its ICFR process and developed a Framework document for the management 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 six years is presented in the financial statements under the section "Growth 2013 to 2018 – 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, Compliance and Conduct, Development Finance 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 ten 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 Auditor's Reports are attached to the Financial Statements.

Events After the Balance Sheet Date

The Finance Supplementary (Second Amendment) Bill, 2019 laid down before the National Assembly of Pakistan on January 23, 2019, amended the rates of Super Tax noted in the earlier Finance Act 2018 and prescribed a flat rate of 4% super tax for all accounting years from 2017 to 2020. The changes proposed by the Bill are being deliberated and have not yet been enacted. If the Bill is enacted in its proposed form, the potential financial impact of the revision in the rate of Super Tax for the accounting year 2017 would amount to Rs 1,933 million.

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, 2018.

	Rupees in million
Employees' Provident Fund	6,176
Employees' Pension Fund	4,351
Employees' Gratuity Fund	1,845
Employees' Benevolent Fund – Executives and Officers	1,446
Employees' Benevolent Fund – Clerical and Non-Clerical	699

Pattern of Shareholding

The pattern of shareholding as at December 31, 2018 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.

Parent Company

As disclosed in Note 1.1 of the financial statements, 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.

Training programs attended by Directors

As mentioned in the Statement of Compliance with the Code of Corporate Governance (the Code), a majority of the Directors have previously attended the SECP approved Directors' Training program offered by the Institute of Business Administration, Karachi and are certified as Directors in accordance with the Code. During this year, the Board attended a two-day training program on Financial Crime Prevention organized by the Commonwealth Development Corporation PLC (CDC), to ensure an appropriate level of focus on this critical area.

Composition of the Board and Board Committees

The composition of the Board and details of the Board Committees are given in the Statement of Compliance with the Code of Corporate Governance.

Compensation of Directors

The Directors are paid Rs 400,000 for attending Board and Committee Meetings. In addition, the non-Executive Directors are entitled to receive TA/DA and fare for travel as per the TA/DA policy approved by the Board from time to time. These were approved by the Shareholders in the Bank's Extraordinary General Meeting held on March 19, 2018.

The aggregate amount of fees paid to the Directors is disclosed in Note 38 to the Unconsolidated Financial Statements.

Appreciation and Acknowledgement

On behalf of the Board and management, we would like to place on record our appreciation for the efforts of our Regulators and the Government of Pakistan, in particular the State Bank of Pakistan, the Ministry of Finance 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.

We are indebted to our customers, many of whom have banked with us for generations, and who continue to entrust us with their business and confidence. Our shareholders have provided steadfast support and to them and 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 be industry leaders in this area. We would also like to thank our employees and their families for their dedication and their tireless efforts towards the growth of HBL.

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

February 20, 2019

ڈائریکٹر رپورٹ-2018

ہم، بورڈ آف ڈائریکٹرز کی جانب سے سال مختتم 31 دسمبر، 2018 کے حوالے سے غیر مجموعی مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

کلیاتی اقتصادیات کا جائزہ

مالی سال 2018ء میں جی ڈی پی میں اضافہ مالی سال 2017ء کی شرح اضافہ 5.4% سے بڑھ کر 5.8% ہو گیا جس میں زراعت اور مینوفیکچرنگ کا حصہ بھی شامل تھا جبکہ خدمات کے شعبہ نے 6.4% کی مستحکم شرح اضافہ کو برقرار رکھا۔ تاہم مالی سال 2019ء کے اول نصف میں معاشی سرگرمی میں سست روی دیکھی گئی جس میں طلب میں قدرے کمی کے باعث لارج اسکیل مینوفیکچرنگ میں 1.5% کمی واقع ہوئی جبکہ زرعی پیداوار مالی سال 2018ء کی سطح سے گر گئی۔ جی ڈی پی کی شرح اضافہ تین برس تک بڑھنے کے بعد اب 4.0% سے نیچے رہنے کی توقع ہے۔ کنزیومر پرائس انڈیکس بدستور اوپر جا رہا ہے اور جنوری 2019ء میں 7.2% تک پہنچ گیا جو 51 ماہ میں بلند ترین ہے۔ اوسط افراط زر مالی سال 2019ء سات مہینوں کے لئے گزشتہ برس کی اسی مدت میں 3.9% کے مقابلے میں 6.2% رہا اور مالی سال 2019ء میں افراط زر 6.5% سے 7.5% تک رہنے کی توقع ہے۔

کلیاتی اقتصادیات کی پالیسی کا تعین کرنے والی کلیدی صورت حال ادائیگیوں کے توازن کی رہی جہاں تاریخی کرنٹ اکاؤنٹ خسارہ نے معیشت کے لئے سخت فیصلے کرنے پر مجبور کیا۔ مالی سال 2018ء میں درآمدات 67 ارب ڈالر کے ساتھ بلند ترین سطح پر پہنچ گئیں جس کی وجہ سے تجارتی خسارہ بڑھ کر 37 ارب ڈالر ہو گیا۔ مالی سال 2019ء کے سات ماہ میں تجارتی توازن مالی سال 2018ء کے سات ماہ کے مقابلے میں 5.3% کم ہو گیا، درآمدات میں کمی کی کوششیں 2.4% کمی کے ساتھ کسی نہ کسی حد تک کامیاب رہیں لیکن روپے کی قدر میں کمی کے باوجود برآمدات اپنی جگہ پر جامد رہیں۔ ترسیلات زر جن میں مالی سال 2018ء میں معمولی اضافہ ہی ممکن ہوا تھا، رواں مالی سال میں تیزی دیکھنے میں آرہی ہے جو 12% بڑھ گئی اور ایک مرتبہ پھر منفی تجارتی توازن میں کمی کا باعث بنیں۔ کرنٹ اکاؤنٹ خسارہ اسی مدت کے لئے 8.4 ارب ڈالر رہا جو بدستور بہت زیادہ ہے تاہم گزشتہ سال کی اسی مدت کے مقابلے میں 16.8% کمی کو ظاہر کرتا ہے۔

بیرونی اکاؤنٹ پر قابل لحاظ دباؤ کے ساتھ روپیہ بدستور نیچے گرتا رہا جس کی قدر میں جاری مالی سال کے دوران 26% کمی واقع ہوئی اور اس کی شرح تبادلہ ایک ڈالر کے مقابلے میں 140 روپے تک گر جانے کے بعد معمولی سی بہتری آئی۔ زرمبادلہ کے ذخائر جون 2018ء کی سطح سے 15% سے زائد تنزلی کے بعد سعودی عرب اور یو اے ای سے ترسیلات کی وجہ سے بہتر ہو کر 14.8 ارب ڈالر ہو گئے۔ مسلسل کمزور پڑتے ہوئے میکرو اکنامک اشاریوں کا پاکستان کی غیر ملکی ریٹنگ پر اثر پڑا جس کے باعث موڈیز نے اپنے آؤٹ لک میں تبدیلی کرتے ہوئے موجودہ B3 ریٹنگ کو جون میں منفی کر دیا جبکہ فچ نے بھی دسمبر میں کمی کرتے ہوئے مستحکم آؤٹ لک کے ساتھ B- کر دی ہے۔ فروری میں ایس اینڈ پی نے بھی پاکستان کی طویل مدتی کریڈٹ ریٹنگ بیرونی اکاؤنٹ سے متعلق تشویش کی بنیاد پر منفی آؤٹ لک کے ساتھ B- کر دی ہے۔ حال ہی میں موڈیز نے پاکستان کے بینکنگ سسٹم آؤٹ لک کو مستحکم سے منفی کر دیا ہے جو انڈسٹری کو سست روی کا شکار معیشت کی صورت میں لاحق معاملات کے باعث ہوا۔

مالیاتی خسارہ مالی سال 2018ء میں جی ڈی پی کے 6.6% ریکارڈ کیا گیا جو کہ اپنے ہدف 5.5% سے بھی آگے بڑھ گیا۔ مالی سال 2019ء میں بھی اس سے مماثل رجحان ظاہر ہو رہا ہے اور حکومتی تخمینوں میں خسارہ کی شرح 6.3% کہی جا رہی ہے جو بجٹ میں طے شدہ 5.1% کی سطح سے بھی زائد ہے۔ مالی سال 2019ء کے اول نصف میں مالی محاذ پر کارکردگی نسبتاً کم شرح محاصل، سست روی کا شکار معیشت اور بیوروکریسی میں کمی کے باعث ریونیو اہداف حاصل نہ ہونے کے ساتھ کمزور رہی ہے۔ دوسری جانب قرضوں کی ادائیگی کی بڑھتی ہوئی لاگت اور بڑھتے ہوئے صوبائی جاری اخراجات میں مسلسل اضافہ ہو رہا ہے۔ نتیجتاً مالی سال 2019ء کے اول نصف میں خسارے کی شرح پہلے ہی جی ڈی پی کے 7.2% ہو گئی ہے۔

مجموعی معاشی تناظر کو دیکھتے ہوئے حصص بازار نے بھی 2018ء میں اہلیت سے کم کارکردگی کا مظاہرہ کیا اور پاکستان اسٹاک ایکسچینج انڈیکس 8.4% کی ری ٹریسمنٹ کا مظاہرہ کرتے ہوئے سال کے خاتمہ پر 37,067 پوائنٹس پر رہی۔ 1995-1996ء کے بعد سے ایسا پہلی مرتبہ ہوا ہے کہ پاکستان اسٹاک ایکسچینج انڈیکس سال بہ سال دو متواتر برس تک تنزلی کا شکار رہا۔ جنوری 2019ء میں ایک مختصر تیزی کے بعد حصص میں تنزلی جاری رہی کیونکہ مارکیٹ بدستور معاشی پالیسی اور ناقابل گزیر آئی ایم ایف پروگرام کے اوقات اور مالیاتی قدر سے متعلق واضح تر روڈ میپ کی منتظر ہے۔

از کم پنشن کی سطح پر نظر ثانی اور بین الاقوامی اخراجات پر روپے کی قدر میں گراؤٹ کے اثرات شامل ہیں۔ ان اخراجات کو نکال دیا جائے تو بینک کے انتظامی اخراجات میں اضافہ واحد اکائی تک محدود ہیں۔

سال کے دوران اسٹاک مارکیٹ کے مایوس کن کارکردگی کے باعث، بینک نے لسٹڈ حصص کی سرمایہ کاری پر 2.9 ارب روپے کا نقصان ریکارڈ کیا۔ یہ، بشمول بین الاقوامی تجارت میں زائد پرویشن کے ساتھ، اس سال کے لئے مجموعی پرویشن 4.6 ارب روپے تک رہا۔ تاہم، مقامی ریکوری کے باعث 1.1 ارب روپے کے کریڈٹ ریورسز کے ساتھ مضبوط اور نان پر فارمنگ قرضہ جات میں 1.7 ارب روپے کی کمی ہوئی۔ اثاثہ جات کا معیار دسمبر 2017 کے 7.7% سے بہتر ہو کر دسمبر 2018 میں 6.6% ہو گیا، جو گزشتہ پندرہ سالوں کی سب سے کم ترین سطح ہے۔ کوریج کا تناسب، گزشتہ سال کے اختتام سے نسبتاً کم لیکن 92.6% کی مضبوط سطح پر رہا۔

ذخائر میں اتار چڑھاؤ

2017	2018
ملین روپے	
(تبدیل شدہ)	
7,731	11,789
97,446	87,301
(803)	-
-	(65)
96,643	87,236
7,731	11,789
(1,008)	(153)
43	58
6,766	11,694
103,409	98,930

بعد از محصول نفع

افتتاحی غیر تخصیص شدہ منافع
گزشتہ اکاؤنٹنگ پالیسیوں میں تبدیلی کا اثر
- پائیدار اثاثوں کی نظر ثانی پر خسارہ - محصول کا خالص
- IFRS-9 کو اپنانے کا اثر - محصول کا خالص
اختتامی غیر تخصیص شدہ منافع - تبدیل شدہ

بعد از محصول منافع

وضاحت شدہ منفعت کی ذمہ داریوں پر نقصان کی دوبارہ پیمائش - محصول کا خالص
اثاثہ جات کی دوبارہ تخصیص پر سرپلس سے منتقل شدہ - محصول کا خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

(706)	(1,179)
(5,134)	(1,467)
(5,134)	(1,467)
(5,134)	(1,467)
-	(1,467)
(16,108)	(7,047)
87,301	91,883
5.27	8.04

قانونی ذخائر میں منتقل شدہ
نقد منافع منقسمہ - حتمی
پہلا نقد عبوری منافع منقسمہ
دوسرا نقد عبوری منافع منقسمہ
تیسرا نقد عبوری منافع منقسمہ
مجموعی مناسب کارروائیاں
اختتامی غیر تخصیص شدہ منافع

فی حصص (شیئر) آمدنی (روپے)

گردش زر میں 19% اضافہ ہوا جبکہ پرائز بانڈ کا اجرا بھی خاصی حد تک بڑھ گیا۔ یہ دونوں معاملات کل آبادی کے ایک ایسے وسیع حصہ کی درمیانی مدت کے نقدی کو ترجیحات کے رویے کی نشاندہی کرتا ہے جسے بینکوں سے نقدی نکالنے اور دیگر بینکاری معاملات پر محصول عائد ہونے جیسے معاملات کا سامنا ہے۔ نجی شعبہ میں کریڈٹ مالی سال 2019ء کے اول نصف میں 570 ارب روپے بڑھ گیا جو مالی سال 2018ء کی اسی مدت کے مقابلے میں لگ بھگ دو گنا ہے۔ یہ اضافہ توانائی اور تعمیرات کے شعبوں میں گنجائش میں اضافوں اور خام مال کی زائد تر لاگت کو ظاہر کرتا ہے۔ اسٹیٹ بینک نے مالیاتی پالیسی میں سختی کو تیزی سے اختیار کیا جس میں اس نے سوائے ایک مالیاتی پالیسی کے تمام مالیاتی پالیسیوں میں اضافہ کیا ہے جو 2018ء کے دوران کل 425 بی پی ایل رہا۔ دسمبر 2017ء کے مقابل مجموعی صنعتی ڈپازٹس 2018ء میں 8.0% جبکہ قرضہ جات 22.4% بڑھ گئے۔ بینکاری سسٹم اسپریڈز اگست 2018ء میں نچلی ترین سطح کو پہنچنے کے بعد دھیرے دھیرے بڑھ رہے ہیں لیکن 2018ء کے گیارہ ماہ میں بدستور 2017ء کے مقابل اوسطاً کمتر ہیں جس کی وجہ بڑھتی ہوئی شرح کی فضا میں قرضہ جات کے پیچھے رہ جانے والی ری پرائسنگ ہے۔

مالیاتی کارکردگی

ایچ بی ایل کا بعد از محصول منافع 2018ء کے لئے 11.8 ارب روپے ہے جو 2017ء کے مقابلے میں 53% زائد ہے جبکہ فی شیئر آمدنی 2017ء کی 5.27 روپے کے برعکس 8.04 روپے ہے۔ قبل از محصول 19.8 ارب روپے کا منافع 2017ء سے 28% کمتر ہے جو متعدد یک مرتبہ کی جانے والی ادائیگیوں کا نتیجہ ہے جس نے 2018ء میں کارکردگی کو متاثر کیا جس میں روپے کی قدر میں مسلسل گراؤ اور نیویارک برانچ سے متعلق ریسیڈی ایشن، لیگل اور ریگولیٹری لاگت بھی شامل ہیں۔

ایچ بی ایل کی سیلنس شیٹ دسمبر 2018ء میں 11.9% بڑھ کر 2.9 کھرب روپے ہو گئی۔ مقامی ڈپازٹس 6.8% بڑھ گئے جبکہ کرنٹ ڈپازٹس حاصل کرنے پر ارتکاز کی وجہ سے بھی مدد ملی جو 12.9% بڑھ کر 709 ارب روپے ہو گئے۔ کرنٹ ڈپازٹس کے کس دسمبر 2017ء میں 35.6% سے بہتر ہو کر دسمبر 2018ء میں 37.6% ہو گئے۔ ایچ بی ایل پاکستان کا پہلا بینک بن گیا ہے جس کے قرضہ جات کی مالیت 1.0 کھرب روپے کی حد کو عبور کر گئی جس کی بڑی وجہ گزشتہ دو برسوں سے مقامی قرضہ جات میں متواتر اضافہ ہے۔ مقامی قرضہ جات 2017ء کے مقابلے میں 30% اضافہ کے ساتھ زیادہ تر کاروباری شعبوں میں وسیع البنیاد بڑھوتری کے ساتھ 913 ارب روپے ہو گئے۔

مقامی کاروبار کے کلیدی عناصر مضبوط اور اضافہ کی راہ پر رہے اور اوسط مقامی کرنٹ اکاؤنٹس 2017ء کے مقابلے میں 14.9% بڑھ گئے جبکہ اوسط مقامی قرضہ جات میں 32.4% کا اضافہ ہوا۔ اوسط مقامی سیلنس شیٹ میں 8% اضافہ ہوا جس نے سرمایہ کاری کی کٹریافت اور پیچھے رہ جانے والے قرضوں کی ری پرائسنگ کے باعث اسپریڈ میں کمی کے اثرات کو دور کر دیا۔ لہذا مقامی خالص انٹریسٹ کی آمدنی 2017ء کے مقابلے میں زائد ہے۔ 2018ء کی آخری سہ ماہی میں بین الاقوامی ریونیوز میں ایک بدلاؤ بالکل واضح ہے؛ اس کے باوجود وہ گزشتہ برس کے مقابلے میں معنی خیز حد تک کمتر ہیں۔ ایچ بی ایل کی مجموعی خالص انٹرسٹ آمدنی اس لئے 2% کمی کے ساتھ 2018ء میں 76.0 ارب روپے رہی۔

بنیادی مقامی فیس سے آمدن مستحکم رہی اور اس میں 2017ء کے مقابلے میں 7% اضافہ ہوا جس میں اکاؤنٹ آپریشن اور کارڈ سے متعلق فیس، کنزیومر فنانسنگ اور عمومی بینکاری چارجز کا عمل دخل رہا۔ رپورٹڈ فیس آمدنی 16.1 ارب روپے رہی جو 8% کمتر ہے جس کی وجہ کمتر بین الاقوامی فیس آمدنی اور داخلی ترسیلاتی آمدنی میں ایک سریع مگر متوقع کمی رہی جو 2017ء کے اختتامی حصے میں وسیع ڈی رسلنگ کا نتیجہ تھیں۔ بینک کی غیر ملکی کرنسی اوپن پوزیشن کے نتیجے میں 6.8 ارب روپے کا ری ویلیو ایشن نقصان ہوا جس کا سبب پاکستانی روپے کی قدر میں تیز گراؤ تھی؛ اس کے بغیر دیکھا جائے تو فاریکس آمدنی میں زائد تر تجارتی ریونیوز کے باعث 7% کا اضافہ ہوا۔ بینک نے بڑھتے ہوئے شرح انٹرسٹ کی فضا کی امید پر 2017ء کے اواخر میں فکسڈ انکم بانڈز پر معنی خیز کیپٹل منافع ریلانز کر لیا۔ ان کی دوبارہ توقع نہیں تھی اور کیپٹل منافع 2017ء کے مقابلے میں 6.0 ارب روپے کمتر رہا۔ نتیجتاً نان مارک اپ آمدنی 2018ء کے لئے 16.4 ارب روپے رپورٹ کی گئی ہے۔

انتظامی اخراجات 2018ء میں 14.1 ارب روپے بڑھ گئے اس میں ایک مرتبہ کی جانے والی متعدد ادائیگیاں مثلاً نیویارک کی لاگت سے متعلق ادائیگی، بزنس ٹرانسفارمیشن پروجیکٹ کی کنسلٹنسی فیس، 2018ء کے نصف ثانی میں متعارف کرائی جانے والی ڈپازٹ انشورنس کی ایک نئی ریگولیٹری شرط، کم

ایچ بی ایل اپنے موجودہ اور ممکنہ کسٹمرز کے لیے مسلسل معیاری تجربے بڑھا رہا ہے۔ سروس کوالٹی بینک کے لئے ایک اسٹریٹجک ترجیح ہے اور کسٹمرز کو کلیدی مصنوعات کی پیشکش کرتی ہے۔ مجموعی طور پر سروس کلچر کو بہتر بنانے کے لیے 2018 میں ایک کوالٹی کونسل قائم کی گئی ہے۔ اجرائی اور شناخت کے پروگراموں کے ساتھ عملے کی خدمات کے وعدوں کو ادارے کے اسٹریٹجک مقاصد میں ان کا کردار تسلیم کرنے کے لیے ایچ بی ایل کیسز پروگرام شروع کیا گیا ہے۔ داخلی خدمات کے معیار کو کسٹمرز کی آراء، نگرانی اور پیمائش کے نظام کو اندرونی اقدامات کے ساتھ کسٹمر کے خود مختار جائزوں کی روشنی میں بہتر اور مضبوط کیا گیا۔ برانچ کی ترقی اور مجموعی طور پر اعلیٰ اطمینان میں زبردست بہتری لائی گئی۔ کسٹمرز کی شکایات اور اس کے ازالے کے نظام پر وسیع پیمانے پر توجہ مرکوز کی گئی اور ان کے سدباب کے نظام کو بہتر بنایا گیا۔

کنڈکٹ ایسیمنٹ فریم ورک (CAF) کمیٹی نے مختلف سرگرمیوں پر کام کیا ہے اور اس کو ایس بی پی کی ہدایات کے مطابق کسٹمرز کی طرف مناسب رویے کو بہتر بنانے میں مدد ملی اور اس CAF کی وجہ سے بینک کی ریٹنگ 2017 میں 1.74 سے 2018 میں 1.81 ہو گئی۔ 2018 میں 70,140 شکایات بینک کو براہ راست موصول ہوئی تھیں۔ شکایات کو حل کرنے کے لیے اوسط 4.67 دن لگے۔

ایچ بی ایل کزنز یو مر بینکنگ کاروبار جو لوگوں کو اپنی مالی خواہشات کو پورا کرنے میں مدد فراہم کرتا ہے اور اس کی مسلسل ترقی کو جاری رکھا۔ 2018 میں پورٹ فولیو میں 15 فیصد اضافہ ہوا، جس کی بدولت 50 ارب روپے کے سنگ میل کو عبور کیا، جس میں ذاتی قرضے اور آٹو فنانس کی اہم شرکت ہے۔ اثاثہ کے معیار کو مسلسل ترقی کی وجہ سے کئی سال بعد بھی غیر معمولی کم نقصان کی شرح کے ساتھ منظم کیا گیا۔

مارکیٹ میں ایچ بی ایل کے فلیگ شپ پلائینم کارڈ مارکیٹ میں سب سے زیادہ سراہا گیا اور مطلوب کارڈوں میں سے ایک ہے، اس کے کسٹمرز اور دنیا بھر میں قبولیت کے لیے خصوصیات اور چھوٹ کی وسیع اقسام حاصل ہیں۔ اس سال ایچ بی ایل قطر ایرویز کو برانڈ کے آغاز سے پریمیم کارڈ سوئٹ کو وسیع پیمانے پر بڑھایا گیا، جس میں کارڈ ہولڈرز خرچ کرنے کے ساتھ ساتھ ایئر مائلز کو بھی جمع کرنے کی اجازت دیتا ہے۔ 2018 میں ایچ بی ایل کریڈٹ کارڈ سے خرچ میں 2017 میں 34% سے 46 ارب روپے اضافہ ہوا اور ویزا نے پاکستان میں ایچ بی ایل کے کارڈ کو ادائیگی کے حجم اور خرچ کی بنیاد پر پاکستان کا اول درجے کا کریڈٹ کارڈ کے ایوارڈ سے نوازا۔ ایچ بی ایل ڈیٹ کارڈ مارکیٹ میں واضح حیثیت رکھتا ہے جس میں 5.1 ملین کارڈز گردش میں رہتے ہیں اور گولڈ ڈیٹ کارڈ کا آغاز کیا ہے، جو کے بالخصوص امتیازی طبقے کو مد نظر رکھتے ہوئے بنایا گیا ہے۔ ڈیٹ کارڈ کا استعمال 42% سے 33 ارب روپے تک پہنچ گیا۔ مرچنٹ ایکوارنگ میں POS Terminal 21,000 کے ذریعے سے مارکیٹ میں واضح برتری حاصل کی جس کے توسط سے 105 ارب روپے وقوع پذیر ہوئے۔

اسلامک بینکنگ کے کاروبار نے اپنے قرضوں اور ڈپازٹس میں 20% سے زائد اضافہ کیا جس میں کئی نئی مصنوعات کو متعارف کرایا، جن میں ایس بی پی کی روایتی کثیر المیاد برآمداتی سہولت کے اسلامی نسخے، اسلامک ٹریکیٹر فنانسنگ، اسلامک ہوم فنانس اور تجارت (انوٹری فنانسنگ) شامل ہیں۔ شریعہ آڈٹ یونٹ کو داخلی آڈٹ فنکشن کے اندر قائم کیا گیا ہے جو بہت تجربہ کار، مناسب تربیت یافتہ اور ماہر ارکان پر مشتمل ہے۔ سال کے دوران، ایچ بی ایل اسلامک کو پاکستان کے CFA ایسوی ایشن نے بہترین اسلامک ونڈو ایوارڈ 2017 سے نوازا۔

ایچ بی ایل کی کارپوریٹ بینکنگ کے کاروبار نے غیر معمولی کارکردگی کا مظاہرہ کیا 38% قرضہ جات میں اضافہ ہوا اور نئے مارکیٹ حصوں کی ترقی پر توجہ مرکوز کرتے ہوئے 30 نئے تعلقات بنائے۔ مجموعی طور پر کسٹمرز سے تعلق کارکردگی کا اہم جز ہے اور ایچ بی ایل کی طاقتور مصنوعات بنا جس کو ہر جگہ فروخت کرنے پر زور دیا گیا۔ تجارت پر غیر معمولی توجہ مرکوز کرنے سے 46 فیصد اضافہ ہوا۔

انویسمنٹ بینکنگ میں قیادت کو مضبوط بنانے کے لئے کئی تاریخی ٹرانزیکشنز کو عمل میں لایا گیا جن میں 330 میگاواٹ بجلی، گھریلو کوئلہ کی بنیاد پر پاور پلانٹ، ایک بجلی کمپنی کے لیے 190 ملین ڈالر کی غیر ملکی کرنسی کی انویسمنٹ فنانسنگ سہولت اور ایک اسٹیل مینوفیکچررز کے لیے اپنی نوعیت کا واحد نجی اسلامک بانڈ جاری کیا۔

سرمائے کا تناسب

اثاثوں میں مضبوط اضافے کے باوجود، غیر مجموعی کیپٹل ایڈیکویسی ریشیو (CAR)، 31 دسمبر، 2017 میں 15.8% سے بہتر ہو کر 2018 کے اختتام پر 16.4% ہو گیا، جبکہ Tier 1 CAR 12.1% سے بہتر ہو کر 12.5% ہو گیا۔ جس میں رسک ویڈیو ایسٹس میں مسلسل اصلاحات کے ساتھ ساتھ اعتدال پسند ڈیویڈنڈ پالیسی سے سہارا دیا گیا۔ دونوں شرح کا تناسب ریگولیٹری ضروریات سے بہتر ہیں۔

کاروباری ترقی

برانچ بینکنگ، نئے کسٹمر کی شمولیت کے ساتھ کم لاگتی ڈپازٹ میں اضافے کے باعث، بینک کی ترقی کا سبب بنا رہا۔ ایچ بی ایل نے 14% مارکیٹ شیئر کے ساتھ اپنی قیادتی حیثیت برقرار رکھی ہے۔ اس سال ایچ بی ایل نے اپنی برانچوں کے نیٹ ورک کے ذریعے تقریباً 1 ملین نئے کسٹمرز کو شامل کیا، جس سے مجموعی برانچ کسٹمر کی تعداد بڑھ کر 11 ملین سے زائد ہو گئی۔

ایچ بی ایل آسان اکاؤنٹ، کم ٹکٹ کسٹمرز کے لئے ایک سادہ اکاؤنٹ کھولنے کے عمل کی پیشکش سے غیر منقول آبادی کی شمولیت میں اضافہ کرنے کی کلیدی مصنوعات ثابت ہوئی۔ اس مصنوعات کے آغاز کے بعد سے، ایچ بی ایل اکاؤنٹس اور حجم کے لحاظ سے، 25% کے ساتھ مارکیٹ میں سرفہرست رہا۔ 2018 میں ایچ بی ایل نے اس زمرے میں 187,000 نئے کسٹمرز کو شامل کیا۔ بینک تقریباً 720,000 آسان اکاؤنٹس کے ساتھ مجموعی 10 ارب روپے ڈپازٹ رقم کا حامل ہے۔

ایچ بی ایل نے بینک کے مالی شمولیت کے مقاصد کے تحت ایچ بی ایل آسان اکاؤنٹس کی مصنوعات کے ساتھ مشترکہ مہم کے ذریعے نساء پورٹ فولیو (بینک کا خواتین متعلقہ مارکیٹ پروگرام) میں بھی گہری دلچسپی لی۔ پروگرام کو مزید پرکشش بنانے کے لئے دیگر فوائد شامل کیے گئے۔ نساء پروگرام غیر مالی خدمات کو بھی فروغ دیتا ہے، بشمول ورکشاپ، تربیتی سیشن اور نیٹ ورکنگ مواقع شامل ہیں تاکہ رسائی بڑھانے میں مدد ملے۔ 2018 میں، بینک نے 112,000 نئے نساء اکاؤنٹ کو بھی شامل کیا، جس سے مجموعی پورٹ فولیو 430,000 اکاؤنٹس کے ساتھ 34.2 ارب روپے ڈپازٹ پر پہنچ گیا۔ ایچ بی ایل اب فخر سے 3 ملین خاتون کسٹمرز کو خدمت فراہم کر رہا ہے۔

حریفوں کے منافع کے باوجود، ایچ بی ایل نے بینکا انشورنس میں 35% شراکت سے مارکیٹ کے لیڈر کے طور پر اپنا مقام بنایا۔ بینکا تکفل، اس کی اسلامک مصنوعات کی قسم نے اب تک بے پناہ مقبولیت حاصل کی ہے جو کہ مجموعی فروخت کا ایک تہائی حصہ ہے۔ سال کے دوران ایچ بی ایل سہارا کاروبار کے ذریعے، جو کہ چھوٹی ٹکٹ پالیسی ہے، ٹیلی سیلز اور ای ایف یو لائف کی پہلی مصنوعات کو فروخت کیا گیا۔ ایک مضبوط کال بیک کنٹرول طریقہ کار کو بھی لاگو کیا گیا اور سیلز اسکرپٹ اور مصنوعات کے مارکیٹنگ میٹریل کی نظر ثانی کی گئی تاکہ کمپلائنس کو مضبوط بنایا جاسکے۔

ایچ بی ایل نجی شعبے میں مارکیٹ شیئرز کے تقریباً 25% کے ساتھ زرعی فنانس فراہم کرنے والا ایک بڑا بینک ہے۔ دیہی بینکنگ کے کاروبار نے اس سال کئی جدید مصنوعات متعارف کرائیں جن میں موبائل ایپلی کیشن بھی شامل ہیں جو زمین کی تصاویر، موبائل اور ٹاور ڈیٹا کے ذریعے موصول کرتا ہے۔ یہ آلہ زمین کی اہم تصویر اور ڈیٹا پوائنٹس فراہم کرتا ہے جن میں زمین کی تصاویر، کسانوں کی تصاویر اور زمین کی جیو لگنگ جو کہ تاریخ اور وقت کی مہر کے ساتھ ہوتی ہیں۔ حال ہی میں ایچ بی ایل، انڈسٹری میں پہلا بینک بن گیا ہے جس نے پنجاب لینڈ ریکارڈ اتھارٹی کے ساتھ اپنے نظام کو ضم کیا، جو کہ کسانوں کے عنوان کی دستاویزات اور زرعی زمین کے حصول کے ریکارڈوں کو آن لائن نکلنے کی اجازت دیتا ہے۔ اس کے ذریعے سے ملکیت کی توثیق، اہم دستاویزات کی صداقت اور دستیابی کو یقینی بنائے جائے گا۔

ایچ بی ایل کے کسٹمر کے اہداف کے مد نظر کسان کی آواز (وائس آف فارمر) کے کاروبار کی بنیاد رکھی ہے۔ کسانوں کو کاشتکاری سے متعلق مالیاتی مصنوعات فراہم کرنے کے ساتھ ساتھ دیہی معیشت اور بہتر کھیتی نظام سے متعلق گفتگو کے لئے ضلعی مراکز میں پروگرام مرتب کئے۔ اور ایچ بی ایل نے دیہی آبادی کی مالی شمولیت کے لیے عزم ظاہر کیا کیونکہ یہ حصہ پاکستان کی اقتصادی ترقی کے لیے اہمیت کا حامل ہے۔ تیسرے سال بھی، دی انسٹیٹیوٹ آف مینکزر، پاکستان نے پاکستان بینکنگ ایوارڈز میں ایچ بی ایل کو بہترین بینک برائے زراعت سے نوازا ہے۔ ایچ بی ایل آغاز سے ہی اس ایوارڈ کو حاصل کرنے والا واحد بینک ہے۔

ایچ بی ایل ڈیٹا کو بیش قیمت تنظیمی اثاثہ اور ڈیجیٹل بزنس ماڈل کا اہم جز تسلیم کرتا ہے۔ 2018 نے اس وسیع ڈیٹا بیس کو حکمت عملی سے نمٹا دیکھا جس میں ایک ڈیٹا گورننس کونسل کے تحت حسب ضابطہ ڈیٹا گورننس پروگرام کا آغاز کیا گیا۔ مرکزی اعلیٰ درجے کی تجزیاتی ٹیم کو بھی تشکیل کیا گیا اور مصنوعی ذہانت / مشین ٹریننگ کی تکنیکوں میں وسیع تربیت حاصل کی گئی۔ ابتدائی تجزیاتی منصوبے جو کہ پہلے سے جاری ہیں وہ ایچ بی ایل کے کسٹمر کو انتہائی پرسنلائزیشن خدمات مہیا کرنے میں مددگار ثابت ہوئے۔

سال 2018 میں، بینک نے اپنے عالمی موجودگی کا ایک اسٹریٹجک جائزہ لیا، جس سے یہ واضح ہو گیا کہ سیشیلز، پیرس برانچ کے کاروبار کو کم کرتے ہوئے بند کر دیا جائے۔ سال 2017 کے آخر اور 2018 کے آغاز میں تیزی سے ڈی۔ ڈالر انزیشن اور ڈی۔ رسنگ کے رجحان کے نتیجے میں، یہ سال بین الاقوامی نیٹ ورک کی تعمیر نو کا سال رہا، جس کے تحت ایک نئی حکمت عملی سے مجموعی نیٹ ورک کی پاکستان کے ساتھ کاروباری / تجارتی راہداری کی ربط سازی پر توجہ مرکوز رہی۔ پاکستان میں CPEC سے متعلق سرمایہ کاری میں سب سے بڑے مالیاتی ادارے کے طور پر، پاک چین کاروباری بہاؤ پر خصوصی زور دیا گیا ہے۔ 2018 میں امریکی ڈالر کی کلیئرنگ کے درپیش چیلنجوں کے نئے انتظامات کے ساتھ بہتر کنٹرول اور وسائل بروئے کار لا کر سامنا کیا گیا تاکہ پیمینٹ اسکریننگ اور کار سپونڈنٹ کیوری مینجمنٹ کی جاسکے۔ مختلف ممالک نے اپنے کمپلائنس کے نظام، طریقہ کار اور نگرانی کو بہتر بنانے میں اہم پیش رفت کی ہے۔ مقامیت پروری نئی توجہ کا مرکز ہے اور ایچ بی ایل مختلف متنوع جگہوں میں جہاں کار فرما ہے معیاری مقامی ٹیلنٹ کا متلاشی ہے۔

سال کے دوران ایچ بی ایل کی عرچی برانچ کو چینی بینکنگ اور انسپیکشن ریگولیٹری کمیشن (CBIRC) کی جانب سے RMB کا لائسنس دیا گیا اور اس کا ہدف سال 2019 کی پہلی سہ ماہی کے اختتام تک RMB کاروبار شروع کرنا ہے۔ یہ ایچ بی ایل کو RMB میں مصالحت کے ساتھ کاروبار کی پیشکش کرنے میں منفرد مقام دلاتا ہے۔ سال کے دوران، اسٹیٹ بینک آف پاکستان کی جناب سے بیجنگ میں ایچ بی ایل کے نمائندہ دفتر کو اپ گریڈ کر کے برانچ کا درجہ دینے کی اصولی منظوری مل گئی اور چین میں ریگولیٹری منظوری حاصل کرنے کے لئے پیش رفت جاری ہے۔

سال 2018 ایچ بی ایل کے کاروباری تبدیلی پروگرام کے اقدام میں صرف ہوا، جو کہ طویل مدتی تبدیلی کا اقدام ہے، جس کا بنیادی مقصد جن جغرافیائی علاقوں میں بینک مصروف عمل ہے، رسک سے نمٹنے کے مناسب اور اطمینان بخش کنٹرول کے لئے موزوں بنانا ہے۔ پروگرام کی توجہ چار اہم ستونوں پر مرکوز ہے، جن میں گورننس، افراد، طریقہ کار اور ٹیکنالوجی۔ تاکہ پائیدار تبدیلی کو یقینی بنایا جاسکے۔ یہ ستون ادارے میں ہر زاویے سے اثر انداز ہوتے ہیں، تاکہ ایچ بی ایل کے تمام کاروباری اور معاونت کے افعال تبدیلی کے لیجنڈا سے منسلک ہو جائے۔

ایک مضبوط نگرانی کا فریم ورک بنانے کے لئے نئے اور بہتر معیاری کنٹرول نافذ کیے گئے، تاکہ اس بات کو یقینی بنایا جائے کہ یہ تبدیلی تنظیم میں ہر لحاظ سے سرایت کر جائے اور بینک کا جزیں جائے۔ کسٹمر کی شمولیت، رسک کی درجہ بندی اور متعلقہ عمل میں ایک مضبوط کنٹرول فریم ورک بنانے کے لئے مکمل نظر ثانی کی گئی تاکہ بینک کو منی لائڈرنگ (ML)، دہشت گردی کی مالی امداد (TF)، اور کسٹمر کو جاننے سے متعلقہ (KYC) رسک کے خلاف محفوظ کیا جاسکے۔ بار بار اور مسلسل تربیت، ترقی اور ابلاغ نے تبدیلی والی سرگرمیوں کو بھی تقویت پہنچائی۔ کمپلائنس اور 4 منی لائڈرنگ ٹیکنالوجی کے نظام کو بین الاقوامی رائج بہترین طریقوں کے مطابق استوار کیا گیا تاکہ ادائیگیوں پر نظر اور ٹرانزیکشن کی نگرانی کی جاسکے تاکہ منی لائڈرنگ، دہشت گردی کی مالی امداد اور کسٹمر کو جاننے سے متعلقہ رسک کی مناسب انداز میں نشاندہی، تشخیص، کمی اور انتظام کیا جاسکے۔

سال 2018 میں بینک نے فراڈ اور چوری کے خلاف اپنے کسٹمرز کی حفاظت کے لئے کئی اقدامات کئے۔ ایچ بی ایل نے سکیمنگ کے تحفظ کے حل اور 4 منی سکیمنگ آلات کے ساتھ تمام +2,100 اے ٹی ایم کو محفوظ کر کے، ملک میں ایچ بی ایل کو سب سے بڑا محفوظ نیٹ ورک بنایا۔ ملکی ای ایم وی کو پیمینٹ کارڈ سیکورٹی کے قواعد و ضوابط کے مطابق کیا گیا ہے جس کے تحت ایچ بی ایل کے اے ٹی ایم ملکی ای ایم وی اور چپ پر مبنی ٹرانزیکشنز کو موصول اور عمل کرنے کے قابل ہیں۔ تمام نئے کارڈ کا اجراء اب ای ایم وی (چپ) کی بنیاد پر ہے، جس سے ایک بڑی حد تک کارڈ کی نقل کا خطرہ کم ہو گیا ہے۔ بین الاقوامی استعمال میں دھوکہ دہی سے بچنے کے لئے بینک نے ڈیٹ کارڈ کو ایسا مرتب کیا ہے کہ وہ بنیادی طور پر پاکستان سے باہر ناقابل استعمال ہو۔ کسٹمرز کو ان کے کارڈ بین الاقوامی POS اور اے ٹی ایم کے استعمال کے لئے کال کر کے متحرک کرنا ہو گا۔ اسی طرح، 3D سیکورٹی نظام تمام ڈیٹ اور کریڈٹ کارڈ

بینک نے انویسٹمنٹ بینکنگ میں اس کے کارکردگی کے لئے ملکی اور بین الاقوامی اداروں سے کئی اعزاز حاصل کیے ہیں۔ جن میں سے بیسٹ انویسٹمنٹ بینک ان پاکستان، انٹرنیشنل بینکر، فنانس ایشیاء، ایشیاء مانی اور پاکستان بینکنگ ایوارڈز، ریجنل بینک آف دی ائیر فار سیٹ اور روڈ انیشی ایٹو ان ساوتھ ایشیاء- فنانس ایشیاء اور بیسٹ بینک فار انفراسٹرکچر/پراجیکٹ فنانس ان دی ریجن ان ساوتھ ایشیاء- ایشیاء مانی قابل ذکر ہیں۔

ایچ بی ایل ایٹ ورک (HAW) اقدام کی وجہ سے 37% کیش مینجمنٹ اور 55% ایمپلائی بینکنگ کے مارکیٹ شیئر کے ساتھ ٹرانزیکشن اور ایمپلائی بینکنگ میں برتری برقرار رکھے ہوئے ہے۔ جس کی بدولت حجم میں اضافہ 2,000 سے زائد منڈیٹس کے ساتھ 3.1 کھرب روپے ہو گیا۔ ایچ بی ایل اب تقریباً 200 ارب روپے تنخواہ کی مد میں تقریباً 1 ملین ملازمین کو ادائیگی کر رہا ہے۔ 2018 میں یہ پروڈکٹ درمیانی درجے کی مارکیٹ اور تجارتی کسٹمرز کو بھی فراہم کی گئی اور اس کے ساتھ ساتھ اسلامک HAW پروڈکٹ کو بھی متعارف کیا گیا۔

ایچ بی ایل سوشل اور ماحولیاتی نظام (HBL-SEMS) کے تحت گرین بینکنگ ہدایات (GBG) کے فروغ میں ایس بی پی کو تعاون فراہم کیا۔ GBG کی سہولیتی ضروریات کے مطابق سولر پروڈکٹ تربیتی کورس کا انعقاد کیا گیا۔ ایک ماحولیاتی کمیٹی قائم کی گئی اور مختلف اثرات کو کم کرنے کے احکامات جاری کئے گئے۔ ESG ڈیلیمنس کا عمل تمام کارپوریٹ بینکنگ قرضہ جات کی منظوری میں شامل کر دیا گیا ہے اور SEMS کی ٹیم ماحولیاتی اثرات کے مالیاتی جانچ پڑتال کا جائزہ لیتی ہے۔ 2018 میں اس نظم و ضبط کو دیگر کاروباری قرضوں میں بھی شامل کر دیا گیا ہے۔

ایچ بی ایل کی ٹریڈری نے مسلسل چوتھے سال بھی پرائمری ڈیلر کارتبہ برقرار رکھتے ہوئے فکسڈ انکم مارکیٹ میں اپنی سہولت کو مستحکم کیا۔ سال کے دوران کاروبار میں حالیہ اور متوقع اقتصادی ترقی کے بارے میں کسٹمرز کو اپ ڈیٹ رکھنے اور کاروباری اور صنعت پر ان کے اثرات کو برقرار رکھنے کیلئے کراچی، لاہور اور اسلام آباد میں ہائی پروفائل سیمنارز کی میزبانی بھی کی ہے۔ ان تینوں تقاریب میں رہنماؤں اور ایگزیکٹوز کے ساتھ ساتھ غیر منافع بخش اور عوامی شعبوں کے نمائندوں نے شرکت کی۔ اسلامک ٹریڈری نے OPICS + سسٹم کو کامیابی سے نافذ کیا تاکہ اسلامک بینکنگ کی سیلنس شیٹ کی رسک مینجمنٹ کو ایک جدید پلیٹ فارم کے ذریعے پورا کیا جاسکے۔

2018 میں بینک نے ڈیجیٹل شعبہ کو مزید فعال کیا اور اس کو اہم طور پر کلیدی اندرونی اور بیرونی اسٹیک ہولڈرز کے ساتھ کاروبار میں ڈیجیٹلائزیشن اور جدت کے بارے میں بات چیت کی گئی۔ 2018 میں کسٹمر کے ڈیجیٹل تجربے کو بڑھانے کے لیے پیش رفت ہوئی، موبائل اور انٹرنیٹ بینکنگ دونوں پلیٹ فارم کے صارف کے تجربے اور انٹرفیس کو بہتر بنا کر دوبارہ متعارف کرایا گیا۔ اس نئے ورژن نے کلیدی خدمات کو فعال کیا ہے جو صرف برانچوں کے دورے کے ذریعے ہی دستیاب تھیں۔ یہ اب اہم بین الاقوامی مقامات میں بھی شروع کر دیے گئے ہیں۔ ٹیکنالوجی کے بنیادی ڈھانچے کو اس انداز میں تیار کیا گیا ہے جس پر موبائل، انٹرنیٹ، اور کنیکٹ اپلیکیشن روانی سے چلنے کی ضروریات کے تقاضوں کو پورا کرے۔

بینک اپنی اپیلی کیشن کے ذریعے ذاتی قرضوں کی پیشکشوں کے مواقع مارکیٹ میں فراہم کرنے والا اولین بینک ہے۔ کسٹمر کے اکاؤنٹ سے براہ راست قرض کی ادائیگی کے ساتھ ساتھ قرضوں کی منظوری کی معیاد بھی کم کر دی گئی ہے۔ اس انقلابی پیشکش نے بینک کے کسٹمرز کے لیے آسانی پیدا کی جس سے وہ اپنی ذاتی ضروریات کو بروقت پورا کر سکیں گے۔ اس سے اب تک 1 ارب روپے سے زائد رقم کی ادائیگی کی جا چکی ہے۔

کنیکٹ کے ذریعے دست بدست ڈیجیٹل کسٹمرز کے حصول اور سروسنگ ماڈل کو جولائی میں متعارف کرایا، اور سال کے اختتام تک 1.4 ملین نئے بینک کے کسٹمرز جس میں کنیکٹ کے اکاؤنٹ ہولڈرز میں 25% خواتین شامل ہیں۔ اس سفر میں کسٹمر اہم ڈیجیٹل کے اصولوں اور اعلیٰ درجہ بندی کی پراسلاریشن سے اس موبائل پلیٹ فارم کو اگائل میتھڈولوجی استعمال کرتے ہوئے بنایا گیا ہے۔ 40,000 مینجمنٹس کے نیٹ ورک کی مدد سے کنیکٹ اپنے کسٹمرز کو بیش بہا خدمات پیش کرتا ہے جس میں بائیو میٹرک تصدیق سے فوراً اکاؤنٹ اوپننگ کے اعلیٰ معیار کو استوار کیا گیا ہے۔ کھلی/باہمی بینکنگ کے آزمائشی API کو دو الیکٹرانک کامرس مرچنٹ کے درمیان کامیابی سے تعینات کر دیا گیا ہے۔ امید ہے کہ 2019 میں اس میں مزید تیزی آجائے گی۔

ہوئی ٹیکنالوجی کے ماحول میں مسلسل اپ گریڈ اہمیت کی حامل ہے۔ 1,000 سے زائد عملے نے اسلامک بینکنگ کی تربیت حاصل کی جبکہ کئی افراد نے ایس بی پی، IBA-CEIF اور ETICHA انسٹیٹیوٹ آف اسلامک فنانس کی طرف سے پیش کردہ بیرونی تربیتی نصاب میں حصہ لیا۔

ایچ بی ایل نے اپنی عالمی افرادی قوت میں صحت مند مخلوط صنعتی اور متفرق ثقافت کو فروغ دیا ہے۔ خواتین کی قیادت کو فروغ دینے کے لئے 'ایچ بی ایل ایلیوٹ' اور 'ایچ بی ایل بیکن' نامی پروگرامز متعارف کروائے۔ بینک میں خواتین کی نمائندگی بڑھانے کے لئے اس بات پر زور دیا گیا کہ تمام نئی اسامیوں میں کم از کم 30% خواتین کو روزگار فراہم کیا جائے۔ بینک کے انفارمیشن ٹیکنالوجی ڈپارٹمنٹ میں ایک خواتین کے نئے آئی ٹی گریجویٹس کے پورے گروہ کا تقرر کیا اور انہیں آٹھ ہفتوں کی ٹریننگ کے بعد بینک میں تعینات کیا۔ اس اجتماعی کوشش کی وجہ سے بینک میں خواتین ملازمین کی تعداد جو کہ 2017 میں 14.8%، سے بڑھ کر 2018 میں 15.7% حد تک ہو گئی۔ یہ حوصلہ افزاء بات ہے کہ ایچ بی ایل کو انہی کوششوں کی وجہ سے پذیرائی ملی اور اسے IFC اور پاکستان بزنس کونسل کی جانب سے 'ایمپلائز آف چوائس فار جینڈر سیلنس' کے ایوارڈ سے نوازا گیا۔

رسک مینجمنٹ فریم ورک

موثر رسک مینجمنٹ ایچ بی ایل کی بنیادی اسٹریٹیجک ترجیحات میں سے ایک ہے۔ یہ بات بینک کے رسک ایسیٹائیٹ میں موجود ہے جو کہ بورڈ کی طرف سے بین الاقوامی طریقہ کار، انتظامی ضروریات اور ابھرتے ہوئی کاروباری ضروریات کو مد نظر رکھتے ہوئے تعین کی گئی ہے۔

بینک مسلسل رسک کے خدوخال کی تشخیص اور حتمی فریم ورک کو بذریعہ بورڈ رسک مینجمنٹ کمیٹی نگرانی کرتا ہے جو مستقل بنیادوں پر بینک کے رسک پروفائل کی نگرانی، اس کی تشخیص اور انتظام و انصرام کا کام کرتی ہے۔ سینئر سطح 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، طریقہ کار کے ذریعے تفویض کی جاتی ہے، اور وہ اس کی انجام دہی کی ذمہ دار ہے۔

سرمایہ کاری پورٹ فولیو کی نگرانی کو مزید موثر بنانے کے لئے بینک نے ویلیو ایٹ رسک (VaR) کے تحت حدود کے طریقہ کار کو نافذ کیا ہے۔ یہ بینک میں Basel انٹرنل ماڈلز کے طریقہ کار (IMA) کے اطلاق میں ایک اہم سنگ میل ہے۔

آپریشنل رسک مینجمنٹ پریکٹس کی منظم اور مستقل انداز میں نگرانی کے لئے پالیسیز، طریقہ کار اور سسٹمز موجود ہیں۔ اہم آلات جیسے رسک کنٹرول سیلف ایسیسمنٹ (RCSA)، اہم رسک علامات اور آپریشنل لاس ڈیٹا مینجمنٹ کو آپریشنل رسک کے امکانات اور اس کی شدت کو جانچنے کے لئے استعمال کیا جاتا ہے۔ آپریشنل رسک پروفائل اور فراڈ رسک کی تشخیص باقاعدگی سے سینئر مینجمنٹ اور بورڈ رسک مینجمنٹ کمیٹی کو مطلع کیا جاتا ہے۔ بینک مختلف آپریشنل نقصانات کے نظریات کے اثرات کا جائزہ لینے کے لئے اسٹریٹس ٹیسٹنگ اور نظریاتی تجربات کا استعمال کرتا ہے۔

ایچ بی ایل کے 2018ء کے لیجنڈا میں کمپلائنس رسک مینجمنٹ بہت اہمیت کا حامل رہا ہے۔ اس سال کے دوران ایک مخصوص بورڈ برائے کمپلائنس اور کنڈکٹ کمیٹی تشکیل دی گئی جو اس کے اہم حصوں کے انتظام اور نگرانی کو بہتر بنانے کے کام کو سرانجام دے رہی ہے۔

بینک کے ٹرانسفارمیشن پروگرام کے تحت ایچ بی ایل نے سینکٹنز اسکریننگ اور ٹرانزیکشن کی نگرانی کے نظام کو اپ گریڈ کیا ہے اور اس کے ساتھ ساتھ ایک ریل ٹائم رسک ریٹنگ کے طریقہ کار کی جانب بڑھ رہے ہیں جس میں Basel, FATF اور Wolfsberg کی ہدایات کو شامل کیا گیا ہے۔ ملازمین کی تعداد دگنی ہو گئی ہے اور ماہرین کو نئے شعبوں میں شامل کیا گیا ہے جس میں تجارتی منی لائڈنگ، کمپلائنس کی تربیت اور منصوبوں کے انتظامات جیسے شعبے شامل ہیں۔ ایچ بی ایل نے ملکی اور بین الاقوامی بہترین طریقوں پر مبنی ایک مجموعی مالیاتی جرائم کی رسک ایسیسمنٹ قائم کی جس نے کمپلائنس رسک کو بہتر زاویہ اور کمی فراہم کی۔

ایکٹرانک کامرس ٹرانزیکشن کے لئے لاگو کیا گیا ہے، تاکہ دھوکہ دہی سے استعمال کے امکان کو کم کیا جاسکے۔ ایچ بی ایل اب ویزا اور ماسٹر کارڈ کے دھوکہ دہی کی نگرانی کے پروگراموں میں شامل ہے، جو بینک کو قوانین اور حدود وضع کرنے کے قابل بناتا ہے جو دھوکہ دہی سے متعلق ٹرانزیکشن اور روک تھام کے لئے موزوں ہے۔

ایچ بی ایل نے سال 2018 کے دوران مضبوط برانڈ ایکویٹی کو مزید مستحکم بنائے رکھا۔ ایک خود مختار بیرونی ایجنسی کی جانب سے کئے گئے تحقیق کے مطابق، ایچ بی ایل نے مالی شعبے میں اپنی قیادت کی حیثیت برقرار رکھی اور اس کے برانڈ ایکویٹی سکور قریب ترین حریف کے مقابلے میں دو گنی سے زائد ہے۔ ورلڈ برانڈنگ ایوارڈز نے بھی ایچ بی ایل کی مارکیٹنگ کی کاوشوں کا اعتراف کیا، اور ایک مرتبہ پھر بینک کو برانڈ آف دی ایئر۔ بینکنگ، پاکستان کا درجہ دیا۔

ایچ بی ایل پاکستان سپر لیگ (HBL PSL) ملک کا کھیلوں کا سب سے اہم ایونٹ رہا اور پاکستان میں بین الاقوامی کرکٹ کی واپسی کے مقصد کی جانب گامزن رہا۔ ہر سال، یہ ٹورنامنٹ ملک کے نوجوانوں کو اپنی صلاحیتوں کا مظاہرہ کرنے کے لئے ایک پلیٹ فارم فراہم کرتا ہے تاکہ وہ اپنے خواب اور عزائم کو پورا کر سکیں، اور نئے کرکٹ کے ستاروں کی دریافت کی جاسکے۔ ایچ بی ایل نے عنوانی اسپانسر شپ کی تجدید کی اور ملک کے سب سے اہم کھیل کے ایونٹ کے ساتھ اپنی وابستگی باعث مسرت ہے۔

ہیومن ریسورسز

ایچ بی ایل کا بنیادی مقصد ہے کہ بینک کو "آجر کا پسندیدہ"، بنائے جو مارکیٹ سے بہترین اور ذہین افراد تلاش کرے۔

بینک کی حکمت عملی کے مطابق جس کا مقصد بینک کے اعلیٰ عہدوں پر فائز افراد میں اضافہ اور مستقبل کے لیڈر تیار کرنا ہے، بینک نے ایگزیکٹو ٹیم میں بہترین تربیت یافتہ اور تجربہ کار لوگوں کو شامل کیا ہے۔ بینک کی حکمت عملی اور مستقبل کے منصوبوں کا اشتراک کرنے کے لئے صدر اور سینئر ٹیم کے ارکان کا فیلڈ اسٹاف کے ساتھ انٹر ایکٹو سیشن تمام تربیت ورک میں مرتب کئے گئے۔

بینک کے اندر بہترین افرادی قوت کو بروئے کار لانے اور انہیں ترقی دینے کے لئے بینک میں پہلی مرتبہ ایک سروے کا انتخاب کیا گیا۔ بینک کے ملازمین کی 82% تعداد نے پورے جوش اور جذبے کے ساتھ اس میں حصہ لیا اور بینک کو اپنے خیالات سے آگاہ کیا۔ اس سلسلے میں 78% مصروفیت کا تناسب جو کہ Mercer's کے 74% اوسط سے زیادہ ہے۔ جو کہ مثبت طریقے سے بینک کے باہمی عمل کو ظاہر کرتا ہے۔ آئندہ کے لئے اس توجہ کو مرکوز رکھا گیا ہے کہ تمام ٹیم اپنی مصروفیت کی خود منصوبہ بندی کریں اور اس پر عمل پیرا ہوں جس کے نتیجے میں ادارے کے اندر اعلیٰ کارکردگی حاصل ہو اور ایمپلوائی رٹینشن میں اضافہ کیا جائے۔

بینک کے مینجمنٹ پروگرام کے تحت بینک کے باقی ماندہ میلینیلز کو اپنی طرف راغب کرنے کے لئے 30 اعلیٰ ممکنہ ملازمین کو لیگ کے طور پر انتخاب کیا گیا ہے۔ منتخب افراد کی نشوونما کے لئے مختصر بین الاقوامی اسائنمنٹ فراہم کئے گئے۔ لیگ کے ٹیلنٹ مینجمنٹ پروگرام میں قائدانہ صلاحیت کو بڑھانے کے لئے تعمیری پروگرام بناتے گئے تاکہ اعلیٰ ممکنہ ملازمین مشغول اور برقرار رکھا جاسکے۔ 1,200 سے زائد عملے کی پروگرام کی بنیاد پر تقریری کے ذریعے برانچ نیٹ ورک میں صف اول کے ٹیلنٹ کی تعمیر کے لئے خدمات حاصل کی گئی ہم پاکستان کے دو بینکوں میں سے واحد بینک ہے جس کو انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹ آف پاکستان نے ٹریننگ اور گنارائزیشن آؤٹ سائڈ پریکٹس (TOOP) کے طور پر منتخب کیا ہے جس کے ذریعے آرٹیکل شپ بینک میں کام کرتے ہوئے مکمل کی جاسکے گی۔

ملازمین کی تنظیم نو قابلیت کو بڑھانا ہمیشہ کی طرح اہم مرکز نگاہ رہا ہے۔ خاص طور پر اس بات پر زور دیا گیا ہے کہ کمپلائنس کے کلچر کو فروغ دیا جائے اور بینک کے کاروباری تبدیلی کے پہلوؤں کے سیکھنے اور تربیتی پہلو کو بنانے اور چلانے پر زور دیا گیا ہے۔ جس کے نتیجے میں سال بھر کے دوران 750,000 سے زائد گھنٹوں پر مبنی ایکٹرانک تعلیم مختلف موضوعات پر دی گئی۔ 180 سے زائد آئی ٹی ملازمین کو اعلیٰ ترین ٹریننگ فراہم کی گئی جہاں تیزی سے بدلتی

ایچ بی ایل فاؤنڈیشن اور دیگر کو دیئے جانے والے عطیات مالیاتی گوشواروں کے نوٹ 28.4 میں ظاہر کئے گئے ہیں۔

کریڈٹ ریٹنگ

JCR-VIS کی جانب سے جون 2018ء میں بینک کی بالترتیب طویل مدتی اور قلیل مدتی کریڈٹ ریٹنگ +A-1/AAA سے دوبارہ تصدیق کی گئی ہے۔ سال کے اختتام پر، JCR-VIS نے ایچ بی ایل کی ریٹنگ کے آؤٹ لک کو مستحکم درجے پر بحال کر دیا اور ماتحت قرض (subordinated debt) کی ریٹنگ کو AAA قرار دیا۔ ایسا کرنے میں، ریٹنگ ایجنسی نے ایچ بی ایل کے کارپوریٹ گورننس فریم ورک میں بہتری اور خصوصاً کمپلائنس کا حوالہ دیا، جو کے نظام کی اہمیت کے ساتھ پاکستان کا سب سے بڑا تجارتی بینک، مضبوط فرہنگ اور متنوع آپریشن کے طور پر بینک کی حیثیت کی عکاسی کرتا ہے۔ Moody's نے بھی ایچ بی ایل کے ملکی کرنسی ڈپازٹس کی ریٹنگ B3 اور بیس لائن کریڈٹ کی شخصیت caa1 کی بھی دوبارہ تصدیق کی۔ Moody's کی خود مختار منفی B3 ریٹنگ کی بناء پر، بینک کی غیر ملکی کرنسی کی ریٹنگ Caa1 کے ساتھ مجموعی طور پر ریٹنگ کا آؤٹ لک منفی ہے۔

مستقبل کی پیش بینی

پاکستان کی مجموعی اقتصادیات پر اثر انداز باد مخالف میں شدت آگئی ہے۔ ملک کے جڑواں خسارے کا تاریخی مسئلہ، جو کہ کچھ عرصے ضبط میں رہنے کے بعد، 12% مجموعی خسارے کے ساتھ دوبارہ نمودار ہو گیا ہے۔ بنیادی افراط زر میں اضافہ ہو رہا ہے اور ضروریات میں کمی کے باوجود، ایکسچینج کی شرح کی نقل و حرکت کے اثرات اور اضافی بجلی اور گیس کے نرخوں کے سبب مزید بڑھنے کی امید ہے۔ صنعتی پیداوار کو دوبارہ بحال کرنے اور برآمد کی حوصلہ افزائی کرنے کی فوری ضرورت ہے، جو کرنسی کی قدر میں کمی کے باوجود، معنی خیز کارکردگی دکھانے میں ناکام رہے ہیں۔ مالیاتی بنیاد پر، بڑھتی ہوئی شرح کے ماحول کے باعث جو قرض سروسٹنگ کے اخراجات میں اضافہ ہوا ہے اس کے لئے، ایک بامعنی ٹیکس کی بنیاد کو وسیع کر کے آمدنی بڑھانے کی ضرورت ہے۔ CPEC کے پہلے مرحلے کے تحت بنیادی انفراسٹرکچر کی کامیابیوں کے حصول کو اب دوسرے مرحلے میں برآمد مرکزی صنعتی توسیع کے ساتھ فوائد اٹھانے کی ضرورت ہے۔

دوست ممالک کی امداد سے عارضی طور پر ادائیگیوں کے توازن کا بحران ٹل گیا ہے۔ تاہم، 2019ء میں دوبارہ اقساط کی ادائیگیوں کے لئے آئی ایم ایف کی مدد کی ضرورت ہوگی اور یہ پروگرام بہت حد تک مرتب ہوتا نظر آ رہا ہے۔ تاہم، اس کے لئے حکومت کو توانائی کی قیمتوں، کمزور پبلک سیکٹر کے ادارے، گردشی قرضوں اور وسیع ٹیکس اصلاحات کو نافذ کرنے کے لئے سخت اقدام اٹھانے کی ضرورت ہوگی۔

ایک کٹھن سال کے بعد، ایچ بی ایل 2019ء میں بہتر کارکردگی کی امید رکھتا ہے۔ 2018ء میں سامنے آنے والی بعض غیر معمولی لاگت کے دباؤ میں ملکی اور بین الاقوامی کاروبار دونوں کو بینک کی کاروباری تبدیلی کے بیرونی اخراجات اور نیویارک سے متعلق اصلاحات کے اخراجات میں اضافہ اٹھانا ہوگا۔ بینک کی اپنے تبدیلی کے پروگرام میں سرمایہ کاری، متوقع طور پر اب بینک کے لئے فائدہ مند ثابت ہو رہا ہے اور ملکی اور بین الاقوامی شراکت داروں اور اسٹیک ہولڈرز کی طرف سے تسلیم کیا جا رہا ہے۔

ایچ بی ایل، ایک ٹیکنالوجی کمپنی کے طور پر بینکنگ لائسنس کے ہمراہ، 2019ء میں جدید مصنوعات اور چینلز کے ذریعہ کسٹمر کے تجربے کو تبدیل کر کے اپنا ڈیجیٹل سفر تیز کر دے گا۔ دی موبائل فرسٹ کی حکمت عملی کے تحت اس بات کو یقینی بنایا جائے گا کہ ہم اپنے کسٹمرز کو نئی مصنوعات اور خصوصیت سے مسرت فراہم کریں تاکہ وہ ان کی طرز زندگی کی منتخب کردہ ایپ ہو۔ سروس کا معیار، جہاں بہت کچھ کرنا بھی باقی ہے، مستقبل قریب میں ایک ترجیح رہے گا۔ بینک کے کاروباری تبدیلی کے پروگرام کے تحت ہونے والے فوائد مزید شامل کئے جائیں گے تاکہ آپریشن کے تمام پہلوؤں میں بین الاقوامی معیار کو حاصل اور برقرار رکھا جاسکے۔ بینک سب کے لئے مالی شمولیت اور خواتین کو بااختیار بنانے کے مقصد میں مکمل طور پر عزم ہے۔ بڑھتی ہوئی سیلنس شیٹ، بہتر سرمائے کی طاقت اور تمام چینلز میں بے مثال اثرات کے ساتھ، ایچ بی ایل ملک اور اس کی معیشت کی ترقی میں اہم کردار ادا کرنے کی صلاحیت اور عزم رکھتا ہے۔

کمپلائنس کی تربیت پر زور دینے کا نتیجہ الیکٹرانک تعلیم کے ساتھ کلاس روم کی تربیت کے بہتر پروگرامز کی صورت میں نکلا۔ الیکٹرانک تعلیم کے ماڈیولز کا ایک سیٹ انگریزی کے ساتھ ساتھ اردو میں بھی تیار کیا گیا ہے تاکہ اس بات کو یقینی بنایا جائے کہ تربیت مناسب انداز میں پہنچائی جائے، اس کی زیادہ سے زیادہ رسائی ہو اور علم برقرار رہے۔

جیسا کہ صارفین تیزی سے ان کے کاروبار اور طرز زندگی کی ضروریات کے لیے موبائل اور ڈیجیٹل ٹیکنالوجی پر انحصار کرتے ہیں، اسی طرح انفارمیشن سیکورٹی کاروبار اور گورننس کا ایک اہم حصہ بن چکا ہے۔ ایچ بی ایل اپنے کسٹمرز اور ان کی معلومات کی حفاظت کے لیے مصروف عمل ہے اور صنعت کے رجحانات کی بنا پر بروقت اس کی کوششوں میں اضافہ ہوا ہے۔ خطرات کے مقابلے کے لیے ایچ بی ایل موثر حفاظتی تدابیر اور سیکورٹی کے اقدامات کرتے ہوئے اس کے سائبر دفاع کو مضبوط بنا رہا ہے۔ ایچ بی ایل نے دوران سال PCIDSS سرٹیفیکیشن حاصل کی۔ ایچ بی ایل ملک کا واحد بینک ہے جس نے یہ اعزاز حاصل کیا ہے۔ دوران سال ایچ بی ایل نے انفارمیشن سیکورٹی ISO-27001 کا بھی سرٹیفیکٹ حاصل کیا ہے۔ یہ اقدامات ایچ بی ایل کو جدید ڈیجیٹل سلوشنز فراہم کرتے ہوئے کسٹمر کو تحفظ، اعتماد اور سلامتی فراہم کی۔ یورپی یونین کے نئے GDPR کے قواعد و ضوابط کی تعمیل ستمبر 2018 کے اختتام تک پوری کرنے کے لئے بھی ایچ بی ایل نے برطانیہ اور یورپی آپریشنز میں معاونت فراہم کی۔

سماجی بہبود کی ذمہ داری (CSR)

سوسائٹی کو سپورٹ کرنا ایچ بی ایل کے بنیادی اقدار میں سے ایک ہے اور بینک ایک ذمہ دار کارپوریٹ شہری کے طور پر اپنا کردار ادا کر رہا ہے۔ کمیونٹی کی مستقل معاشی اور سماجی ترقی کو فروغ دینے کے لیے بینک، ٹیکس کے بعد سالانہ منافع کا 1% حصہ ایچ بی ایل فاؤنڈیشن کو دیتا ہے، جس کا قیام سال 2009 میں پس ماندہ لوگوں کی ارتقاء اور خوشحالی کے فروغ اور ان کے معیار زندگی کو بہتر بنانے کی غرض سے عمل میں آیا۔ 2018 کے دوران بینک نے 128 ملین روپے ایچ بی ایل فاؤنڈیشن کے ساتھ براہ راست قابل مستحق مقاصد کے لئے بطور عطیات دیئے۔

2018 کو پاکستان بھر میں مختلف تنظیموں کو اہم مالی امداد فراہم کی گئی تھی، بنیادی طور پر صحت اور تعلیم پر توجہ مرکوز کی گئی تھی، انڈس ہسپتال کے 29 ڈاکٹروں نے ایمرجنسی میڈیکل ٹریننگ پروگرام سے فائدہ اٹھایا جس میں عام عوام کو مفت صحت کی فراہمی کی گئی۔ بلوچستان، گلگت، بلتستان میں میری ایڈیلین پلیروسی سنٹر کے ساتھ ساتھ 12 مفت آنکھوں کی جراحی کے کیمپس لگائے گئے تھے جس سے فائدہ مند افراد کی تعداد 15,000 سے زیادہ تھی، ایچ بی ایل نے کینسر کیمز ہسپتال اور ریسرچ سینٹر، جناح پوسٹ گریجویٹ، میڈیکل سینٹر، لیڈی ڈفرین ہسپتال اور آغا خان ہسپتال سروس کے ساتھ بھی شرکت کی جس کے نتیجے میں بالآخر سوسائٹی کا کم امتیازی طبقہ مستفید ہو گا۔

ایچ بی ایل یہ یقین رکھتا ہے کہ تعلیم پاکستان کے عوام کی اقتصادی ترقی کے لئے نہایت اہم ہے۔ ہیلپنگ ہینڈ ویلفیئر ایسوسی ایشن، نیٹ ورک آف آرگنائزیشنز ورکنگ فار پیپل و تھ ڈس ایبیلیٹیز (NOWPDP) اور دیگر کی شرکت کے ساتھ پیشہ ورانہ تربیت، روایتی تعلیم اور ماہرینہ تعلیم کے شعبوں میں تعاون کیا۔ ملک بھر میں بشمول اسکردو، بلتستان میں نوجوانوں کا پیشہ ورانہ تربیتی مرکز، بلوچستان اور اندرون سندھ میں اعلیٰ تعلیمی اداروں میں مختلف اداروں کی اعانت کی۔ ایچ بی ایل کے تعاون نے پاکستان کے سٹیزن آرکائیو آف پاکستان کو لاہور کے پس ماندہ علاقے میں ایک انٹرایکٹو میوزیم قائم کرنے میں مدد کی۔

2018 میں کارپوریٹ سطح پر رضاکارانہ طور پر کام کرنا بینک کا ایک اہم اسٹریٹجک لیجنڈا ہے، 500 سے زائد ملازمین نے اپنے وقت اور وسائل کو سماجی اور قومی مقاصد پر وقف کیا، ایچ بی ایل نے ”آئی ایم کراچی“ کے تعاون سے، ہیریٹیج واک میں حصہ لیا جس کا مقصد شہر کی تاریخ اور وراثتی مقامات کی اہمیت کو اجاگر کرنا تھا۔ ملازمین نے انڈس ہسپتال کے تعاون سے خون کے عطیات جمع کرنے اور اسپیشل بچوں کے لئے عید ملن پارٹی کا اہتمام کیا۔

ورلڈ وائلڈ لائف فنڈ کے تعاون کے ساتھ ایچ بی ایل نے عالمی ماحولیات کا دن منایا جس کا موضوع پلاسٹک سے متعلقہ آلودگی کو ختم کرنا تھا۔ ملازمین کے لئے ایک متعامل آگہی سیشن منعقد کیا گیا اور اسی تسلسل میں کراچی کے ملازمین نے ساحل کی صفائی کی سرگرمی میں حصہ لیا۔ 150 ملازمین نے بینک کے آئی ٹی انوویشن سینٹر کے احاطے میں شجرکاری کی مہم میں حصہ لیا تاکہ نئے درختوں کو لگانے اور ماحول کو بہتر بنانے کے پیغام کو اجاگر کیا جائے۔

بورڈ کمیٹیز کے اجلاس

آڈٹ کمیٹی		رسک مینجمنٹ کمیٹی		ہیومن ریسورس اور ریمونریشن کمیٹی		بورڈ کمپلائنس اور کنڈکٹ کمیٹی	
دورانِ مدت	حاضری	دورانِ مدت	حاضری	دورانِ مدت	حاضری	دورانِ مدت	حاضری
منعقد شدہ میٹنگز		منعقد شدہ میٹنگز		منعقد شدہ میٹنگز		منعقد شدہ میٹنگز	
N/A	N/A	6	6	N/A	N/A	N/A	N/A
N/A	N/A	5	5	4	4	N/A	N/A
8	8	1	1	N/A	N/A	6	6
N/A	N/A	N/A	N/A	4	4	N/A	N/A
8	8	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	5	6	N/A	N/A	N/A	N/A
2	2	N/A	N/A	1	1	N/A	N/A
6	6	4	4	N/A	N/A	6	6
N/A	N/A	N/A	N/A	2	2	N/A	N/A
N/A	N/A	N/A	N/A	2	2	N/A	N/A

¹ جناب ساجد زاہد نے 26 مارچ، 2018 کو ڈائریکٹر کے طور پر اپنی مدت پوری کی

² محترمہ سعدیہ خان کو 27 مارچ، 2018 سے ڈائریکٹر کے طور پر منتخب کیا گیا

³ جناب زیومنڈا ایچ۔ کو تو ال 1 دسمبر، 2017 سے 29 اپریل، 2018 تک قائم مقام صدر اور CEO کے طور پر مقرر کیا گیا

⁴ جناب محمد اورنگزیب کو 30 اپریل، 2018 کو صدر اور CEO کے طور پر مقرر کیا گیا

ڈیولپمنٹ فنانس کمیٹی		بورڈ اوور سائٹ کمیٹی۔ نیویارک		بورڈ آئی ٹی کمیٹی	
دورانِ مدت	حاضری	دورانِ مدت	حاضری	دورانِ مدت	حاضری
منعقد شدہ میٹنگز		منعقد شدہ میٹنگز		منعقد شدہ میٹنگز	
3	2	N/A	N/A	N/A	N/A
N/A	N/A	11	11	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
3	3	N/A	N/A	4	4
N/A	N/A	11	11	N/A	N/A
N/A	N/A	N/A	N/A	4	4
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
3	3	N/A	N/A	2	2

¹ جناب ساجد زاہد نے 26 مارچ، 2018 کو ڈائریکٹر کے طور پر اپنی مدت پوری کی

² محترمہ سعدیہ خان کو 27 مارچ، 2018 سے ڈائریکٹر کے طور پر منتخب کیا گیا

³ جناب زیومنڈا ایچ۔ کو تو ال 1 دسمبر، 2017 سے 29 اپریل، 2018 تک قائم مقام صدر اور CEO کے طور پر مقرر کیا گیا

⁴ جناب محمد اورنگزیب کو 30 اپریل، 2018 کو صدر اور CEO کے طور پر مقرر کیا گیا

منافع منقسمہ

بورڈ نے سال محترمہ 31 دسمبر، 2018 کے حوالے سے فی حصص (شینئر) پر 1.25 روپے کا حتمی نقد منافع منقسمہ تجویز کیا ہے، اسی طرح سال بھر میں فی حصص (شینئر) پر مجموعی نقد منافع منقسمہ 4.25 روپے بنتا ہے۔ بورڈ نے اعلان کردہ تمام عبوری نقد منافع منقسمہ، جو فی حصص (شینئر) پر 3.00 روپے ہے، پہلے ہی ادا کر دیا ہے۔

ڈائریکٹرز میں تبدیلی

جناب ساجد زاہد 26 مارچ، 2018 کو بورڈ آف ڈائریکٹرز سے 1999 سے ایچ بی ایل بورڈ پر کام کرنے کے بعد، اپنی مدت کے اختتام پر ریٹائر ہوئے۔ بورڈ جناب ساجد زاہد صاحب کی خدمات اور دانشورانہ مشوروں کا خلوص دل سے خراج تحسین پیش کرتا ہے۔ 27 مارچ، 2018 کو، باقی چھ ریٹائر ہونے والے ڈائریکٹرز کو نئی تین سالہ مدت کے لئے ایچ بی ایل کے بورڈ پر منتخب کیا گیا۔

محترمہ سعدیہ خان کو 27 مارچ، 2018 کو ڈائریکٹر کے طور پر منتخب کیا گیا۔ محترمہ سعدیہ خان وسیع پیمانے پر ملکی اور بین الاقوامی تجربہ کی حامل ہیں، انہوں نے کثیر الفریق اداروں کے ساتھ کام کیا ہے، اور مالیاتی ضوابط اور تجارتی شعبوں میں خدمات انجام دی ہیں۔ بورڈ محترمہ سعدیہ خان کا خیر مقدم کرتا ہے اور ان کی خدمات کا منتظر ہے۔

بورڈ کے اجلاس

بورڈ میٹنگ		
حاضری	دوران مدت منعقد شدہ میٹنگز	
10	10	جناب سلطان علی الانہ
9	10	جناب شفیق دھر مشی
10	10	جناب معیز احمد جمال
10	10	جناب سلیم رضا
10	10	ڈاکٹر نجیب سمیع
8	10	جناب آغا شیر شاہ
3	3	جناب ساجد زاہد ¹
7	7	محترمہ سعدیہ خان ²
4	4	جناب ریومنڈ ایچ۔ کوٹوال ³
6	6	جناب محمد اورنگزیب ⁴

¹ جناب ساجد زاہد نے 26 مارچ، 2018 کو ڈائریکٹر کے طور پر اپنی مدت پوری کی

² محترمہ سعدیہ خان کو 27 مارچ، 2018 سے ڈائریکٹر کے طور پر منتخب کیا گیا

³ جناب ریومنڈ ایچ۔ کوٹوال کو 1 دسمبر، 2017 سے 29 اپریل، 2018 تک قائم مقام صدر اور CEO کے طور پر مقرر کیا گیا

⁴ جناب محمد اورنگزیب کو 30 اپریل، 2018 کو صدر اور CEO کے طور پر تقرر کیا گیا

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 آڈیٹر کی رپورٹس، مالیاتی گوشوارے کے ساتھ منسلک ہیں۔

واقعات بعد از سلیبس شیٹ کی تاریخ

23 جنوری 2019 کو پاکستان کی قومی اسمبلی کے سامنے مالیاتی ضمیمہ (دوسرے ترمیمی) بل، 2019 پیش کیا گیا، اور سابقہ مالیاتی ایکٹ 2018 میں بیان کردہ سپرنٹیکس کی شرح میں ترمیم کی گئی اور 2017 سے 2020 تک کے تمام اکاؤنٹنگ سالوں کے لئے 4% سپرنٹیکس کی یکساں شرح کا تعین کیا گیا۔ بل میں تجویز کردہ تبدیلیوں پر غور کیا جا رہا ہے اور ابھی تک نافذ نہیں کیا گیا ہے۔ اگر بل اپنی پیش کردہ صورت میں نافذ ہو جائے تو، اکاؤنٹنگ سال 2017 کے لئے سپرنٹیکس کی شرح میں نظر ثانی کا ممکنہ مالیاتی اثر 1,933 ملین روپے ہو گا۔

ایمپلائز ریٹائرمنٹ سینیفٹ فنڈز میں سرمایہ کاریوں کی قدر

مورخہ 31 دسمبر، 2018 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	
6,176	ایمپلائز پروویڈنٹ فنڈ
4,351	ایمپلائز پینشن فنڈ
1,845	ایمپلائز گریجویٹ فنڈ
1,446	ایمپلائز مینوولنٹ فنڈ، ایگزیکٹو اور آفیسرز
699	ایمپلائز مینوولنٹ فنڈ، کلریکل اور نان کلریکل

پیٹرن آف شیئر ہولڈنگ

31 دسمبر، 2018 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۔

پیرنٹ کمپنی

جیسا کہ مالیاتی گوشوارے کے نوٹ 1.1 میں بیان کیا گیا ہے، The Aga Khan Fund for Economic Development (AKFED), S.A، بینک کی پیرنٹ کمپنی ہے اور اس کا رجسٹرڈ آفس جینیوا، سوئٹزرلینڈ میں ہے۔

تریتی پروگرامز میں ڈائریکٹرز کی شرکت

جیسا کہ کارپوریٹ گورننس کے ضابطہ (دی کوڈ) کے تحت کمپلائنس اسٹیٹمنٹ میں ذکر کیا گیا ہے، ڈائریکٹروں کی اکثریت نے پہلے ہی انسٹیٹیوٹ آف بزنس ایڈمنسٹریشن، کراچی کی طرف سے پیش کردہ ای سی پی کے منظور شدہ ڈائریکٹرز کے ٹریننگ پروگرام میں شرکت کی ہے اور ضابطہ کے مطابق ڈائریکٹرز کے طور پر تصدیق شدہ ہیں۔ اس سال کے دوران، بورڈ نے کامن ویلتھ ڈیولپمنٹ کارپوریشن پی ایل سی (CDC) کی طرف سے منظم مالی جرم کی روک تھام پر دوروزہ تربیتی پروگرام میں شرکت کی، تاکہ اس اہم معاملے پر مناسب سطح کی توجہ مرکوز کرنے کو یقینی بنایا جائے۔

بورڈ اور بورڈ کمیٹیوں کی تشکیل

بورڈ کی تشکیل اور بورڈ کمیٹیوں کی تفصیلات کارپوریٹ گورننس کے ضابطہ کے مطابق تعمیل کے بیان میں دی گئی ہے۔

15 فروری، 2018 کو بورڈ کی آئی ٹی کمیٹی کو دوبارہ تشکیل کیا گیا
ایگری، ایس ایم ای اور مالی شمولیت پر بورڈ کمیٹی 10 اپریل، 2018 کو تشکیل دی گئی اور 30 مئی، 2018 کو اسکا نام ڈیولپمنٹ فنانس کمیٹی کر دیا گیا
10 اپریل، 2018 کو بورڈ کمیٹیوں کو دوبارہ تشکیل دیا گیا
محترمہ سعدیہ خان کو 30 مئی، 2018 سے بورڈ آف ہیومن ریسورس اور ریمونریشن کمیٹی میں شامل کیا گیا

مندرجہ بالا کے علاوہ، ایک بورڈ اور سائٹ کمیٹی۔ انٹرنیشنل گورننس 14 اور 15 دسمبر، 2018 کو منعقد ہونے والے بورڈ کے اجلاس میں قائم کی گئی، تاکہ بین الاقوامی کاروبار پر توجہ مرکوز کی جاسکے۔ اس کمیٹی کے صدر جناب سلطان علی الانہ ہیں جبکہ ڈاکٹر نجیب سمیع اور جناب محمد اورنگزیب بھی اس میں شامل ہیں۔ اس کمیٹی نے سال 2018 میں کوئی اجلاس منعقد نہیں کیا۔

آڈیٹرز

موجودہ آڈیٹرز میسرز 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 ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس، کو مالی سال 2019 کے لیے بینک کے آڈیٹرز کے طور پر انتخاب کی تجویز دی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ پر بیان

بورڈ اس بات کے لیے پر عزم ہے کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مرتب کردہ کارپوریٹ گورننس کی ضروریات کو پورا کیا جائے اور ڈائریکٹرز یہ 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 لیکویٹی میں تبدیلی درست انداز میں تیار کئے گئے ہیں۔
- بینک کے بکس آف اکاؤنٹس باقاعدہ طور پر برقرار رکھی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں نوٹ 4.1 میں بیان شدہ تبدیلیوں کے علاوہ اکاؤنٹنگ پالیسیز کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور محتاط انداز پر مبنی ہیں۔
- 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 عمل کے طور پر انٹرئل کنٹرول سسٹم پر مؤثر انداز میں عمل درآمد کرنے کی کوششیں جاری ہیں۔ ایچ بی ایل، اسٹیٹ بینک آف پاکستان کی انٹرئل کنٹرول سے متعلق ہدایات اور انٹرئل کنٹرولز اور فنانشل رپورٹنگ (ICFR) کی ہدایات اور روڈ میپ پر عمل درآمد کرتا ہے۔ بینک نے 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 ”گرو تھ 2013 سے 2018- مجموعی“ میں گزشتہ چھ سالوں کے اہم عملیاتی اور مالیاتی گوشوارے پیش کئے گئے ہیں۔
- ڈائریکٹرز، سی ای او، سی ایف او اور کمپنی سیکریٹری نے تصدیق کی ہے کہ وہ اور ان کی ازواج کسی طرح کے بھی اسٹاک بروکر ج میں شامل نہیں ہیں۔
- بورڈ کی طرف سے قائم کردہ آڈٹ، ہیومن ریسورس اینڈ ریمونریشن، رسک مینجمنٹ، آئی ٹی، کمپلائنس اور کنڈکٹ، ڈیولپمنٹ فنانس اور بورڈ اور سائٹ کمیٹیاں اپنے اختیارات کے تحت مؤثر انداز میں کام کر رہی ہیں۔ بورڈ باقاعدگی سے کم از کم سہ ماہی میں ایک بار اور اس سال میں دس اجلاس کر چکا ہے۔

ڈائریکٹرز کا معاوضہ

بورڈ اور کمیٹی کے اجلاسوں میں شرکت کے لئے ڈائریکٹرز کو 400,000 روپے ادا کئے جاتے ہیں۔ اس کے علاوہ غیر انتظامی ڈائریکٹر ٹی اے / ڈی اے اور سفری اخراجات، بورڈ کی طرف سے وقتاً فوقتاً منظور کردہ ٹی اے / ڈی اے پالیسی کے مطابق حاصل کرنے کے اہل ہیں۔ جس کی منظوری 19 مارچ، 2018 کو منعقد بینک کے غیر معمولی جنرل اجلاس میں حصص یافتگان کی جانب سے دی گئی تھی۔

ڈائریکٹرز کی مجموعی ادا شدہ فیس کی تفصیلات غیر مجموعی مالیاتی رپورٹ کے نوٹ 38 میں ظاہر کی گئی ہے۔

اظہارِ تشکر

بورڈ اور انتظامیہ کی جانب سے، ہم اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص اسٹیٹ بینک آف پاکستان، وزارت خزانہ اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا تہہ دل سے شکریہ ادا کرتے ہیں 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۔

ہم اپنے کسٹمرز کے احسان مند ہیں، جن میں سے بہت سے لوگ نسلوں سے ہمارے ساتھ بینکاری کر رہے ہیں، اور جو اپنا کاروبار اور اعتماد ہم پر مسلسل بنائے ہوئے ہیں۔ ہمارے حصص یافتگان (شیئر ہولڈرز) نے ثابت قدمی سے ہمارا ساتھ دیا انہیں اور ان کے ساتھ تمام اسٹیک ہولڈرز کے ہم انتہائی شکر گزار ہیں۔ بورڈ اور انتظامیہ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے لئے پرعزم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ اس خطے میں ہم اپنے کاروباری صنعت میں عروج پر ہوں گے۔ ہم اپنے ملازمین اور ان کے خاندانوں کی ایچ بی ایل کی ترقی کے لئے لگن اور انتھک کوششوں کا شکریہ ادا کرنا چاہیں گے۔

منجانب بورڈ

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

معیز احمد جمال
ڈائریکٹر

20 فروری، 2019

Independent Auditor's Report

To the members of Habib Bank Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Habib Bank Limited (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 109 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information 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 the audit.

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, the 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 accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Provision against advances (Refer note 9.5 to the unconsolidated financial statements)	
	<p>The Bank makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p>	<p>Our audit procedures to verify provision against advances, amongst others, included the following:</p> <p>We reviewed the design and tested the operating effectiveness of key controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing loans.</p>

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The PRs also require the creation of general provision for the consumer portfolio.</p> <p>Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes.</p> <p>The Bank has recognized a net provision against advances amounting to Rs. 1,918.40 million in the unconsolidated profit and loss account in the current year. As at December 31, 2018, the Bank holds a provision of Rs 66,276.83 million against advances.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements/estimations and the materiality of advances relative to the overall statement of financial position of the Bank, we considered the area of provision against advances as a key audit matter.</p>	<p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> ■ automated (IT system based) controls over correct classification of non-performing advances on time based criteria; ■ controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria; ■ controls over accurate computation and recording of provisions; and ■ controls over the governance and approval process related to provisions, including continuous reassessment by the management. <p>In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio and performed the following substantive procedures for sample loan accounts:</p> <ul style="list-style-type: none"> ■ verified repayments of loan / mark-up installments and checked that non-performing loans have been correctly classified and categorized based on the number of days overdue. ■ examined watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate. <p>We checked the accuracy of specific provision made against non-performing advances and of general provision made against consumer finance by recomputing the provision amount in accordance with the criteria prescribed under the PRs.</p> <p>We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.</p>
2	<p>Regulatory Matters in respect of New York Branch (Refer note 21.3.2 to the unconsolidated financial statements)</p>	
	<p>The Bank operates a branch in New York which is licensed by the New York State Department of Financial Services (NYSDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY).</p> <p>On September 07, 2017, NYDFS, the Bank and the New York Branch agreed to a Consent Order. Pursuant to the Consent Order, the expanded review by an independent third party is currently in progress. The US Attorney's office for the Eastern District of New York, a component of the U.S. Department of Justice (DOJ), had sought documents in relation to the Bank's compliance with the anti – money laundering laws and the Bank Secrecy Act.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ■ we held discussions with the senior management and the Board Audit Committee to obtain their views on the status of the regulatory matters and any potential impact on the unconsolidated financial statements; ■ we met and held discussions with the Bank's legal counsel dealing with the HBL NY matter in Pakistan to understand the nature and status of the regulatory action and any further potential exposure;

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>When there is a possibility of outflow of economic resources, the related disclosure is key to understanding the risk. As is acknowledged in the note, the management considers that resolution of the above matters cannot be determined at this stage including any possible impact on the Bank. The said matter has been disclosed as a contingency in the unconsolidated financial statements. Given the level of uncertainty involved, the matter was identified as a significant risk and considered a key audit matter.</p>	<ul style="list-style-type: none"> ■ we reviewed relevant regulatory correspondence ; ■ we obtained a legal opinion from the Bank's external legal counsel; ■ we read the minutes of meetings of the Board to assess the appropriateness of conclusions reached; and ■ we assessed the disclosure made on this matter in the unconsolidated financial statements to determine whether it complied with the applicable financial reporting framework.
3	<p>Retirement benefit obligations (Refer note 36 to the unconsolidated financial statements)</p>	
	<p>The Bank operates various defined benefit schemes for its employees.</p> <p>Determining the liability in respect of defined benefit obligations involves the use of estimates and is sensitive to demographic and financial variables that are used in calculating the present value of defined benefit obligations. As a result, actual amounts may be significantly different from the amount recognized on the statement of financial position.</p> <p>The provision for employee retirement benefits includes liability in respect of pension payable to eligible employees. During the year, the Honorable Supreme Court of Pakistan announced a judgement based on a proposal submitted by banks, including Habib Bank Limited, in which it raised the minimum monthly pension of employees. Based on legal advice, and in accordance with the judgement of the Honorable Supreme Court, the Bank has commenced pension payments.</p> <p>We focused on this area as a key audit matter because the judgement of the Supreme Court in relation to pensions was a significant development during the year. Also, the whole subject of valuation of retirement benefit obligations is complex and requires significant judgment in choosing appropriate actuarial assumptions including the involvement of management's experts.</p>	<p>Our audit procedures to assess the determination of the retirement benefit obligations, amongst others, included the following:</p> <ul style="list-style-type: none"> ■ we tested the fair value of the scheme's assets; ■ we independently verified, on a test basis, the Bank's data used by the actuary in the calculation; ■ we engaged an independent actuarial expert to assess the reasonableness of management's key assumptions and actuarial calculations; ■ we reviewed a legal opinion obtained by the management in respect of pension matter; ■ we reviewed Board minutes where the pension matter was specifically discussed to assess appropriateness of conclusions reached; and ■ we also assessed the disclosure made on this matter in the unconsolidated financial statements to determine whether it complied with the applicable financial reporting framework.
4	<p>Change in format of the financial statements (Refer note 4.1.3 to the unconsolidated financial statements)</p>	
	<p>The State Bank of Pakistan (SBP) has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these unconsolidated financial statements on the new format prescribed by the State Bank of Pakistan.</p> <p>As part of this transition to the new requirements, the management performed a gap analysis to identify differences between the previous and current format. The adoption of the new format required certain recognition requirements and reclassification of certain financial information. The amended format also introduced certain new disclosures in the unconsolidated financial statements.</p> <p>In view of the significant impact of the first time adoption of the revised format on these unconsolidated financial statements, we considered this as a key audit matter.</p>	<p>We reviewed and understood the requirements of the SBP's amended format of annual financial statements for banks. Our audit procedures included the following:</p> <ul style="list-style-type: none"> ■ considered the management's process to identify the changes required in the unconsolidated financial statements to comply with the new format; and ■ obtained relevant underlying supports relating to changes required in the unconsolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified them on a test basis.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude

that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) 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.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Salman Hussain.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Date: February 25, 2019

Unconsolidated Statement of Financial Position

As at December 31, 2018

2018	2017	2016		Note	2018	2017	2016
(US \$ in '000)	(US \$ in '000)	(US \$ in '000)			(Rupees in '000)	(Rupees in '000)	(Rupees in '000)
(Restated)	(Restated)	(Restated)			(Restated)	(Restated)	(Restated)
ASSETS							
1,919,967	1,658,166	1,582,787	Cash and balances with treasury banks	5	266,610,256	230,256,066	219,788,876
187,923	207,242	235,795	Balances with other banks	6	26,095,330	28,777,991	32,742,891
369,269	244,130	244,315	Lendings to financial institutions	7	51,277,336	33,900,345	33,926,110
9,657,298	9,619,568	9,395,830	Investments	8	1,341,030,709	1,335,791,470	1,304,722,761
7,315,570	5,766,081	5,128,351	Advances	9	1,015,853,926	800,688,978	712,132,554
450,211	398,458	209,796	Fixed assets	10	62,517,154	55,330,577	29,132,668
19,577	11,451	11,953	Intangible assets	11	2,718,556	1,590,105	1,659,867
51,013	28,089	-	Deferred tax assets	12	7,083,718	3,900,457	-
765,565	602,859	511,143	Other assets	13	106,307,874	83,714,254	70,978,313
20,736,393	18,536,044	17,319,970			2,879,494,859	2,573,950,243	2,405,084,040
LIABILITIES							
304,801	242,091	224,027	Bills payable	14	42,325,254	33,617,261	31,108,762
3,736,780	2,848,054	2,405,175	Borrowings	15	518,896,397	395,486,210	333,987,106
14,546,884	13,679,140	12,914,776	Deposits and other accounts	16	2,020,007,979	1,899,511,435	1,793,370,392
-	-	-	Liabilities against assets subject to finance lease		-	-	-
71,942	71,971	72,000	Subordinated debt	17	9,990,000	9,994,000	9,998,000
-	-	13,370	Deferred tax liabilities		-	-	1,856,554
786,582	451,545	379,485	Other liabilities	18	109,226,173	62,702,251	52,696,246
19,446,989	17,292,801	16,008,833			2,700,445,803	2,401,311,157	2,223,017,060
1,289,404	1,243,243	1,311,137	NET ASSETS		179,049,056	172,639,086	182,066,980
REPRESENTED BY							
Shareholders' equity							
105,634	105,634	105,634	Share capital	19	14,668,525	14,668,525	14,668,525
417,215	356,609	339,520	Reserves		57,935,252	49,519,342	47,146,362
104,870	152,781	170,018	Surplus on revaluation of assets - net of tax	20	14,562,465	21,215,598	23,609,084
661,685	628,219	695,965	Unappropriated profit		91,882,814	87,235,621	96,643,009
1,289,404	1,243,243	1,311,137			179,049,056	172,639,086	182,066,980

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2018

2018 (US \$ in '000)	2017 (Restated)		Note	2018 (Rupees in '000)	2017 (Restated)
1,131,833	1,026,272	Mark-up / return / profit / interest earned	23	157,168,449	142,510,065
584,411	467,226	Mark-up / return / profit / interest expensed	24	81,152,453	64,879,843
547,422	559,046	Net mark-up / return / profit / interest income		76,015,996	77,630,222
Non mark-up / interest income					
115,835	126,103	Fee and commission income	25	16,085,049	17,510,919
11,708	15,489	Dividend income		1,625,861	2,150,770
(23,763)	15,702	Foreign exchange (loss) / income		(3,299,728)	2,180,349
(6,533)	1,306	(Loss) / income from derivatives		(907,204)	181,376
18,330	58,418	Gain on securities - net	26	2,545,398	8,112,012
2,845	5,886	Other income	27	395,137	817,377
118,422	222,904	Total non mark-up / interest income		16,444,513	30,952,803
665,844	781,950	Total income		92,460,509	108,583,025
Non mark-up / interest expenses					
506,453	404,918	Operating expenses	28	70,327,028	56,227,736
(20,533)	7,427	Workers' Welfare Fund	29	(2,851,200)	1,031,290
3,570	226	Other charges	30	495,726	31,336
489,490	412,571	Total non mark-up / interest expenses		67,971,554	57,290,362
176,354	369,379	Profit before provisions, extraordinary / unusual item and taxation		24,488,955	51,292,663
33,413	631	Provisions and write offs - net	31	4,639,834	87,652
-	170,796	Extraordinary / unusual item - settlement payment to New York State Department of Financial Services		-	23,717,115
142,941	197,952	Profit before taxation		19,849,121	27,487,896
58,043	142,281	Taxation	32	8,059,964	19,757,349
84,898	55,671	Profit after taxation		11,789,157	7,730,547
-----Rupees-----					
Basic and diluted earnings per share			33	8.04	5.27

The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

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Rayomond Kotwal
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Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Unconsolidated Statement of Comprehensive Income

As at December 31, 2018

2018 (US \$ in '000) (Restated)	2017 (Restated)		2018 (Rupees in '000) (Restated)	2017 (Restated)
84,898	55,671	Profit after taxation for the year	11,789,157	7,730,547
		Other comprehensive income / (loss)		
		<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>		
52,116	14,569	Effect of translation of net investment in foreign branches - net of tax	7,236,994	2,022,996
(48,508)	(82,524)	Movement in surplus / deficit on revaluation of investments - net of tax	(6,735,856)	(11,459,423)
		<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>		
(1,104)	(7,256)	Remeasurement loss on defined benefit obligations -net of tax	(153,338)	(1,007,627)
10	73	Transferred from surplus on revaluation of non-banking assets - net of tax	1,348	10,078
-	68,413	Movement in surplus on revaluation of fixed assets - net of tax	-	9,500,006
10	68,486		1,348	9,510,084
(10)	(73)	Transferred to surplus on revaluation of fixed assets - net of tax	(1,348)	(10,078)
1,012	(2,817)	Movement in surplus / deficit on revaluation of non-banking assets - net of tax	140,421	(391,112)
1,002	(2,890)		139,073	(401,190)
88,414	46,056	Total comprehensive income	12,277,378	6,395,387

The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Aurangzeb
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Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2018

Share capital	Reserves					Surplus / (deficit) on revaluation of		Total
	Exchange translation reserve	Capital		Revenue		Investments	Fixed / Non-banking assets	
		Statutory reserve	Non - distributable capital reserve	General reserve	Unappropriated profit			
(Rupees in '000)								
14,668,525	10,453,351	30,072,084	547,115	6,073,812	97,446,624	-	-	159,261,511
-	-	-	-	-	-	11,019,736	11,785,733	22,805,469
-	-	-	-	-	(803,615)	-	803,615	-
-	-	-	-	-	(803,615)	11,019,736	12,589,348	22,805,469
14,668,525	10,453,351	30,072,084	547,115	6,073,812	96,643,009	11,019,736	12,589,348	182,066,980
-	-	-	-	-	7,730,547	-	-	7,730,547
-	2,022,996	-	-	-	-	-	-	2,022,996
-	-	-	-	-	(1,007,627)	-	-	(1,007,627)
-	-	-	-	-	-	(11,459,423)	9,108,894	(2,350,529)
-	2,022,996	-	-	-	6,722,920	(11,459,423)	9,108,894	6,395,387
-	-	706,440	-	-	(706,440)	-	-	-
-	-	-	-	-	42,957	-	(42,957)	-
-	-	-	-	-	(5,133,984)	-	-	(5,133,984)
-	-	-	-	-	(5,133,984)	-	-	(5,133,984)
-	-	-	-	-	(5,133,984)	-	-	(5,133,984)
-	-	-	-	-	(15,401,952)	-	-	(15,401,952)
-	(356,456)	-	-	-	-	-	-	(356,456)
14,668,525	12,119,891	30,778,524	547,115	6,073,812	87,300,494	(439,687)	21,655,285	172,703,959
-	-	-	-	-	(64,873)	-	-	(64,873)
14,668,525	12,119,891	30,778,524	547,115	6,073,812	87,235,621	(439,687)	21,655,285	172,639,086
-	-	-	-	-	11,789,157	-	-	11,789,157
-	7,236,994	-	-	-	-	-	-	7,236,994
-	-	-	-	-	(153,338)	-	-	(153,338)
-	-	-	-	-	-	(6,735,856)	140,421	(6,595,435)
-	7,236,994	-	-	-	11,635,819	(6,735,856)	140,421	12,277,378
-	-	1,178,916	-	-	(1,178,916)	-	-	-
-	-	-	-	-	57,698	-	(57,698)	-
-	-	-	-	-	(1,466,852)	-	-	(1,466,852)
-	-	-	-	-	(1,466,852)	-	-	(1,466,852)
-	-	-	-	-	(1,466,852)	-	-	(1,466,852)
-	-	-	-	-	(5,867,408)	-	-	(5,867,408)
14,668,525	19,356,885	31,957,440	547,115	6,073,812	91,882,814	(7,175,543)	21,738,008	179,049,056

The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Unconsolidated Cash Flow Statement

As at December 31, 2018

2018 (US \$ in '000) (Restated)	2017 (US \$ in '000) (Restated)		Note	2018 (Rupees in '000) (Restated)	2017 (Rupees in '000) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
142,941	368,748	Profit before extraordinary / unusual item and taxation		19,849,121	51,205,011
(11,708)	(15,489)	Dividend income		(1,625,861)	(2,150,770)
131,233	353,259			18,223,260	49,054,241
Adjustments:					
21,036	22,512	Depreciation		2,921,058	3,126,127
2,071	4,765	Amortisation		287,606	661,696
-	(4,849)	Reversal of impairment		-	(673,370)
21,424	4,587	Provision for diminution in value of investments		2,974,985	636,899
13,815	1,136	Provision against loans and advances		1,918,396	157,703
1,492	3,560	Provision against other assets		207,143	494,318
512	(3,829)	Provision / (reversal) of provision against off-balance sheet obligations		71,156	(531,722)
(78)	528	Unrealised (gain) / loss on held-for-trading securities		(10,789)	73,326
-	(2,567)	Gain on sale of Bank branches-net		-	(356,456)
(372)	(170)	Gain on sale of fixed assets - net		(51,632)	(23,660)
(20,533)	7,427	Workers' Welfare Fund		(2,851,200)	1,031,290
39,367	33,100			5,466,723	4,596,151
170,600	386,359			23,689,983	53,650,392
(Increase) / decrease in operating assets					
(125,139)	186	Lendings to financial institutions		(17,376,991)	25,765
445,272	(195,656)	Held-for-trading securities		61,831,382	(27,169,147)
(1,563,304)	(638,866)	Advances		(217,083,344)	(88,714,127)
(40,381)	(45,597)	Other assets (excluding advance taxation)		(5,607,352)	(6,331,685)
(1,283,552)	(879,933)			(178,236,305)	(122,189,194)
(Decrease) / increase in operating liabilities					
62,710	18,065	Bills payable		8,707,993	2,508,499
888,726	442,880	Borrowings from financial institutions		123,410,187	61,499,104
867,744	764,364	Deposits and other accounts		120,496,544	106,141,043
327,277	55,554	Other liabilities		45,446,089	7,714,593
2,146,457	1,280,863			298,060,813	177,863,239
1,033,505	787,289			143,514,491	109,324,437
(154,576)	(192,834)	Income tax paid		(21,464,659)	(26,777,271)
878,929	594,455	Net cash flows from operating activities		122,049,832	82,547,166
CASH FLOWS FROM INVESTING ACTIVITIES					
(1,018,007)	41,633	Net investments in available-for-sale securities		(141,362,424)	5,781,253
434,255	(176,256)	Net investments in held-to-maturities securities		60,301,416	(24,475,226)
-	(3,183)	Net investments in subsidiaries		-	(441,933)
4,777	(22,351)	Net investments in associates		663,336	(3,103,692)
11,965	15,779	Dividend income received		1,661,428	2,191,084
(72,075)	(133,129)	Investment in fixed assets		(10,008,514)	(18,486,484)
(10,198)	(4,962)	Investment in intangible assets		(1,416,057)	(689,060)
544	271	Proceeds from sale of fixed assets		75,499	37,604
52,116	14,569	Effect of translation of net investment in foreign branches		7,236,994	2,022,996
(596,623)	(267,629)	Net cash flows used in investing activities		(82,848,322)	(37,163,458)
CASH FLOWS FROM FINANCING ACTIVITIES					
(29)	(29)	Repayment of subordinated debt		(4,000)	(4,000)
(39,795)	(109,175)	Dividend paid		(5,525,981)	(15,160,303)
(39,824)	(109,204)	Net cash flows used in financing activities		(5,529,981)	(15,164,303)
-	(170,796)	Cash outflow for settlement payment to New York State Department of Financial Services		-	(23,717,115)
242,482	46,826	Increase in cash and cash equivalents during the year		33,671,529	6,502,290
1,732,780	1,773,824	Cash and cash equivalents at the beginning of the year		240,617,192	246,316,634
132,628	44,758	Effect of exchange rate changes on cash and cash equivalents		18,416,865	6,215,133
1,865,408	1,818,582			259,034,057	252,531,767
2,107,890	1,865,408	Cash and cash equivalents at the end of the year	34	292,705,586	259,034,057

The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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 1,697 (2017: 1,703) branches inside Pakistan including 47 (2017: 47) Islamic Banking Branches and 46 (2017: 48) 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 The Bank has decided to close its branch in Seychelles. Accordingly, after receiving permission from the Central Bank of Seychelles, the branch is being wound down. All customer activities have ceased as of December 28, 2018 and the branch is now completing the required formalities for closure.

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 utilised and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches are disclosed in Annexure I to these unconsolidated financial statements.

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, 2018 and 2017 have all been converted using an exchange rate of Rupees 138.8619 per US Dollar.

2.1 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting 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 Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- 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 Act, 2017, 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 Act, 2017 and the said directives shall prevail.

The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property, for banking companies till further instructions. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

IFRS 10, Consolidated Financial Statements, was notified by the SECP as applicable for accounting periods beginning from January 1, 2015. However, the SECP, through SRO 56(I)/2016 dated January 28, 2016, has directed that the requirement of consolidation under this standard and under Section 228 of the Companies Act, 2017 is not applicable in the case of investments by a bank in mutual funds managed by its own asset management company and established under the trust structure. Therefore, direct investments by the Bank in mutual funds managed by HBL Asset Management Limited (HBL AML) are not consolidated as would otherwise be required under the definition of control specified in IFRS 10.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

2.2 Standards, interpretations of and amendments to existing accounting standards that have become effective in the current year.

During the current year, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches of the Bank. The impact of the adoption of IFRS 9 on the Bank's financial statements is disclosed in note 4.1.2 below.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2018. These are considered either to not be relevant or to not have any significant impact on the Bank's financial statements.

2.3 Standards, interpretations of and amendments to existing accounting standards that are not yet effective.

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

	Effective date (annual periods beginning on or after)
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 11 - Joint Venture- (Amendments)	January 1, 2019
- IFRS 16 - Leases	January 1, 2019
- IAS 19 - Employee Benefits - (Amendments)	January 1, 2019
- IAS 28 - Investments in Associates and Joint Ventures - (Amendments)	January 1, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
- IFRS 3 - Business Combinations - (Amendments)	January 1, 2020
	Effective date (annual periods ending on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	June 30, 2019

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

On adoption of IFRS 16, the Bank shall recognise a 'right to use asset' with a corresponding liability for lease payments. The Bank is in the process of assessing the full impact of this standard.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Bank which are exposed to credit risk. As detailed in note 4.1.2, the Bank has already adopted IFRS 9 in respect of certain overseas branches.

The Bank is in the process of assessing the full impact of this standard.

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

2.4 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 judgement in the process of applying the Bank's accounting policies. Estimates and judgements 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 judgement was exercised in the application of accounting policies are as follows:

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

- i) Classification of investments (note 4.4)
- ii) Valuation and impairment of available-for-sale equity investments, subsidiaries and associates (note 4.4.4)
- iii) Provision against non-performing advances (note 4.5)
- iv) Fixed assets valuation and depreciation (note 4.6)
- v) Intangible assets valuation and amortisation (note 4.7)
- vi) Defined benefit plans and other retirement benefits (note 4.11)
- vii) Taxation (note 4.14)
- viii) Fair value of derivatives (note 4.21)

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.

During the year, the Bank has reviewed the useful lives of its furniture and fixtures, electrical, office and computer equipment and intangible assets as required by IAS 16 and IAS 38. This review has resulted in a change in the useful lives of these assets. This revision has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8. Accordingly, the effect of this change in accounting estimate has been recognised prospectively in the unconsolidated profit and loss account from the current year. The impact of this change is disclosed in notes 10.2.1 and 11.1.1 to these unconsolidated financial statements.

3 BASIS OF MEASUREMENT

3.1 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 Pakistani rupees, which is the Bank's functional currency. Amounts are rounded to the nearest thousand Rupees.

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 except as disclosed in note 4.1 below.

4.1 Changes in accounting policies

- 4.1.1 The Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy, in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular asset was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular asset is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against the surplus for any other asset, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016
	(Rupees in '000)		
Impact on Statement of Financial Position			
Decrease in unappropriated profit	(129,607)	(131,799)	(803,615)
Increase in surplus on revaluation of assets – net of tax	129,607	131,799	803,615
	For the year ended		
	December 31, 2018	December 31, 2017	
	(Rupees in '000)		
Impact on Statement of Comprehensive Income			
Increase in profit and loss account	-	666,147	
Decrease in other comprehensive income	-	(666,147)	

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

- 4.1.2 As per the accounting policy of the Bank, provision against advances, investments and off-balance sheet obligations of overseas branches is made as per the requirements of the respective regulatory regimes in which the branches operate. During the current year, provision requirement under IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches of the Bank. Under this accounting standard, provision against advances, investments and off-balance sheet obligations is determined under the expected credit loss model whereas previously, it was determined under the incurred loss model. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9 while determining the requirements for recording provision against advances, investments and off-balance sheet obligations.

The adoption of this standard by these overseas branches has been applied retrospectively which resulted in an additional provision of Rs 106.349 million (Rs 64.873 million net of tax) as at December 31, 2017. The effect of the additional provision against advances is Rs 95.044 million (note 9.5) and provision against off-balance sheet obligations is Rs 11.305 million (note 18.1).

- 4.1.3 The SBP vide BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format contains recognition requirements, reclassification of comparative information and additional disclosures and accordingly a third statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has been presented in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements. The amended format also introduced certain new disclosures and has resulted in the following significant changes:

- Acceptances amounting to Rs 11,278.036 million (2017: Rs 10,956.003 million, 2016: Rs 12,384.789 million) which were previously shown as part of contingencies and commitments are now recognised on unconsolidated statement of financial position both as assets and liabilities. They are included in other assets (note 13) and other liabilities (note 18);
- Surpluses on revaluation of assets (note 20) amounting to Rs 14,562.465 million as at December 31, 2018 (2017: Rs 21,215.598 million, 2016: Rs 23,609.084 million) which were previously shown below equity as required by the repealed Companies Ordinance, 1984 has now been included as part of equity;
- Intangibles (note 11) amounting to Rs 2,718.556 million (2017: Rs 1,590.105 million, 2016: Rs 1,659.867 million) which were previously shown as part of fixed assets (note 10) are now shown separately on the unconsolidated statement of financial position;
- Cost of foreign currency swaps (note 24) amounting to Rs 1,592.062 million (2017: Rs 1,234.216 million) which was previously shown as part of foreign exchange income / (loss) has now been shown as part of mark-up / return / profit / interest expense in the unconsolidated statement of profit and loss account.

4.2 Cash and cash equivalents

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

4.3 Lending / borrowing transactions with financial institutions

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

4.3.1 Purchase under resale agreements (reverse repo)

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

4.3.2 Sale under repurchase agreement (repo)

Securities sold subject to a repurchase agreement are retained as investments in these unconsolidated financial statements 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.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

4.3.3 Bai Muajjal

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

4.4 Investments

The 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.

4.4.1 Initial measurement

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

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

4.4.2 Subsequent measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

Listed 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 as part of 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.

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

4.4.3 Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are recorded at cost less impairment, if any.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

4.4.4 Impairment

The Bank determines that available-for-sale listed 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 judgement. In making this judgement, the Bank evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired listed 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 unlisted 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. Provision against investments by the Bank's overseas branches is made as per the requirements of the respective regulatory regimes in which the overseas branches operate.

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. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the profit and loss account. When a debt security classified as held to maturity is considered to be impaired, the impairment is charged to profit and loss account directly.

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

The Bank considers that a decline in the recoverable value of its investments in subsidiaries, associates and joint ventures below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable amount falls below the carrying value and is charged to the profit and loss account. Any subsequent reversal of an impairment loss, up to the cost of the investment in subsidiaries, associates and joint ventures, is credited to the profit and loss account.

4.5 Advances

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

4.5.1 Finance lease receivables

Leases where the Bank transfers a substantial portion of 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.

4.5.2 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. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. 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 enter a Musharakah agreement where the Bank agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Bank creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Bank receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

Under *Tijarah*, the Bank purchases the finished goods from the customer against payment, takes possession and appoints customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognised on accrual basis over the period of transaction.

Wakalah is an agency contract in which Bank provides funds to the customer who invests it in a Shariah compliant manner.

4.6 Fixed Assets

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.

Items included in property and equipment, other than land, are depreciated over the 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.

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. An increase arising on revaluation is credited to the surplus on revaluation of fixed assets account. A decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset 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 (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred. Major repairs and renovations that increase the useful life of an asset are capitalised.

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.

4.7 Intangible assets

4.7.1 Intangible assets other than goodwill

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 11.1 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.

4.7.2 Goodwill

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less impairment, 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.

4.8 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 adjusted against the surplus of that asset, 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.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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

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 fixed assets. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to fixed assets.

4.9 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.

4.10 Subordinated debt

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

4.11 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 the profit and loss account 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 remeasurement 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.

4.12 Foreign currency

4.12.1 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani 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.

4.12.2 Foreign operations

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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 branches.

4.12.3 Translation gains and losses

Translation gains and losses on assets and liabilities denominated in foreign currencies 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.

4.12.4 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.

4.13 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.

4.13.1 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 the SBP regulations or by the regulatory authorities of the countries where the Bank operates.

4.13.2 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 through the profit and loss account when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

4.13.3 Fee, Commission and Brokerage Income

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

4.13.4 Dividend income

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

4.14 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.

4.14.1 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.

4.14.2 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.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

4.14.3 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to 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 and a corresponding charge to deferred tax expense is recognised in the profit and loss account.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 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 other receivables, bills payable, borrowings, deposits, subordinated debt and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the relevant policy notes.

4.21 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.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

4.22 Dividends paid

Declarations of dividends to shareholders are recognised as a liability in the period in which they are approved.

4.23 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.

4.24 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 environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4.24.1 Business segments

The Bank 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, SME and commercial customers.

ii) *Consumer banking*

Consists of loans to consumer customers.

iii) *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.

iv) *Treasury*

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

v) *International and correspondent banking*

International and correspondent banking consists of the Bank's operations outside Pakistan and financial institutions' correspondent banking.

vi) *Head Office / Others*

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

4.24.2 Geographical segments

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

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

5	CASH AND BALANCES WITH TREASURY BANKS	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
	In hand			
	Local currency		30,940,150	25,656,258
	Foreign currencies		3,803,879	3,729,233
			<u>34,744,029</u>	<u>29,385,491</u>
	With State Bank of Pakistan in			
	Local currency current accounts	5.1	88,379,133	74,483,143
	Foreign currency current accounts	5.2	6,660,233	5,327,299
	Foreign currency deposit accounts	5.3	18,077,471	15,968,819
			<u>113,116,837</u>	<u>95,779,261</u>
	With other Central Banks in			
	Foreign currency current accounts	5.4	27,348,562	39,986,915
	Foreign currency deposit accounts	5.5	5,424,122	6,089,104
			<u>32,772,684</u>	<u>46,076,019</u>
	With National Bank of Pakistan in local currency current accounts		85,848,781	58,922,900
	National Prize Bonds		127,925	92,395
			<u>266,610,256</u>	<u>230,256,066</u>
5.1	These represent current accounts maintained under the Cash Reserve Requirement of the SBP.			
5.2	These represent foreign currency current accounts maintained under the Cash Reserve Requirement of the SBP.			
5.3	These represent 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 1.35% per annum (2017: 0.00% to 0.37% 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 7,113.816 million (2017: Rs 6,216.790 million), which carry mark-up at rates ranging from 0.65% to 2.00% per annum (2017: 0.01% to 7.25% 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. These carry mark-up at rates ranging from 0.00% to 15.00% per annum (2017: 1.00% to 2.90% per annum).			
6	BALANCES WITH OTHER BANKS	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
	In Pakistan			
	In current accounts		57,755	223,401
	Outside Pakistan			
	In current accounts	6.1	9,408,507	19,527,223
	In deposit accounts	6.2	16,629,068	9,027,367
			<u>26,037,575</u>	<u>28,554,590</u>
			<u>26,095,330</u>	<u>28,777,991</u>
6.1	These include balances in remunerative current accounts amounting to Rs 4,860.167 million (2017: Rs 4,148.355 million), which carry mark-up at a rate of 0.85% per annum (2017: 0.05% to 0.72% per annum).			
6.2	These accounts carry mark-up at rates ranging from 0.15% to 23.55% per annum (2017: 0.70% to 13.25% per annum).			
7	LENDINGS TO FINANCIAL INSTITUTIONS	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
	Call money lendings	7.2	8,900,000	500,000
	Repurchase agreement lendings (reverse repo)	7.3	38,045,810	31,785,507
	Bai Muajjal receivables			
	- with State Bank of Pakistan	7.4	-	1,614,838
	- with other financial institutions		4,331,526	-
			<u>51,277,336</u>	<u>33,900,345</u>
7.1	Lending to financial institutions are all in local currency.			

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

7.2 Call money lendings carry mark-up at rates ranging from 8.21% to 9.60% per annum (2017: 6.50% per annum) and are due to mature latest by April 11, 2019.

7.3 Repurchase agreement lendings carry mark-up at rates ranging from 8.40% to 10.39% per annum (2017: 5.75% to 6.20% per annum) and are due to mature latest by February 1, 2019.

7.3.1 Securities held as collateral against lendings to financial institutions

	2018			2017		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	4,995,810	-	4,995,810	485,507	-	485,507
Pakistan Investment Bonds	33,050,000	-	33,050,000	31,300,000	-	31,300,000
	38,045,810	-	38,045,810	31,785,507	-	31,785,507

7.3.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs 37,301.886 million (2017: Rs 32,478.463 million).

7.4 Bai Muajjal receivables from other financial institutions carry profit at 9.85% per annum (2017: Nil) and are due to mature latest by January 31, 2019.

8 INVESTMENTS

Note

	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							

8.1 Investments by type

Held-for-trading (HFT) securities

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Ijarah Sukuks

Shares

- Listed companies

Foreign securities

- Government debt securities

2,569,965	-	(1,499)	2,568,466	47,907,444	-	(24,893)	47,882,551
3,683,617	-	(12,287)	3,671,330	17,918,321	-	(13,149)	17,905,172
-	-	-	-	1,999,062	-	(262)	1,998,800
-	-	-	-	274,651	-	(19,058)	255,593
90,499	-	24,575	115,074	149,311	-	(15,964)	133,347
6,344,081	-	10,789	6,354,870	68,248,789	-	(73,326)	68,175,463

Available-for-sale (AFS) securities

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Ijarah Sukuks
- Government of Pakistan US Dollar Bonds

Shares

- Listed companies
- Unlisted companies

Non-Government debt securities

- Unlisted

Foreign securities

- Government debt securities
- Non-Government debt securities
 - Listed
 - Unlisted
- Equity securities - Unlisted

National Investment Trust units

Real Estate Investment Trust units

Preference shares

755,955,226	-	(275,224)	755,680,002	459,455,897	-	(81,235)	459,374,662
234,705,582	-	(10,063,132)	224,642,450	372,760,146	-	569,841	373,329,987
53,675,083	-	(170,821)	53,504,262	83,205,706	-	485,521	83,691,227
3,443,551	(33,047)	19,501	3,430,005	1,487,595	-	38,635	1,526,230
14,599,566	(4,043,987)	(385,376)	10,170,203	19,661,232	(1,117,390)	(1,794,580)	16,749,262
3,761,058	(82,274)	-	3,678,784	2,716,232	(82,274)	-	2,633,958
4,949,525	(274,630)	-	4,674,895	6,799,664	(303,387)	-	6,496,277
16,144,234	(45,262)	26,119	16,125,091	3,868,899	-	4,460	3,873,359
18,267,252	(6,040)	(227,707)	18,033,505	15,662,353	-	61,369	15,723,722
8,874,200	(2,724)	944	8,872,420	7,286,481	-	3,357	7,289,838
5,413	-	-	5,413	4,414	-	-	4,414
11,113	-	31,449	42,562	11,113	-	36,190	47,303
55,000	-	4,950	59,950	154,000	-	-	154,000
97,500	-	-	97,500	97,500	-	-	97,500
1,114,544,303	(4,487,964)	(11,039,297)	1,099,017,042	973,171,232	(1,503,051)	(676,442)	970,991,739

Held-to-maturity (HTM) securities

Federal Government securities

- Pakistan Investment Bonds
- Government of Pakistan US Dollar Bonds

Non-Government debt securities

- Listed
- Unlisted

Foreign securities

- Government debt securities
- Non-Government debt securities
 - Listed
 - Unlisted

171,850,002	-	-	171,850,002	229,596,422	-	-	229,596,422
139,274	-	-	139,274	1,177,868	-	-	1,177,868
9,092,850	-	-	9,092,850	6,631,274	-	-	6,631,274
20,523,772	-	-	20,523,772	17,278,878	-	-	17,278,878
6,920,829	(609)	-	6,920,220	14,604,085	-	-	14,604,085
319,849	-	-	319,849	268,454	-	-	268,454
1,208,886	(110)	-	1,208,776	799,897	-	-	799,897
210,055,462	(719)	-	210,054,743	270,356,878	-	-	270,356,878

Investment in associates and joint venture

11,658,852	-	-	11,658,852	12,322,188	-	-	12,322,188
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Investment in subsidiary companies

13,945,202	-	-	13,945,202	13,945,202	-	-	13,945,202
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Total investments

1,356,547,900	(4,488,683)	(11,028,508)	1,341,030,709	1,338,044,289	(1,503,051)	(749,768)	1,335,791,470
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Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

8.2 Investments by segment

Federal Government securities

Market Treasury Bills
Pakistan Investment Bonds
Ijarah Sukuks
Government of Pakistan US Dollar Bonds

2018				2017			
Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)							
758,525,191	-	(276,723)	758,248,468	507,363,341	-	(106,128)	507,257,213
410,239,201	-	(10,075,419)	400,163,782	620,274,889	-	556,692	620,831,581
53,675,083	-	(170,821)	53,504,262	85,204,768	-	485,259	85,690,027
3,582,825	(33,047)	19,501	3,569,279	2,665,463	-	38,635	2,704,098
1,226,022,300	(33,047)	(10,503,462)	1,215,485,791	1,215,508,461	-	974,458	1,216,482,919

Shares

Listed companies
Unlisted companies

14,599,566	(4,043,987)	(385,376)	10,170,203	19,935,883	(1,117,390)	(1,813,638)	17,004,855
3,761,058	(82,274)	-	3,678,784	2,716,232	(82,274)	-	2,633,958
18,360,624	(4,126,261)	(385,376)	13,848,987	22,652,115	(1,199,664)	(1,813,638)	19,638,813

Non-Government debt securities

Listed
Unlisted

9,092,850	-	-	9,092,850	6,631,274	-	-	6,631,274
25,473,297	(274,630)	-	25,198,667	24,078,542	(303,387)	-	23,775,155
34,566,147	(274,630)	-	34,291,517	30,709,816	(303,387)	-	30,406,429

Foreign securities

Government debt securities
Non-Government debt securities
- Listed
- Unlisted
Equity securities-unlisted

23,155,562	(45,871)	50,694	23,160,385	18,622,295	-	(11,504)	18,610,791
18,587,101	(6,040)	(227,707)	18,353,354	15,930,807	-	61,369	15,992,176
10,083,086	(2,834)	944	10,081,196	8,086,378	-	3,357	8,089,735
5,413	-	-	5,413	4,414	-	-	4,414
51,831,162	(54,745)	(176,069)	51,600,348	42,643,894	-	53,222	42,697,116

National Investment Trust units

11,113	-	31,449	42,562	11,113	-	36,190	47,303
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Real Estate Investment Trust units

55,000	-	4,950	59,950	154,000	-	-	154,000
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Preference shares

97,500	-	-	97,500	97,500	-	-	97,500
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Investment in associates and joint venture

Diamond Trust Bank Kenya Limited
Himalayan Bank Limited, Nepal
Kyrgyz Investment and Credit Bank,
Kyrgyz Republic
Jubilee General Insurance Company Limited
Jubilee Life Insurance Company Limited
HBL Energy Fund
HBL Income Fund
HBL Investment Fund Class A
HBL Investment Fund Class B
HBL Islamic Asset Allocation Fund
HBL Islamic Income Fund
HBL Islamic Money Market Fund
HBL Islamic Pension Fund- Debt Sub Fund
HBL Islamic Pension Fund- Equity Sub Fund
HBL Islamic Pension Fund- Money Market Sub Fund
HBL Islamic Stock Fund
HBL Money Market Fund
HBL Multi Asset Fund
HBL Pension Fund- Debt Sub Fund
HBL Pension Fund- Equity Sub Fund
HBL Pension Fund- Money- Market Sub Fund
HBL Stock Fund
PICIC Investment Fund

3,999,244	-	-	3,999,244	3,999,244	-	-	3,999,244
135,665	-	-	135,665	135,665	-	-	135,665
256,231	-	-	256,231	256,231	-	-	256,231
2,006,142	-	-	2,006,142	1,916,081	-	-	1,916,081
677,739	-	-	677,739	677,739	-	-	677,739
300,000	-	-	300,000	300,000	-	-	300,000
475,659	-	-	475,659	1,043,592	-	-	1,043,592
302,886	-	-	302,886	-	-	-	-
334,501	-	-	334,501	-	-	-	-
608,893	-	-	608,893	607,086	-	-	607,086
257,151	-	-	257,151	250,000	-	-	250,000
211,453	-	-	211,453	265,473	-	-	265,473
30,000	-	-	30,000	30,000	-	-	30,000
30,000	-	-	30,000	30,000	-	-	30,000
30,000	-	-	30,000	30,000	-	-	30,000
295,804	-	-	295,804	295,804	-	-	295,804
820,283	-	-	820,283	110,568	-	-	110,568
53,429	-	-	53,429	53,429	-	-	53,429
30,000	-	-	30,000	30,000	-	-	30,000
30,000	-	-	30,000	30,000	-	-	30,000
30,000	-	-	30,000	30,000	-	-	30,000
743,772	-	-	743,772	1,593,889	-	-	1,593,889
-	-	-	-	637,387	-	-	637,387
11,658,852	-	-	11,658,852	12,322,188	-	-	12,322,188

Investment in subsidiary companies

Habib Allied Holding Limited
Habib Finance International
Limited, Hong Kong
Habib Bank Financial Services
(Private) Limited
HBL Currency Exchange (Private) Limited
HBL Asset Management Limited
The First MicroFinance Bank Limited

9,763,859	-	-	9,763,859	9,763,859	-	-	9,763,859
1,648,843	-	-	1,648,843	1,648,843	-	-	1,648,843
32,500	-	-	32,500	32,500	-	-	32,500
400,000	-	-	400,000	400,000	-	-	400,000
100,000	-	-	100,000	100,000	-	-	100,000
2,000,000	-	-	2,000,000	2,000,000	-	-	2,000,000
13,945,202	-	-	13,945,202	13,945,202	-	-	13,945,202

Total investments

1,356,547,900	(4,488,683)	(11,028,508)	1,341,030,709	1,338,044,289	(1,503,051)	(749,768)	1,335,791,470
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Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

8.2.1 Investments given as collateral	2018 (Rupees in '000)	2017 (Rupees in '000)
The market value of investments given as collateral is as follows:		
Federal Government securities		
- Market Treasury Bills	333,213,434	131,176,965
- Pakistan Investment Bonds	29,329,018	134,613,696
Foreign securities		
- Non-Government debt Securities		
Listed	11,711,384	15,430,235
	<u>374,253,836</u>	<u>281,220,896</u>

- 8.3 Investments include securities amounting to Rs 304.162 million (2017: Rs 293.708 million) which are held to comply with the SBP's statutory liquidity requirements and are available for rediscounting with the SBP.
- 8.4 Investments include Rs 222.214 million (2017: Rs 238.518 million) pledged with the SBP against TT/DD discounting facilities and demand loan facilities.
- 8.5 Investments include Rs 9.768 million (2017: Rs 10.484 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the Bank.
- 8.6 This includes investment in the Variable Rate Subordinated Loan Notes issued by Habib Allied Holding Limited, UK (HAHL), a subsidiary company, amounting to Rs 4.166 billion equivalent US \$ 30 million (2017: Rs 3.314 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% (2017: 6 month LIBOR+5.75%).
- 8.7 The market value of investment classified as held-to-maturity and investment in listed associates and joint venture is as follows:

	2018		2017	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	210,054,743	194,128,729	270,356,878	272,433,165
- Investment in listed associates and joint venture	11,222,621	35,649,612	11,885,957	39,352,301

8.8 Particulars of provision held against diminution in the value of investments	2018 (Rupees in '000)	2017 (Rupees in '000)
Opening balance	1,503,051	866,152
Exchange adjustment	10,647	-
Charge / reversals		
Charge for the year	3,654,300	1,289,086
Reversal for the year	(28,757)	(32,573)
Reversed on disposal during the year	(650,558)	(619,614)
Net charge	2,974,985	636,899
Closing balance	<u>4,488,683</u>	<u>1,503,051</u>

8.9 Particulars of provision against debt securities	2018		2017	
Category of classification	Non-Performing Investment	Provision	Non-Performing Investment	Provision
	(Rupees in '000)			
Domestic				
Loss	274,630	274,630	303,387	303,387

- 8.9.1 In addition to the above, overseas branches hold a provision of Rs 87.792 million pertaining to investments in accordance with IFRS 9 to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

8.9.2 Exposure amounting to Rs 4,249.895 million (2017: Rs 6,071.278 million) relating to privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) has not been classified as non-performing in accordance with a relaxation from Regulation-8 of the Prudential Regulations given by the SBP through its letter No. BPRD/ BRD(policy)/ 2018-21629 dated October 04, 2018. These TFCs are fully guaranteed by the Government of Pakistan and do not require any provision. However, mark-up income has been suspended on this amount and is only recognised when received.

8.10 Quality of available-for-sale securities

Details regarding quality of available-for-sale (AFS) securities are as follows:

	2018	2017
	Cost	
	(Rupees in '000)	
Federal Government securities - Government guaranteed		
Market Treasury Bills	755,955,226	459,455,897
Pakistan Investment Bonds	234,705,582	372,760,146
Ijarah Sukuks	53,675,083	83,205,706
Government of Pakistan US Dollar Bonds	3,443,551	1,487,595
	1,047,779,442	916,909,344

Shares

Listed companies

Automobile Parts and Accessories	122,869	138,216
Cement	2,493,024	2,509,343
Chemical	224,083	224,083
Commercial Banks	1,115,136	2,271,099
Engineering	285,553	248,168
Fertilizer	1,566,292	3,633,896
Food and Personal Care Products	696,032	662,602
Insurance	270,498	270,498
Investment Banks / Investment Companies / Securities Companies	1,122,067	1,122,067
Oil and Gas Exploration Companies	921,375	900,210
Oil and Gas Marketing Companies	842,659	1,144,758
Power Generation and Distribution	3,586,815	4,675,568
Refinery	386,561	418,399
Technology and Communication	592,848	947,814
Textile Composite	373,754	494,511
	14,599,566	19,661,232

Unlisted companies

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Central Depository Company of Pakistan Limited	256,347	658,861	256,347	439,179
Engro Powergen Thar (Private) Limited	1,599,623	2,624,676	1,395,085	1,998,345
Pakistan Mortgage Refinance Company Limited	500,000	501,286	15,300	15,735
Sindh Engro Coal Mining Company Limited	1,316,258	1,575,511	956,800	1,120,293
Pak Agriculture Storage and Services Corporation Limited	5,500	1,331,012	5,500	1,256,081
DHA Cogen Limited	-	(2,497,155)	-	(2,497,155)
National Institutional Facilitation Technologies (Private) Limited	1,527	71,188	1,527	68,784
First Women Bank Limited	63,300	208,937	63,300	219,603
National Investment Trust Limited	100	972,967	100	1,079,031
SME Bank Limited	13,474	(8,996)	13,474	(954)
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	4,929	41,350	8,799	42,607
	3,761,058	5,479,637	2,716,232	3,741,549

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018		2017	
	Cost		Cost	
	(Rupees in '000)		(Rupees in '000)	
Non-Government debt securities				
Unlisted				
Unrated			4,949,525	6,799,664
Foreign securities				
Government debt securities	2018		2017	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
Bahrain	2,624,914	BB-	256,346	BB+
Lebanon	1,282,142	B3	-	
Maldives	4,770,054	B2	-	
Mauritius	2,952,693	Baa1	1,318,699	Baa1
Oman	1,402,509	Baa3	-	
Singapore	2,440,884	Aaa	1,733,340	Aaa
Srilanka	671,038	B2	560,514	B1
	<u>16,144,234</u>		<u>3,868,899</u>	
Non-Government debt securities				
Listed				
AA+, AA, AA-			1,111,518	2,874,886
A+, A, A-			10,028,512	8,535,367
BBB+, BBB, BBB-			6,444,007	4,252,100
B+, B, B-			683,215	-
			<u>18,267,252</u>	<u>15,662,353</u>
Unlisted				
AAA			102,009	331,113
A+, A, A-			1,890,230	1,502,990
BBB+, BBB, BBB-			-	42,183
Unrated			6,881,961	5,410,195
			<u>8,874,200</u>	<u>7,286,481</u>
Equity securities				
Unlisted				
The Benefit Company, Bahrain			2,947	2,343
Credit Information Bureau, Sri Lanka			61	58
Lanka Clear (Private) Limited, Sri Lanka			380	360
SME Equity Fund Limited, Mauritius			2,025	1,653
			<u>5,413</u>	<u>4,414</u>
National Investment Trust units - listed			<u>11,113</u>	<u>11,113</u>
Real Estate Investment Trust Units - listed			<u>55,000</u>	<u>154,000</u>
Preference shares - listed			<u>97,500</u>	<u>97,500</u>

Notes to the Unconsolidated Financial Statements

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8.11 Particulars relating to held-to-maturity securities are as follows:

	2018		2017	
	Cost / Amortised cost		Cost / Amortised cost	
	(Rupees in '000)		(Rupees in '000)	
Federal Government securities - Government guaranteed				
Pakistan Investment Bonds	171,850,002		229,596,422	
Government of Pakistan US Dollar Bonds	139,274		1,177,868	
	<u>171,989,276</u>		<u>230,774,290</u>	
Non-Government debt securities				
Listed				
AA+, AA, AA-	8,658,877		6,497,274	
A+, A, A-	433,973		134,000	
	<u>9,092,850</u>		<u>6,631,274</u>	
Unlisted				
AAA	11,319,440		9,738,190	
AA+, AA, AA-	1,681,970		781,000	
A+, A, A-	2,403,822		1,048,357	
Unrated	5,118,540		5,711,331	
	<u>20,523,772</u>		<u>17,278,878</u>	
Foreign securities				
	2018		2017	
	Cost /		Cost /	
	amortised	Rating	amortised	Rating
	cost		cost	
	(Rupees in '000)		(Rupees in '000)	
Government debt securities				
Bahrain	866,409	BB-	1,680,086	BB+
Bangladesh	1,500,969	Ba3	2,484,279	Ba3
Lebanon	342,548	B3	1,373,582	B3
Maldives	904,084	B2	4,157,501	B2
Mauritius	304,077	Baa1	1,992,051	Baa1
Oman	2,861,553	Baa3	2,135,241	Baa2
Seychelles	-		436,199	BB-
Sri Lanka	141,189	B2	345,146	B1
	<u>6,920,829</u>		<u>14,604,085</u>	
Non-Government debt securities				
	2018		2017	
	Cost / amortised cost		Cost / amortised cost	
	(Rupees in '000)		(Rupees in '000)	
Listed				
BB+, BB, BB-	319,849		-	
B+, B, B-	-		268,454	
	<u>319,849</u>		<u>268,454</u>	
Unlisted				
AA+, AA, AA-	642,242		87,528	
A+, A, A-	-		179,950	
Unrated	566,644		532,419	
	<u>1,208,886</u>		<u>799,897</u>	

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

8.12 Summary of financial information of associates, joint venture and subsidiaries

	2018								
	Based on the annual / interim financial statements as on	Country of Incorporation	Percentage of Holding	Assets	Liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	
(Rupees in '000)									
Diamond Trust Bank Kenya Limited	September 30, 2018	Kenya	16.15%	525,377,300	447,614,792	49,162,423	8,363,446	7,791,007	
Himalayan Bank Limited	October 17, 2018	Nepal	20.00%	153,717,681	135,061,073	13,288,725	3,015,678	3,020,298	
Kyrgyz Investment and Credit Bank	December 31, 2018	Kyrgyzstan	18.00%	52,956,428	43,965,367	3,978,561	571,876	571,876	
Jubilee General Insurance Company Limited	September 30, 2018	Pakistan	19.80%	23,190,518	14,828,283	6,378,439	1,048,444	790,395	
Jubilee Life Insurance Company Limited	September 30, 2018	Pakistan	18.52%	137,154,653	127,160,799	12,806,103	2,997,144	2,995,177	
HBL Energy Fund	December 31, 2018	Pakistan	31.50%	877,028	42,772	(78,843)	(114,164)	(114,164)	
HBL Income Fund	December 31, 2018	Pakistan	35.57%	2,097,234	56,949	217,034	167,674	163,277	
HBL Investment Fund Class A	December 31, 2018	Pakistan	17.13%	2,193,289	9,164	37,705	(1,237)	(205,443)	
HBL Investment Fund Class B	December 31, 2018	Pakistan	17.32%	2,747,029	249,721	(79,713)	(206,909)	(206,909)	
HBL Islamic Asset Allocation Fund	December 31, 2018	Pakistan	28.04%	2,253,997	2,232,949	127,722	59,111	51,684	
HBL Islamic Income Fund	December 31, 2018	Pakistan	7.13%	3,769,559	36,614	314,928	253,982	253,982	
HBL Islamic Money Market Fund	December 31, 2018	Pakistan	32.35%	974,480	7,420	62,408	49,359	49,359	
HBL Islamic Pension Fund - Debt Sub Fund	December 31, 2018	Pakistan	39.37%	111,923	1,130	6,707	4,500	4,181	
HBL Islamic Pension Fund - Equity Sub Fund	December 31, 2018	Pakistan	57.86%	189,006	3,801	190	(4,557)	5,808	
HBL Islamic Pension Fund - Money Market Sub Fund	December 31, 2018	Pakistan	45.88%	94,573	890	5,443	3,664	3,702	
HBL Islamic Stock Fund	December 31, 2018	Pakistan	28.26%	2,274,282	36,665	(126,967)	(214,001)	(195,650)	
HBL Money Market Fund	December 31, 2018	Pakistan	12.39%	10,973,341	3,520,870	521,111	429,651	429,651	
HBL Multi Asset Fund	December 31, 2018	Pakistan	50.20%	282,413	16,493	17,126	(1,929)	(5,927)	
HBL Pension Fund - Debt Sub Fund	December 31, 2018	Pakistan	28.20%	176,381	2,203	12,552	8,687	8,588	
HBL Pension Fund - Equity Sub Fund	December 31, 2018	Pakistan	45.22%	222,227	2,972	12,411	(4,453)	10,307	
HBL Pension Fund - Money Market Sub Fund	December 31, 2018	Pakistan	27.38%	168,263	1,864	11,149	7,960	7,960	
HBL Stock Fund	December 31, 2018	Pakistan	49.76%	4,198,376	844,630	(234,682)	(436,709)	(344,301)	
PICIC Investment Fund	December 31, 2018	Pakistan	-	-	-	200,505	115,858	308,902	
Habib Allied Holding Limited	December 31, 2018	United Kingdom	90.50%	109,395,641	98,007,527	3,176,750	(1,122,249)	(1,651,910)	
Habib Finance International Limited	December 31, 2018	Hong Kong	100.00%	2,672,887	50,009	22,202	(111,401)	(111,401)	
Habib Bank Financial Services (Private) Limited	December 31, 2018	Pakistan	100.00%	59,862	118	2,498	711	711	
HBL Currency Exchange (Private) Limited	December 31, 2018	Pakistan	100.00%	1,374,288	32,841	764,895	383,365	383,365	
HBL Asset Management Limited	December 31, 2018	Pakistan	100.00%	3,278,287	2,380,389	865,354	154,088	153,328	
The First MicroFinance Bank Limited	December 31, 2018	Pakistan	50.51%	37,622,462	32,121,331	6,556,385	997,875	996,273	
2017									
	Based on the annual / interim financial statements as on	Country of Incorporation	Percentage of Holding	Assets	Liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	
(Rupees in '000)									
Diamond Trust Bank Kenya Limited	September 30, 2017	Kenya	16.15%	383,101,389	327,433,269	30,218,318	5,239,849	4,850,701	
Himalayan Bank Limited	October 17, 2017	Nepal	20.00%	122,007,480	108,878,428	2,513,282	416,857	416,857	
Kyrgyz Investment and Credit Bank	December 31, 2017	Kyrgyzstan	18.00%	43,044,952	36,055,814	3,273,636	480,270	462,477	
Jubilee General Insurance Company Limited	September 30, 2017	Pakistan	19.25%	18,968,650	12,113,495	4,445,791	795,606	796,446	
Jubilee Life Insurance Company Limited	September 30, 2017	Pakistan	18.52%	114,238,218	108,552,565	20,105,396	1,608,479	1,608,479	
HBL Energy Fund	December 31, 2017	Pakistan	25.90%	1,269,958	112,546	(50,358)	(56,116)	(55,115)	
HBL Income Fund	December 31, 2017	Pakistan	47.14%	3,477,739	57,228	271,973	179,215	178,097	
HBL Islamic Asset Allocation Fund	December 31, 2017	Pakistan	21.47%	2,877,444	17,145	220,739	75,698	33,756	
HBL Islamic Income Fund	December 31, 2017	Pakistan	5.27%	4,767,919	10,821	164,957	135,275	135,275	
HBL Islamic Money Market Fund	December 31, 2017	Pakistan	44.69%	887,232	5,807	38,247	27,141	27,143	
HBL Islamic Pension Fund - Debt Sub Fund	December 31, 2017	Pakistan	45.25%	93,651	1,010	5,496	3,568	2,930	
HBL Islamic Pension Fund - Equity Sub Fund	December 31, 2017	Pakistan	72.03%	161,156	6,841	11,478	6,428	(34,641)	
HBL Islamic Pension Fund - Money Market Sub Fund	December 31, 2017	Pakistan	56.95%	73,109	927	3,726	2,305	2,344	
HBL Islamic Stock Fund	December 31, 2017	Pakistan	46.25%	1,494,818	55,752	85,868	(28,052)	(193,451)	
HBL Money Market Fund	December 31, 2017	Pakistan	3.74%	5,032,999	67,337	211,754	197,860	197,861	
HBL Multi Asset Fund	December 31, 2017	Pakistan	41.97%	337,752	13,742	43,997	15,186	(88,656)	
HBL Pension Fund - Debt Sub Fund	December 31, 2017	Pakistan	23.57%	201,090	2,229	12,628	8,564	7,997	
HBL Pension Fund - Equity Sub Fund	December 31, 2017	Pakistan	48.05%	220,042	3,026	12,205	7,300	(35,610)	
HBL Pension Fund - Money Market Sub Fund	December 31, 2017	Pakistan	27.88%	157,373	2,197	10,289	7,229	7,217	
HBL Stock Fund	December 31, 2017	Pakistan	71.87%	5,512,758	155,247	612,930	124,599	(855,707)	
PICIC Investment Fund	December 31, 2017	Pakistan	17.13%	5,365,476	239,089	(314,685)	(441,111)	(896,843)	
Habib Allied Holding Limited	December 31, 2017	United Kingdom	90.50%	100,273,918	89,255,951	3,457,499	128,005	(51,501)	
Habib Finance International Limited	December 31, 2017	Hong Kong	100.00%	11,641,919	665,795	991,291	152,224	152,224	
Habib Bank Financial Services (Private) Limited	December 31, 2017	Pakistan	100.00%	63,749	4,655	2,405	(865)	(865)	
HBL Currency Exchange (Private) Limited	December 31, 2017	Pakistan	100.00%	993,916	34,849	238,036	99,370	99,370	
HBL Asset Management Limited	December 31, 2017	Pakistan	100.00%	3,695,475	2,950,905	836,588	70,070	70,407	
The First MicroFinance Bank Limited	December 31, 2017	Pakistan	50.51%	25,940,688	21,435,139	4,021,484	685,772	678,603	

8.12.1 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.

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9	ADVANCES	Note	Performing		Non - performing		Total	
			2018	2017	2018	2017	2018	2017
			(Rupees in '000)					
	Loans, cash credits, running finances, etc.	9.1	858,956,737	684,770,624	66,204,592	61,767,307	925,161,329	746,537,931
	Islamic financing and related assets	9.2	103,488,928	84,304,490	111,174	103,513	103,600,102	84,408,003
	Bills discounted and purchased		48,120,612	28,124,820	5,248,713	5,166,809	53,369,325	33,291,629
	Advances - gross		1,010,566,277	797,199,934	71,564,479	67,037,629	1,082,130,756	864,237,563
	Provision against advances							
	- Specific	9.5	-	-	(63,193,300)	(60,792,948)	(63,193,300)	(60,792,948)
	- General		(3,083,530)	(2,755,637)	-	-	(3,083,530)	(2,755,637)
			(3,083,530)	(2,755,637)	(63,193,300)	(60,792,948)	(66,276,830)	(63,548,585)
	Advances-net of provision		1,007,482,747	794,444,297	8,371,179	6,244,681	1,015,853,926	800,688,978

9.1 This includes net investment in finance lease as disclosed below :

	2018				2017			
	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)								
Total minimum lease payments	62,580	18,823,708	4,244,227	23,130,515	38,140	16,524,839	3,961,144	20,524,123
Financial charges for future periods	(3,069)	(3,279,499)	(936,566)	(4,219,134)	(1,256)	(2,595,059)	(800,147)	(3,396,462)
Present value of minimum lease payments	59,511	15,544,209	3,307,661	18,911,381	36,884	13,929,780	3,160,997	17,127,661

9.2 Information related to Islamic financing and related assets is given in note 3 of Annexure "I" and is an integral part of these unconsolidated financial statements.

9.3	Particulars of advances (Gross)	2018 (Rupees in '000)	2017 (Rupees in '000)
	In local currency	911,714,456	716,212,590
	In foreign currencies	170,416,300	148,024,973
		1,082,130,756	864,237,563

9.4 Advances include Rs 71,564.479 million (2017: Rs 67,037.629 million) which have been placed under non-performing status as detailed below:

Category of Classification

	2018		2017	
	Non - performing advances	Provision	Non - performing advances	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	801,712	-	1,025,320	-
Substandard	4,112,988	651,742	2,872,439	1,159,974
Doubtful	1,633,835	816,918	1,534,738	767,369
Loss	42,054,406	40,989,981	44,823,375	43,688,631
	48,602,941	42,458,641	50,255,872	45,615,974
Overseas				
Not past due but impaired	384,740	195,054	145,729	37,303
Overdue by:				
Upto 90 days	47,250	3,875	316,710	66,339
91 to 180 days	1,360,996	1,156,936	678,529	335,938
181 to 365 days	1,423,881	1,003,933	656,566	421,350
> 365 days	19,744,671	18,374,861	14,984,223	14,316,044
	22,961,538	20,734,659	16,781,757	15,176,974
Total	71,564,479	63,193,300	67,037,629	60,792,948

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9.5 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	60,792,948	2,755,637	63,548,585	60,513,286	3,328,371	63,841,657
Exchange adjustment	4,218,059	287,727	4,505,786	782,290	72,468	854,758
Charge for the year	5,955,190	301,560	6,256,750	4,996,892	257,577	5,254,469
Reversal for the year	(3,981,916)	(356,438)	(4,338,354)	(4,198,521)	(898,245)	(5,096,766)
Net charge / (reversal) against advances	1,973,274	(54,878)	1,918,396	798,371	(640,668)	157,703
Charged off during the year- agriculture financing	(477,679)	-	(477,679)	(400,719)	-	(400,719)
Written off during the year	(3,313,302)	-	(3,313,302)	(308,726)	-	(308,726)
Impact of adoption of IFRS 9	-	95,044	95,044	-	-	-
Transfer out on sale of Kenya and Paris business	-	-	-	(591,554)	(21,004)	(612,558)
Other movements	-	-	-	-	16,470	16,470
Closing balance	63,193,300	3,083,530	66,276,830	60,792,948	2,755,637	63,548,585

9.5.1 This includes reversal of provision amounting to Rs Nil (2017: Rs 68.374 million) due to acquisition of non-banking assets in satisfaction of claims.

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	41,472,787	1,652,318	43,125,105	44,733,139	1,405,701	46,138,840
In foreign currencies	21,720,513	1,431,212	23,151,725	16,059,809	1,349,936	17,409,745
	63,193,300	3,083,530	66,276,830	60,792,948	2,755,637	63,548,585

9.6 General provision includes provision amounting to Rs 1,652.318 million (2017: Rs 1,405.701 million) against consumer finance portfolio. General provision also includes Rs 1,431.212 million (2017: Rs 1,349.936 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

9.7 These represent non-performing advances for agriculture finance which have been classified as loss, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

Note	2018		2017	
	(Rupees in '000)		(Rupees in '000)	
9.8 Particulars of write offs				
9.8.1 Against provisions	9.5	3,313,302	308,726	
Against charge - off		-	31,064	
		3,313,302	339,790	
9.8.2 Analysis of write offs				
Write offs of Rs 500,000 and above				
- Domestic	9.9.1	1,754,587	109,429	
- Overseas	9.9.2	1,450,903	639	
Write offs of below Rs 500,000		107,812	229,722	
		3,313,302	339,790	

9.9 Details of written - off advances of Rs 500,000 and above

9.9.1 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, 2018 is given in Annexure II to these unconsolidated financial statements.

9.9.2 These include write-offs or financial relief allowed to borrowers in those countries where there are disclosure restrictions.

Note	2018		2017	
	(Rupees in '000)		(Rupees in '000)	
10 FIXED ASSETS				
Capital work-in-progress	10.1	2,264,230	16,339,113	
Property and equipment	10.2	60,252,924	38,991,464	
		62,517,154	55,330,577	
10.1 Capital work-in-progress				
Civil works		856,424	12,685,722	
Equipment		20,465	2,440,975	
Advances to suppliers and contractors		1,387,341	1,212,416	
		2,264,230	16,339,113	

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10.2 Property and equipment

	2018									
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Machinery	Leasehold Improve-ments	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)									
At January 1, 2018										
Cost / revalued amount	512,214	24,303,961	210,721	7,403,018	340,355	4,732,340	1,878,572	15,463,735	533,184	55,378,100
Accumulated depreciation	-	-	(62,273)	(103,110)	(649)	(3,403,722)	(1,236,297)	(11,195,056)	(385,529)	(16,386,636)
Net book value	512,214	24,303,961	148,448	7,299,908	339,706	1,328,618	642,275	4,268,679	147,655	38,991,464
Year ended December 31, 2018										
Opening net book value	512,214	24,303,961	148,448	7,299,908	339,706	1,328,618	642,275	4,268,679	147,655	38,991,464
Additions	-	3,535,825	-	9,531,916	3,158,714	910,119	1,644,887	4,887,755	304,041	23,973,257
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	(6,000)	-	(470)	-	(3,743)	(3,844)	(9,628)	(182)	(23,867)
Depreciation charge	-	-	(16,122)	(154,734)	(71,480)	(582,533)	(184,608)	(1,835,162)	(76,419)	(2,921,058)
Exchange rate adjustments	95,913	-	16,885	3,510	-	75,217	35,605	63,716	11,103	301,949
Other adjustments / transfers	-	-	11,612	14,510	17	(20,887)	(98,921)	22,766	2,082	(68,821)
Closing net book value	608,127	27,833,786	160,823	16,694,640	3,426,957	1,706,791	2,035,394	7,398,126	388,280	60,252,924
At December 31, 2018										
Cost / revalued amount	608,127	27,833,786	244,784	16,855,390	3,499,213	5,747,123	3,348,491	19,957,414	831,636	78,925,964
Accumulated depreciation	-	-	(83,961)	(160,750)	(72,256)	(4,040,332)	(1,313,097)	(12,559,288)	(443,356)	(18,673,040)
Net book value	608,127	27,833,786	160,823	16,694,640	3,426,957	1,706,791	2,035,394	7,398,126	388,280	60,252,924
Rate of depreciation (%)	-	-	3-5	1.67-3.33	10	20	10-20	10-33	10-20	
	2017									
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Machinery	Leasehold Improve-ments	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)									
At January 1, 2017										
Cost / revalued amount	309,881	15,410,395	189,182	6,285,749	508,281	4,443,531	1,616,466	13,127,639	555,528	42,446,652
Accumulated depreciation	-	-	(62,722)	(507,893)	(82,951)	(3,227,843)	(592,545)	(9,289,122)	(355,673)	(14,118,749)
Net book value	309,881	15,410,395	126,460	5,777,856	425,330	1,215,688	1,023,921	3,838,517	199,855	28,327,903
Year ended December 31, 2017										
Opening net book value	309,881	15,410,395	126,460	5,777,856	425,330	1,215,688	1,023,921	3,838,517	199,855	28,327,903
Additions	-	491	-	320,726	39,522	272,487	581,514	1,793,010	15,331	3,023,081
Movement in surplus on assets revalued during the year	157,349	8,702,566	13,163	1,165,396	(62,537)	-	-	-	-	9,975,937
Impairment reversal during the year	-	483,714	-	189,656	-	-	-	-	-	673,370
Disposals	-	-	-	(2,152)	-	(130)	(4,726)	(5,451)	(1,485)	(13,944)
Depreciation charge	-	-	(185)	(177,495)	(69,165)	(479,415)	(876,494)	(1,465,888)	(57,485)	(3,126,127)
Exchange rate adjustments	48,074	-	9,733	19,854	-	11,440	23,986	17,823	13,338	144,248
Other adjustments / transfers	(3,090)	(293,205)	(723)	6,067	6,556	308,548	(105,926)	90,668	(21,899)	(13,004)
Closing net book value	512,214	24,303,961	148,448	7,299,908	339,706	1,328,618	642,275	4,268,679	147,655	38,991,464
At December 31, 2017										
Cost / revalued amount	512,214	24,303,961	210,721	7,403,018	340,355	4,732,340	1,878,572	15,463,735	533,184	55,378,100
Accumulated depreciation	-	-	(62,273)	(103,110)	(649)	(3,403,722)	(1,236,297)	(11,195,056)	(385,529)	(16,386,636)
Net book value	512,214	24,303,961	148,448	7,299,908	339,706	1,328,618	642,275	4,268,679	147,655	38,991,464
Rate of depreciation (%)	-	-	3-5	1.67-3.33	10	20	10-20	10-33	10-20	

10.2.1 With effect from January 2018, the estimated useful lives of certain items of furniture and fixtures and electrical, office and computer equipment have been revised from 3 years to upto 10 years to make them more reflective of the consumption pattern of the assets. The effect of these changes on depreciation expense in the current year and the next year is as follows:

	2019 (Rupees in '000)	2018 (Rupees in '000)
Decrease in depreciation expense		
Furniture and fixtures	20,731	22,559
Electrical, office and computer equipment	273,549	471,657
	<u>294,280</u>	<u>494,216</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

10.3 Revaluation of properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2017. The revaluation was carried out by M/s Iqbal A. Nanjee & Co. (Private) Limited, M/s Colliers International Pakistan (Private) Limited, M/s J & M Associates, Imad Saffiuddine, M/s United Valuers (Pte) Limited and M/s Sunil Fernando & Associates (Private) Limited on the basis of professional assessment of present market values. This revaluation had resulted in an increase in surplus by Rs 9,960.433 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounts to Rs 22,425.746 million.

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

	2018 (Rupees in '000)	2017 (Rupees in '000)
Freehold land	309,466	213,554
Leasehold land	8,632,036	5,096,459
Building on freehold land	72,704	36,434
Building on leasehold land	13,857,424	4,409,017
	<u>22,871,630</u>	<u>9,755,464</u>

10.5 Details of disposal of fixed assets

The information relating to disposal of fixed assets is given in Annexure III and is an integral part of these unconsolidated financial statements.

10.6 The carrying amount of fixed assets held for disposal amounted to Rs 7.191 million (2017: Rs 11.179 million).

10.7 The cost of fully depreciated fixed assets that are still in the Bank's use is as follows:

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Leasehold Improvements		2,314,122	1,818,780
Furniture and fixture		617,232	561,547
Electrical, office and computer equipment		6,569,448	6,103,467
Vehicles		202,328	204,254
		<u>9,703,130</u>	<u>8,688,048</u>

11 INTANGIBLE ASSETS

Capital work-in-progress - computer software		831,891	656,048
Intangible assets	11.1	<u>1,886,665</u>	<u>934,057</u>
		<u>2,718,556</u>	<u>1,590,105</u>

11.1 Intangible assets

Computer software

At January 1,

Cost	3,451,699	3,199,009
Accumulated amortisation	(2,517,642)	(2,292,316)
Net book value	<u>934,057</u>	<u>906,693</u>

Year ended December 31,

Opening net book value	934,057	906,693
Purchased during the year	1,230,828	684,222
Amortisation charge	(287,606)	(661,696)
Exchange rate adjustments	5,756	-
Other adjustments	3,630	4,838
Closing net book value	<u>1,886,665</u>	<u>934,057</u>

At December 31,

Cost	4,856,332	3,451,699
Accumulated amortisation	(2,969,667)	(2,517,642)
Net book value	<u>1,886,665</u>	<u>934,057</u>
Rate of amortisation (%)	<u>10-33.33</u>	<u>10-33.33</u>
Useful life (years)	<u>3-10</u>	<u>3-10</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

11.1.1 With effect from January 2018, the estimated useful lives of certain items of computer software have been revised and amortisation rates have been changed from 33% to 10% - 33% to make them more reflective of the consumption pattern of the assets. The effect of these changes on amortisation expense in the current year and the next year is as follows:

	2019 (Rupees in '000)	2018 (Rupees in '000)
Decrease in amortisation expense of computer software	312,753	448,566

11.2 The cost of fully amortised intangible assets that are still in the Bank's use amounted to Rs 1,702.357 million (2017: Rs 1,702.357 million).

12	DEFERRED TAX ASSETS	Note	2018 (Rupees in '000)	2017 (Rupees in '000) (Restated)
	Deductible temporary differences on			
	- Tax losses of overseas branches		249,991	-
	- Provision against investments		1,397,101	372,791
	- Provision against doubtful debts and off-balance sheet obligations		3,210,350	3,220,462
	- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001		1,382,428	1,272,861
	- Provision against other assets		45,760	63,953
	- Deficit on revaluation of investments	20	3,863,754	236,755
	- Deficit on revaluation of fixed assets		147,144	147,144
	- Islamic financing Ijarah		101,123	-
			10,397,651	5,313,966
	Taxable temporary differences on			
	- Accelerated tax depreciation		(1,857,153)	(142,475)
	- Surplus on revaluation of fixed assets	20	(1,109,480)	(1,136,602)
	- Surplus on revaluation of non-banking assets	20	-	(847)
	- Exchange translation reserve		(347,300)	(133,585)
			(3,313,933)	(1,413,509)
	Net deferred tax assets		7,083,718	3,900,457

12.1 Movement in temporary differences during the year

	Balance as at January 1, 2017	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2017	Recognised in profit and loss	Recognised in equity	Balance as at December 31, 2018
	(Rupees in '000)						
Deductible temporary differences on							
- Tax losses of overseas branches	-	-	-	-	249,991	-	249,991
- Provision against investments	142,699	230,092	-	372,791	1,024,310	-	1,397,101
- Provision against doubtful debts and off-balance sheet obligations	3,373,250	(152,788)	-	3,220,462	(10,112)	-	3,210,350
- Liabilities written back under section 34(5) of the ITO 2001	1,256,872	15,989	-	1,272,861	109,567	-	1,382,428
- Provision against other assets	72,853	(8,900)	-	63,953	(18,193)	-	45,760
- Deficit on revaluation of investments	(5,933,633)	-	6,170,388	236,755	-	3,626,999	3,863,754
- Deficit on revaluation of fixed assets	157,419	(10,275)	-	147,144	-	-	147,144
- Islamic financing Ijarah	-	-	-	-	101,123	-	101,123
Taxable temporary differences on							
- Accelerated tax depreciation	(115,276)	(27,199)	-	(142,475)	(1,714,678)	-	(1,857,153)
- Surplus on revaluation of fixed assets	(693,788)	23,039	(465,853)	(1,136,602)	27,888	(766)	(1,109,480)
- Surplus on revaluation of non-banking assets	(6,203)	90	5,266	(847)	81	766	-
- Exchange translation reserve	(110,747)	110,747	(133,585)	(133,585)	-	(213,715)	(347,300)
Net deferred tax (liabilities) / assets	(1,856,554)	180,795	5,576,216	3,900,457	(230,023)	3,413,284	7,083,718

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

13	OTHER ASSETS	Note	2018 (Rupees in '000)	2017 (Restated)
	Mark-up / return / profit / interest accrued in local currency		27,936,523	29,697,021
	Mark-up / return / profit / interest accrued in foreign currency		1,912,478	1,813,861
	Advances, deposits, advance rent and other prepayments		2,514,308	2,155,977
	Advance taxation		44,593,889	27,596,059
	Advances for subscription of shares		50,000	50,000
	Stationery and stamps on hand		84,346	62,141
	Accrued fees and commissions		1,028,721	710,174
	Due from Government of Pakistan / SBP		989,672	1,151,538
	Mark to market gain on forward foreign exchange contracts		9,186,058	3,902,373
	Mark to market gain on derivative instruments	22.2	53,987	102,616
	Non-banking assets acquired in satisfaction of claims	13.1	1,596,579	1,728,765
	Receivable from defined benefit plan	36.4.4	35,293	-
	Branch adjustment account		2,033,922	825,177
	Acceptances		11,278,036	10,956,003
	Clearing and settlement accounts		1,894,880	2,531,088
	Dividend receivable		4,443	40,010
	Claims against fraud and forgeries		545,909	511,631
	Others		1,070,289	421,673
			<u>106,809,333</u>	<u>84,256,107</u>
	Provision held against other assets	13.2	(923,201)	(825,520)
	Other assets- net of provision		<u>105,886,132</u>	<u>83,430,587</u>
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	20.2	421,742	283,667
	Other assets - total		<u>106,307,874</u>	<u>83,714,254</u>

13.1 Details of revaluation of non-banking assets acquired in satisfaction of claims

The details of the latest revaluation of non-banking assets acquired in satisfaction of claims are as follows:

	Note	2018 (Rupees in '000)	2017
Carrying amount as at December 31,		1,844,326	2,340,949
Revalued amount as at December 31,		1,995,169	1,967,665
Increase/ (decrease) in surplus	20.2	140,421	(390,952)
Reversal of impairment		10,422	17,668
Year in which last valuation conducted		2018	2017

13.1.1 Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuers as at December 31, 2018. The revaluation was carried out by M/s Joseph Lobo (Private) Limited, M/s Harvester Services (Private) Limited, M/s J & M Associates, and M/s Creative Consultant and Construction on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs 140.421 million. The total surplus arising against revaluation of non banking assets acquired in satisfaction of claims as at December 31, 2018 amounts to Rs 421.742 million.

13.1.2	Non-banking assets acquired in satisfaction of claims	Note	2018 (Rupees in '000)	2017
	Opening balance		1,967,665	2,383,392
	Exchange adjustment		-	10,548
	Additions		-	68,374
	Revaluation during the year	20.2	140,421	(390,952)
	Transferred to fixed asset		(122,988)	(120,147)
	Depreciation		(351)	(1,218)
	Impairment reversal		10,422	17,668
	Closing balance		<u>1,995,169</u>	<u>1,967,665</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
13.2 Provision held against other assets			
Advances, deposits, advance rent and other prepayments		5,819	3,324
Non-banking assets acquired in satisfaction of claims		23,152	44,767
Claims against fraud and forgery		545,909	511,631
Suit filed cases		294,272	233,602
Others		54,049	32,196
		923,201	825,520
13.2.1 Movement in provision against other assets			
Opening balance		825,520	533,151
Exchange adjustment		62,052	14,294
Charge for the year		220,974	564,388
Reversal for the year		(13,831)	(70,070)
Net charge		207,143	494,318
Written off during the year		(164,427)	(79,141)
Transfer out on sale of Kenya business		-	(157,002)
Other movement		(7,087)	19,900
Closing balance		923,201	825,520
14 BILLS PAYABLE			
In Pakistan		41,317,093	31,288,704
Outside Pakistan		1,008,161	2,328,557
		42,325,254	33,617,261
15 BORROWINGS			
Secured			
Borrowings from the SBP under			
- Export refinance scheme	15.2	33,533,707	26,343,510
- Long term financing facility	15.3	10,453,762	9,781,716
- Financing facility for renewable energy power plants	15.4	104,853	70,407
- Refinance facility for modernization of SMEs	15.5	14,300	9,500
- Financing facility for storage of agricultural produce	15.6	7,500	-
		44,114,122	36,205,133
Repurchase agreement borrowings	15.7	373,810,983	279,802,790
		417,925,105	316,007,923
Unsecured			
- Call money borrowings	15.8	5,700,000	11,385,000
- Overdrawn nostro accounts		6,021,355	1,540,136
- Borrowings of overseas branches	15.9	42,314,615	28,348,799
- Other long-term borrowings	15.10	46,935,322	38,204,352
		100,971,292	79,478,287
		518,896,397	395,486,210
15.1 Particulars of borrowings with respect to currencies			
In local currency		412,521,554	312,696,248
In foreign currencies		106,374,843	82,789,962
		518,896,397	395,486,210

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

- 15.2 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 (2017: 1.00% to 2.00% per annum) and are due to mature latest by June 26, 2019.
- 15.3 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 (2017: 2.00% to 10.10% per annum) and are due to mature latest by December 18, 2028.
- 15.4 These borrowings have been obtained from the SBP under a scheme for financing the renewable energy power plants to promote renewable energy projects in the country. These carry mark up at 2.00% per annum (2017: 2.00% per annum) and are due to mature latest by July 6, 2027.
- 15.5 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 2.75% to 4.75% per annum (2017: 2.00% to 3.25% per annum) and are due to mature latest by March 31, 2021.
- 15.6 This borrowing has been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage private sector to establish Silos, Warehouses and Cold Storages. This carries mark up at 3.5% per annum and is due to mature latest by March 31, 2021.
- 15.7 Repurchase agreement borrowings carry mark-up at rates ranging from 3.28% to 10.41% per annum (2017: 2.13% to 5.86% per annum) and are due to mature latest by June 17, 2019. The market value of securities given as collateral against these borrowings is given in note 8.2.1.
- 15.8 Call money borrowings carry mark-up at rates ranging from 10.25% to 10.40% per annum (2017: 5.60% to 6.00% per annum) and are due to mature latest by January 3, 2019.
- 15.9 Borrowings by overseas branches carry mark-up at rates ranging from 0.80% to 7.90% per annum (2017: 1.50% to 8.50% per annum) and are due to mature latest by September 16, 2019.
- 15.10 This includes following:
- 15.10.1 A loan from the International Finance Corporation amounting to US\$ 150 million (2017:US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5.00% is payable semi annually from June 2015.
- 15.10.2 A loan from the China Development Bank amounting to US\$ 188 million (2017: US\$ 196 million). The principal amount is payable in six half yearly installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi annually from June 2017.

16 DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	662,361,570	93,051,632	755,413,202	589,921,512	92,305,764	682,227,276
Savings deposits	803,369,210	87,015,734	890,384,944	780,094,240	83,907,777	864,002,017
Term deposits	239,511,992	85,981,264	325,493,256	226,509,085	61,640,601	288,149,686
	1,705,242,772	266,048,630	1,971,291,402	1,596,524,837	237,854,142	1,834,378,979
Financial institutions						
Current deposits	5,691,146	893,376	6,584,522	3,952,108	654,935	4,607,043
Savings deposits	36,795,320	181,029	36,976,349	59,294,770	-	59,294,770
Term deposits	3,156,566	1,999,140	5,155,706	1,229,818	825	1,230,643
	45,643,032	3,073,545	48,716,577	64,476,696	655,760	65,132,456
	1,750,885,804	269,122,175	2,020,007,979	1,661,001,533	238,509,902	1,899,511,435

Notes to the Unconsolidated Financial Statements

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	2018 (Rupees in '000)	2017
16.1 Composition of deposits		
- Individuals	1,123,662,687	998,105,891
- Government (Federal and Provincial)	146,266,370	126,113,949
- Public Sector Entities	73,974,371	62,463,567
- Banking Companies	7,816,745	1,529,811
- Non-Banking Financial Institutions	40,899,832	63,602,645
- Private Sector	627,387,974	647,695,572
	2,020,007,979	1,899,511,435

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 1,306,520.436 million (2017: Rs 1,190,252.649 million).

17 SUBORDINATED DEBT

The Bank has issued Over The Counter (OTC) listed, Term Finance Certificates (TFCs) as instruments of redeemable capital under Section 66 of the Companies Act, 2017 and the Basel III Guidelines set by the SBP. The key features of the issue are as follows:

Issue date	February 19, 2016
Issue amount	Rupees 10 billion
Rating	AAA (Triple A) {2017: AA+ (Double A plus)}
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 + 0.50% {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".

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 (Rupees in '000)	2017 (Restated)
18	OTHER LIABILITIES		
Mark-up / return / profit / interest payable in local currency		9,246,147	9,301,081
Mark-up / return / profit / interest payable in foreign currency		1,619,595	1,003,483
Security deposits		1,529,172	1,069,214
Accrued expenses		13,660,072	9,789,100
Mark to market loss on forward foreign exchange contracts		6,409,009	891,964
Mark to market loss on derivative instruments	22.2	1,248,504	50,418
Unclaimed dividends		685,622	417,969
Dividends payable		368,514	294,740
Provision for post retirement medical benefits	36.4.4	3,945,133	3,264,502
Provision for employees' compensated absences	36.4.4	3,080,403	4,065,542
Provision against off-balance sheet obligations	18.1	479,510	385,361
Provision for staff retirement benefits		1,063,612	979,280
Payable to defined benefit plans	36.4.4	970,439	1,376,963
Provision for Workers' Welfare Fund	29	4,653,128	4,239,252
Acceptances		11,278,036	10,956,003
Unearned income		998,598	921,928
Qarza-e-Hasna Fund		339,107	339,402
Levies and taxes payable		3,798,402	1,687,595
Insurance payable		658,641	616,494
Provision for rewards program expenses		1,087,209	851,787
Liability against trading of securities		34,755,041	5,931,172
Clearing and settlement accounts		3,930,956	1,570,615
Payable to HBL Foundation		125,812	82,672
Contingent consideration payable		500,000	500,000
Charity fund		4,765	233,247
Others		2,790,746	1,882,467
		109,226,173	62,702,251
18.1	Provision against off-balance sheet obligations	2018 (Rupees in '000)	2017
Opening balance		385,361	928,634
Exchange adjustment		11,688	(103)
Charge for the year		121,962	89,440
Reversal for the year		(50,806)	(621,162)
Net charge / (reversal)		71,156	(531,722)
Impact of adoption of IFRS 9	4.1.2	11,305	-
Other movement		-	(11,448)
Closing balance		479,510	385,361
19	SHARE CAPITAL		
19.1	Authorised capital		
		2018	2017
		Number of shares in '000	
		2,900,000	2,900,000
	Ordinary shares of Rs 10 each	29,000,000	29,000,000

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

19.2 Issued, subscribed and paid-up capital

2018	2017		2018	2017
Number of shares in '000			(Rupees in '000)	
		Ordinary shares of Rs 10 each		
690,000	690,000	Fully paid in cash	6,900,000	6,900,000
776,852	776,852	Issued as bonus shares	7,768,525	7,768,525
<u>1,466,852</u>	<u>1,466,852</u>		<u>14,668,525</u>	<u>14,668,525</u>

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

	2018		2017	
Name of shareholder	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Aga Khan Fund for Economic Development	748,094,778	51.00%	748,094,778	51.00%

19.4 Shares of the Bank held by associated companies

	2018	2017
	(Number of shares)	(Number of shares)
Jubilee General Insurance Company Limited	4,270,000	4,465,537
Jubilee Life Insurance Company Limited	13,025,000	7,727,000
HBL Equity Fund	101,400	81,100
HBL Government securities Fund	-	300
HBL Growth Fund Class B	1,859,300	-
HBL Investment Fund Class B	967,100	-
HBL Multi Asset Fund	73,971	77,971
HBL Stock Fund	1,442,619	1,685,419
PICIC Growth Fund	-	1,493,400
PICIC Investment Fund	-	784,500

19.5 Exchange translation reserve

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

19.6 Statutory reserve

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. Accordingly the Bank transfers 10% of its profit after tax every year to this reserve.

20		Note	2018	2017
			(Rupees in '000)	(Restated)
	Surplus / (deficit) arising on revaluation of assets, on			
	- Fixed assets	20.1	22,425,746	22,509,067
	- Available-for-sale securities	8.1	(11,039,297)	(676,442)
	- Non-banking assets acquired in satisfaction of claims	20.2	421,742	283,667
			<u>11,808,191</u>	<u>22,116,292</u>
	Deferred tax on surplus / (deficit) on revaluation of			
	- Fixed assets	20.1	1,109,480	1,136,602
	- Available-for-sale securities		(3,863,754)	(236,755)
	- Non-banking assets acquired in satisfaction of claims	20.2	-	847
			<u>(2,754,274)</u>	<u>900,694</u>
	Surplus on revaluation of assets - net of tax		<u>14,562,465</u>	<u>21,215,598</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

		2018 (Rupees in '000)	2017 (Restated)
20.1	Surplus on revaluation of fixed assets		
	Surplus on revaluation of fixed assets as at January 1,	22,509,067	12,598,958
	Surplus recognised during the year	-	9,960,433
	Transferred from surplus on revaluation of non-banking assets	2,114	15,504
	Surplus realised on disposal of revalued properties during the year - net of deferred tax	(6,031)	-
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(51,516)	(42,789)
	Related deferred tax liability on surplus realised on disposal of revalued properties	(149)	-
	Related deferred tax liability on incremental depreciation charged during the year	(27,739)	(23,039)
	Surplus on revaluation of fixed assets as at December 31,	22,425,746	22,509,067
	Less: related deferred tax liability on		
	- Revaluation as at January 1,	1,136,602	693,788
	- Revaluation recognised during the year	-	460,427
	- Amount transferred from surplus on revaluation of non-banking assets	766	5,426
	- Surplus realised on disposal of revalued properties during the year	(149)	-
	- Incremental depreciation charged during the year	(27,739)	(23,039)
		1,109,480	1,136,602
		21,316,266	21,372,465
	Note	2018	2017
		(Rupees in '000)	
20.2	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
	Surplus on revaluation as at January 1,	283,667	690,381
	Surplus recognised / (reversed) during the year	140,421	(390,952)
	Transferred to surplus on revaluation of fixed assets	(2,114)	(15,504)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(151)	(168)
	Related deferred tax liability on incremental depreciation charged during the year	(81)	(90)
	Surplus on revaluation as at December 31,	421,742	283,667
	Less: related deferred tax liability on		
	- Revaluation as at January 1,	847	6,203
	- Revaluation recognised during the year	-	160
	- Amount transferred to surplus on revaluation of fixed assets	(766)	(5,426)
	- Incremental depreciation charged during the year	(81)	(90)
		-	847
		421,742	282,820
	Note	2018	2017
		(Rupees in '000)	(Restated)
21	CONTINGENCIES AND COMMITMENTS		
	- Guarantees	21.1 158,773,047	163,594,809
	- Commitments	21.2 530,764,532	369,077,651
	- Other contingent liabilities	21.3 26,250,052	28,314,434
		715,787,631	560,986,894

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
21.1 Guarantees:			
Financial guarantees		41,302,390	39,177,664
Performance guarantees		109,947,697	119,398,219
Other guarantees		7,522,960	5,018,926
		<u>158,773,047</u>	<u>163,594,809</u>
21.2 Commitments:		2018 (Rupees in '000)	2017 (Rupees in '000) (Restated)
Trade-related contingent liabilities		98,659,632	117,705,910
Commitments in respect of:			
- forward foreign exchange contracts	21.2.1	369,583,704	205,568,740
- forward Government securities transactions	21.2.2	39,177,791	20,243,788
- derivatives	21.2.3	18,896,504	13,656,576
- forward lending	21.2.4	2,760,083	6,478,622
- operating Lease	21.2.5	384,280	397,580
		<u>430,802,362</u>	<u>246,345,306</u>
Commitments for acquisition of:			
- fixed assets		680,462	4,396,205
- intangible assets		622,076	630,230
		<u>530,764,532</u>	<u>369,077,651</u>
21.2.1 Commitments in respect of forward foreign exchange contracts		2018 (Rupees in '000)	2017 (Rupees in '000)
Purchase		230,157,689	131,801,937
Sale		139,426,015	73,766,803
		<u>369,583,704</u>	<u>205,568,740</u>
21.2.2 Commitments in respect of forward Government Securities transactions			
Purchase		33,489,184	20,243,788
Sale		5,688,607	-
		<u>39,177,791</u>	<u>20,243,788</u>
21.2.3 Commitments in respect of derivatives			
Foreign currency options			
Purchase		532,918	-
Sale		532,918	-
		<u>1,065,836</u>	<u>-</u>
Cross currency swaps			
Purchase		2,874,784	1,633,987
Sale		3,490,361	1,707,050
		<u>6,365,145</u>	<u>3,341,037</u>
Interest rate swaps			
Purchase		-	-
Sale		11,465,523	10,315,539
		<u>11,465,523</u>	<u>10,315,539</u>
21.2.4 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to extend credit		<u>2,760,083</u>	<u>6,478,622</u>

These represent commitments that are irrevocable because they can not be withdrawn at the discretion of the Bank without the risk of incurring any significant penalty or expense.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	(Rupees in '000)	
21.2.5 Commitments in respect of operating lease		
Not later than one year	384,280	85,963
Later than one year and not later than five years	-	293,432
Later than five years	-	18,185
	<u>384,280</u>	<u>397,580</u>

21.3 Other contingent liabilities

21.3.1 Claims against the Bank not acknowledged as debts	<u>26,250,052</u>	<u>28,314,434</u>
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These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Bank 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.

21.3.2 The Bank's branch in New York is licensed by the New York State Department of Financial Services (NYSDFS) and 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, the Bank, its New York Branch and the New York State Department of Financial Services agreed to a Consent Order as disclosed in Note 29 to the Financial Statements for the year ended December 31, 2017. Pursuant to the Order, the Bank and its New York Branch continue to cooperate with the US regulators. The expanded review by an independent party, as envisaged in the Order, is in progress and the wind-down plan for the Branch has been submitted to the regulators. To date there are no adverse findings from the review.

As stated in the above-mentioned Note 29, the U.S. Attorney's Office for the Eastern District of New York, a component of the U.S. Department of Justice (DOJ), had sought documents in relation to the Branch's compliance with anti-money laundering laws and the Bank Secrecy Act. 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.

22 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 risk management related to derivative is disclosed in note 44.5 to the financial statements.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

22.1 Product Analysis

Counterparties	2018					
	Foreign currency options		Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)
(Rupees in '000)						
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	532,918	10,607	3,015,075	(356,409)	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	532,918	(10,607)	3,350,070	(211,107)	11,465,523	(627,001)
Total						
Hedging	-	-	-	-	-	-
Market Making	1,065,836	-	6,365,145	(567,516)	11,465,523	(627,001)
Counterparties	2017					
	Foreign currency options		Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)
(Rupees in '000)						
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	-	-	3,018,211	(42,107)	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	-	-	322,826	(8,311)	10,315,539	102,616
Total						
Hedging	-	-	-	-	-	-
Market Making	-	-	3,341,037	(50,418)	10,315,539	102,616

22.2 Maturity Analysis

2018					
Remaining Maturity	No. of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 Month	7	893,893	(71,816)	3,837	(67,979)
1 to 3 Months	11	910,804	(57,552)	5,496	(52,056)
3 Months to 6 Months	7	1,125,729	(7,299)	1,273	(6,026)
6 Months to 1 Year	1	485,524	(71,857)	-	(71,857)
1 to 2 Years	1	386,778	(23,737)	-	(23,737)
2 to 3 Years	3	2,047,121	(216,573)	-	(216,573)
3 to 5 Years	17	8,948,856	(511,599)	43,381	(468,218)
5 to 10 Years	3	4,097,799	(288,071)	-	(288,071)
	50	18,896,504	(1,248,504)	53,987	(1,194,517)
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 10 Years	12	5,722,000	-	44,756	44,756
	22	13,656,576	(50,418)	102,616	52,198

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
23	MARK-UP / RETURN / PROFIT / INTEREST EARNED		
On:			
Loans and advances		71,161,717	54,643,853
Investments		81,119,683	86,075,402
Lendings to financial institutions		4,117,317	1,273,602
Balances with banks		769,732	517,208
		<u>157,168,449</u>	<u>142,510,065</u>
24	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED	2018 (Rupees in '000)	2017 (Restated)
On:			
Deposits		59,478,700	44,696,803
Securities sold under repurchase agreement borrowings		12,935,098	14,624,057
Borrowings		6,398,575	3,662,171
Subordinated debt		748,018	662,596
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,592,062	1,234,216
		<u>81,152,453</u>	<u>64,879,843</u>
25	FEE AND COMMISSION INCOME	2018 (Rupees in '000)	2017 (Rupees in '000)
Branch banking customer fees		3,740,568	3,782,163
Consumer finance related fees		1,036,883	748,534
Card related fees (debit and credit cards)		4,134,067	4,596,461
Credit related fees		481,610	446,873
Investment banking fees		988,544	1,026,929
Commission on trade related products and guarantees		2,279,933	2,877,524
Commission on cash management		659,051	572,890
Commission on remittances including home remittances		306,167	1,729,764
Commission on bancassurance		2,838,973	2,788,158
Commission on Benazir Income Support Programme (BISP)		396,392	542,235
Merchant discount and interchange fees		1,701,108	982,913
Others		187,196	233,501
		<u>18,750,492</u>	<u>20,327,945</u>
Less: Sales tax / Federal Excise Duty on fee and commission income		<u>(2,665,443)</u>	<u>(2,817,026)</u>
		<u>16,085,049</u>	<u>17,510,919</u>
26	GAIN ON SECURITIES - NET		
Realised	26.1	2,534,609	8,185,338
Unrealised - held-for-trading	8.1	10,789	(73,326)
		<u>2,545,398</u>	<u>8,112,012</u>
26.1	Gain / (loss) on securities - realised		
Federal Government securities			
- Market Treasury Bills		921	10,821
- Pakistan Investment Bonds		1,112,936	7,236,815
- Ijarah Sukuks		(82,511)	9,042
Shares and units of mutual funds		(36,453)	(275,749)
Non-Government debt securities		(16,047)	-
Foreign securities		24,313	700,237
Associates		1,531,450	504,172
		<u>2,534,609</u>	<u>8,185,338</u>
27	OTHER INCOME		
Incidental charges		210,329	239,727
Gain on sale of fixed assets - net		51,632	23,660
Rent on properties		114,222	113,685
Gain on sale of Bank branches - net		-	363,439
Scrap Sales		18,954	-
Grant income		-	76,866
		<u>395,137</u>	<u>817,377</u>

Notes to the Unconsolidated Financial Statements

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28	OPERATING EXPENSES		2018 (Rupees in '000)	2017 (Restated)
	Salaries, allowances, etc.	28.1	23,055,866	22,703,389
	Charge for defined benefit / contribution plan and other benefits	28.2	2,168,636	3,432,711
	Property expense			
	Rent and taxes		3,965,384	3,464,043
	Insurance		71,283	64,609
	Utilities cost		1,883,804	1,644,681
	Security (including guards)		1,571,540	1,396,980
	Repair and maintenance (including janitorial charges)		2,074,669	1,707,452
	Depreciation	10.2	1,568,879	1,667,682
	Reversal of impairment		-	(673,370)
			11,135,559	9,272,077
	Information technology expenses			
	Software maintenance		1,792,181	1,098,479
	Hardware maintenance		511,841	524,259
	Depreciation	10.2	923,955	975,680
	Amortisation	11.1	287,606	661,696
	Network charges		1,117,316	1,214,249
	Consultancy charges		395,356	342,307
			5,028,255	4,816,670
	Other operating expenses			
	Non-Executive Directors' fees		55,600	54,400
	Fees and allowances to Shariah Board		7,931	7,120
	Legal and professional charges		4,058,042	974,015
	Outsourced services costs		1,402,095	1,282,938
	Travelling and conveyance		725,375	659,589
	Insurance		538,816	266,464
	Remittance charges		707,071	529,222
	Security charges		1,257,377	1,043,853
	Repairs and maintenance		490,425	384,498
	Depreciation	10.2	428,224	482,765
	Training and development		309,543	261,129
	Postage and courier charges		534,373	442,863
	Communication		596,178	324,374
	Stationery and printing		1,291,598	1,181,913
	Marketing, advertisement and publicity		2,843,284	3,037,033
	Donations	28.4	128,312	89,059
	Auditors' remuneration	28.5	186,586	175,834
	Brokerage and commission		254,927	193,555
	Subscription		106,194	131,738
	Documentation and processing charges		1,438,613	1,100,112
	Entertainment		244,390	210,983
	Consultancy charges		9,946,415	2,896,424
	Deposits premium expense		952,202	-
	Others		435,141	273,008
		28.3	28,938,712	16,002,889
			70,327,028	56,227,736

- 28.1 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 employees, 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 2017 was Nil (2017: Rs 170 million in respect of the year 2016). The aggregate amount paid during the year to Executives, in respect of the year 2017, was Rs 794.141 million (2017: Rs 1,553.577 million in respect of the year 2016).

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

- 28.2 On February 13, 2018 the Honourable Supreme Court of Pakistan announced a judgement based on a proposal submitted by banks, including HBL, in which it raised the minimum monthly pension of employees. Based on legal advice and in accordance with the Honourable Supreme Court's Order, the change in scheme is prospectively applied from the date of the judgement and the payments to eligible persons are being made accordingly.
- 28.3 The total cost for the year included in other operating expenses relating to outsourced activities is Rs 1,822.828 million (2017: Rs 1,639.015 million). This cost includes outsourced services costs, which are disclosed specifically in note 28. Of the total cost, Rs 1,682.732 million (2017: Rs 1,490.924 million) pertains to companies incorporated in Pakistan and Rs 140.096 million (2017: Rs 148.091 million) pertains to companies incorporated outside Pakistan. The material outsourcing arrangements along with their nature of services are as follows:

Name of company	Nature of service	2018 (Rupees in '000)	2017
APEX Printry (Private) Limited	Cheque book printing services	119,055	143,768
Insourc (Private) Limited	Cheque book printing services	99,532	98,688
Euronet Pakistan (Private) Limited	Host environment configuration, POS terminal and card outsourcing services	45,512	29,059
		264,099	271,515

28.4 Details of donations

Donations individually exceeding Rs 500,000

HBL Foundation	125,812	82,672
Anjuman Behbood-e-Samat-e-Atfal	2,500	-
The Indus Hospital	-	2,500
Aghosh Special Children School through Shahsawar Fund HQ 6 Armored Division	-	2,500
Reham Khan Foundation	-	1,167
Donations individually not exceeding Rs 500,000	-	220
	128,312	89,059

Mr. Muhammad Aurangzeb, President and Chief Executive Officer, Mr. Sagheer Mufti, Chief Operating Officer, Mr. Rayomond Kotwal, Chief Financial Officer, Mr. Jamal Nasir, Chief Human Resources Officer and Mr. Sajid Zahid, Director till March 26, 2018 are Trustees of the HBL Foundation.

28.5 Auditors' remuneration

	2018			2017		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
Audit and audit related fees						
Audit fee of the Bank	25,954	73,068	99,022	24,143	54,869	79,012
Fees for other statutory certifications	21,995	3,788	25,783	12,814	3,096	15,910
Out of pocket expenses	5,023	861	5,884	4,597	-	4,597
Sales tax on audit fees	2,076	-	2,076	1,931	-	1,931
	55,048	77,717	132,765	43,485	57,965	101,450
Other services						
Special certifications and sundry advisory services	31,100	4,526	35,626	27,782	33,848	61,630
Tax services	11,550	4,690	16,240	6,500	5,560	12,060
Out of pocket expenses	1,955	-	1,955	442	252	694
	44,605	9,216	53,821	34,724	39,660	74,384
	99,653	86,933	186,586	78,209	97,625	175,834

Notes to the Unconsolidated Financial Statements

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29 WORKERS' WELFARE FUND

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

The Honourable 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. Further, the Sindh Workers' Welfare Fund was levied during the year ended December 31, 2014 consequent to the 18th amendment in the Constitution. During the year, the management of the Bank obtained a legal opinion which confirmed that review petitions filed against the Honourable Supreme Court's judgement have not been taken up for adjudication and the provision in respect of WWF can be reversed. Accordingly, the provision for WWF charged till December 31, 2013 amounting to Rs 3,265.076 million has been reversed in the profit and loss account and the remaining provision amounting to Rs 4,653.128 million pertaining to years 2014 onwards has been retained.

	Note	2018 (Rupees in '000)	2017
30 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		474,821	2,485
Penalties imposed by other regulatory bodies		20,905	28,851
		<u>495,726</u>	<u>31,336</u>
31 PROVISIONS AND WRITE OFFS - NET			
Provision for diminution in value of investments	8.8	2,974,985	636,899
Provision against loans and advances	9.5	1,918,396	157,703
Provision against other assets	13.2.1	207,143	494,318
Provision / (reversal) of provision against off-balance sheet obligations	18.1	71,156	(531,722)
Recoveries against written off / charged off bad debts		(508,007)	(490,809)
Recoveries against written off investments		-	(171,032)
Recoveries against written off other assets		(23,839)	(7,705)
		<u>4,639,834</u>	<u>87,652</u>
32 TAXATION			
		2018 (Rupees in '000)	2017 (Restated)
- Current		7,829,941	18,030,514
- Prior years		-	1,907,630
- Deferred	12.1	230,023	(180,795)
		<u>8,059,964</u>	<u>19,757,349</u>
32.1 Relationship between tax expense and accounting profit			
Accounting profit for the current year		19,849,121	27,487,896
Tax on income @ 39% (2017: 35%)		7,741,157	9,620,764
Permanent differences			
- Penalties imposed by the SBP and other regulatory bodies		193,333	10,968
- Prior year charge		-	1,907,630
- Others		125,474	8,217,987
Tax charge for the current year		<u>8,059,964</u>	<u>19,757,349</u>
33 BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		<u>11,789,157</u>	<u>7,730,547</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,466,852,508</u>	<u>1,466,852,508</u>
		(Rupees)	
Basic and diluted earnings per share		<u>8.04</u>	<u>5.27</u>

Notes to the Unconsolidated Financial Statements

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33.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.

	Note	2018 (Rupees in '000)	2017
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	266,610,256	230,256,066
Balances with other banks	6	26,095,330	28,777,991
		292,705,586	259,034,057

34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2018			
	Liabilities		Equity	
	Subordinated debt	Other liabilities	Reserves	Unappropriated profit
	(Rupees in '000)			
Balance as at January 1, 2018	9,994,000	62,702,251	49,519,342	87,235,621
Changes from financing cash flows				
Repayment of subordinated debt	(4,000)	-	-	-
Dividend paid	-	-	-	(5,525,981)
	(4,000)	-	-	(5,525,981)
Other changes				
Liability-related				
Changes in other liabilities				
- Cash based	-	45,446,089	-	-
- Dividend payable	-	341,427	-	(341,427)
- Non-cash based	-	736,406	-	-
Transfer of profit to statutory reserve	-	-	1,178,916	(1,178,916)
Total liability related other changes	-	46,523,922	1,178,916	(1,520,343)
Equity related other changes	-	-	7,236,994	11,693,517
Balance as at December 31, 2018	9,990,000	109,226,173	57,935,252	91,882,814
	2017 (Restated)			
	Liabilities		Equity	
	Subordinated debt	Other liabilities	Reserves	Unappropriated profit
	(Rupees in '000)			
Balance as at January 1, 2017	9,998,000	52,696,246	47,146,362	96,643,009
Changes from financing cash flows				
Repayment of subordinated debt	(4,000)	-	-	-
Dividend paid	-	-	-	(15,160,303)
	(4,000)	-	-	(15,160,303)
Other Changes				
Liability-related				
Changes in other liabilities				
- Cash based	-	7,714,593	-	-
- Dividend payable	-	241,649	-	(241,649)
- Non-cash based	-	2,049,763	-	-
Transfer of profit to statutory reserve	-	-	706,440	(706,440)
Total liability related other changes	-	10,006,005	706,440	(948,089)
Equity related other changes	-	-	1,666,540	6,701,004
Balance as at December 31, 2017	9,994,000	62,702,251	49,519,342	87,235,621

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

		2018	2017
		(Number)	
35	STAFF STRENGTH		
	Permanent	16,960	15,670
	On contract	115	111
	Total staff strength	<u>17,075</u>	<u>15,781</u>

35.1 In addition to the above, 3,279 employees (2017: 3,282 employees) of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

		2018	2017
		(Number)	
35.2	Staff strength bifurcation		
	Domestic	16,407	15,062
	Overseas	668	719
		<u>17,075</u>	<u>15,781</u>

36 DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General Information

The Bank operates the following schemes for its employees:

36.1.1 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 36.1.3 below) and the provident fund (refer 36.1.4 below).

36.1.2 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.

36.1.3 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 36.1.1 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.

Notes to the Unconsolidated Financial Statements

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36.1.4 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 36.1.1 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.

36.1.5 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 fulfilment of certain conditions as specified in the rules of the Fund.

36.1.6 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.

36.1.7 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.

36.1.8 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.

36.1.9 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.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

36.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2018 using the Projected Unit Credit Method. The following significant assumptions were used for the valuation:

	2018 (Per annum)	2017
Valuation discount rate	13.25%	8.00%
Expected rate of increase in salary level	12.25%	7.00%
Expected rate of increase in pension (long term)	5.00%	0.00%
Expected rate of increase in medical benefit	11.25%	6.00%
Expected rate of return on funds invested	13.25%	8.00%

36.3 Number of employees under the scheme

(Number)

- Pension fund	2,152	2,580
- Gratuity fund	5	30
- Benevolent fund	16,357	15,156
- Post-retirement medical benefit scheme	16,358	15,156
- Compensated absences	5,309	6,124
- Other Post-Retirement Benefits	1,958	1,789

36.4 Pension, gratuity, benevolent fund schemes and other benefits

36.4.1 The fair value of plan assets and the present value of defined benefit obligations of these schemes as at December 31, 2018 are as follows:

	2018					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Fair value of plan assets	4,434,303	39,550	2,190,450	-	-	-
Present value of defined benefit obligations	(5,404,742)	(4,257)	(1,090,293)	(3,945,133)	(3,080,403)	(504,466)
(Payable to) / receivable from the fund	(970,439)	35,293	1,100,157	(3,945,133)	(3,080,403)	(504,466)
	2017					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Fair value of plan assets	3,853,740	40,115	2,014,273	-	-	-
Present value of defined benefit obligations	(5,217,261)	(53,557)	(1,312,146)	(3,264,502)	(4,065,542)	(482,475)
(Payable to) / receivable from the fund	(1,363,521)	(13,442)	702,127	(3,264,502)	(4,065,542)	(482,475)

36.4.2 Movement in the present value of defined benefit obligations

	2018					
Note	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Obligations at the beginning of the year	5,217,261	53,557	1,312,146	3,264,502	4,065,542	482,475
Current service cost	83,267	595	43,757	102,662	71,520	40,648
Interest cost	386,040	3,545	147,025	261,160	325,243	32,817
Benefits paid by the Bank	(489,603)	(16,099)	(177,862)	(321,603)	(522,067)	(61,495)
Past Service Cost	1,146,989	-	-	-	-	-
Remeasurement (gains) / losses	(939,212)	(37,341)	(234,773)	638,412	(859,835)	10,021
Obligations at the end of the year	5,404,742	4,257	1,090,293	3,945,133	3,080,403	504,466

Notes to the Unconsolidated Financial Statements

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	2017					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Obligations at the beginning of the year	4,969,585	58,772	1,316,849	3,130,623	2,545,747	475,701
Current service cost	77,246	1,288	7,995	25,282	83,604	35,245
Interest cost	382,829	3,844	99,746	235,110	176,363	38,056
Benefits paid by the Bank	(368,445)	(21,452)	(140,047)	(383,489)	(682,423)	(76,846)
Past service cost	-	-	-	-	-	-
Remeasurement losses	156,046	11,105	27,603	256,976	1,942,251	10,319
Obligations at the end of the year	5,217,261	53,557	1,312,146	3,264,502	4,065,542	482,475

36.4.3 Movement in fair value of plan assets

	2018			2017		
	Pension	Gratuity	Benevolent	Pension	Gratuity	Benevolent
	(Rupees in '000)					
Fair value at the beginning of the year	3,853,740	40,115	2,014,273	4,781,748	46,221	1,796,055
Expected return on plan assets	285,148	3,082	208,797	367,802	3,342	141,654
Contribution by the Bank	1,363,521	13,442	47,216	187,837	12,551	44,645
Contribution by the employees	-	-	47,230	-	-	44,645
Benefits paid by the Bank	(489,603)	(16,099)	(177,862)	(368,445)	(21,452)	(140,047)
Remeasurement (losses) / gains	(578,503)	(990)	50,796	(1,115,202)	(547)	127,321
Fair value at the end of the year	4,434,303	39,550	2,190,450	3,853,740	40,115	2,014,273

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

	2018					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Opening balance	1,363,521	13,442	(702,127)	3,264,502	4,065,542	482,475
Charge / (reversal) for the year	1,331,148	1,058	(65,245)	363,822	(463,072)	73,465
Contribution by the Bank - net	(1,363,521)	(13,442)	(47,216)	-	-	-
Remeasurement (gains) / losses recognised in OCI during the year	(360,709)	(36,351)	(285,569)	638,412	-	10,021
Benefits paid by the Bank	-	-	-	(321,603)	(522,067)	(61,495)
Closing balance	970,439	(35,293)	(1,100,157)	3,945,133	3,080,403	504,466

	2017					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Opening balance	187,837	12,551	(479,206)	3,130,623	2,545,747	475,701
Charge / (reversal) for the year	92,273	1,790	(78,558)	260,392	2,202,218	73,301
Contribution by the Bank - net	(187,837)	(12,551)	(44,645)	-	-	-
Remeasurement losses / (gains) recognised in OCI during the year	1,271,248	11,652	(99,718)	256,976	-	10,319
Benefits paid by the Bank	-	-	-	(383,489)	(682,423)	(76,846)
Closing balance	1,363,521	13,442	(702,127)	3,264,502	4,065,542	482,475

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36.4.5 Charge for defined benefit plans

36.4.5.1 Cost recognised in profit and loss

	2018					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Current service cost	83,267	595	43,757	102,662	71,520	40,648
Net interest on defined benefit asset / liability	100,892	463	(61,772)	261,160	325,243	32,817
Past service cost	1,146,989	-	-	-	-	-
Actuarial losses recognised	-	-	-	-	(859,835)	-
Contribution by the employees	-	-	(47,230)	-	-	-
	<u>1,331,148</u>	<u>1,058</u>	<u>(65,245)</u>	<u>363,822</u>	<u>(463,072)</u>	<u>73,465</u>

	2017					
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Current service cost	77,246	1,288	7,995	25,282	83,604	35,245
Net interest on defined benefit asset / liability	15,027	502	(41,908)	235,110	176,363	38,056
Past service cost	-	-	-	-	-	-
Actuarial losses recognised	-	-	-	-	1,942,251	-
Contribution by the employees	-	-	(44,645)	-	-	-
	<u>92,273</u>	<u>1,790</u>	<u>(78,558)</u>	<u>260,392</u>	<u>2,202,218</u>	<u>73,301</u>

36.4.5.2 Remeasurements recognised in OCI during the year

	2018				
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Other Post-Retirement Benefits
	(Rupees in '000)				
(Gains) / losses on obligation					
- Financial assumptions	(1,255,572)	103	(388,271)	2,422,730	13,546
- Experience adjustment	316,360	(37,444)	153,498	(1,784,318)	(3,525)
	(939,212)	(37,341)	(234,773)	638,412	10,021
Losses / (gains) on plan assets	578,503	990	(50,796)	-	-
Total remeasurement (gains) / losses recognised in OCI	<u>(360,709)</u>	<u>(36,351)</u>	<u>(285,569)</u>	<u>638,412</u>	<u>10,021</u>

	2017				
	Pension	Gratuity	Benevolent	Post-retirement medical benefits	Other Post-Retirement Benefits
	(Rupees in '000)				
Losses on obligation					
- Experience adjustment	156,046	11,105	27,603	256,976	10,319
Losses / (gains) on plan assets	1,115,202	547	(127,321)	-	-
Total remeasurement losses / (gains) recognised in OCI	<u>1,271,248</u>	<u>11,652</u>	<u>(99,718)</u>	<u>256,976</u>	<u>10,319</u>

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36.4.6 Components of fair value of plan assets

	2018			2017		
	Pension	Gratuity	Benevolent	Pension	Gratuity	Benevolent
	(Rupees in '000)					
Cash and cash equivalents - net	2,777	489	335	6,698	535	7,342
Government securities	2,940,525	39,061	2,121,622	2,019,371	39,580	2,006,931
Shares	1,491,001	-	-	1,800,614	-	-
Non-Government debt securities	-	-	68,493	-	-	-
Units of mutual funds	-	-	-	27,057	-	-
Other payables	-	-	-	-	-	-
	4,434,303	39,550	2,190,450	3,853,740	40,115	2,014,273

The funds primarily invest in Government securities (Market Treasury Bills, Pakistan Investment Bonds and Special Savings Certificates) and accordingly do not carry any credit risk. These are subject to interest rate risk based on market movements. Equity securities and units of mutual funds are subject to price risk whereas non-Government debt securities are subject to credit risk and interest rate risk. These risks are regularly monitored by Trustees of the employee funds.

36.4.7 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 summarised below:

	Pension Fund	Gratuity Fund	Benevolent Fund	Post retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
1% increase in discount rate	2,483,179	4,211	1,041,763	2,142,579	2,825,629	472,790
1% decrease in discount rate	2,967,692	4,305	1,144,701	2,768,361	3,085,699	540,357
1 % increase in expected rate of salary	2,842,334	4,324	-	-	3,099,414	542,758
1 % decrease in expected rate of salary	2,582,713	4,191	-	-	2,810,872	470,147
1% increase in expected rate of pension	2,795,206	-	-	-	-	-
1% decrease in expected rate of pension	2,612,138	-	-	-	-	-
1% increase in expected rate of medical benefit	-	-	-	2,598,995	-	-
1% decrease in expected rate of medical benefit	-	-	-	2,264,114	-	-

36.4.8 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.

	2019					
	Pension	Gratuity	Benevolent	Post retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
	(Rupees in '000)					
Expected charge / (reversal) for the year	200,044	(4,045)	(158,824)	680,904	400,892	156,706

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36.4.9 Maturity profile

The weighted average duration of the obligation (in years)

2018					
Pension	Gratuity	Benevolent	Post retirement medical benefits	Employee compensated absences	Other Post-Retirement Benefits
8.28	2.16	8.90	11.80	16.54	6.67

36.4.10 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.

36.4.11 The significant risks associated with the staff retirement benefit schemes are as follows:

Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities.

Final salary risks

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

37 DEFINED CONTRIBUTION PLANS

37.1 Provident Fund

The employees covered under this scheme are 14,363 (2017: 13,532 employees). The employer and employee each contributes at the following rates:

For executives and officers	6% of basic salary
For clerical staff	12% of basic salary

For employees who are on a contract with the Bank, the contribution is paid as per their service contract.

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

37.2 Contributory Gratuity Fund

The employees covered under this scheme are 14,900 (2017: 13,398 employees). The employees are entitled for half month's pay per year of service on monthly basis based on existing basic pay. 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.

38 REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
	(Restated)					
Non-Executive Directors' fees	-	-	55,600	54,400	-	-
Managerial remuneration (including allowances and leave encashment)	238,840	165,914	-	-	9,567,035	7,581,594
Contribution to retirement funds	357	4,860	-	-	335,936	265,793
Medical	4,064	289	-	-	281,550	190,440
House rent, maintenance, furnishing, others	5,371	1,999	-	-	27,707	38,670
Utilities	947	1,108	-	-	12,395	12,212
Conveyance	-	16	-	-	11,194	15,846
	249,579	174,186	55,600	54,400	10,235,817	8,104,555
Number of persons	2	1	6	6	1,442	1,315

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The Companies Act, 2017 has changed the definition of Executives from individuals with an annual basic salary exceeding Rs 0.500 million to individuals with an annual basic salary exceeding Rs 1.200 million. Pursuant to this change in definition, the comparative figures for executives have been restated.

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

Managerial remuneration includes joining related payments made to the CEO and certain Executives in line with their terms of employment.

All Executives, including the CEO of the Bank, are also entitled to certain short term employee benefits which are disclosed in note 28.1 to these unconsolidated financial statements.

39

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, 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, deposits and certain long term borrowings, 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 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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.
Non-Government debt securities	Investment in non-Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in non-Government debt securities denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Foreign Government debt securities	The fair values of overseas Government securities are determined 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.
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.
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.

39.1

Fair value of financial assets

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

As at December 31, 2018					
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	1,043,496,515	-	1,043,496,515	-	1,043,496,515
- Shares	10,170,203	10,170,203	-	-	10,170,203
- Foreign securities					
Government debt securities	16,240,165	-	16,240,165	-	16,240,165
Non-Government debt securities					
- Listed	18,033,505	-	18,033,505	-	18,033,505
- Unlisted	926,102	-	926,102	-	926,102
- National Investment Trust units	42,562	-	42,562	-	42,562
- Real Estate Investment Trust units	59,950	59,950	-	-	59,950
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	155,837,686	-	155,837,686	-	155,837,686
- Non-Government debt securities	29,782,786	-	29,782,786	-	29,782,786
- Foreign securities					
Government debt securities	6,979,522	-	6,979,522	-	6,979,522
Non-Government debt securities	1,528,735	-	1,528,735	-	1,528,735
- Associates and Joint venture	35,649,612	35,649,612	-	-	35,649,612
	<u>1,318,747,343</u>	<u>45,879,765</u>	<u>1,272,867,578</u>	<u>-</u>	<u>1,318,747,343</u>
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	369,583,704	-	2,777,049	-	2,777,049
- Forward Government securities transactions	39,177,791	-	(24,559)	-	(24,559)
- Derivative instruments	18,896,504	-	(1,194,517)	-	(1,194,517)
As at December 31, 2017					
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	985,708,629	-	985,708,629	-	985,708,629
- Shares	17,004,855	17,004,855	-	-	17,004,855
- Foreign securities					
Government debt securities	4,006,706	-	4,006,706	-	4,006,706
Non-Government debt securities					
- Listed	15,723,722	-	15,723,722	-	15,723,722
- Unlisted	1,269,662	-	1,269,662	-	1,269,662
- National Investment Trust units	47,303	-	47,303	-	47,303
- Real Estate Investment Trust units	154,000	154,000	-	-	154,000
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	232,717,654	-	232,717,654	-	232,717,654
- Non-Government debt securities	23,910,446	-	23,910,446	-	23,910,446
- Foreign securities					
Government debt securities	14,736,714	-	14,736,714	-	14,736,714
Non-Government debt securities	1,068,351	-	1,068,351	-	1,068,351
- Associates and Joint venture	39,352,301	39,352,301	-	-	39,352,301
	<u>1,335,700,343</u>	<u>56,511,156</u>	<u>1,279,189,187</u>	<u>-</u>	<u>1,335,700,343</u>
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	205,568,740	-	3,010,409	-	3,010,409
- Forward Government securities transactions	20,243,788	-	(10,809)	-	(10,809)
- Derivative instruments	13,656,576	-	52,198	-	52,198

39.2 Fair value of non-financial assets

As at December 31, 2018					
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
Fixed assets	45,297,376	-	-	45,297,376	45,297,376
Non-banking assets acquired in satisfaction of claims	1,995,169	-	-	1,995,169	1,995,169
	<u>47,292,545</u>	<u>-</u>	<u>-</u>	<u>47,292,545</u>	<u>47,292,545</u>
As at December 31, 2017					
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
Fixed assets	32,264,531	-	-	32,264,531	32,264,531
Non-banking assets acquired in satisfaction of claims	1,967,665	-	-	1,967,665	1,967,665
	<u>34,232,196</u>	<u>-</u>	<u>-</u>	<u>34,232,196</u>	<u>34,232,196</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

40 SEGMENT INFORMATION

40.1 Segment Details with respect to Business Activities

Profit and loss account

Net mark-up / return / profit - external
Inter segment revenue / (expense) - net
Non mark-up / return / interest income
Total income

Segment direct expenses
Inter segment expense allocation
Total expenses
Provisions
Profit / (loss) before tax

For the year ended December 31, 2018						
Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Head Office / Others	Total
(Rupees in million)						
(27,189)	10,492	28,962	62,826	3,492	(2,567)	76,016
76,218	(3,171)	(22,168)	(58,092)	2,103	5,110	-
6,841	5,337	3,069	2,993	2,723	(4,518)	16,445
55,870	12,658	9,863	7,727	8,318	(1,975)	92,461
25,226	4,753	1,465	640	17,544	18,344	67,972
13,602	1,350	799	283	3,859	(19,893)	-
38,828	6,103	2,264	923	21,403	(1,549)	67,972
945	317	(2,528)	2,347	2,683	876	4,640
16,097	6,238	10,127	4,457	(15,768)	(1,302)	19,849

Statement of financial position

Cash and bank balances
Lendings to financial institutions
Net inter segment lending
Investments
Advances - performing
Advances - non-performing
Others
Total assets

Borrowings
Subordinated debt
Deposits and other accounts
Net inter segment borrowing
Others
Total liabilities
Equity
Total equity and liabilities

Contingencies and commitments

As at December 31, 2018						
Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Head Office / Others	Total
(Rupees in million)						
145,159	-	215	87,342	59,947	42	292,705
13,032	-	-	38,245	-	-	51,277
1,218,886	-	-	-	55,865	56,217	1,330,968
74,496	-	17,929	1,181,543	45,245	21,818	1,341,031
266,902	51,416	563,199	-	115,535	10,431	1,007,483
2,002	99	4,043	-	2,227	-	8,371
12,590	2,112	18,692	20,308	8,037	116,888	178,627
1,733,067	53,627	604,078	1,327,438	286,856	205,396	4,210,462
10,532	-	59,688	385,532	63,144	-	518,896
-	-	-	-	-	9,990	9,990
1,693,016	2,831	154,212	64	168,124	1,761	2,020,008
-	47,518	379,197	904,253	-	-	1,330,968
18,168	3,278	10,981	44,240	9,500	65,384	151,551
1,721,716	53,627	604,078	1,334,089	240,768	77,135	4,031,413
11,351	-	-	(6,651)	46,088	128,261	179,049
1,733,067	53,627	604,078	1,327,438	286,856	205,396	4,210,462
24,125	-	142,460	358,144	163,842	27,217	715,788

Profit and loss account

Net mark-up / return / profit - external
Inter segment revenue / (expense) - net
Non mark-up / return / interest income
Total income

Segment direct expenses
Inter segment expense allocation
Total expenses
Provisions
Profit before extraordinary / unusual item and taxation
Extraordinary / unusual item
Profit / (loss) before tax

For the year ended December 31, 2017						
Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Head Office / Others	Total
(Rupees in million)						
(17,528)	9,257	19,158	61,585	6,029	(871)	77,630
60,010	(2,896)	(13,947)	(48,491)	1,868	3,456	-
6,936	5,202	2,864	9,627	5,953	371	30,953
49,418	11,563	8,075	22,721	13,850	2,956	108,583
21,432	3,720	1,292	538	11,031	19,277	57,290
14,031	391	2,095	407	1,517	(18,441)	-
35,463	4,111	3,387	945	12,548	836	57,290
732	(34)	(3,354)	639	1,816	289	88
13,223	7,486	8,042	21,137	(514)	1,831	51,205
-	-	-	-	-	(23,717)	(23,717)
13,223	7,486	8,042	21,137	(514)	(21,886)	27,488

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	As at December 31, 2017						
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
	(Rupees in million)						
Statement of financial position							
Cash and bank balances	109,387	-	215	72,796	76,635	1	259,034
Lendings to financial institutions	1,615	-	-	32,285	-	-	33,900
Net inter segment lending	1,091,668	-	-	-	99,373	62,081	1,253,122
Investments	104,616	-	17,010	1,165,088	26,510	22,567	1,335,791
Advances - performing	227,713	44,705	415,697	-	98,076	8,253	794,444
Advances - non-performing	2,118	73	2,445	-	1,605	4	6,245
Others	14,700	860	13,318	22,509	5,121	88,028	144,536
Total assets	1,551,817	45,638	448,685	1,292,678	307,320	180,934	3,827,072
Borrowings	16,659	-	49,575	284,341	44,911	-	395,486
Subordinated debt	-	-	-	-	-	9,994	9,994
Deposits and other accounts	1,513,007	28	178,787	59	204,534	3,096	1,899,511
Net inter segment borrowing	-	42,871	209,823	1,000,428	-	-	1,253,122
Others	13,011	2,739	10,500	7,322	8,284	54,464	96,320
Total liabilities	1,542,677	45,638	448,685	1,292,150	257,729	67,554	3,654,433
Equity	9,140	-	-	528	49,591	113,380	172,639
Total equity and liabilities	1,551,817	45,638	448,685	1,292,678	307,320	180,934	3,827,072
Contingencies and commitments	29,000	-	154,309	191,946	152,935	32,797	560,987

40.2 Segment details with respect to geographical locations

For the year ended December 31, 2018					
	Pakistan (including KEPZ)	Middle East	Asia and Africa	Europe and North America	Total
(Rupees in million)					
Profit and loss account					
Net mark-up / return / profit - external	70,814	3,170	1,533	499	76,016
Non mark-up / return / interest income	14,224	1,285	729	207	16,445
Total income	85,038	4,455	2,262	706	92,461
Segment direct expenses	50,588	4,721	2,537	10,126	67,972
Provisions	1,957	2,270	358	55	4,640
Profit / (loss) before tax	32,493	(2,536)	(633)	(9,475)	19,849
As at December 31, 2018					
	Pakistan (including KEPZ)	Middle East	Asia and Africa	Europe and North America	Total
(Rupees in million)					
Statement of financial position					
Cash and bank balances	232,759	24,118	24,648	11,181	292,706
Lendings to financial institutions	51,277	-	-	-	51,277
Investments	1,299,282	23,477	17,813	459	1,341,031
Advances - performing	907,810	79,468	18,121	2,084	1,007,483
Advances - non-performing	6,144	875	1,339	13	8,371
Others	123,935	67,172	3,173	(15,653)	178,627
Total assets	2,621,207	195,110	65,094	(1,916)	2,879,495
Borrowings	455,751	59,862	2,365	918	518,896
Subordinated debt	9,990	-	-	-	9,990
Deposits and other accounts	1,883,176	101,707	31,828	3,297	2,020,008
Others	141,957	3,536	3,495	2,564	151,552
Total liabilities	2,490,874	165,105	37,688	6,779	2,700,446
Equity	130,333	30,005	27,406	(8,695)	179,049
Total equity and liabilities	2,621,207	195,110	65,094	(1,916)	2,879,495
Contingencies and commitments	618,226	86,984	9,352	1,226	715,788

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

Profit and loss account

Net mark-up / return / profit - external
Non mark-up / return / interest income
Total income

Segment direct expenses

Provisions

Profit before extraordinary / unusual item and taxation

Extraordinary / unusual item

Profit / (loss) before tax

For the year ended December 31, 2017

Pakistan (including KEPZ)	Middle East	Asia and Africa	Europe and North America	Total
(Rupees in million)				
70,632	4,325	2,238	435	77,630
26,930	2,490	857	676	30,953
97,562	6,815	3,095	1,111	108,583
46,543	3,703	2,725	4,319	57,290
(2,107)	1,464	740	(9)	88
53,126	1,648	(370)	(3,199)	51,205
(23,717)	-	-	-	(23,717)
29,409	1,648	(370)	(3,199)	27,488

As at December 31, 2017

Pakistan (including KEPZ)	Middle East	Asia and Africa	Europe and North America	Total
(Rupees in million)				
182,399	47,368	19,226	10,041	259,034
33,900	-	-	-	33,900
1,306,114	11,137	18,159	381	1,335,791
700,214	66,948	24,078	3,204	794,444
4,640	856	748	1	6,245
138,697	3,021	2,472	346	144,536
2,365,964	129,330	64,683	13,973	2,573,950
350,575	39,031	5,327	553	395,486
9,994	-	-	-	9,994
1,763,431	95,269	37,674	3,137	1,899,511
118,651	(32,611)	198	10,082	96,320
2,242,651	101,689	43,199	13,772	2,401,311
123,313	27,641	21,484	201	172,639
2,365,964	129,330	64,683	13,973	2,573,950
493,211	60,992	6,064	720	560,987

Statement of financial position

Cash and bank balances
Lendings to financial institutions
Investments
Advances - performing
Advances - non-performing
Others
Total assets

Borrowings
Subordinated debt
Deposits and other accounts
Others
Total liabilities
Equity
Total equity and liabilities

Contingencies and commitments

41 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

42 RELATED PARTY TRANSACTIONS

The Bank has related party relationships with various parties including its Directors, Key Management Personnel, subsidiaries, associated companies, joint venture company, Group entities and employee benefit schemes of the Bank / related party.

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:

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	As at December 31, 2018						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Statement of financial position	(Rupees in '000)						
Balances with other banks							
In current accounts	-	-	178,527	841,351	-	22,762	-
Investments							
Opening balance	-	-	-	17,259,428	12,186,523	135,665	5,291,967
Investment made during the year	-	-	-	-	1,446,121	-	2,248,288
Investment redeemed / disposed off during the year	-	-	-	-	(2,109,457)	-	(1,266,953)
Exchange translation impact	-	-	-	851,631	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	(2,268,800)
Closing balance	-	-	-	18,111,059	11,523,187	135,665	4,004,502
Provision for diminution in value of investments	-	-	-	-	-	-	(131,491)
Advances							
Opening balance	-	142,108	3,147,907	605,113	2,851,690	-	16,536,672
Addition during the year	-	200,111	10,215,143	2,254,567	-	-	183,779,040
Repaid during the year	-	(39,612)	(9,826,657)	(2,818,874)	(1,351,690)	-	(177,108,006)
Transfer in / (out) - net	-	(68,595)	-	-	-	-	(9,831,207)
Closing balance	-	234,012	3,536,393	40,806	1,500,000	-	13,376,499
Provision held against advances	-	-	-	-	-	-	(1,726,437)
Other Assets							
Interest / mark-up accrued	-	430	30,552	42,563	34,696	-	226,952
Receivable from staff retirement fund	-	-	-	-	-	-	35,293
Other receivable	-	-	1,500	57,409	991,956	-	51,693
	-	430	32,052	99,972	1,026,652	-	313,938
Borrowings							
Opening balance	-	-	479,694	1,247,874	3,312,516	1,104,172	-
Borrowings during the year	-	-	7,365,097	-	10,275,781	5,838,923	-
Settled during the year	-	-	(5,554,476)	(1,247,874)	(11,088,783)	(5,554,476)	-
Closing balance	-	-	2,290,315	-	2,499,514	1,388,619	-
Deposits and other accounts							
Opening balance	127,426	33,952	8,412,090	1,030,077	9,219,513	22,702	1,501,398
Received during the year	1,310,083	262,419	429,705,396	194,454,461	393,074,879	-	98,984,289
Withdrawn during the year	(1,342,166)	(262,047)	(430,935,532)	(194,117,726)	(397,794,833)	(22,702)	(99,412,868)
Transfer in / (out) - net	(22,892)	(20,136)	-	-	-	-	(293,900)
Closing balance	72,451	14,188	7,181,954	1,366,812	4,499,559	-	778,919
Other liabilities							
Interest / mark-up payable	254	276	100,072	2,343	68,722	5,811	2,426
Payable to staff retirement fund	-	-	-	-	-	-	970,439
Other payables	-	-	103,824	35,352	425,474	-	125,812
	254	276	203,896	37,695	494,196	5,811	1,098,677
Contingencies and Commitments							
Letter of credit	-	-	580,316	-	-	-	8,847,142
Letter of guarantee	-	-	155,828	53,458	-	-	634,705
Forward purchase of Government securities	-	-	411,707	-	-	-	9,913,419
Forward sale of Government securities	-	-	-	-	-	-	809,625
Interest rate swaps	-	-	1,448,856	-	1,500,000	-	-
	-	-	2,596,707	53,458	1,500,000	-	20,204,891
Others							
Securities held as custodians	-	8,000	17,841,345	456,397	10,462,950	-	20,053,730

	For the year ended December 31, 2018						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Profit and loss account							
Income							
Mark-up / return / profit / interest earned	-	21,055	189,961	365,856	123,062	-	1,472,570
Fee and commission income	-	-	84,267	44,126	2,864,505	-	27,754
Dividend income	-	-	-	-	650,755	-	135,971
Gain on sale of securities - net	-	-	-	-	1,531,450	-	-
Rent on properties	-	-	-	38,146	-	-	-
Other income	-	-	-	6,661	-	-	-

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

For the year ended December 31, 2018							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Expenses							
Mark-up / return / profit / interest expensed	4,365	433	252,563	35,059	330,009	33,791	41,408
Loss from derivatives	-	-	101,621	-	152,758	-	-
Operating expenses							
Salaries and allowances	-	1,060,996	-	-	-	-	-
Contribution to provident and benevolent funds	-	15,302	-	-	-	-	-
Non-Executive Directors' fees	55,600	-	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	1,923,779
Insurance premium expense	-	-	-	-	1,074,310	-	-
Exchange loss	-	-	-	279,482	-	-	-
Advertisement and publicity	-	-	57,172	-	-	-	318,655
Travelling	-	-	15,516	-	-	-	-
Subscription	-	-	-	-	-	-	36,382
Utilities cost	-	-	-	-	-	-	4,530
Donation	-	-	-	-	-	-	125,812
Other expenses	-	-	-	2,330	1	-	-
Provision for diminution in value of investments	-	-	-	-	-	-	41,568
Others							
Purchase of Government securities	-	41,701	157,921,638	-	-	-	54,868,096
Sale of Government securities	-	57,685	179,373,011	1,244,262	72,823,633	-	74,588,094
Purchase of foreign currencies	-	-	1,801,358	8,366,295	-	-	16,775
Sale of foreign currencies	-	-	1,909,102	5,034,325	139,800	-	4,424,517
Insurance claims settled	-	-	-	-	145,748	-	-
Short term benefits paid	-	99,150	-	-	-	-	-
As at December 31, 2017							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Statement of financial position							
Balances with other banks							
In current accounts	-	-	169,804	3,057,931	-	-	-
Lendings to financial institutions							
Opening balance	-	-	-	962,306	-	-	-
Repaid during the year	-	-	-	(962,306)	-	-	-
Closing balance	-	-	-	-	-	-	-
Investments							
Opening balance	-	-	-	16,641,232	9,211,299	7,197	2,235,367
Investment made during the year	-	-	-	618,196	3,669,976	128,468	3,145,350
Investment redeemed / disposed off during the year	-	-	-	-	(694,752)	-	(88,750)
Closing balance	-	-	-	17,259,428	12,186,523	135,665	5,291,967
Provision for diminution in value of investments	-	-	-	-	-	-	(68,800)
Advances							
Opening balance	-	38,221	3,372,408	2,685,681	364,901	-	26,762,345
Addition during the year	-	175,367	9,254,621	252,297	3,092,110	-	169,990,272
Repaid during the year	-	(71,480)	(9,479,122)	(2,332,865)	(605,321)	-	(180,215,945)
Closing balance	-	142,108	3,147,907	605,113	2,851,690	-	16,536,672
Provision held against advances	-	-	-	-	-	-	(1,726,437)
Other Assets							
Interest / mark-up accrued	-	246	18,843	94,744	33,268	-	211,963
Other receivable	-	-	-	57,492	416,040	-	-
	-	246	18,843	152,236	449,308	-	211,963
Borrowings							
Opening balance	-	-	1,114,878	4,187,454	-	1,202,883	-
Borrowings during the year	-	-	-	108,701	3,312,516	441,669	-
Settled during the year	-	-	(635,184)	(3,048,281)	-	(540,380)	-
Closing balance	-	-	479,694	1,247,874	3,312,516	1,104,172	-

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

As at December 31, 2017							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Deposits and other accounts							
Opening balance	110,019	56,834	5,830,998	684,639	5,740,470	42,695	2,586,669
Received during the year	155,906	378,262	136,020,697	133,075,854	291,004,447	38,646	69,369,910
Withdrawn during the year	(138,499)	(401,144)	(133,439,605)	(132,730,416)	(287,525,404)	(58,639)	(70,455,181)
Closing balance	127,426	33,952	8,412,090	1,030,077	9,219,513	22,702	1,501,398
Other liabilities							
Interest / mark-up payable	120	241	72,633	4,289	44,699	1,195	4,951
Payable to staff retirement fund	-	-	-	-	-	-	1,376,963
Other payables	-	-	8,066	14,496	380,935	-	82,672
	120	241	80,699	18,785	425,634	1,195	1,464,586
Contingencies and Commitments							
Letter of credit	-	-	366,972	-	-	-	13,447,606
Letter of guarantee	-	-	198,059	120,794	-	-	-
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	-	-	1,743,539	-	1,500,000	-	-
Others							
Securities held as custodians	-	8,220	16,223,810	-	28,200,745	-	8,478,905
For the year ended December 31, 2017							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Profit and loss account							
Income							
Mark-up / return / profit / interest earned	-	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
Rent on properties	-	-	-	44,358	-	-	-
Gain on sale of securities - net	-	-	-	-	504,172	-	-
Other income	-	-	11,938	-	22,775	-	-
Expenses							
Mark-up / return / profit / interest expensed	2,394	537	194,440	38,748	287,972	23,840	84,498
Operating expenses							
Salaries and allowances	-	849,534	-	24,678	-	-	-
Contribution to provident and benevolent funds	-	15,000	-	-	-	-	-
Non-Executive Directors' fees	54,400	-	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	636,960
Insurance premium expense	-	-	1,861	-	916,848	-	-
Advertisement and publicity	-	-	55,935	540	-	-	364,995
Travelling	-	-	14,607	-	-	-	-
Subscription	-	-	-	-	-	-	23,478
Utilities cost	-	-	-	-	-	-	13,792
Donation	-	-	-	-	-	-	82,672
Other expenses	-	-	456	1,193	-	-	221
Provision for diminution in value of investments	-	-	-	-	-	-	41,568
Others							
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
Purchase of foreign currencies	-	-	1,490,249	6,511,007	-	-	889
Sale of foreign currencies	-	-	6,321,925	5,467,159	65,933	-	2,906,183
Insurance claims settled	-	-	-	-	150,330	-	-
Short term benefits paid	-	682,150	-	-	-	-	-

42.1 Donations disclosed in note 28.4 include donations to the HBL Foundation. The Foundation was established in 2009 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 18 to these unconsolidated financial statements.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

43 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

2018
2017
(Rupees in '000)

14,668,525 14,668,525

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

134,409,556	129,237,411
-	-
134,409,556	129,237,411
42,393,281	39,324,515
176,802,837	168,561,926

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

806,562,433	733,733,699
108,783,786	168,804,726
163,870,862	164,994,280
1,079,217,081	1,067,532,705

Common Equity Tier 1 Capital Adequacy ratio

12.45% 12.11%

Tier 1 Capital Adequacy Ratio

12.45% 12.11%

Total Capital Adequacy Ratio

16.38% 15.79%

Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)

7.900% 7.275%

of which: capital conservation buffer requirement

1.900% 1.275%

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)

4.55% 4.83%

Other information:

National minimum capital requirements prescribed by the SBP

CET1 minimum ratio (%)

7.900% 7.275%

Tier 1 minimum ratio (%)

9.400% 8.775%

Total capital minimum ratio (%)

11.900% 11.275%

Leverage Ratio (LR)

Eligible Tier-1 Capital

134,409,556 129,237,411

Total Exposures

3,552,227,144 3,229,744,270

Leverage Ratio (%)

3.78% 4.01%

Minimum Requirement (%)

3.00% 3.00%

Liquidity Coverage Ratio (LCR)

Total High Quality Liquid Assets

987,612,556 962,730,144

Total Net Cash Outflow

571,294,024 520,941,525

Liquidity Coverage Ratio (%)

172.87% 184.81%

Minimum Requirement (%)

100.00% 90.00%

Net Stable Funding Ratio (NSFR)

Total Available Stable Funding

2,102,952,345 1,946,812,485

Total Required Stable Funding

1,490,821,433 1,229,522,456

Net Stable Funding Ratio (%)

141.06% 158.34%

Minimum Requirement (%)

100.00% 100.00%

43.1 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. The Bank's branches outside Pakistan are also required to follow capital requirements applicable in their respective jurisdictions.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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, 2018 stood at Rs 14.669 billion (2017: 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, 2018:

- Common Equity Tier 1 (CET1) ratio of 7.90% including Capital Conservation Buffer (CCB) of 1.90%
- Tier 1 ratio of 9.40% including CCB of 1.90%
- Total Capital Adequacy Ratio (CAR) of 11.90% including CCB of 1.90%

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 as AT 1 capital.
- Tier 2 capital includes general provisions for loan losses, surplus / (deficit) 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 risk weighted assets. Eligible collateral used includes Government of Pakistan (GoP) guarantees, GoP issued securities, bank guarantees, lien on deposits and margin accounts.
- 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.

43.2 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time has been placed on the website. The link to the full disclosure is available at <https://www.hbl.com/capitalandliquidity>.

44 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 committee's 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 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

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For the year ended December 31, 2018

The Operational Risk Management Division (ORMD) operates within the Global Compliance Group, independent from Business Units and other support functions. The Head ORMD reports to 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 the Standardized Approach for credit risk. In addition, the Bank has adopted the simple approach for recognizing eligible collateral for credit risk mitigation. As the largest bank in Pakistan with a strong risk culture and focus, the Bank'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 Bank is following the Standardized Approach for market risk. The Bank intends to move towards adoption of Internal Models Approach (IMA) and has implemented value-at-risk (VaR) based limits; a significant milestone achieved towards the implementation of the IMA.

Scope of application of Basel III framework

The SBP, 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.

44.1 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 the Bank 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 the Bank 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.

Credit risk management software to automate loan origination has been implemented for Corporate and Commercial Customers and the Bank aims to extend the same to other business segments. 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.

Stress testing on the credit portfolio is performed in line with the 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. In line with the SBP circular on the impact assessment for IFRS 9, the Bank worked with a consultant to conduct the study and develop an assessment for Expected Credit Losses (ECL) for domestic branches. The Bank has also successfully implemented IFRS 9 in a number of overseas branches during the year.

The Bank has undertaken a number of initiatives to strengthen its credit risk management framework including in-house development of internal risk rating models (obligor and facility) 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. Based on a validation / back-testing exercise, a Probability of Default has been introduced for each obligor risk rating.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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.

44.1.1 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 the 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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

44.1.2 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 collaterals. The Bank has in place detailed guidelines with respect to the valuation and management of each of these types of collaterals. Where the Bank's exposure on an obligor is wholly or partially guaranteed by an eligible guarantee, the risk weight / credit rating of the guarantor is substituted for the risk weight of the obligor.

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.

44.1.3 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 utilisation is controlled at Head Office level and country risk exposures are reported to BRMC at defined frequencies.

Particulars of Bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

44.1.4 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public / Government	10,376,270	7,600,345	-	-	-	-
Private	40,901,066	26,300,000	-	-	-	-
	51,277,336	33,900,345	-	-	-	-

44.1.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Chemical and pharmaceuticals	609,075	812,100	-	-	-	-
Textile	106,548	110,303	106,548	110,303	106,548	110,303
Automobile and transportation equipment	943,483	889,665	-	-	-	-
Financial	1,266,473,717	1,255,116,861	-	-	-	-
Oil and gas	5,248,055	5,768,145	-	-	-	-
Power and energy	18,168,628	18,382,359	-	-	-	-
Telecommunication	876,347	1,340,098	168,082	193,084	168,082	193,084
Construction	2,178,000	-	-	-	-	-
Metal and allied	900,000	-	-	-	-	-
Others	6,230,812	7,465,906	-	-	-	-
	1,301,734,665	1,289,885,437	274,630	303,387	274,630	303,387

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Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public / Government	1,264,827,469	1,264,524,882	-	-	-	-
Private	36,907,196	25,360,555	274,630	303,387	274,630	303,387
	1,301,734,665	1,289,885,437	274,630	303,387	274,630	303,387

44.1.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Chemical and pharmaceuticals	34,165,919	28,221,304	1,367,436	1,193,925	1,322,404	1,186,749
Agribusiness	111,670,071	101,651,582	4,331,566	4,537,959	2,919,661	3,061,601
Textile	115,358,303	90,339,412	21,109,093	20,770,317	19,653,168	20,336,220
Cement	27,800,090	18,814,625	788,695	788,695	788,695	788,695
Sugar	12,335,973	8,729,924	252,971	295,770	232,347	225,473
Shoes and leather garments	14,978,526	14,367,129	895,399	858,168	855,236	820,095
Automobile and transportation equipment	16,985,524	7,617,492	2,977,653	1,048,157	2,964,534	1,023,567
Financial	69,405,799	34,997,219	39,421	39,417	39,420	39,416
Hotel and tourism	10,781,896	6,887,369	592,962	270,904	427,762	270,271
Insurance	3,311,210	3,506,585	-	-	-	-
Electronics and electrical appliances	10,976,677	6,869,718	2,214,876	3,200,923	2,214,876	3,200,923
Oil and gas	66,136,315	54,452,636	672,152	1,549,225	347,213	1,020,557
Power and energy	208,431,721	154,937,770	1,731,986	1,732,128	1,731,986	1,732,105
Education and medical	2,778,754	2,783,466	251,784	272,115	251,748	264,796
Telecommunication	20,223,338	22,370,100	1,222,633	1,223,133	1,222,633	1,223,133
Printing and publishing	9,509,939	5,579,018	441,896	483,451	441,896	461,002
Construction	43,165,131	20,636,748	944,506	1,262,456	917,784	1,262,231
Mining and quarrying	4,084,609	3,094,832	1,716	1,716	1,716	1,716
Food, tobacco and beverages	49,145,460	38,650,252	3,236,975	1,952,446	2,988,171	1,843,270
Wholesale and retail trade	50,747,213	55,488,458	11,887,845	11,995,183	11,651,577	10,760,478
Metal and allied	21,659,247	18,196,388	3,097,147	2,857,035	2,026,649	1,790,890
Individuals	89,763,803	80,054,758	3,700,067	1,473,172	1,764,588	1,341,638
Farming, cattle and dairy	3,331,609	3,475,585	820,007	291,976	280,965	96,898
Trust funds and non profit organisations	1,537,216	2,072,208	10	3	10	3
Others	83,846,413	80,442,985	8,985,683	8,939,355	8,148,261	8,041,221
	1,082,130,756	864,237,563	71,564,479	67,037,629	63,193,300	60,792,948

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public / Government	285,003,136	197,960,838	1,095,906	1,114,940	30,214	49,246
Private	797,127,620	666,276,725	70,468,573	65,922,689	63,163,086	60,743,702
	1,082,130,756	864,237,563	71,564,479	67,037,629	63,193,300	60,792,948

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44.1.7 Contingencies and Commitments

Credit risk by industry sector

	2018 (Rupees in '000)	2017 (Restated)
Chemical and pharmaceuticals	16,339,051	9,226,388
Agribusiness	3,865,304	1,382,002
Textile	18,506,345	16,377,303
Cement	18,207,874	12,105,748
Defence	12,372,724	47,024,646
Sugar	634,351	602,894
Shoes and leather garments	348,774	1,256,913
Automobile and transportation equipment	10,266,577	7,343,905
Financial	446,566,079	288,524,458
Hotel and tourism	2,399,686	2,653,643
Research and Development	720,674	733,585
Insurance	1,618,458	1,589,465
Electronics and electrical appliances	9,325,570	6,598,591
Oil and gas	27,436,372	14,731,959
Power and energy	35,827,323	30,912,274
Education and medical	1,681,428	2,025,516
Telecommunication	8,076,228	5,220,705
Printing and publishing	1,315,940	3,219,433
Construction	2,718,893	1,872,058
Mining and quarrying	3,122,569	1,790,857
Food, tobacco and beverages	11,560,803	8,867,555
Wholesale and retail trade	3,666,729	3,287,869
Metal and allied	8,314,931	14,906,199
Individuals	19,902,745	19,099,106
Farming, cattle and dairy	65,342	27,441
Ports and shipping	786,230	1,813,021
Trust funds and non profit organisations	5,131,106	17,392,378
Others	45,009,525	40,400,982
	715,787,631	560,986,894

Credit risk by public / private sector

Public / Government	114,350,539	127,968,094
Private	601,437,092	433,018,800
	715,787,631	560,986,894

44.1.8 Concentration of Advances

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 332,063.740 million (2017: Rs 314,902.617 million) are as following:

	2018 (Rupees in '000)	2017 (Rupees in '000)
Funded	295,691,275	227,105,446
Non-funded	36,372,465	87,797,171
Total exposure	332,063,740	314,902,617

The sanctioned limits against these top 10 exposures aggregated to Rs 457,331.599 million (2017: Rs 431,957.033 million).

Total funded classified therein

	2018 (Rupees in '000)	2017 (Rupees in '000)
Loss	144,788	-

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44.1.9 Advances - Province / Region-wise disbursement and utilization

Province / Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Punjab	2,102,702,407	2,040,586,930	50,376,447	2,904,094	8,000	7,126,542	1,700,394
Sindh	3,861,691,384	207,295,336	3,580,439,045	11,994,906	9,943,280	40,472,527	11,546,290
KPK including FATA	42,550,164	374,782	54,436	42,115,098	3,250	-	2,598
Balochistan	4,970,699	-	-	-	4,970,699	-	-
Islamabad	483,458,014	41,537,790	386,359	-	-	441,533,865	-
AJK including Gilgit-Baltistan	13,432,443	-	-	-	-	-	13,432,443
Total	6,508,805,111	2,289,794,838	3,631,256,287	57,014,098	14,925,229	489,132,934	26,681,725

Province / Region	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Punjab	1,899,776,562	1,842,838,528	34,335,914	879,215	-	21,722,905	-
Sindh	2,944,251,069	79,320,969	2,811,913,874	10,424,247	9,190,854	33,401,125	-
KPK including FATA	38,012,576	-	-	38,012,576	-	-	-
Balochistan	4,509,505	-	-	-	4,509,505	-	-
Islamabad	487,038,919	44,468,380	-	-	-	442,570,539	-
AJK including Gilgit-Baltistan	10,835,130	-	-	-	-	-	10,835,130
Total	5,384,423,761	1,966,627,877	2,846,249,788	49,316,038	13,700,359	497,694,569	10,835,130

44.2 Market Risk

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 (TMO).

44.2.1 Statement of financial position split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	266,610,256	-	266,610,256	230,256,066	-	230,256,066
Balances with other banks	26,095,330	-	26,095,330	28,777,991	-	28,777,991
Lendings to financial institutions	51,277,336	-	51,277,336	33,900,345	-	33,900,345
Investments	286,034,709	1,054,996,000	1,341,030,709	328,932,470	1,006,859,000	1,335,791,470
Advances	1,015,853,926	-	1,015,853,926	800,688,978	-	800,688,978
Fixed assets	62,517,154	-	62,517,154	55,330,577	-	55,330,577
Intangible assets	2,718,556	-	2,718,556	1,590,105	-	1,590,105
Deferred tax assets	7,083,718	-	7,083,718	3,900,457	-	3,900,457
Other assets	97,067,829	9,240,045	106,307,874	79,709,265	4,004,989	83,714,254
	1,815,258,814	1,064,236,045	2,879,494,859	1,563,086,254	1,010,863,989	2,573,950,243

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44.2.2 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 the SBP.

	2018				2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)							
United States Dollar	186,214,453	248,074,988	41,953,392	(19,907,143)	170,142,502	206,310,836	24,495,387	(11,672,947)
Great Britain Pound	4,930,894	16,448,503	11,834,227	316,618	5,748,188	19,094,186	12,094,336	(1,251,662)
UAE Dirham	31,262,290	44,965,774	26,060,375	12,356,891	58,991,503	60,665,683	14,067,340	12,393,160
Japanese Yen	110,452	3,855	558,698	665,295	80,211	3,213	(69,539)	7,459
Euro	12,475,699	18,677,739	5,992,306	(209,734)	14,145,842	18,795,547	7,754,788	3,105,083
Other Currencies	87,805,980	60,609,370	842,315	28,038,925	104,171,008	77,102,096	(307,178)	26,761,734
	322,799,768	388,780,229	87,241,313	21,260,852	353,279,254	381,971,561	58,035,134	29,342,827

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	345,935	-	289,248
- Other comprehensive income	72,377	-	20,232	-

44.2.3 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.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	12,780
- Other comprehensive income	508,510	-	837,463	-

44.2.4 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. 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.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	(832,343)	28,611	1,564,700	780,469
- Other comprehensive income	343,679	7,163,129	372,719	10,828,987

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44.2.4.1 Mismatch of interest rate sensitive assets and liabilities

Interest rate sensitivity gap for assets and liabilities which have contractual maturities have been reported based on the earlier of re-pricing schedule or maturity date. However, for assets and liabilities which do not have any re-pricing schedule have been reported on the basis of an objective and systematic behavioural study approved by the ALCO committee.

	Effective yield / interest rate	2018										Not exposed to yield / interest risk
		Exposed to yield / interest risk										
		(Rupees in '000)										
On-balance sheet assets												
Financial Assets												
Cash and balances with treasury banks	0.57%	266,610,256	29,033,539	16,046	500,500	1,065,325	-	-	-	-	-	235,994,846
Balances with other banks		26,095,330	8,314,534	3,325,814	4,988,720	-	-	-	-	-	-	9,466,262
Lendings to financial institutions	7.19%	51,277,336	46,577,336	4,600,000	100,000	-	-	-	-	-	-	-
Investments	6.78%	1,341,030,709	477,721,770	390,045,485	105,082,135	93,926,792	79,685,030	53,395,457	66,351,362	35,164,213	-	39,658,465
Advances	8.32%	1,015,853,926	66,201,925	437,612,265	361,378,894	92,079,844	22,021,158	17,133,931	14,593,636	4,026,409	805,864	-
Other assets		57,120,162	-	-	-	-	-	-	-	-	-	57,120,162
		2,757,987,719	627,849,104	835,599,610	472,050,249	187,071,961	101,706,188	70,529,388	80,944,998	39,190,622	805,864	342,239,735
Financial Liabilities												
Bills payable		42,325,254	-	-	-	-	-	-	-	-	-	42,325,254
Borrowings	5.75%	518,896,397	388,288,194	45,196,944	64,002,645	4,910,273	101,795	325,950	2,798,519	7,250,722	-	6,021,355
Deposits and other accounts	3.19%	2,020,007,979	125,472,434	75,264,697	942,705,594	68,752,119	7,590,180	16,045,921	10,443,236	11,406,608	329,466	761,997,724
Subordinated debt	7.49%	9,990,000	-	9,990,000	-	-	-	-	-	-	-	-
Other liabilities		100,774,643	-	-	-	-	-	-	-	-	-	100,774,643
		2,691,994,273	513,760,628	130,451,641	1,006,708,239	73,662,392	7,691,975	16,371,871	13,241,755	18,657,330	329,466	911,118,976
On-balance sheet gap		65,993,446	114,088,476	705,147,969	(534,657,990)	113,409,569	94,014,213	54,157,517	67,703,243	20,533,292	476,398	(568,879,241)
Net non - financial assets		113,055,610	-	-	-	-	-	-	-	-	-	-
Total net assets		179,049,056	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
Foreign exchange contracts forward purchases		230,157,689	64,609,115	77,783,743	86,678,354	1,086,477	-	-	-	-	-	-
Foreign exchange contracts forward sales		(139,426,015)	(50,204,921)	(34,526,853)	(54,263,982)	(430,259)	-	-	-	-	-	-
Government Securities transactions forward purchases		33,489,184	33,489,184	-	-	-	-	-	-	-	-	-
Government Securities transactions forward sales		(5,688,607)	(5,688,607)	-	-	-	-	-	-	-	-	-
Foreign Currency Options purchases		532,918	205,731	272,656	54,531	-	-	-	-	-	-	-
Foreign Currency Options sales		(532,918)	(205,731)	(272,656)	(54,531)	-	-	-	-	-	-	-
Cross Currency Swaps purchases		2,874,784	207,484	157,199	-	207,800	180,572	913,082	-	1,208,647	-	-
Cross Currency Swaps sales		(3,490,361)	(274,947)	(208,293)	-	(277,724)	(206,206)	(1,134,039)	-	(1,389,152)	-	-
Interest rate swaps purchases		-	-	-	-	-	-	-	-	-	-	-
Interest rate swaps sales		(11,465,523)	-	-	(1,016,667)	-	-	-	(8,948,856)	(1,500,000)	-	-
Off-balance sheet gap		106,451,151	42,137,308	43,205,796	31,397,705	586,294	(25,634)	(220,957)	(8,948,856)	(1,680,505)	-	-
Total yield / interest risk sensitivity gap		156,225,784	748,353,765	113,995,863	(503,260,285)	113,995,863	93,988,579	53,936,560	58,754,387	18,852,787	476,398	(568,879,241)
Cumulative yield / Interest rate risk sensitivity gap		156,225,784	904,579,549	401,319,264	515,315,127	609,303,706	663,240,266	721,994,653	740,847,440	741,323,838	172,444,597	-

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Effective yield / interest rate	Total	2017									Not exposed to yield / interest risk
		Exposed to yield / interest risk									
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years	
		(Rupees in '000)									
On-balance sheet assets											
Financial Assets											
	230,256,066	28,274,713	-	-	-	-	-	-	-	-	201,981,353
0.36%	38,777,991	4,513,684	1,805,473	2,708,210	-	-	-	-	-	-	19,750,624
	33,900,345	31,285,507	1,000,000	1,614,838	-	-	-	-	-	-	-
5.55%	1,335,791,470	116,532,087	417,253,478	195,176,928	83,712,203	211,023,532	86,385,908	128,113,361	51,293,187	29,092	46,291,694
6.45%	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	-	-
7.47%	51,932,412	-	-	-	-	-	-	-	-	-	51,932,412
	2,481,347,262	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	319,956,083
Financial Liabilities											
	33,617,261	-	-	-	-	-	-	-	-	-	33,617,261
5.25%	395,486,210	289,485,726	41,800,123	50,468,349	3,895,874	116,591	301,701	2,393,676	7,044,170	-	-
2.50%	1,999,511,435	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
6.63%	9,994,000	-	9,994,000	-	-	-	-	-	-	-	-
	56,775,404	-	-	-	-	-	-	-	-	-	56,775,404
	2,395,384,310	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	777,226,984
	85,962,952	(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	(457,270,901)
	86,676,134										
	172,639,086										
On-balance sheet financial instruments											
	131,801,937	64,961,189	51,695,067	12,224,827	1,600,488	904,461	207,955	207,950	-	-	-
	(73,766,803)	(49,031,935)	(18,123,433)	(4,278,430)	(751,062)	(1,083,643)	(249,153)	(249,147)	-	-	-
	20,243,788	5,389,459	13,966,808	887,521	-	-	-	-	-	-	-
	1,633,987	-	-	312,453	780,284	-	-	541,250	-	-	-
	(1,707,050)	-	-	(329,043)	(825,921)	-	-	(552,086)	-	-	-
	(10,315,539)	-	-	-	-	(2,850,000)	-	(1,743,539)	(5,722,000)	-	-
	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	27,794,468	15,400	(457,270,901)	
Cumulative yield / Interest rate risk sensitivity gap											
	(166,836,475)	424,752,734	(16,469,278)	106,588,137	334,551,453	443,096,872	583,314,305	611,108,773	611,124,173	153,853,272	

44.3

Operational Risk Management

Operational Risk is the risk of loss resulting from an inadequate or failed internal processes, people and systems or from external events.

The Operational Risk Management department (ORMD) is housed within the Global 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. ORCs 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, processes, systems and external events. Key ORM tools such as Risk Control Self-Assessment (RCSA), KRI's and Operational Loss Data Management 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 is monitoring them at regular intervals. Operational risk reports are regularly submitted to the senior management.

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44.3.1 Business Continuity

It is the policy of the Bank to maintain a well-defined business continuity program which comprises of policies and procedures with clearly defined roles, responsibilities and ownership for Crisis Management, Emergency Response, Business Recovery and IT Disaster Recovery Planning. The bank's Business Continuity Steering Committee, represented by the senior management of the bank, meet on a periodic basis and reviews key initiatives, testing results and related action plans for strengthening the bank's resilience to managing crisis situations. The bank's business continuity program complies with the regulatory framework and leading Business Continuity Management standard, i.e. ISO 22301. and is subject to regular internal, external and regulatory reviews and audits.

The bank's business continuity program complies with the regulatory framework & leading best practices and is subject to regular internal, external and regulatory reviews and audits.

44.3.2 IT related controls

The Bank's IT controls were further strengthened during the course of the year by ensuring that the Bank met all the requirements of SBP's Enterprise Technology Governance and Risk Management framework (including establishing of a Board IT Committee, customizing the standard templates to suit particular requirements for IT Governance, Project Management and IT Service Management, as well as revising IT procedures in accordance with the Regulatory framework). It was also ensured that the Bank's EU operations met the standards laid down in the General Data Protection Regulations of the UK.

More specifically, 85% outstanding observations within internal, external and regulatory audit streams were closed. These ranged from 2014 to 2018. An automated tool was deployed for tracking and monitoring audit observations all the way through to closure.

44.3.3 Information Security Risk

Information Security has become a critical business function and an essential component of governance affecting all aspects of the business environment. The Bank is committed to providing 'first-class business in a first-class way' to its customers while protecting clients and their information. Cybercrime is a growing threat to Corporations and Consumers who are increasingly adopting and depending on mobile and digital technologies to run their business and lives. Information/Cyber Security is one of the key focused areas for the bank and has increasing focus in line with Industry trends and move towards digital solutions for banking needs of the Customers. The Bank will continue to strengthen its cyber defense mechanism by utilizing effective preventive and detective information security measures to counter evolving cyber challenges. The Bank has achieved PCI DSS certification which is the de facto security standard for the Payment Card Industry and also achieved ISO27001 international information security related certification.

These measures allow the Bank to offer innovative digital solutions to its clients while ensuring them protection, confidence and peace of mind.

44.4 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 behavioural 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.

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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.

44.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2018															
Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years		
(Rupees in '000)															
Assets															
Cash and balances with treasury banks	266,610,256	245,309,783	2,218,596	-	18,146,985	16,046	500,500	-	418,346	-	-	-	-		
Balances with other banks	26,095,330	10,192,412	7,391,848	1,734,297	2,466,734	3,648,566	628,446	-	-	-	-	-	-		
Lendings to financial institutions	51,277,336	-	24,345,810	15,900,000	6,331,526	4,500,000	100,000	-	-	-	-	-	-		
Investments	1,341,030,709	23,036,613	1,249,393	453,051,472	39,703,843	311,078,267	80,585,255	36,699,828	47,815,681	84,864,075	57,445,182	68,924,644	96,471,930		
Advances	1,015,853,926	296,903,471	31,608,319	9,326,605	19,020,951	30,753,207	45,824,548	108,018,162	39,584,224	111,115,214	63,716,080	141,594,333	76,916,851		
Fixed assets	62,517,154	89,663	537,984	627,648	1,255,296	246,362	739,087	739,087	739,087	2,956,346	2,956,346	5,140,256	46,243,630		
Intangible assets	2,718,556	30,340	182,041	212,381	424,762	17,632	52,895	52,895	52,895	211,581	211,581	423,162	828,759		
Deferred tax assets	7,083,718	65,217	391,308	456,525	913,051	683,422	326,071	277,828	277,828	523,790	682,709	1,172,421	630,126		
Other assets	106,307,874	1,056,850	6,341,103	7,756,786	14,795,907	9,532,559	12,983,868	6,011,375	6,542,674	4,632,080	26,632,922	489,191	-		
	2,879,494,859	576,884,349	74,266,402	489,065,714	103,059,055	89,486,274	367,531,863	83,365,237	97,318,472	204,303,086	151,644,820	217,744,007	221,091,296		
Liabilities															
Bills payable	42,325,254	41,374,621	98,654	-	768,695	15,531	67,753	-	-	-	-	-	-		
Borrowings	518,896,397	6,021,355	352,145,242	24,265,809	11,877,144	30,369,187	17,622,769	4,895,118	570,603	25,096,937	325,950	16,684,709	14,193,817		
Deposits and other accounts	2,020,007,979	1,614,857,811	62,059,855	18,377,639	84,846,698	42,655,226	59,838,989	31,945,130	39,819,211	8,579,971	16,038,389	10,332,652	11,719,509		
Subordinated debt	9,990,000	-	-	-	-	2,000	-	2,000	-	4,000	4,000	8,000	9,970,000		
Other liabilities	109,226,173	3,900,934	23,405,609	27,306,543	54,613,087	-	-	-	-	-	-	-	-		
	2,700,445,803	1,666,154,721	437,709,360	69,949,991	152,105,624	73,039,944	77,529,511	36,842,248	40,389,814	33,680,908	16,368,339	27,025,361	35,883,326		
Net assets	179,049,056	(1,089,470,372)	(363,442,958)	419,115,723	(49,046,569)	294,491,919	126,404,773	46,522,989	56,928,658	170,622,178	135,276,481	190,718,646	185,207,970		
Share capital															
Reserves	14,668,525														
	57,935,252														
Surplus on revaluation of assets															
- net of tax	91,882,814														
Unappropriated profit	14,562,465														
	179,049,056														

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

44.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

Assets and liabilities which have contractual maturities have been reported as per the remaining maturities, whereas assets and liabilities which do not have any contractual maturities have been reported as per their expected maturities calculated on the basis of an objective and systematic behavioral study approved by the ALCO.

2018											
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years		
(Rupees in '000)											
Assets											
Cash and balances with treasury banks	54,411,957	38,582,905	56,712,218	6,886,830	1,454,857	1,425,192	2,089,447	52,801,255	52,245,595		
Balances with other banks	17,052,160	5,592,172	3,450,998	-	-	-	-	-	-		
Lendings to financial institutions	46,577,336	4,600,000	100,000	-	-	-	-	-	-		
Investments	467,037,286	351,519,498	87,769,276	111,799,972	84,694,168	61,255,647	72,565,315	75,020,118	29,369,429		
Advances	82,210,447	95,661,661	136,644,020	138,307,903	111,115,214	63,716,080	311,281,750	50,787,712	26,129,139		
Fixed assets	2,510,592	492,724	739,087	1,478,173	2,956,346	2,956,346	5,140,256	3,794,909	42,448,721		
Intangible assets	849,523	35,264	52,895	105,791	211,581	211,581	423,162	828,759	-		
Deferred tax assets	1,826,101	1,366,844	326,071	555,655	523,790	682,709	1,172,421	2,722,973	(2,092,846)		
Other assets	29,950,647	19,066,419	12,985,819	12,554,756	4,632,750	26,628,292	489,191	-	-		
	702,426,049	516,917,487	298,780,384	271,689,080	205,588,706	156,875,847	393,161,542	185,955,726	148,100,038		
Liabilities											
Bills payable	7,535,612	14,063,343	20,726,299	-	-	-	-	-	-		
Borrowings	394,309,549	45,196,944	17,622,770	5,465,721	25,096,937	325,950	16,684,709	14,193,817	-		
Deposits and other accounts	185,038,173	87,830,121	99,195,980	150,478,325	32,457,235	33,442,366	42,222,816	700,205,906	689,137,057		
Subordinated debt	-	2,000	-	2,000	4,000	4,000	8,000	9,970,000	-		
Other liabilities	64,207,116	18,703,623	5,535,689	6,582,167	1,036,993	1,096,136	2,337,923	7,906,719	1,819,807		
	651,090,450	165,796,031	143,080,738	162,528,213	58,595,165	34,868,452	61,253,448	732,276,442	690,956,864		
Net assets	51,335,599	351,121,456	155,699,646	109,160,867	146,993,541	122,007,395	331,908,094	(546,320,716)	(542,856,826)		
Share capital											
Reserves											
Surplus on revaluation of assets - net of tax											
Unappropriated profit											

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Share capital
Reserves
Surplus on revaluation of assets - net of tax
Unappropriated profit

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

44.5 Derivative Risk

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 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.

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 all counterparties is estimated and monitored by TMO.

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.

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.

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.

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.

45 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 45.1 The Board of Directors in its meeting held on February 20, 2019 has proposed a final cash dividend of Rs 1.25 per share for the year 2018. This is in addition to Rs 3 already paid during the year bringing the total dividend for the year to Rs 4.25 per share (2017: Rs 8 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, 2018 do not include the effect of this appropriation which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2019.
- 45.2 The Finance Supplementary (Second Amendment) Bill, 2019 laid down before the National Assembly of Pakistan on January 23, 2019, amended the rates of Super Tax noted in the earlier Finance Act 2018 and prescribed a flat rate of 4% super tax for all accounting years from 2017 to 2020. The changes proposed by the Bill are being deliberated and have not yet been enacted.

If the Bill is enacted in its proposed form, the potential financial impact of the revision in the rate of Super Tax for the accounting year 2017 would amount to Rs 1,933 million.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

46 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on February 20, 2019.

47 GENERAL

47.1 These unconsolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 2 dated January 25, 2018 and related clarifications / modifications.

47.2 The comparative figures have been re-arranged and reclassified for comparison purposes. The significant reclassifications have been disclosed in note 4.1.3 of these unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

ANNEXURE I: ISLAMIC BANKING BUSINESS

The Bank operates 47 (2017: 47) Islamic Banking branches and 493 (2017: 495) Islamic Banking windows at the end of the year.

STATEMENT OF FINANCIAL POSITION

	Note	2018 (Rupees in '000)	2017 (Restated)
ASSETS			
Cash and balances with treasury banks		19,365,889	7,475,822
Balances with other banks		-	-
Due from financial institutions	1	13,031,526	1,614,838
Investments	2	75,296,758	104,616,358
Islamic financing and related assets-net	3	103,483,404	84,297,519
Fixed assets		187,491	185,753
Intangible assets		-	-
Due from Head Office	4	4,932,141	-
Deferred tax assets		59,787	-
Other assets		3,718,796	2,524,048
		220,075,792	200,714,338
LIABILITIES			
Bills payable		8,543	7,037
Due to financial institutions	5	1,551,617	24,798,000
Deposits and other accounts	6	203,247,709	163,448,909
Due to Head Office	4	-	183,827
Subordinated debt		-	-
Deferred tax liabilities		-	172,401
Other liabilities		3,917,646	2,964,511
		208,725,515	191,574,685
		11,350,277	9,139,653
NET ASSETS			
REPRESENTED BY			
Islamic Banking Fund		250,000	250,000
Reserves		-	4,584
(Deficit) / surplus on revaluation of investments - net of tax		(111,034)	315,589
Unappropriated profit	8	11,211,311	8,569,480
		11,350,277	9,139,653
CONTINGENCIES AND COMMITMENTS			
	9		
PROFIT AND LOSS ACCOUNT			
Profit / return earned	10	12,350,047	9,130,689
Profit / return expensed	11	7,048,443	4,349,347
Net profit / return		5,301,604	4,781,342
Other income			
Fee and commission income		213,446	180,195
Dividend income		-	(208,023)
Foreign exchange loss		(29,620)	(8,046)
Income from derivatives		-	-
Loss on securities- net		(49,426)	(15,227)
Others		680	767
Total other income		135,080	(50,334)
		5,436,684	4,731,008
Total income			
Other expenses			
Operating expenses		1,006,686	757,310
Workers' Welfare Fund		88,421	79,359
Other charges		2,740	-
Total other expenses		1,097,847	836,669
Profit before provisions		4,338,837	3,894,339
Provisions and write offs - net		6,214	5,726
Profit before taxation		4,332,623	3,888,613
Taxation		1,690,792	1,361,015
Profit after taxation		2,641,831	2,527,598

ANNEXURE I: ISLAMIC BANKING BUSINESS

	2018 (Rupees in '000)	2017 (Rupees in '000)
1 Due from Financial Institutions		
Unsecured	8,700,000	-
Bai Muajjal Receivable from State Bank of Pakistan	-	1,614,838
Bai Muajjal Receivable from other financial institutions	4,331,526	-
	13,031,526	1,614,838

1.1 Lending to financial institutions are all in local currency.

1.2 Un-secured placements carry profit at ranging from 9.40% to 9.60% per annum (2017: Nil) and are due to mature latest by January 25, 2019.

1.3 Bai Muajjal receivables from other financial institutions carry profit at 9.85% per annum (2017: Nil) and are due to mature latest by January 31, 2019. Last year, Bai Muajjal receivables from the SBP carried profit at 5.70% per annum.

2 Investments by segments

	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
-Ijarah Sukuks	53,682,791	-	(170,822)	53,511,969	83,274,575	-	485,521	83,760,096
Non-Government debt securities								
-Listed	5,030,877	-	-	5,030,877	6,497,274	-	-	6,497,274
-Unlisted	16,753,912	-	-	16,753,912	14,358,988	-	-	14,358,988
	21,784,789	-	-	21,784,789	20,856,262	-	-	20,856,262
Total Investments	75,467,580	-	(170,822)	75,296,758	104,130,837	-	485,521	104,616,358

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
3 Islamic financing and related assets - net			
Ijarah	3.1	2,078,449	1,434,372
Murabaha	3.2	672,907	316,442
Diminishing Musharakah		66,095,505	60,885,499
Wakalah		10,000,000	10,000,000
Islamic Home Financing		128,820	-
Running Musharakah		4,871,319	1,138,052
Advance for Ijarah		192,485	542,507
Advance for Murabaha	3.2	4,324,684	2,968,494
Advance for Diminishing Musharakah		995,819	-
Advance for Istisna		9,920,835	4,546,399
Inventories against Tijarah		17,578	-
Inventories against Murabaha	3.2	2,416,470	1,055,672
Inventories against Istisna		1,885,231	1,520,566
Islamic financing and related assets - gross		103,600,102	84,408,003
Provision against Islamic financing and related assets			
-Specific		(106,212)	(103,514)
-General		(10,486)	(6,970)
		(116,698)	(110,484)
Islamic financing and related assets - net of provision		103,483,404	84,297,519

3.1 Ijarah

	2018						
	Cost			Depreciation		Book value as	
	As at Jan 01, 2018	Additions / (deletions)	As at Dec 31, 2018	As at Jan 01, 2018	Charge for the year	As at Dec 31, 2018	at Dec 31, 2018
	(Rupees in '000)						
Plant and machinery	633,172	373,928	990,516	258,941	283,795	527,517	462,999
		(16,584)			(15,219)		
Vehicles	1,470,791	1,114,712	2,193,289	410,650	377,966	577,839	1,615,450
		(392,214)			(210,777)		
Total	2,103,963	1,488,640	3,183,805	669,591	661,761	1,105,356	2,078,449
		(408,798)			(225,996)		

ANNEXURE I: ISLAMIC BANKING BUSINESS

	2017						Book value as at Dec 31, 2017
	Cost			Depreciation			
	As at Jan 01, 2017	Additions / (deletions)	As at Dec 31, 2017	As at Jan 01, 2017	Charge for the year	As at Dec 31, 2017	
	(Rupees in '000)						
Plant and machinery	281,987	394,100	633,172	146,820	142,560	258,941	374,231
		(42,915)			(30,439)		
Vehicles	865,780	845,018	1,470,791	363,111	243,683	410,650	1,060,141
		(240,007)			(196,144)		
Total	1,147,767	1,239,118	2,103,963	509,931	386,243	669,591	1,434,372
		(282,922)			(226,583)		

3.1.1 Future Ijarah payments receivable

	2018				2017			
	Not later than one year	Later than one and upto five years	More than five years	Total	Not later than one year	Later than one and upto five years	More than five years	Total
	(Rupees in '000)							
Ijarah rental receivables	22,953	1,696,524	200,071	1,919,548	75,030	1,156,057	56,093	1,287,180

3.2 Murabaha

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Murabaha financing	3.2.1	672,907	316,442
Advances for Murabaha		4,324,684	2,968,494
Inventories for Murabaha		2,416,470	1,055,672
		<u>7,414,061</u>	<u>4,340,608</u>
3.2.1 Murabaha receivable - gross	3.2.1.1	691,075	322,524
Deferred murabaha income	3.2.1.2	(13,131)	(1,984)
Profit receivable shown in other assets		(5,037)	(4,098)
Murabaha financings		<u>672,907</u>	<u>316,442</u>
3.2.1.1 The movement in Murabaha financing during the year is as follows:			
Opening balance		322,524	189,041
Sales during the year		16,322,004	17,680,174
Adjusted during the year		(15,953,453)	(17,546,691)
Closing balance		<u>691,075</u>	<u>322,524</u>
3.2.1.2 Deferred Murabaha income			
Opening balance		1,984	1,968
Arising during the year		402,678	441,022
Recognised during the year		(391,531)	(441,006)
Closing balance		<u>13,131</u>	<u>1,984</u>
3.2.1.3 Murabaha sale price		16,644,528	17,869,215
Murabaha purchase price		<u>(16,626,360)</u>	<u>(17,863,133)</u>
		<u>18,168</u>	<u>6,082</u>

4 Due from / (to) head office represents Islamic Banking profits and inter branch transactions.

5 DUE TO FINANCIAL INSTITUTIONS

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Unsecured acceptance of funds	5.2	-	24,585,000
Acceptances from the SBP under Islamic Export Refinance Scheme	5.3	1,551,617	213,000
		<u>1,551,617</u>	<u>24,798,000</u>

5.1 Due to financial institutions are all in local currency.

5.2 Unsecured acceptance of funds carry profit at rates ranging from Nil (2017: 5.60% to 6.10%).

5.3 The Bank has entered into an agreement with the SBP for extending Islamic 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 profit at rate 2.00% per annum (2017: 2.00% per annum) and are due to mature latest by June 19, 2019.

ANNEXURE I: ISLAMIC BANKING BUSINESS

6 Deposits and other accounts

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	43,715,215	1,041,694	44,756,909	47,423,096	966,611	48,389,707
Savings deposits	89,628,698	593,211	90,221,909	86,822,778	435,249	87,258,027
Term deposits	20,030,492	19,616,070	39,646,562	13,609,740	122,068	13,731,808
	153,374,405	21,250,975	174,625,380	147,855,614	1,523,928	149,379,542
Financial Institutions						
Current deposits	156,967	-	156,967	105,001	-	105,001
Savings deposits	26,478,723	-	26,478,723	11,529,220	-	11,529,220
Term deposits	487,046	1,499,593	1,986,639	2,435,146	-	2,435,146
	27,122,736	1,499,593	28,622,329	14,069,367	-	14,069,367
	180,497,141	22,750,568	203,247,709	161,924,981	1,523,928	163,448,909

6.1 Composition of deposits

	2018 (Rupees in '000)	2017
- Individuals	94,130,918	82,032,689
- Government / Public Sector Entities	43,414,855	18,054,096
- Banking Companies	4,029,553	1,184,671
- Non-Banking Financial Institutions	24,592,776	12,884,696
- Private Sector	37,079,607	49,292,757
	203,247,709	163,448,909

6.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 122,772.550 million (2017: Rs 99,989.248 million).

7 Charity Fund

	Note	2018 (Rupees in '000)	2017
Opening balance		233,247	526
Additions during the year			
- Received from customers on account of delayed payment		1,518	723
- Dividend purification		-	208,023
- Other non-shariah compliant income		-	36,082
		1,518	244,828
Payments / Utilisation during the year	7.1		
- Education		(31,500)	(1,000)
- Health		(98,500)	(11,107)
- Diamer-Bhasha And Mohmand Dams Fund		(100,000)	-
		(230,000)	(12,107)
Closing balance		4,765	233,247

7.1 Details of charity payments

Details of charity individually exceeding Rs 500,000

Diamer-Bhasha and Mohmand Dams Fund	100,000	-
Progressive Education Network	16,500	-
Friends of Burns Centre	10,000	-
Muzaffarabad Physical Rehabilitation Centre	10,000	-
The Hunar Foundation	10,000	-
The Kidney Centre Post Graduate Training Institute	5,000	-
National University of Technology	5,000	-
Indus Hospital	64,500	3,026
Shaukat Khanum Memorial Cancer Hospital	5,000	1,000
Welfare Society for Patient Care	4,000	1,000
Sindh Institute of Urology & Transplantation	-	2,500
Children Cancer Foundation Pakistan Trust	-	1,000
Marie Adelaide Leprosy Centre	-	1,000
Burns Centre	-	1,000
Dalda Foundation	-	1,000
SINA - Health, Education & Welfare Trust	-	581
	230,000	12,107

ANNEXURE I: ISLAMIC BANKING BUSINESS

		2018 (Rupees in '000)	2017 (Rupees in '000)
8	Islamic Banking business unappropriated profit		
	Opening Balance	8,569,480	6,041,882
	Add: Islamic Banking profit for the year	4,332,623	3,888,613
	Less: Taxation	(1,690,792)	(1,361,015)
	Closing Balance	<u>11,211,311</u>	<u>8,569,480</u>
9	Contingencies and commitments		
	- Guarantees	9.1 219,570	271,654
	- Commitments	9.2 20,811,516	9,865,912
		<u>21,031,086</u>	<u>10,137,566</u>
9.1	Guarantees		
	Performance guarantees	214,177	254,428
	Other guarantees	5,393	17,226
		<u>219,570</u>	<u>271,654</u>
9.2	Commitments		
	Trade-related contingent liabilities	1,613,153	3,831,329
	Commitments in respect of forward foreign exchange contracts	19,198,363	6,034,583
		<u>20,811,516</u>	<u>9,865,912</u>
9.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	18,922,353	3,595,455
	Sale	276,010	2,439,128
		<u>19,198,363</u>	<u>6,034,583</u>
10	Profit / return earned		
	On:		
	Financing	6,305,825	3,220,582
	Investments	5,980,889	5,756,405
	Placements	63,333	153,702
		<u>12,350,047</u>	<u>9,130,689</u>
11	Profit / return expensed		
	On:		
	Deposits and other accounts	4,505,477	3,412,237
	Due to financial institutions	2,344,878	901,956
	Cost against foreign currency deposits for wa'ad based transactions	198,088	35,154
		<u>7,048,443</u>	<u>4,349,347</u>
12	Remuneration to Shariah Advisor / Board	<u>7,931</u>	<u>7,120</u>
13	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.

ANNEXURE I: ISLAMIC BANKING BUSINESS

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 the 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, the 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.

Special Pool FCY (Mudarabah)

HBL IB currently has a special pool with the objective to offer relatively higher returns to special segments customers. The special pool is based on unrestricted Mudarabah with possible commingling of funds from HBL Islamic Banking as its own equity. Funds generally need to be invested in FCY assets, however in case the FCY assets are not available, bank may invest these funds in assets of local currency. 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 management of Islamic Banking assets portfolio to mitigate this risk.

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

IERS facility enables the exporters to avail the 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 the 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 SBP shall share the loss in the proportion of their share of investment in the Musharakah Pool expressed on daily product basis.

- 14 The Mudarib's share in profit is 36.43% (2017: 43%) and amounts to Rs. 2,424.965 million (2017: Rs. 2,227.360 million) after netting of Hiba to depositors from Mudarib's share amounting to Rs. 365.297 million (2017: Rs. 310.773 million).
- 15 The following parameters are used for profit distribution in the pool:
- Permissible direct expenses can be charged to relevant pool. Administrative and operating expenses are paid by the Mudarib and not charged to the pool.
 - 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 12.692 million of Profit Equalization Reserve was maintained, however utilised as well during the year.
- 16 Average profit rates earned on the earning assets of Islamic banking business during the year is 5.94% (2017: 5.69%) as compared to a profit rate of 3.72% (2017: 3.40%) distributed to the depositors.

ANNEXURE I: ISLAMIC BANKING BUSINESS

17 Deployment of Mudarabah based average deposits by economic sector

	2018 (Rupees in '000)	2017 (Rupees in '000)
Cement	5,729,056	450,000
Chemical and pharmaceuticals	2,269,609	2,636,296
Construction	-	1,795,500
Education and Medical	124,000	186,775
Engineering	165,830	4,057
Financial	914,143	188,571
Food, tobacco and beverages	16,045,846	9,606,487
Individuals	1,443,024	1,183,376
Others	1,703,827	974,658
Ports and Shipping	-	1,377
Printing and Publishing	209,647	213,397
Production and transmission of energy	77,116,050	74,838,824
Telecommunication	3,000,000	3,000,000
Textile	5,508,208	4,875,743
Metal and Allied	5,652,864	166,834
Oil and Gas	4,971,064	4,709,150
Mining and quarrying	305,269	377,781
Wholesale and Retail Trade	226,454	55,439
GoP Ijarah Sukuks	53,511,969	83,760,096
Total gross Islamic financing and related assets and investments	178,896,860	189,024,361
Total lending to financial institutions	13,031,526	1,614,838
Total deployed funds	191,928,386	190,639,199

17.1 Deployment of Mudarabah based average deposits by public / private sector

	2018 (Rupees in '000)	2017 (Rupees in '000)
Public / Government	123,060,075	149,571,154
Private	68,868,311	41,068,045
Total	191,928,386	190,639,199

Details of advances written-off - Unconsolidated Financial Statements

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2018

ANNEXURE II**Rs. in '000**

S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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)	
1	AMJAD IQBAL TARAR KOT LADHA PO KHAS, TEH.NOWSHEHRA VIRKAN, DISTT.GUJRANWALA.	34-103-0487161-5	KHURSHID AHMED	1,979	707	-	2,686	-	566	-	566
2	MUHAMMAD ALAM KHAN/REHANA PARVEEN HOUSE.NO.42,STREET.NO.34-A, SECTOR-I-10/2,ISLAMABAD.	61101-4655085-3	ABDUL AZIZ (LATE)	4,786	4,073	-	8,859	-	2,959	-	2,959
3	FASHION GUIDE INTERNATIONAL WAOAS CENTRE/BAG CENTRE, RANG MAHAL,LAHORE.	MUHAMMAD USMAN MIRZA 35201-2488198-5	MIRZA AZHAR BAIG	7,500	5,541	-	13,041	-	5,541	-	5,541
4	RZWAN OIL MILLS BAHAWAL PUR ROAD,KAHRROR PACCA.	MUHAMMAD SALEEM 36202-1107630-3	MUHAMMAD UMER	1,500	1,329	-	2,829	-	1,259	70	1,329
5	CHAND SPRAY CENTRE SHAH PUR ROAD,NEAR CHANDNI CHOWK,KAHRROR PACCA.	RAO INAYAT ALI 36202-0959986-7	RAO MUHAMMAD ISHAQ	1,500	1,249	-	2,749	-	1,130	-	1,130
6	SAFDAR NOOR COTTON GPF MAILS LODHRAN BYPASS,KAHRROR PACCA,DISTT.LODHRAN.	MUHAMMAD SALEEM 36202-0933283-9 CH. MUHAMMAD SAQDAR ALI 36202-7637830-7	CH.MUHAMMAD ISMAIL CHOUDHRY RAHMAT ALI	8,492	2,693	-	11,185	-	2,686	-	2,686
7	Z.K.ENGINEERING WORKS MALIK TOWN,NEAR DUSACO CHOWK, 10 K.M.SHEIKHUPURA ROAD,LAHORE	MUHAMMAD KHALIL 35401-4080488-1	MUHAMMAD SIDDIQUE	799	734	-	1,533	-	734	-	734
8	ALI CORPORATION VEHARI ROAD,WAKHDOOM RASHEED, MULTAN.	NAVEED AHMED 36302-7884710-3	ALI AHMAD	1,199	1,423	-	2,622	-	1,124	149	1,273
9	HASSAN TRADERS NEW SABZI MANDI,ALI PUR ROAD, MUZAFFARGARH.	MUSHAHID AHMAD KHAN 32304-7763565-9	ALLAH DITTA KHAN	698	734	-	1,432	-	645	89	734
10	AL-MADINA SUPER STORE NEAR SHAKIR ACADEMY ALI PUR ROAD,TEH&DISTT.MUZAFFARGARH.	AMIR SHAHZAD 32304-2822796-1	ABDUL MAJEED	999	618	-	1,617	-	509	-	509
11	NAWAB ALI COMMISSION AGENT SHOP NO.6/M, GHALLA MANDI, MULTAN.	NAWAB ALI 36302-5432178-5	ALI MUHAMMAD	2,479	2,225	-	4,704	-	2,204	-	2,204
12	NEW AL-HAMED OIL MILLS SURAJ KUND ROAD,CHOWK SHAH ABBAS,MULTAN.	MUSTAFA KAMAL KHAN 36302-1507793-5	SHAH NAWAZ KHAN	2,972	3,772	-	6,744	-	2,579	283	2,862
13	S.J.OVERSEAS CORPORATION ARIF MAHMOOD ROAD NIZAMABAD WAZIRABAD, DISTT.GUJRANWALA.	CH.JAVID AKHTAR 34-104-3722443-9	CH.MUHAMMAD HUSSAIN	1,356	1,058	-	2,414	-	1,058	-	1,058

Details of advances written-off - Unconsolidated Financial Statements

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2018

ANNEXURE II

S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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)	
14	MASTER OIL TRADERS WANDO ROAD, CHANDANIAN, EMINABAD DISTT. GUJRANWALA.	MUHAMMAD ISHAQ 34101-0507406-7	GHULAM HAIDER	590	616	-	1,206	-	-	606	-	606
15	ROYAL ELECTRONICS OUTSIDE SIALKOTI GATE, G.T. ROAD GUJRANWALA.	IMTIAZ AHMED 34101-1466271-1	MUHAMMAD LATIF	380	586	-	966	-	-	586	-	586
16	K.Q.B.PUMPS MAQBOOL ROAD, NEAR TARIQ CALENDARING, SAMUNDRI ROAD, FAISALABAD.	ZIA UDDIN 33100-6835401-3	MIRZA MUHAMMAD HUSSAIN	1,500	939	-	2,439	-	-	871	-	871
17	ABDUL RAUF H.NO.104/E, BUREWALA, DISTT. VEHARI.	36601-6714310-1	ABDUL SALAM	938	1,217	-	2,155	-	-	1,063	-	1,063
18	GHULAM JAFAR MOUZA KUND SARGANA, P.O.QATALPUR TEH KABIRWALA.	36102-5259054-3	NAZAR HUSSAIN	1,050	803	-	1,853	-	-	803	-	803
19	GHULAM BAQIR KUND SARGANA, P.O.QATALPUR, TEH KABIRWALA, DISTT. KHANEWAL.	36102-1327161-9	NAZAR MUHAMMAD	900	1,107	-	2,007	-	-	1,107	-	1,107
20	CHATTA POLTRY SERVICES DAR MARKET, ALI PUR CHATTA, DISTT. GUJRANWALA.	MUHAMMAD ZAMAN CHATTHA 34104-8918702-5	MUHAMMAD FERROZ CHATTHA	1,299	851	-	2,150	-	-	850	-	850
21	MUHAMMAD ASLAM CHAK NO.66, DINA NATH, P.O. SAME, TEH. PATTOKI, DISTT. KASUR.	35103-8374400-7	MALIK SARJA	829	1,529	-	2,358	-	-	1,077	-	1,077
22	MAHBOOB ALAM INDUSTRIES SULTAN MEHBOOB ROAD, SHALIMAR TOWN LAHORE.	SYED KHALID HASSAN SHAH 35202-2843659-9	SYED AHMAD HASSAN SHAH	14,941	11,677	-	26,618	2,441	-	10,578	1,099	14,118
23	SADIQ POULTARY FARM CHAK NO.59, P.O.KOT RADHA KISHAN DISTT. KASUR.	MUHAMMAD SADIQ 35102-8867103-3 FARYAD ALI 35102-4130408-7	LASHKAR ALI MUHAMMAD SADIQ	5,134	3,254	-	8,388	-	-	2,768	-	2,768
24	JOSEPH INDUSTRIES HOUSE B-52, KDA SCHEME NO.1, DRIGH ROAD KARACHI. CENTRAL HOTEL BUILDING, ABDULLAH HAROON ROAD, KARACHI	MUHAMMAD A TEEQ KHAN 51854-169032 MUHAMMAD SAEED KHAN 51750-173535	MUHAMMAD AYUB KHAN MUHAMMAD AYUB KHAN	13,562	10,116	-	23,678	-	-	6,376	-	6,376
25	MUHAMMAD TUFAIL THATTA FETH ALI JAMA ABAD, TEHSIL CHINIOT, DISTT. JHANG.	33201-1683108-1	AHMED KHAN	2,000	1,403	-	3,403	-	-	1,403	-	1,403
26	IFAT PARVEEN HOUSE NO.22, SHAKHAN MACHLI BAZAR, AHMEDPUR LAMMA, TEHSIL, SADIQABAD, DISTT. RAHIM YAR KHAN	31304-6755059-2	GHULAM QADIR	1,600	1,085	-	2,685	-	-	860	-	860

Details of advances written-off - Unconsolidated Financial Statements

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2018

ANNEXURE II

Rs. in '000

S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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)	
27	DOULAT KHAN CHAK NO.204-JB,TEH.CHINIOT, DISTT.JHANG.	33201-7553010-7	SHAMS-UL-HAQ	1,750	1,215	-	-	-	1,215	-	1,215
28	MUHAMMAD ARSHAD KHAN RAKH MALKHA HANS,PO.MALKHA HANS, TEH&DISTT.PAKPATTAN.	36502-5417742-5	MUHAMMAD USMAN	1,000	1,303	-	-	-	1,303	-	1,303
29	MUHAMMAD ZUBAIR ALAMGIR GRANIT CO.ABRAR BUSINESS CENTRE,MAIN WAHDAT ROAD, LAHORE.	35202-2908331-5	MUHAMMAD ALAMGIR	26,485	46,531	-	-	-	46,531	-	46,531
30	MAASID DEVELOPERS (PVT) LTD HOUSE.NO.233-B,STREET.87, SECTOR.F-11/1,ISLAMABAD.	ZAKIM KHAN MAHSUD 37405-3704770-3 MUHAMMAD YAKUB MAHSUD 61101-2025607-3	FALAK SHER KHAN MAHSUD MAID ULLAH JAN	5,393	562	-	-	-	562	-	562
31	BAIG TRADING CORPORATION WAOAS CENTRE,RANG MAHALL,LAHORE	MIRZA AZHAR BAIG 35201-9976394-1	MIRZA ANWAR BAIG	24,000	17,153	-	-	-	17,153	-	17,153
32	CH.MEHARBAN AND CO GHALLA MANDI GARBI,HAIZABAD, DISTT.HAFIZABAD.	MUHAMMAD BILAL 34301-6897067-7	MUHAMMAD YOUSAF	2,000	1,218	-	-	-	1,218	-	1,218
33	EH SANI KHAN VILLAGE VERN,PO.KHAS,TEH&DISTT SHEIKHUPURA.	35201-9878933-9	FAQIR HUSSAIN	700	753	-	-	-	753	-	753
34	MUHAMMAD RIAZ CHAK.NO.66,DINA NATH, TEH.PATTOKI,DISTT.KASUR.	35103-0967565-5	MUHAMMAD WAKEEL	700	599	-	-	-	579	-	579
35	MIR MEDICAL STORE SIAL KOT ROAD OVER HEAD BRIDGE, GUJRANWALA.	SANA-UL-HAQ MEER 34101-0340638-9 GOHAR MAQSOOD MEER 34101-2517060-1	NOOR AHMED MEER NOOR AHMED MEER	1,388	1,499	-	-	-	1,397	-	1,397
36	SARWAR BAIG VILLAGE SHEIKH PURA NAO, PO.MOHALLAM KALAN,DISTT.KASUR.	35102-8574929-5	AZIZ BAIG	1	582	-	-	-	582	-	582
37	HEERA PESTICIDES CORPORATION NEAR DEEWANE-KHAS 8-NEW OFFICERS COLONY,ABU DHABI ROAD RAHIMI YAR KHAN.	JAWED AKBAR 31303-1711254-3 SARFARAZ AHMED 35201-1421231-9 KHURAM SARFARAZ AHMED 31303-0647065-9	AKBAR ALI JAN MUHAMMAD SARFARAZ AHMED	-	3,445	-	-	-	2,011	-	2,011
38	ZAHOOR AHMED ABBASI MOUZA SARDAR PUR,PO.ANYTEE, TEH.KHARPUR TAMIWALI, DISTT.BAHAWALPUR.	31204-8169892-1	AHMED YAR	2,606	1,989	-	-	-	1,989	-	1,989

Details of advances written-off - Unconsolidated Financial Statements

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2018

ANNEXURE II

S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NC No.)	Father's / Husband's 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)	
39	RAI MUHAMMAD NAWAZ WASEEM COMMISSION SHOP, GHALLA MANDI, MORE KHUNDA, PO MORE KHUNDA, DISTT: NANKANA SAHIB.	35402-1988289-3	AMEER ALI	1,898	761	-	-	-	761	-	761
40	M. SHOES SHOP NO. 1, RAFFIQUE PLAZA, MOTI BAZAR, I/S MASTI GATE, LAHORE.	SH. MASOOD AHMED 35404-1975794-5	MUHAMMAD RAFIQ	9,268	2,879	-	3,268	-	2,879	-	6,147
41	PEARL FURNITURE BISMILLAH MANZIL ACADEMY ROAD, SULTAN PARK, LAHORE CANTT.	MUHAMMAD ARSHAD 35202-5270723-5	MUHAMMAD AZAM	999	760	-	-	-	759	-	759
42	SYED GHULAM RASOOL GARDEZI PO. KUKKAR HATTA, PO SAME, TEH. KABIRWALA, DISTT. KHANEWAL.	36302-6968497-3	SYED KARIM HAIDER GARDAZI	1,014	1,074	-	-	-	802	-	802
43	NOVELTY MANUFACTURING (PVT) LTD 7.5-KM, RAIWIND ROAD, OPP. HASSAN KOT NEAR GOVT COLLEGE OF TECHNOLOGY, LAHORE.	IKRAM-UL-HAQ 35202-0684416-1 JAWAD NASIR 35202-1189888-9	MUHAMMAD YOUSAF MUHAMMAD NASIR	16,983	5,613	-	-	-	3,274	-	3,274
44	RAB NAWAZ KHAN KHICHI HOUSE, MOUZA FADDA, TEH. MAILSI, DISTT. VEHARI.	36602-5417928-3	MUHAMMAD YAR KHAN	2,700	2,563	-	-	-	2,211	-	2,211
45	UMER TRADERS BARA DARI ROAD, MIAN NAZIR CHOWK, SHAHDARA, LAHORE.	MUHAMMAD SIDDIQUE 35401-9891822-1	MUHAMMAD BASHIR	2,500	1,503	-	-	-	1,503	-	1,503
46	RANA ABDUL QAYYUM KHAN VILLAGE HALLOWAL, POST OFFICE HALLOWAL, TEH&DISTT. NAROWAL.	34501-7217402-5	BORE KHAN	800	687	-	-	-	687	-	687
47	KHURSHID AHMED CHAK NO. 153/9-L, PO. SAME, TEHSIL&DISTT. SAHAWAL.	36502-1335767-1	WALI MUHAMMAD	997	826	-	-	-	523	-	523
48	GHULAM AHMED MOHALLAH, EID GAH, ST. 1, H.NO. 1090-C, KAMEER ROAD, PAKPATTAN.	36402-7517204-3	ANWER SHER	1,000	1,369	-	-	-	879	-	879
49	NEW ALLIED ELECTRONICS INDUSTRIES (PVT) LTD 7TH FLOOR LAKSON SQUARE BUILDING, NO. 1, SARWAR HUSSAIN SHAHEED ROAD, KARACHI.	MIAN PERVEZ AKHTAR 42301-7176596-3 ABDUL RAUF 42201-3539213-1	MIAN MUHAMMAD RAFIQ ANWAR ABDUL GHAFOR ATEEQ	1,963,706	2,511,679	-	1,508,151	-	2,511,679	-	4,019,830
50	MOHSIN SAJJAD ENTERPRISES NEAR BATH RICE MILLS KALASKE, PO. KHAS, TEH. WAZIRABAD, DISTT. GUJRANWALA.	SAJJAD HUSSAIN 34104-2211428-9	GHULAM HUSSAIN	1,000	1,290	-	-	-	1,240	-	1,240
51	KHALID TEX 1114 MOHALLAH KARAM PURA, O/S DAULAT GATE, MULTAN.	KHALID MEHMOOD 36302-6886314-3	HAFIZ MUHAMMAD HUSSAIN	1,500	796	-	-	-	687	-	687

Details of advances written-off - Unconsolidated Financial Statements

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2018

ANNEXURE II**Rs. in '000**

S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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)	
52	SIKANDARI WOOLEN MILLS (PVT) LTD. PLOT 45-50 SPECIAL INDUSTRIAL ZONE, RISAL PUR.	AHMED NAWAZ KHAN 17301-0772563-3 ASMAT JEHAN 17301-9058608-0 FAHEEM AHMED KHAN 17301-1590765-1	MUHAMMAD NAWAZ KHAN AHMED NAWAZ KHAN AHMED NAWAZ KHAN	5,549	3,422	-	8,971	-	2,810	612	5,971
53	SAKRAND SUGAR MILLS LTD 41-K,BLOCK-6 PECHS,KARACHI.	SYED ABID HUSSAIN 42201-7060912-7 JAMIL AKBARI 42301-8226285-7 DINSHAW HOSING ANKAL SARIA 42301-0225821-5 ABDUL NAEEM QURESHI 42301-7081422-9 NAVILLE MEHTA 42301-3072960-5 FATMA GULAM ALI MERALL 83458-6548378-2 JAMSHED HOSHING ANKAL SARIA 42201-0557930-1	SYED BAQAR HUSSAIN MUHAMMAD SAEED AKBARI HOSING SOHRAB ANKAL SARIA ABDUL HAMEED QURESHI JEHANGIR MEHTA JAMIL AKBARI HOSHANG SOHRAB ANKAL SARIA	106,596	288,063	-	394,659	-	274,267	9,100	283,367
54	MEHMOOD SUGAR DEALER BAZAR AL MARIAN DAL BAZAR, GUJRANWALA.	TALAT MEHMOOD 34101-4196635-5	MUHAMMAD SHAFI	923	653	-	1,576	-	636	-	636
55	MIAN CORPORATION BAWANA BAZAR,FAISALABAD.	MUHAMMAD SARWAR 33100-0963097-1	IBRAHIM URF SARDAR MUHAMMAD	3,000	1,822	-	4,822	-	1,564	-	1,564
56	SHAMIM IMTIAZ H.NO.41,GALINO.102, NEW SATELLITE TOWN,SARGODHA.	38403-3050384-8	SH.IMTIAZ KARIM	750	627	-	1,377	-	627	-	627
57	UNITED SHOE STORE SHOP NO.1645 INSIDE HARAM GATE, MULTAN.	SAJID ALI QURESHI 36302-4065112-3	REHMAT ALI	2,500	1,869	-	4,369	-	1,811	58	1,869
58	AZIZ MALIK & CO ZAFAR COLONY,WAPDA GRID STATION ROAD NEAR OLD CHUNGI NO.2,MUZAFFARGARH.	MALIK AZIZ KHAN 32304-1612689-7 MUHAMMAD ASHRAF MALIK 32304-1612683-9 MALIK ASLAM HAYAT 32304-3084330-1 MALIK NOOR HAYAT KHAN 32304-1616985-5	MALIK MUHAMMAD KHAN MIAN MUHAMMAD KHAN MALIK AZIZ KHAN MALIK AZIZ KHAN	1,409	1,623	-	3,032	-	859	-	859
59	M.A. TRADERS P-14, CHAK NO.223/RB QABRASTAN WALI GALI,KARTARPUR WALA, SAMUNDRI ROAD,FAISALABAD.	ABDUL SHAKOOR 33103-9347088-9	CHIRAGH DIN	954	891	-	1,845	-	891	-	891
60	CHEEMA FILLING STATION G.T.ROAD, DHOUKAL, TEH. WAZIRABAD, DISTT. GUJRANWALA.	HASSAN NAWAZ CHEEMA 34101-7278148-3	MUHAMMAD MALIK	4,199	2,656	-	6,855	-	2,052	-	2,052

Details of advances written-off - Unconsolidated Financial Statements

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2018

ANNEXURE II

S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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											
61	SHAIKH AMIR NAZIR BAHADARABAD CENTER NO.2, FLOOR 206,MAIN BAHADARABAD, KARACHI.	42201-7850299-1	SHEIKH NAZIR AHMED	4,598	3,145	-	7,743	-	-	3,145	3,145
62	POULTRY VETERINARY AID QUARY ROAD,QUETTA.	KAMRAN AKHTAR 54400-0918955-3	MUHAMMAD AKHTAR FAROOQI	11,630	3,109	-	14,739	-	-	2,924	2,924
63	JAMIL WEAVING FACTORY JARANWALA ROAD,NEAR WAPDA WORKSHOP,FAISALABAD.	JAMIL AHMED 33100-0624827-3	HAJI MUHAMMAD IDRESS	3,500	1,784	-	5,284	-	-	697	697
64	MASOOD & COMPANY OLD BUS STAND,FAZILPUR.	MIAN MASOOD AKHTAR 32403-1645504-5	MIAN ABDUL MAJEED	1,200	1,528	-	2,728	-	-	1,508	1,508
65	AFZAL TRADERS SURAJ MIANI ROAD,MULTAN.	MUHAMMAD NASIR 36302-4917428-5	MUHAMMAD SHAFI	1,500	1,615	-	3,115	-	-	940	232
66	HAJI HABIBULLAH MALLAH RAWAT KHAN LEGHARI ROAD,UMEER RICE MILL,PO.KHAIRPUR NATHAN SHAH.	41203-1361781-3	MUHAMMAD BUX	800	524	-	1,324	-	-	519	519
67	LUTIF ULLAH MALAH SHAHBAZ COLONY, K.N. SHAH, TALUKA, KHAIRPUR NATHAN SHAH,DISTT.DADU.	41203-4412148-1	HABIB ULLAH	598	773	-	1,371	-	-	645	126
68	MEHRAN MOTORS STATION ROAD,GHOTKI.	TARIQUE AZIZ SHAIKH 45102-1033739-1	MUHAMMAD MITHAL SHAIKH	1,499	816	-	2,315	-	-	570	570
69	IRFAN BROTHERS SHOP 27,BASEMENT KARNAL PLAZA, PESA AKHBAR ROAD,LAHORE.	MUHAMMAD IFITKHAR 35202-0252027-7	GHULAM RASOOL	1,000	630	-	1,630	-	-	630	630
70	SARHAND PACKAGES D-42,SITE SUPER HIGHWAY, KARACHI.	KAMRAN RAOOF 42301-2014540-1 MIAN RIZWAN RAOOF 42301-2013590-1	MIAN ABDUL RAUF MIAN ABDUL RAUF	9,999	8,200	-	18,199	-	-	8,199	8,199
71	OK INDUSTRIES IHTSHAM COLONY,SUI GAS OFFICE ROAD,GUJRANWALA.	MUHAMMAD ASIF ILYAS 34101-4176729-3	MUHAMAD IL YAS ANJUM	-	3,543	-	3,543	-	-	3,543	3,543
72	NOOR FILLING STATION MAHARA NASAB,KHANPUR SHUMALI, MUZAFFAR GARH.	RAO MUHAMMAD ZAFAR IQBAL 32304-9460468-9	RAO MUHAMMAD IQBAL KHAN	800	993	-	1,793	-	-	667	667
73	MASHOOQUE ALI HALEPOTO VILLAGE HAJI KAMAL KHAN HALEPOTO P/O SULEMAN PAHORE, TALUKA,MATLI,DISTRICT.BADIN.	41103-7704991-3	MUHAMMAD SALEH HALEPOTO	1,200	740	-	1,940	-	-	554	554
74	IMRAN AHMAD HOUSE.NO.304,D-III,WAPDA TOWN, LAHORE.	35202-2980999-1	MUHAMMAD YOUNAS	4,096	656	-	4,752	-	-	526	526

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Rs. in '000

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				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
75	TAJENT CORPORATION, 5/1/1, MAIN KHAYABAN-E-ITTEHAD, KARACHI	TAJ MUHAMMAD 42201-4053185-5	MUHAMMAD JAFFER	9,492	516	-	-	-	516	-	516
76	KHAN AUTOS MAIN ROAD MORO, TAL. MORO.	SIRAJ-UL-HAQ 45303-2214626-9	MUHAMMAD SIDDIQUE MEMON	1,500	1,083	-	-	-	704	-	704
77	PERVEEN REHMAT H.NO.9, ST.NO.4, MUHALLAH IQBAL TOWN KURI ROAD, RAWALPINDI.	37405-3772080-4	WARASAT SHAKEEL	1,106	295	-	776	-	220	-	996
78	MAJOR ELECTRONICS P-19 KUTCHERY BAZAR, FAISALABAD	KHALID HAMEED 33103-0633691-9	MUHAMMAD AFZAL	2,500	1,778	-	-	-	999	-	999
79	SAEED SHOES COMPANY M/C SCHOOL WALI GALI BHOWANA BAZAR, FAISALABAD.	MUHAMMAD SAEED 33102-1762229-5	MUHAMMAD YOUSAF	5,999	4,664	-	-	-	4,379	280	4,659
80	FAROOQ OIL INDUSTRIES (PVT) LTD PLOT NO. 178,179,180, SECTOR-27, KORANGI INDUSTRIAL ESTATE, KARACHI.	SHEIKH FAROOQ ASLAM 42301-0463356-3 MUHAMMAD OMER FAROOQ 42301-0158904-1 ALI RAUF 42301-4750325-9 RUKHSANA SHAHNAZ 42301-3677076-8 NIDA ALI 42301-2936099-0	SHEIKH MUHAMMAD ASLAM SHEIKH FAROOQ ASLAM SHEIKH ABDUL RAUF SHEIKH ABDUL RAUF ALI RAUF	20,001	9,458	-	-	-	9,458	-	9,458
81	AU OLEO CHEMICALS (PVT) LTD PLOT NO. 178,179,180, SECTOR-27, KORANGI INDUSTRIAL ESTATE, KORANGI, KARACHI.	SHEIKH FAROOQ ASLAM 42301-0463356-3 MUHAMMAD OMER FAROOQ 42301-0158904-1 ALI RAUF 42301-4750325-9 RUKHSANA SHAHNAZ 42301-3677076-8 NIDA ALI 42301-2936099-0	SHEIKH MUHAMMAD ASLAM SHEIKH FAROOQ ASLAM SHEIKH ABDUL RAUF SHEIKH ABDUL RAUF ALI RAUF	10,000	10,687	-	-	-	10,687	-	10,687
82	MADNI BROTHERS AGRO SERVICE NEAR LAGHARE COTTON FACTO, NISHAN ROAD, MIR HAZAR KHAN, TEHSIL GHOTKI.	MUHAMMAD AKRAM 32302-6838712-5	MUHAMMAD IQBAL	1,282	1,663	-	-	-	1,545	-	1,545
83	QADIR MEDICOSE C/O SHAN MEDICAL STORE, SIAL MEDICAL CENTRE, L.M.Q. ROAD, MULTAN.	MALIK RAFIQUE AHMED 36302-4886282-3	MALIK AHMED YAR	2,500	590	-	-	-	590	-	590
84	WINTEX INTERNATIONAL 570-G BLOCK, GULSHAN-E-RAVI, LAHORE.	MUHAMMAD IHTISHAM SARWAR 35202-2808226-7	MUHAMMAD SARWAR	1,499	1,147	-	-	-	1,146	-	1,146
85	AMEER ABDULLAH KHAN TAREKHANWALA, PO. SAME, TEH SAHIWAL, DISTT. SARGODHA.	37405-9300315-1	SHAHID INAMULLAH KHAN	3,497	1,226	-	-	-	723	-	723

Details of advances written-off - Unconsolidated Financial Statements

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S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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											
86	H.R. TRADING CO (PVT) LTD 20-G/2ND FLOOR COMMERCIAL AREA D.H.A.LAHORE.	MST.NASREEN FATIMA 35102-0585276-8 ZAHID MEHMOOD ALI SHAH 80950-4112918-1	MUHAMMAD SHAFIQ CHAUDHRY	1,114	627	-	1,741	-	-	627	627
87	REHMAN MEHBOOB COMPANY IN FRONT OF OFFICERS COLONY NO.1.NEAR SUZUKI SHOW ROOM, MADINA TOWN,FAISALABAD.	RANA FAZAL MUHAMMAD KHAN (LATE) 33100-5815092-9	BAJAY KHAN	14,133	11,402	-	25,535	-	-	8,832	8,832
88	GRAIN TRADE OFFICE.714,7TH FLOOR,HUSSAIN TRADE CENTER,NEW CHALLI, KARACHI.	MUKESH KUMAR 42301-2327141-1 MAHESH KUMAR NOVLANI 42201-8393482-7 RAVINDAR KUMAR 42301-4601639-5	LACHMAND DAS MOTI RAM LACHMAN DAS	10,242	1,627	-	11,869	-	-	1,627	1,627
89	ALLAH DINO LIGHARI WAZIR ABAD MUHALLA,NEAR CIVIL HOSPITAL DADU,TAL.DADU, DISTT.DADU.	46226-077578	MUHAMMAD KHAN LEGHARI	1,239	834	-	2,073	-	-	834	834
90	GENERAL OXYGEN (PVT) LTD OPPOSITE CRESCENT SUGAR MILLS, 7-K.M.JHUMRA ROAD,FAISALABAD.	GHULAM MOHYUDDIN 33100-5054720-1 GHULAM QADIR 33100-1018907-9 MUHAMMAD SAJID SOHAIL 33100-5063175-1	CH.WALI MUHAMMAD CH.WALI MUHAMMAD GHULAM MUHYUDDIN	3,500	3,373	-	6,873	-	-	2,872	268
91	ABID HUSSAIN & SONS SHOP.NO.4,OPPOSITE JAMIA MASJID,NEW GHALLA MANDI, MULTAN.	FAISAL HUSSAIN 36302-0467465-1	ABID HUSSAIN	1,800	595	-	2,395	-	-	544	544
92	ABD PETROLEUM SERVICE BY PASS G.T.ROAD KOT ADDU,TEH. KOT ADDU,DISTT.MUZAFFAR GARH.	SAIF ALI ABID 32303-9369307-9	ASHIQ ALI	2,000	1,057	-	3,057	-	-	1,046	1,046
93	SOUFIAN CHEMICAL STORE 428-C,SAID MITHA BAZAR,LAHORE.	MUHAMMAD IKRAM BUTT (LATE) 35202-3239789-3	TAJ DIN BUTT	3,499	560	-	4,059	-	-	559	559
94	SYED MUHAMMAD MUKHTAR HUSSAIN SHAH HOUSE.NO.376,SARFARAZ RAFIQUE ROAD,LAHORE CANTT.	35201-1086034-3	SYED MUHAMMAD NAZAR HUSSAIN SHAH	873	1,165	-	2,038	-	-	895	895
95	CH.AZIZ-UR-REHMAN SILK CENTRE P-12,STREET NO.6,ANARKALI BAZAR,BHOWANA BAZAR,NEAR NARWALA CHOWK,FAISALABAD.	FAISAL AZIZ 33100-7256515-9 IMRAN AZIZ 33100-0768309-3	AZIZ-UR-REHMAN AZIZ-UR-REHMAN	3,000	1,009	-	4,009	-	-	1,009	1,009
96	I.M.PACKAGES PLOT NO.26,ST.NO.2-A, SHALIMAR ROAD,SHERA KOT,BUND ROAD,LAHORE.	MUHAMMAD ISHAQ 35202-2512450-9 MAZHAR IQBAL 81101-5119912-7 ABDUL AZIZ 35202-1410623-5	MIAN KHAN MIAN KHAN MIAN KHAN	649	1,032	-	1,681	-	-	1,031	1,031

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Rs. in '000

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				Principal	Mark-up (Debited + Undebited)	Other Charges		Principal	Write-off	Un-Debited (Waiver)	Debited (Reversal)	
97	MUNIR AHMED SHAD HOUSE 5 STREET 1, UMER TOWN, NEAR GLAXO FACTORY, 19-KM FEROZPUR ROAD, LAHORE.	35201-1614660-7	NAZIR AHMED	-	543	-	-	543	-	543	-	543
98	UNIVERSAL TRACTORS PAKISTAN (PVT) LTD 172-GM-2) P.E. CH.S.BLOCK-II, MAIN TARIQ ROAD KARACHI.	MUHAMMAD IQBAL 42201-0362176-3 MUHAMMAD MUNAWAR 42201-0331241-9 ABDUL WAHAB 42201-0369197-9 MUHAMMAD YASIN 42201-0318757-1 MUHAMMAD JAFFER 42000-0422308-7	GUL MUHAMMAD GUL MUHAMMAD GUL MUHAMMAD ESSA GUL MUHAMMAD ESSA GUL MUHAMMAD ESSA	24,902	12,924	-	-	37,826	-	11,005	1,821	12,826
99	MALIK BROTHERS ADDA-9-KASSI, VEHARI ROAD, TEH & DISTT. MULTAN.	MUHAMMAD IFTIKHAR 36303-0986831-3	REHMAT ALI	1,300	970	-	-	2,270	-	970	-	970
100	A.M.S.ENTERPRISES 223/1-WAL-JELAN ROAD, CHOWK SHAH ABBAS, MULTAN.	SHAHID HUSSAIN 36302-8276082-7 SARFARAZ AHMED 36302-8583862-5 AHMED BUX 36302-4917107-1	GHULAM AHMED KHARRAL ABDUL REHMAN MALIK RAB NAWAZ	1,500	1,111	-	-	2,611	-	902	140	1,042
101	AFZAL OIL AGENCY THANA ROAD, GHAKKHAR MANDI, GUJRANWALA.	MUHAMMAD AFZAL 34104-3215632-3	NAWAB DIN	1,999	1,406	-	-	3,405	-	1,405	-	1,405
102	KALCO PHARMA (PVT) LTD 94-ABU BAKAR BLOCK, NEW GARDEN TOWN, LAHORE.	MUHAMMAD ASHIQ MIRZA 35201-5750602-9 SOHAIL ASHKAR 35200-1489886-7	MIRZA GHULAM MUHAMMAD ZAWAR AHMED	6,089	3,157	-	-	9,246	-	-	3,157	3,157
103	UNIQUE TRADERS GHALLAH MANDI NOKHAR, DISTT. GUJRANWALA.	CH.ABID HUSSAIN 34103-0486110-5	MUHAMMAD HUSSAIN	223	1,964	-	-	2,187	-	1,612	-	1,612
104	PAK HERO INDUSTRIES PRIVATE LIMITED NOOR ARCADE-111-LYTON ROAD, LAHORE.	JAVED IQBAL 35202-8633382-5 ABDUL HAMEED 35202-4294315-1	CH.MUHAMMAD SHARIF MUHAMMAD SHARIF	48,793	41,790	-	-	90,583	-	35,583	-	35,583
105	LADIES CARE FASHIONS 10-11 KHANAM BAZAR, ANARKALI, LAHORE.	MUHAMMAD SAEED BUTT 35202-5462898-5	MUHAMMAD SHARIF BUTT	7,000	3,559	-	-	10,559	-	3,215	-	3,215
106	UMER TRADERS RAM KAY CHATTHA, PO.SAME, DISTT. HAFIZABAD.	UMER HAYAT KHAN 34301-1761290-1	ALLOU DIN KHAN	1,000	1,226	-	-	2,226	-	1,226	-	1,226

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				Principal	Mark-up (Debited + Undebited)	Other Charges	Total			Un-Debited (Waiver)	Debited (Reversal)	
Rs. in '000												
107	SHAMI PLASTIC STORE BOHAR BAZAR, SABZI BAZAR LALAMUSA, TEH. KHARIAN, DISTT. GUJRAT.	KHURRAM SHAHZAD 34202-5418345-9	MUHAMMAD YOUNAS SHAMI	1,004	867	-	1,871	-	-	837	-	837
108	ITHAD OIL MILLS ADDA-9, KASSI VEHARI ROAD, PO. MAKHDOOM RASHID, TEH. MULTAN.	AMEER ULLAH BHATTI 36303-0941679-3 MUHAMMAD SALEEM 36303-0910618-1 ABDUL KHALIQ 36303-0869479-7 ABDUL MAJEED 36302-0284210-9 SHAMIM AKHTAR 36303-9081661-0 IRSHAD BEGUM 36303-8211291-8 RAMZAN BIBI 36303-086896-4	SANA ULLAH AMEER DEEN NOOR MUHAMMAD ABDUL KHALIQ MUHAMMAD SAEED AHMED CH. AMEER ULLAH BHATTI MUHAMMAD SALEEM	712	1,279	-	1,991	-	-	991	-	991
109	GUJAR TRADERS MOUZA RUKH KALAN, TEH. WAZIRABAD DISTT. GUJRANWALA.	MUHAMMAD RAZZAQ 34104-2345462-7	OASIM DIN	240	961	-	1,201	-	-	831	-	831
110	NISAR SONS G.T. ROAD, ROHILANWALI, P.O. R. WALI TEH. M. GARH, DISTT. MUZAFFARGARH.	NISAR AHMED 32304-5465099-9	RANA ABDUL GHAFFAR	1,200	1,174	-	2,374	-	-	954	-	954
111	USAMA BUILDING MATERIAL THANA ROAD, GHAKKHAR MANDI, TEH. WAZIRABAD, DISTT. GUJRANWALA	MUHAMMAD AFZAL 34104-3215632-3	NAWAB DIN	1,998	1,399	-	3,397	-	-	1,397	-	1,397
112	MUHAMMAD YAMIN MUGHAL BI-310, ST. NO. 2, MUSLIM TOWN, SADIQABAD, RAWALPINDI.	37405-8925326-1	ABDUL RAHIM MUGHAL	996	638	-	1,634	-	-	638	-	638
113	NAFEES PHALA MAKERS JANDALA BAHGWALA P. ROAD, DISTT. GUJRANWALA.	MUHAMMAD RAFIQ 34101-1919409-1	MUHAMMAD SADIQ	644	1,992	-	2,636	-	-	1,636	-	1,636
114	UNIQUE POULTARY FARM VILLAGE SHER GARH KHURD ALLAHABAD ROAD, KAMOKI, DISTT. GUJRANWALA.	ALI ZULFIQAR 35201-4547119-3 FALAK SHER 34102-5700969-3	SARDAR ZULFIQAR AHMED KHAN BASHARAT ALI	7,724	1,023	-	8,747	-	-	594	-	594
115	HAJI ALLAH RAKHA & SONS FLOUR MILLS HAJI PURA DASKA ROAD, SIALKOT.	GHULAM MIRAN 34603-3339447-7	CH. MUHAMMAD BASHIR CHEEMA	7,114	4,911	-	12,025	-	-	3,463	-	3,463
116	PIGMA CENTRE 84, MCLEOD ROAD, LAHORE.	ABDUL HAMEED KHAN 35202-9213664-5	AKOOZA KHAN	6,968	6,335	-	13,303	-	-	6,303	-	6,303
117	GILL TRADING INTERNATIONAL REHMAN SHAHEED ROAD, H.NO. 171- 173, X BLOCK, MADINA TOWN,	KHALID PERVAZ GILL 33100-4963733-7	CH. MUHAMMAD SHARIF	7,999	1,017	-	9,016	-	-	928	-	928

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				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
118	KASHIF ABDUL REHMAN WEAVING FACTORY SUBHANA ABAD, NARWALA ROAD, FAISALABAD.	AAMIR NAVEED 33100-9946315-7	ABDUL REHMAN	1,500	856	-	-	-	856	-	856
119	SEIKHU RICE DEALER GHALLA MANDI, QILA DIDAR SINGH, DISTT. GUJRANWALA.	BARKAT ULLAH SEIKH 34101-6546320-5	GHULAM HAIDER	695	1,100	-	-	-	965	-	965
120	AGHA DAIRY FARM FATEH ENTERPRISES, 1ST FLOOR DHL, M.A. JINNAH ROAD, QUETTA.	SYED FATEH MUHAMMAD 54400-0519436-1	SYED SALEH MUHAMMAD	1,350	962	-	-	-	962	-	962
121	T.P. BRICKS 2-K/M, QADI WIND ROAD, TEHSIL & DISTT. KASUR.	MUHAMMAD ANWAR SOHAIL (LATE) 35102-0613202-7	SARDAR ALI	1,665	780	-	-	-	780	-	780
122	HANURA TRADERS GHALLA MANDI, NOKHAR, P.O. SAME, TEH. NOWSHERA VIRKAN, DISTT. GUJRANWALA.	IRFAN AHMED 34103-7608650-7	MUHAMMAD SAEED	664	626	-	-	-	565	-	565
123	FASAL VAWDA CONSTRUCTION PLOT # 2-C, STADIUM LANE-4, KHAYABAN-E-SHAMSHER, PHASE-V, DHA, KARACHI.	MUHAMMAD FAISAL VAWDA 42301-5998288-5	MUHAMMAD UMER VAWDA	9,404	11,981	-	-	-	11,385	-	11,385
124	MUHAMMAD NAEEM AKHTAR MOUZA DHALLU, TEHSIL MAILSI, DISTT. VEHARI.	36602-3731581-9	KHAN MUHAMMAD BHABA	8,807	9,698	-	-	-	7,155	-	7,155
125	MIAN ABDUL RAUF MOUZA KIKRI KALAN, P.O. NAZ PUR, TEH. MAILSI, DISTT. VEHARI.	36602-9276228-1	MIAN ABDUL GHAFFAR	-	1,257	-	-	-	998	-	998
126	SHOAB AGENCIES 154-K, GARDEN TOWN, MULTAN.	FAROOQ AHMED 36302-0461756-5	NIAMAT ALI	2,500	1,657	-	-	-	1,657	-	1,657
127	SHAHER SULTAN COTTON GINNERS KOTLA GAMMU 5-KILO MTR, JATOI ROAD, SHAHER SULTAN, MUZAFFARGARH.	MALIK MUHAMMAD YOUSAF 36302-0485088-5	MALIK WAHID BAKHSH	3,129	2,558	-	-	-	2,353	205	2,558
128	MADNI OPTICAL SHOP S-57/R, SAFANWALA CHOWK, MAZANG, LAHORE.	RAO ATIF ALI 33105-2056859-7	RAO ARSHAD ALI KHAN	1,494	1,007	-	-	-	1,001	-	1,001
129	ZAHUR SANCHE (PVT) LTD PLOT, NO. 46, SECTOR-7/A,	MUHAMMAD ASHRAF 35202-5362090-3	MUHAMMAD ASLAM	171,215	8,214	-	-	-	5,198	-	30,743
130	SYED MUHAMMAD MURTAZA HUSSAIN HAVELI KORANGA, P.O. SAME, TEH. KABIRWALA, DISTT. KHANEWAL.	ABDUL RAUF 42201-5890317-7 FAHIM RAUF AHMED 42201-8204284-5	ZAHOR AHMED ABDUL RAUF	4,693	2,470	-	-	-	1,462	-	1,462

Details of advances written-off - Unconsolidated Financial Statements

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2018

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S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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)	
131	RUHSANA EJAZ BASTI SHEIKH UMER,PO.SHEIKH UMER,KOT ADU.	32303-5965985-6	KHALID MEHMOOD QURESHI	1,400	1,023	-	2,423	-	-	741	-	741
132	PAKISTAN AGRO CHEMICALS (PVT) LTD B-3/A,S.I.T.E.KARACHI.	ABDUR RAFAY 42201-0269107-1 SHAHWAR RAFAY 42201-6025132-6 JAMAL HAIDER 42201-1158728-7 SAQIB RAFAY 42201-5529933-9	MUHAMMAD ABDUL RAUF (LATE) ABDUR RAFAY GHULAM HAIDER ABDUR RAFAY	21,902	12,658	-	34,560	10,951	-	12,658	-	23,609
133	MUHAMMAD ASHIQ AND SONS GHALLAH MANDI SHARQI,HAFZABAD	GHAZANFAR ALI 34301-1748411-7	ASHIQ ALI	870	1,304	-	2,174	-	-	1,272	-	1,272
134	MOBILE WORLD 13-BASEMENT METRO PLAZA, MULTAN CANTT.	KHALID HUSSAIN 36302-3381300-7	MUHAMMAD SADIQ	750	813	-	1,563	-	-	588	-	588
135	NELAJIM INDUSTRIES 75/3,MARIAM MAJEED MANZIL, DRIGH COLONY.NO.3,KARACHI.	NEELAM ZAMAN 518-65-022938	CHOUDHARY SHAMS-UZ-ZAMAN	595	1,004	-	1,599	595	-	1,004	-	1,599
136	HAFAEE IMPEX GHALLA MALIK RAFIQ SAIM NALA, SHEIKHPUPURA ROAD,GUJRANWALA.	MUHAMMAD SAEED 34101-8719972-5	INAYAT ULLAH	9,948	7,116	-	17,064	-	-	6,740	-	6,740
137	BISMILLAH TRADERS RAILWAY ROAD,ALI PUR CHATTHA, TEHSIL WAZIRABAD, DISTT.GUJRANWALA.	YASIR ISHTIAQ AWAN 34301-1744558-3	MALIK ISHTIAQ AHMED AWAN	2,863	1,728	-	4,591	-	-	1,320	-	1,320
138	SARDAR HAIDER ALI VILLAGE CHANDAR,PO.BHIRI KHURD TEHSIL NOWSHERA VIRKAN, DISTRICT.GUJRANWALA.	34103-0530123-3	SARDAR JAMIL AHMAD	818	983	-	1,801	-	-	909	-	909
139	TAHIR AYYAZ GHAFFAR HOUSE.NO.8/B,BLOCK-A,SETTLITE TOWN,BAHAWALPUR, TEHSIL & DISTT.BAHAWALPUR.	31202-7820173-3	ABDUL GHAFFAR	941	1,536	-	2,477	-	-	768	-	768
140	AHMED SHERAZ 8-BK,SATELLITE TOWN,BAHAWALPUR DISTT.BAHAWALPUR.	31202-7726123-3	RAO ABDUL GHAFFAR	1,000	720	-	1,720	-	-	720	-	720
141	MUHAMMAD ZAHID AKHTAR H.NO.E-362/11-A,BUKHARI STREET GULISTAN COLONY,KAINCHI AMAR SADHU.	35201-0262975-9	UMER MUHAMMAD	1,396	707	-	2,103	-	-	707	-	707

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Rs. in '000

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				Principal	Mark-up (Debited + Undebited)	Other Charges			Total	Un-Debited (Waiver)		Debited (Reversal)
142	LEISURE TEXTILE MILLS LTD 1-5-KM,DEFENCE ROAD, OFF 23RD-KM,MULTAN ROAD,LAHORE	AZHAR IQBAL 35200-1456813-9 AZEEM ZAFAR 91506-0126909-7 AFZAL MAHMOOD 35202-7227511-7	CH.MUHAMMAD IQBAL ZAFAR IQBAL CHAUDHRY MUHAMMAD ASLAM	370,795	222,835	-	593,630	57,928	-	222,835	-	280,763
143	SAFARISH DAIRY FARM KOTLA,P/O,DEHNSA,TEH,SEHNSA, DISTT,KOTLI,A.K.	MUHAMMAD SAFARISH 81203-7268790-9	ALI MUHAMMAD	2,499	355	-	2,854	2,499	-	355	-	2,854
144	SAFEER DAIRY FARM SEHNSA P/O,POTHA ANTI, TEHSIL,SEHNSA, DISTT,KOTLI,A.K.	MUHAMMAD SAFEER 81203-5801149-9	MUHAMMAD BASHIR	894	133	-	1,027	894	-	133	-	1,027
145	IFTIKHAR AHMED HOUSE.NO.18-20,STREET.NO.6, Y BLOCK,PEOPLES COLONY, GUJRANWALA.	34101-9369170-3	CH,ALLAH DIN	3,756	3,712	-	7,468	-	-	3,712	-	3,712
146	AZZ AHMAD BHASEEN,BATAPUR CANTT.	35201-8651498-7	NASIR UDDIN	850	839	-	1,689	-	-	839	-	839
147	MOHSIN AMEER CHAK.NO.107 S.B.P.O.SAME, TEHSIL & DISTT,SARGODHA.	38403-1461485-9	IFTIKHAR AMEER	1,740	837	-	2,577	-	-	517	-	517
148	JAVAD IQBAL SARGODHA ROAD,MIANWALI, TEH,MIANWALI,DISTT,MIANWALI.	38302-1193228-7	SARDAR KHAN	2,478	886	-	3,364	-	-	886	-	886
149	ASHRAF PETROLEUM NEW RAILWAY PHATTAK GOJRA ROAD TOBA TEK SINGH.	LATE MUHAMMAD AKRAM 33303-2177208-7	GHULAM QADIR	3,500	835	-	4,335	-	-	835	-	835
150	GHULAM HASSAN MOH KHZO KHEL MANARI BALA, SWABI.	16202-1263874-9	UMAR KHAN	480	855	-	1,335	-	-	651	-	651
151	SAEED IQBAL 233B BLOCK I NORTH KARACHI	42101-6474652-3	MUHAMMAD SIDDIQUE	2,518	2,411	-	4,929	-	-	2,411	-	2,411
152	AL MAKKA FABRIC A-752 ST NO 12 CIVIL LINE GUJRANWALA	EJAZ-UR-REHMAN BHATTI 34101-2487498-3	ASAD-UR-REHMAN BHATTI	2,455	632	-	3,087	-	-	569	-	569
153	MUHAMMAD SHAHID IQBAL HOUSE NO.36,10TH COMM,STREET PHASE-5,DHA,KARACHI.	42301-1228090-5	MUHAMMAD MUJIB-UR-REHMAN SIDDIQUI	2,387	2,185	-	4,572	-	-	2,185	-	2,185
154	NOORANI CORPORATION LA-820 BLOCK NO 22,F.B INDUSTRIAL AREA KARACHI	MUHAMMAD HASHIM 42301-6515336-3 MUHAMMAD FAROOQ 42301-2449526-3	MUHAMMAD SIDDIQ MUHAMMAD SIDDIQ	41,271	30,242	-	71,513	-	-	30,242	-	30,242

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S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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												
155	MUSHROOM PROD 3RD FLOOR BUILDING 29C STREET 24 TAUHEED COMMERCIAL PHASE 5 DHA KARACHI	SYED AFZAL ALI 42101-0940167-9	SYED EJAZ ALI	3,994	2,465	-	6,459	-	-	1,759	-	1,759
156	GHAZANFAR ABBAS KHAR H.NO 10-D/11-F SADDIQUI ROAD GUL GASHT MULTAN	32303-7743941-1	FATEH MUHAMMAD	2,999	1,207	-	4,206	-	-	898	-	898
157	K & M PHARMACEUTICALS HOUSE.NO.203 AL-BADAR TOWN, G.T.ROAD,PESHAWAR.	SYED TAJAMMUL HUSSAIN SHAH 17301-1382751-3 SAMINA SYED 17301-1275835-4	SYED JAFFAR HUSSAIN SHAH SYED TAJAMMUL HUSSAIN SHAH	3,800	676	-	4,476	-	-	676	-	676
158	AL-SIDDIQUE ENTERPRISES SMALL INDUSTRIAL ESTATE, CHAK.NO.50.CHANB.SARGODHA.	MUHAMMAD AKRAM 38403-4400707-5	MUHAMMAD SIDDIQUE	8,509	1,504	-	10,013	-	-	1,504	-	1,504
159	HAJI JAN MUHAMMAD RUBBER SCRAP MERCHANT, NAMAK MANDI, PESHAWAR CITY	JAN MUHAMMAD 17301-1320273-0	GHULAM MUHAMMAD	804	1,269	-	2,073	-	-	1,269	-	1,269
160	AL-MUSTAFA TRADERS VILLAGE THATTA KHAOR MUT, TEHSIL.PINDI BHATTIAN, DISTT.HAFIZABAD.	MUHAMMAD MUSTAFA 34302-5591938-1	UMER DIN	550	704	-	1,254	-	-	604	-	604
161	HAROON AND CO GHALLA MANDI,SADIQABAD, DISTRICT.RAHIM YAR KHAN.	AFZAAL ARSHAD 31304-2096885-9	CHAUDHRY MUHAMMAD ARSHAD	-	1,992	-	1,992	-	-	1,054	278	1,332
162	M.S.ELECTRONICS 19-GF BROTHER PLAZA, 30 HALL ROAD,LAHORE.	MUHAMMAD SAEED 35202-8280632-9	MUHAMMAD RAFIQUE	1,000	956	-	1,956	-	-	956	-	956
163	MUHAMMAD YOUNAS TAWAILAY WALI,TEHSIL.PINDI BHATTIAN,DISTT.HAFIZABAD.	34302-7038800-7	BAHAWAL SHER	2,352	714	-	3,066	-	-	564	-	564
164	MUHAMMAD OMER H.NO.108.Q MUHALLAH,PHASE-II, DEFENCE HOUSING AUTHORITY, LAHORE CANTT,LAHORE.	37405-8335734-5	SHAFIQUE SULTAN	881	281	-	1,162	439	-	281	-	720
165	FIVE STAR FLOUR MILLS MANGA ROAD,RAIWIND, DISTT.LAHORE.	MUHAMMAD ASHFAQ 35202-6831785-9	MIAN HIRA	1,000	866	-	1,866	-	-	846	-	846
166	SADIQ AND CO VILLAGE VINNI,PO.SAME, TEHSIL AND DISTT.HAFIZABAD.	MUHAMMAD SADIQ 34301-8698437-1	ABDUL HAMEED KHAN	1,000	951	-	1,951	-	-	926	-	926
167	SAJJAD PRINTERS BARKAT CENTER,ROOM.NO.7, 1ST FLOOR,3-ROYAL PARK,LAHORE.	SAJJAD ANWAR 35202-0586818-3	BARKAT ALI	2,000	1,846	-	3,846	-	-	1,846	-	1,846

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Rs. in '000

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				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
168	RAJPUT TRADERS G.T. ROAD PO, ROHILLAN WALI, TEH. MUZAFFARGARH.	MUHAMMAD ASHRAF 32304-9748978-9	ABDUL GHAFAR	1,998	2,377	-	-	-	2,153	-	2,153
169	BILAL FOOD INDUSTRIES (PVT) LTD MARALA ROAD MURAD PUR, NAI ABADI, SIALKOT.	CH. AKBAR ALI 34603-2060702-9 HAMEEDA AKBAR 34603-5569598-8	CH. JAN MUHAMMAD CH. AKBAR ALI	30,993	15,114	-	-	-	9,544	-	9,544
170	MOHSIN KHAN FLAT NO. E-4, LASHARI BUILDING, ST NO. 11, PUNJAB COLONY, KARACHI	41306-5050470-1	ALLAH ANDO KHAN	495	119	-	-	495	119	-	614
171	M.S. TRADERS G.T. ROAD, KAMOKI, DISTT. GUJRANWALA.	MUHAMMAD SAEED 34-102-9610674-3	MUHAMMAD YAQOOB	1,350	2,115	-	-	-	915	-	915
172	SHAFI ELECTRONICS 22-G RAFI PLAZA, HALL ROAD, LAHORE.	MUHAMMAD ISHAQ 35202-2646429-3	MUHAMMAD SHAFI	800	757	-	-	-	725	-	725
173	MUHAMMAD KAMRAN CHAK NO 32/JB KAREEM PURA, PO. SAME, FAISALABAD.	33100-0616683-3	MUHAMMAD NAZEER KHAN	1,000	673	-	-	-	673	-	673
174	MIAN TEXTILE INDUSTRIES LTD 29B-7, MODEL TOWN LAHORE.	MIAN MUHAMMAD JAHANGIR 35202-8650281-1 MIAN WAHEED AHMED 35202-2771296-7 MIAN WAQAR AHMED 35202-3351966-9 NARGIS JAHANGIR 35202-3186675-6 MIAN KHURSHID AHMED 35202-5249783-5 MIAN MUHAMMAD NAWAZ 35202-2987001-1 MIAN KHURRAM JAHANGIR 35202-2887796-1	CH. DIN MUHAMMAD CH. DIN MUHAMMAD CH. DIN MUHAMMAD MIAN MUHAMMAD JAHANGIR CH. DIN MUHAMMAD CH. DIN MUHAMMAD MIAN MUHAMMAD JAHANGIR	280,711	89,001	-	-	130,711	89,001	-	219,712
175	SARTAJ STEEL REROLLING MILLS MIAN SANSI ROAD NEAR GALA SARTAJ FAN, GUJRANWALA.	MUHAMMAD ARSHAD (LATE) 34-101-2578042-7	INAYAT ULLAH	1,201	1,245	-	-	-	1,245	-	1,245
176	KHURRAM JAVED SHERWANI 13/279, MOHALLAH ARAZI YAQOOB NEAR MEADINA MASJID, SIALKOT.	34603-7510540-9	JAVED AHMED KHAN	2,570	759	-	-	-	759	-	759
177	ALI ENTERPRISES SHOP NO 82, 83/01, SHAH ALAM MARKET, LAHORE.	SHER HUSSAIN 35202-2940440-3	SHEIKH JANI MUHAMMAD	2,000	1,868	-	-	-	1,868	-	1,868

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				Principal	Mark-up (Debited + Undebited)	Other Charges	Total			Un-Debited (Waiver)	Debited (Reversal)	
178	LATIF CASTING HOUSE, SUHA BAZAR RANG MAHAL, LAHORE.	MUHAMMAD NASIR ALI 35201-6410692-7	ABDUL LATIF	7,000	2,860	-	9,860	-	-	1,760	-	1,760
179	SHAHID IQBAL HOUSE NO 3986/GALINO 2, MANDI GHALLA, PAKPATTAN.	36402-2901740-5	ZAFAR IQBAL	1,399	682	-	2,081	-	-	612	-	612
180	ZAFAR IQBAL HOUSE NO 3986, GALINO 2, GHALLAH MANDI, PAKPATTAN.	36402-9985798-5	NOOR DIN	996	594	-	1,590	-	-	535	-	535
181	DANISH ZIA KHAN HOUSE NO.IX.129 STREET, MOHALLA.PARACHAN WALA, TEH&DISTT.BAHAWAL NAGAR.	31101-1596843-3	ZIA MUHAMMAD KHAN	-	1,553	-	1,553	-	-	1,053	-	1,053
182	NASEER FLOUR MILLS JINNAH ROAD CHOWK G.T.ROAD, GUJRANWALA.	HAJI NASEEM AHMED 34101-9318244-7 SH.MUHAMMAD AZAM 34101-2391144-9 SH.ABIDOOB SUBHANI 34101-1374821-9 FARZANA TALAAT 34101-2436920-0 RUKHSANA TALAAT 34101-4733659-8 UZMA ZAINAB 34101-2244368-8	HAJI NASEER AHMED SH.NASEER AHMED HAJI NASEEM AHMED SH.MUHAMMAD AZAM NASEEM AHMED ABIDOOB SUBHANI	74,971	34,402	-	109,373	-	-	29,212	-	29,212
183	ASS MUHAMMAD KOT LAD JKHAN MASHMULLA TALVANDI, DISTT. KASUR.	35101-3410793-9	SARDAR KHAN	647	757	-	1,404	-	-	604	-	604
184	MASOOD AHMED PLOT A-44/A-46 NEW NUMBER, ADMEASURING, 160 SQUARE YARDS, BLOCK-A, SINDHIPARA, G IQBAL, KARACHI	42201-9257940-5	HAJI MUHAMMAD SHARIF KHAN	4,746	1,275	-	6,021	-	-	1,275	-	1,275
185	HAFIZ FOUNDRY WORKS NEAR COCACOLA FACTORI, VAHARI ROAD, MULTAN.	NASIR HUSSAIN 36302-2977186-5	BASHIR AHMED	1,188	1,167	-	2,355	-	-	1,155	-	1,155
186	MUHAMMAD NAEEM SKH PAPER MART OLD GHALLA MANDI BOHAR GATE, MULTAN.	36302-6193173-3	MUHAMMAD FAROOQ	1,804	1,302	-	3,106	-	-	1,302	-	1,302
187	ATIF LATIF CHAK.52/GB, TEH.SAMUNDRI, DISTT.FAISALABAD.	33105-1637007-1	ABDUL LATIF	352	810	-	1,162	-	-	804	-	804
188	TAHER IQBAL CHAK.NO14/JB, MURADOOLA, PO.SAME DISTT.CHINIOT.	33201-1537837-9	BAHAWAL SHER	1,800	631	-	2,431	-	-	631	-	631

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Rs. in '000

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				Principal	Mark-up (Debited + Undebited)	Other Charges			Un-Debited (Waiver)	Debited (Reversal)	
189	WAFIA MUHAMMAD BAQA KHAKWANI TRADERS, GHALLA MANDI, BAHAWAL NAGAR.	31101-5491341-7	BAQA MUHAMMAD KHAN	1,748	1,332	-	-	-	1,332	-	1,332
190	GHULAM ALI VILL. HAJI GHULAM HUSSAIN, PO. SHAHPUR CHAKAR, DISTT. SANGHAR, SINDH.	44205-6130518-5	HAJI GHULAM RASOOL SANJURANI	1,764	795	-	-	-	759	-	759
191	AL-BASIT TRADERS MAIN KARACHI ROAD, PO. GOLARCHI.	CHARAGH UDDIN 41102-3803124-9	BAHADUR ALI	684	681	-	-	-	581	-	581
192	NEW MILLAT RICE MILLS KOTLI SAIAN, G.T. ROAD, GHAKHAR MANDI, TEHSIL WAZIRABAD, DISTT. GUJRANWALA.	SHOAIB GHAFOR 34101-0628062-7	CH. ABDUL GHAFOR	4,000	3,334	-	-	-	2,785	349	3,134
193	SHOAIB TRADERS GHALLA MANDI, NEAR G.T. ROAD, GUJRANWALA, PO. SAME, TEH&DISTT. GUJRANWALA.	SHOAIB GHAFOR 34101-0628062-7	CH. ABDUL GHAFOR	2,500	2,273	-	-	-	1,844	229	2,073
194	MUHAMMAD LATEEF & CO SURAJ KUND ROAD, MULTAN.	MUHAMMAD LATIF 36302-3638920-9 MUHAMMAD HANIF 36302-7450656-9 ABDUL MAJEED 36302-4595211-9 IFTIKHAR AHMAD 36302-5418526-7	MUHAMMAD HANIF	8,000	7,598	-	-	-	7,187	355	7,542
195	ZULFIQAR OIL MILLS SURAJ KUND ROAD, MULTAN.	ZULFIQAR ALI 36302-9145695-3	MALIK M. HANIF	4,999	5,235	-	-	-	4,210	446	4,656
196	HADI TRADERS COMMISSION AGENTS SHOP NO. 120, GHALLAH MANDI, VEHARI ROAD, MULTAN.	ABBAS RAZA 36302-0572046-9	SYED IMRAN HUSSAIN	400	550	-	-	-	550	-	550
197	MODERN TRADING COMPANY COMMISSION AGENT GRAIN MARKET HASILPUR, DISTT. BAHAWALPUR.	GHULAM HAIDER 31203-1716367-5	MUHAMMAD ALI	1,600	1,232	-	-	-	1,232	-	1,232
198	ABSON DIFUSION PRIVATE LIMITED PASRUP ROAD, SIALKOT.	RASHID IQBAL 34603-0335456-1 SHAKIR IQBAL 34603-8263576-3 LUQMAN SHEHZAD IQBAL 34603-3682494-3	MUHAMMAD ABDULLAH MUHAMMAD ABDULLAH MUHAMMAD ABDULLAH	33,450	21,164	-	-	-	17,114	-	17,114
199	KHALIL (PRIVATE) LIMITED 5-BOAT BUILDING YARD, ADJACENT FISH HARBOUR, WEST WHARF, KARACHI	CH. MUHAMMAD YOUSAF 42301-2235101-3 ADNAN YOUSAF 42301-9174199-3	CH. MUHAMMAD KHALID (LATE) CH. MUHAMMAD YOUSAF	39,753	7,251	-	-	-	5,004	-	5,004

Details of advances written-off - Unconsolidated Financial Statements

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2018

ANNEXURE II

S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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											
200	L.S.CONSTRUCTION H.NO.411,ST.13,SECTOR-D/2, PHASE-01,HAYATABAD.	LIAQAT SHER 17301-7453430-9	REHMAT WAZIR	804	1,602	-	2,406	-	1,549	53	1,602
201	MUHAMMAD RAZA FLAT.NO.F.PLOT.C-9-C,KHAYABAN- E-SEHAR,FAS.D.H.A.7,KARACHI.	42101-1607931-7	SYED ALI RAZA	351	174	-	525	351	174	-	525
202	FIDA HUSSAIN DAIRA DIN PANAH,TEH.KOT ADUDISTT.MUZAFFARGARH.	32203-9455404-1	KHADIM HUSSAIN	476	56	-	532	476	56	-	532
203	IQBAL HUSSAIN AWAN PRESZDENT SECRTERIATE, MUZAFFARABAD.	82303-1013790-7	HASSAN MUHAMMAD	290	212	-	502	290	212	-	502
204	REHAN ZAFAR H NO 212 ST NO 5 BLOCK A JALEEL TOWN NEAR ST PAUL SCHOOL,GUJRANWALA	34101-0197293-5	KHALID MEHMOOD ZAFAR	295	259	-	554	295	259	-	554
205	AMIN UR REHMAN H NO 17 ST NO 35 MUSTAFA ABAD DHARAMPURA LAHORE	35202-6356436-7	SAEED UR REHMAN	338	179	-	517	338	179	-	517
206	ISRAR MUNIR KHAN HOUSE NO 46 NAWABANWALA CHATRI CHOWK SAMANABAD FAISALABAD	33100-0903801-5	MUNIR AHMAD KHAN	535	323	-	858	535	323	-	858
207	MUBSHER IQBAL H NO 6-D CENTRAL GOVT EMPLOYEES COLONY WAHDAT RD	35202-7253186-1	MUHAMMAD IQBAL AMJAD	360	205	-	565	360	205	-	565
208	SHABANA AFZAL 91 DILKASHA ROAD NEAR S BLOCK MODEL TOWN KOT LAKHPAT	42401-1713383-0	NASIM	444	250	-	694	444	250	-	694
209	EJAZ UL HASSAN KHAN RAJA MUHALLAH GOJRA BANKER COLONY WARD NO 24 MUZAFFARABAD AZAD KASHMIR	82203-8010933-7	RAJA M. SALEEM KHAN	471	104	-	575	471	104	-	575
210	MUHAMMAD ASHRAF H NO B III 523/30 NEAR GOVT. ENGLISH PUBLIC GIRLS HIGH SCHOOL RAHIM YAR KHAN	31303-9057141-7	GHULAM RASOOL	357	230	-	587	357	230	-	587
211	MUJAHID-UN-NABI ASMA GARDEN FLAT NO B 401 METROVILL III NEAR MUBINA TOWN KARACHI	42101-6863183-1	AALE NABI	436	203	-	639	436	203	-	639
212	MAHWESH JAFFRY FLAT NO C-305 GULSHAN E SHAMIM COMMERCIAL II BLOCK 8 F B AREA KARACHI	42101-1494731-4	MUHAMMAD SIRAJ	558	318	-	876	558	318	-	876

Details of advances written-off - Unconsolidated Financial Statements

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2018

ANNEXURE II

Rs. in '000

S. No.	Name and Address of the Borrower	Name of Individuals / Proprietor / Partners / Directors (with NIC No.)	Father's / Husband's 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		Principal	Other	Un-Debited (Waiver)	Debited (Reversal)	
213	AFTAB AHMAD HOUSE 04 RESIDENTIAL BLOCK POLICE LINE DERA GHAZI KHAN	33202-5846809-1	ATTA MUHAMMAD	450	154	-	604	450	-	154	-	604
214	ANSAR NAWAZ H NO 317 ST NO 10 PAF COLONY M M ALAM,MIANWALI	16202-5582578-3	ALLAH NAWAZ	388	179	-	567	388	-	179	-	567
215	MUHAMMAD FIAZ AHMAD H.NO. 3/2, ST. 14 GUNJ BAKSH BAND ROAD	35301-1807684-3	MUHAMMAD RIAZ AHMED	342	158	-	500	342	-	158	-	500
216	SYED BILAL HAIDER JAFRI FLATE NO 2 SECOND FLOOR F 1 COMMERCIAL PUNJAB COOPERATIVE SOCIETY,LAHORE	37405-3944945-1	SYED MATEEN	373	167	-	540	373	-	167	-	540
217	ABDUL JABBAR KHAN BUKSHAN KHAN,CHISHTAN BAHWAL NAGER	31102-9379994-5	ABDUL GHANI KHAN	7,200	1,688	-	8,888	-	-	1,688	-	1,688
218	SH FAROOQ AHMAD COMMISSION AGENT SHOP NO 23 NEW GHALLA MANDI MULTAN	FAROOQ AHMED 36302-3995490-9	BASHIR AHMED	10,870	7,069	-	17,939	-	-	6,265	-	6,265
219	BACHA KHAN FILLING STATION AURANGABAD POST OFFICE,TARRU JABBA,TEH PABBI, DISTT. NOWSHERA	AWAL KHAN 17201-2116108-5	HASHIM KHAN	15,999	5,668	-	21,667	-	-	5,668	-	5,668
220	SKY PETROLEUM DEALER PO TARRU JABBA,DISTT,NOWSHEHRA	MUHAMMAD ILYAS 17201-6245263-9	AWAL KHAN	5,463	1,600	-	7,063	-	-	1,600	-	1,600
221	SIND PESTISIDE MASSAN ROAD,ROHRI	FARHANULLAH QURESHI 46504-6179219-3	AMANULLAH QURESHI	1,939	1,330	-	3,269	-	-	1,330	154	1,484
222	MUHAMMAD GHUFRAN FLAT NO. C-8,MASAIM PLAZA,NEAR MCB BANK, GULSHAN CHOWRANGI, GULSHAN-E IQBAL BLOCK-3, KARACHI	42101-7767664-1		799	77	3	879	509	159	-	-	668
223	SHEIKH MUHAMMAD AKMAL 221 A, BLOCK A, DHA, LAHORE	35202-1640087-9	SHEIKH MUHAMMAD ASLAM	1,005	32	7	1,044	372	260	-	-	632
				3,812,083	3,734,993	10	7,547,086	1,754,567	419	3,643,510	19,553	5,418,069

Details of disposal of fixed assets - Unconsolidated Financial Statements**ANNEXURE-III**

For the year ended December 31, 2018

The particulars of disposal of fixed assets to related parties are given below:

Description	Original cost	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Particulars of buyer
------(Rupees in '000)-----						
Leasehold improvements	13,776	11,110	2,666	4,353	Insurance Claim	Jubilee General Insurance Company Limited
Furniture and fixtures	928	532	396	517	Insurance Claim	Jubilee General Insurance Company Limited
Electrical, office and computer equipment	7,322	5,805	1,517	2,693	Insurance Claim	Jubilee General Insurance Company Limited
Vehicles	1,824	1,641	183	1,492	Insurance Claim	Jubilee General Insurance Company Limited
Total	23,850	19,088	4,762	9,055		

Pattern of Shareholding

As at December 31, 2018

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
22,592	1	100	625,349
65,096	101	500	14,207,698
2,614	501	1000	1,971,801
2,532	1001	5000	5,385,156
394	5001	10000	2,961,642
192	10001	15000	2,452,270
114	15001	20000	2,064,145
63	20001	25000	1,453,632
43	25001	30000	1,197,445
51	30001	35000	1,667,441
31	35001	40000	1,177,347
29	40001	45000	1,224,392
28	45001	50000	1,354,922
23	50001	55000	1,215,901
21	55001	60000	1,225,882
18	60001	65000	1,132,965
11	65001	70000	741,000
17	70001	75000	1,226,376
22	75001	80000	1,721,440
11	80001	85000	900,551
6	85001	90000	526,139
9	90001	95000	835,542
20	95001	100000	1,976,053
14	100001	105000	1,447,402
8	105001	110000	863,013
6	110001	115000	679,121
7	115001	120000	817,957
6	120001	125000	738,250
5	125001	130000	647,675
8	130001	135000	1,054,100
5	135001	140000	685,620
4	140001	145000	575,600
5	145001	150000	738,800
3	150001	155000	457,540
6	155001	160000	949,100
1	160001	165000	164,100
7	165001	170000	1,172,777
7	170001	175000	1,201,157
2	175001	180000	359,344
6	180001	185000	1,097,935
1	185001	190000	189,500
4	190001	195000	778,100
9	195001	200000	1,784,930
1	200001	205000	201,000
2	205001	210000	417,300
1	210001	215000	213,200
1	215001	220000	216,130
1	220001	225000	222,300
3	225001	230000	679,600
2	230001	235000	466,900

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
1	235001	240000	235,200
3	240001	245000	730,406
4	245001	250000	989,772
3	250001	255000	754,428
1	260001	265000	262,160
3	265001	270000	802,319
3	270001	275000	821,780
1	275001	280000	277,200
1	280001	285000	283,200
1	285001	290000	289,768
2	290001	295000	586,000
1	295001	300000	298,300
2	300001	305000	606,300
2	305001	310000	618,518
1	310001	315000	313,500
1	315001	320000	317,700
4	320001	325000	1,285,800
2	325001	330000	653,400
5	330001	335000	1,654,550
1	340001	345000	340,500
2	345001	350000	693,921
1	355001	360000	358,900
1	360001	365000	363,200
1	365001	370000	368,500
1	370001	375000	370,200
1	375001	380000	378,800
5	380001	385000	1,913,570
1	385001	390000	386,425
2	390001	395000	785,400
1	395001	400000	400,000
1	400001	405000	404,619
2	405001	410000	817,700
3	410001	415000	1,233,500
1	420001	425000	422,000
1	425001	430000	427,795
2	430001	435000	865,371
1	440001	445000	441,900
3	445001	450000	1,345,100
2	450001	455000	902,899
1	460001	465000	463,628
3	465001	470000	1,403,000
1	470001	475000	471,200
2	480001	485000	963,667
4	495001	500000	1,991,400
1	500001	505000	500,900
2	505001	510000	1,014,200
1	510001	515000	510,815
1	515001	520000	517,000
1	520001	525000	523,500
2	530001	535000	1,061,335

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
1	535001	540000	535,200
2	540001	545000	1,085,800
1	545001	550000	545,700
1	550001	555000	555,000
1	560001	565000	564,778
1	565001	570000	569,893
2	575001	580000	1,155,900
1	590001	595000	594,900
2	595001	600000	1,200,000
1	605001	610000	606,600
2	610001	615000	1,224,017
1	615001	620000	617,100
1	650001	655000	655,000
1	660001	665000	661,500
2	685001	690000	1,378,800
3	695001	700000	2,098,900
1	705001	710000	706,800
1	720001	725000	724,427
1	725001	730000	728,700
1	755001	760000	757,700
1	775001	780000	780,000
1	780001	785000	782,600
1	785001	790000	786,300
2	795001	800000	1,597,600
2	810001	815000	1,623,549
2	845001	850000	1,699,200
1	855001	860000	859,000
2	865001	870000	1,736,303
2	880001	885000	1,768,708
1	885001	890000	885,800
2	890001	895000	1,783,678
1	895001	900000	900,000
1	905001	910000	908,300
1	910001	915000	911,900
1	935001	940000	936,656
1	965001	970000	967,100
2	995001	1000000	1,995,200
1	1005001	1010000	1,009,300
1	1020001	1025000	1,021,733
1	1030001	1035000	1,030,800
1	1065001	1070000	1,067,000
1	1100001	1105000	1,100,400
2	1120001	1125000	2,244,204
1	1140001	1145000	1,142,900
1	1145001	1150000	1,145,260
1	1170001	1175000	1,172,373
1	1175001	1180000	1,180,000
1	1185001	1190000	1,185,496
1	1190001	1195000	1,191,606
1	1220001	1225000	1,221,500

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
1	1250001	1255000	1,255,000
1	1260001	1265000	1,260,980
1	1295001	1300000	1,295,693
1	1315001	1320000	1,315,500
1	1320001	1325000	1,320,240
1	1350001	1355000	1,350,926
1	1355001	1360000	1,355,500
1	1370001	1375000	1,370,330
1	1415001	1420000	1,417,200
1	1440001	1445000	1,442,619
2	1455001	1460000	2,918,100
3	1465001	1470000	4,400,224
1	1475001	1480000	1,478,200
1	1515001	1520000	1,519,900
1	1525001	1530000	1,526,595
2	1535001	1540000	3,074,970
1	1580001	1585000	1,583,700
1	1620001	1625000	1,624,700
1	1655001	1660000	1,655,700
1	1675001	1680000	1,679,300
1	1795001	1800000	1,797,000
1	1810001	1815000	1,813,000
1	1815001	1820000	1,817,400
1	1830001	1835000	1,831,878
1	1845001	1850000	1,847,400
1	1855001	1860000	1,859,300
1	1885001	1890000	1,888,788
1	1895001	1900000	1,895,100
1	1955001	1960000	1,959,733
1	1970001	1975000	1,972,300
1	1995001	2000000	2,000,000
1	2000001	2005000	2,002,766
1	2035001	2040000	2,037,400
1	2045001	2050000	2,050,000
1	2060001	2065000	2,063,500
1	2075001	2080000	2,078,648
2	2170001	2175000	4,343,835
1	2220001	2225000	2,220,210
2	2295001	2300000	4,600,000
1	2505001	2510000	2,506,500
1	2560001	2565000	2,563,650
1	2660001	2665000	2,664,740
1	2665001	2670000	2,666,500
1	2680001	2685000	2,680,300
1	2785001	2790000	2,788,200
1	2810001	2815000	2,813,300
1	2845001	2850000	2,849,600
1	2960001	2965000	2,963,600
1	3080001	3085000	3,084,424
1	3120001	3125000	3,121,445

No. of Shareholders	Number of Shares		Total Shares held
	From	To	
1	3175001	3180000	3,178,139
1	3205001	3210000	3,208,021
1	3320001	3325000	3,321,565
1	3360001	3365000	3,362,000
1	3440001	3445000	3,442,700
1	3455001	3460000	3,458,200
1	3505001	3510000	3,505,005
1	3605001	3610000	3,609,400
1	3790001	3795000	3,792,799
1	3795001	3800000	3,797,500
1	3930001	3935000	3,930,478
1	3955001	3960000	3,956,400
1	4265001	4270000	4,270,000
1	4505001	4510000	4,509,300
1	4720001	4725000	4,724,633
1	4815001	4820000	4,818,900
1	4995001	5000000	5,000,000
1	5040001	5045000	5,040,694
1	5210001	5215000	5,214,700
1	5360001	5365000	5,362,300
1	5470001	5475000	5,474,321
1	5695001	5700000	5,700,000
1	5760001	5765000	5,761,200
1	5785001	5790000	5,788,700
1	6175001	6180000	6,176,755
1	6340001	6345000	6,343,100
1	6620001	6625000	6,622,992
1	6915001	6920000	6,918,071
1	10445001	10450000	10,448,900
1	11765001	11770000	11,768,600
1	12095001	12100000	12,098,562
1	13020001	13025000	13,025,000
1	14270001	14275000	14,272,900
1	14980001	14985000	14,983,300
1	15010001	15015000	15,010,900
1	15700001	15705000	15,702,982
1	23710001	23715000	23,714,780
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	73340001	73345000	73,342,000
1	748090001	748095000	748,094,778
94,319			1,466,852,508

Trading by Executives

Shares Trading (Sale/Purchase) during the Year 2018

HBL - Directors

S.No.	Name of Shareholders	Purchase	Sale
1	Dr. Najeeb Samie	—	2,500
2	Mr. Salim Raza	600	—
3	Ms. Sadia Khan	100	—

HBL - Executives

S.No.	Name of Shareholders	Purchase	Sale
1	Mr. Syed Danish Ur Rehman	10,000	10,000
2	Mr. Syed Farhat Abbas	5,900	5,900
3	Ms. Neelofar Hameed	3,000	—
4	Mr. Salman Khurshid	3,000	—
5	Mr. Nasir Ali	2,000	—
6	Mr. Naseem Ahmed Abbasi	1,100	200
7	Mr. Muhammad Khalid	—	129

For the purpose of clause 5.6.1 (a) and 5.6.1 (d) of the Rule Book of the Pakistan Stock Exchange (PSX), the expression "executive" means the CEO, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary by whatever name called, and other employees of the Bank whose annual basic salary equals or exceeds to Rs. 1.5 million.

Categories of Shareholders

As at December 31, 2018

Particulars	Shareholders	Shares Held	Percentage
Shareholders holding five percent or more voting rights			
Aga Khan Fund For Economic Development	1	748,094,778	51.00%
CDC Group PLC	1	73,342,000	4.99%
Associated Companies, Undertakings and Related Parties			
HBL Employees Provident Fund Trust	1	15,702,982	1.07%
Jubilee Life Insurance Company Limited	1	13,025,000	0.89%
HBL Employees Pension Fund Trust	1	5,474,321	0.37%
Jubilee General Insurance Company Limited	1	4,270,000	0.29%
HBL Employees Gratuity Fund Trust	1	3,178,139	0.22%
PICIC Growth Fund	1	1,859,300	0.13%
HBL Stock Fund	1	1,442,619	0.10%
The Aga Khan University Foundation	1	1,185,496	0.08%
PICIC Investment Fund	1	967,100	0.07%
The Aga Khan University Employees Provident Fund	1	689,900	0.05%
The Aga Khan University Employees Gratuity Fund	1	283,200	0.02%
HBL Equity Fund (Formerly: PICIC Stock Fund)	1	101,400	0.01%
HBL Multi Asset Fund	1	73,971	0.01%
Directors and their Spouse(s) and Minor Children			
Dr. Najeeb Samie	1	16,000	0.00%
Mr. Agha Sher Shah	1	1,000	0.00%
Mr. Salim Raza	1	600	0.00%
Ms. Sadia Khan	1	100	0.00%
Executives	99	270,392	0.02%
Public Sector Companies and Corporations	8	42,670,465	2.91%
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	51	50,732,820	3.46%
Mutual Funds			
ABL Stock Fund	1	2,666,500	0.18%
AKD Index Tracker Fund	1	170,583	0.01%
AKD Opportunity Fund	1	545,700	0.04%
Alfalsh Capital Preservation Fund II	1	56,500	0.00%
Alfalsh GHP Alpha Fund	1	506,200	0.03%
Alfalsh GHP Income Fund	1	31,400	0.00%
Alfalsh GHP Income Multiplier Fund	1	1,200	0.00%
Alfalsh GHP Pension Fund - Equity Sub Fund	1	14,620	0.00%
Alfalsh GHP Sovereign Fund	1	5,600	0.00%
Alfalsh GHP Stock Fund	1	786,300	0.05%
Alfalsh GHP Value Fund	1	325,800	0.02%
Allied Capital Protected Fund	1	14,000	0.00%
Allied Finergy Fund	1	147,000	0.01%
Askari Asset Allocation Fund	1	5,000	0.00%
Askari Equity Fund	1	32,000	0.00%
Atlas Pension Fund - Equity Sub Fund	1	150,000	0.01%
Atlas Stock Market Fund	1	2,050,000	0.14%
Faysal Asset Allocation Fund	1	40,000	0.00%
Faysal MTS Fund	1	183,400	0.01%
Faysal Savings Growth Fund	1	9,400	0.00%
Faysal Stock Fund (Formerly: Faysal Balanced Growth Fund)	1	55,000	0.00%
First Capital Mutual Fund	1	42,000	0.00%
First Dawood Mutual Fund	1	31,800	0.00%
First Habib Asset Allocation Fund	1	13,000	0.00%
First Habib Income Fund	1	96,400	0.01%
First Habib Stock Fund	1	57,000	0.00%
JS Income Fund	1	11,000	0.00%
JS Income Fund	1	242,000	0.02%
JS Large Cap Fund	1	137,000	0.01%
JS Value Fund	1	3,200	0.00%
Lakson Equity Fund	1	1,350,926	0.09%
Lakson Tactical Fund	1	262,160	0.02%
MCB Pakistan Stock Market Fund	1	1,679,300	0.11%
NAFA Asset Allocation Fund	1	482,867	0.03%
NAFA Financial Sector Fund	1	890,700	0.06%
NAFA Income Fund	1	144,000	0.01%
NAFA Multi Asset Fund	1	274,880	0.02%
NAFA Savings Plus Fund	1	94,200	0.01%
NAFA Stock Fund	1	4,724,633	0.32%
National Investment Trust - Equity Market Opportunity Fund	1	2,078,648	0.14%
National Investment Trust Pension Funds - Equity Sub Fund	1	34,500	0.00%
National Investment Unit Trust	1	1,959,733	0.13%
Pak Oman Advantage Asset Allocation Fund	1	6,000	0.00%
UBL Asset Allocation Fund	1	469,000	0.03%
UBL Dedicated Equity Fund	1	117,701	0.01%
UBL Financial Sector Fund	1	611,800	0.04%
UBL Income Opportunity Fund (UIOF) (Formerly: UBL Financial Sector Bond Fund)	1	1,600	0.00%
UBL Stock Advantage Fund	1	3,792,799	0.26%
Unit Trust of Pakistan	1	15,000	0.00%
Privatisation Commission of Pakistan	1	4,002	0.00%
Foreign Companies	325	308,825,761	21.05%
General Public			
a. Local	93,438	74,249,328	5.06%
b. Foreign	16	112,318	0.01%
Others	313	92,859,466	6.33%
Totals	94,319	1,466,852,508	100.00%

Notice of Annual General Meeting

Notice is hereby given that the 77th Annual General Meeting of Habib Bank Limited will be held on Wednesday, March 27, 2019 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, 2018, 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. 1.25 per share, i.e. 12.5%, as recommended by the Directors to Shareholders as at close of business on March 19, 2019, which, Final Cash Dividend is in addition to the 30% Interim Cash Dividend (i.e. Rs. 3 per share) already paid.

Any Other Business:

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

March 6, 2019
Karachi

By Order of the Board

Neelofar Hameed
Company Secretary

Notes:

1. Copies of the minutes of the Annual General Meeting dated April 27, 2018 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 2018.
3. The Register of Members and the Share Transfer Books will be closed from March 20, 2019 to March 27, 2019 (both days inclusive) for the purpose of the Annual General Meeting.
4. Only those persons whose names appear in the Register of Members of the Bank as at March 19, 2019 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 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, 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 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 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 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 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 2018
Diamond Trust Bank Kenya Limited (DTBK)	To acquire additional shareholding of 14.32% till March 2019.	March 22, 2013	<p>No additional shares were acquired during the year. A total additional shareholding of 4.47% has been acquired under the said approval.</p> <p>The Bank has decided to maintain its holding in the entity at current levels.</p>
Jubilee General Insurance Company Limited (JGIC)	To acquire additional shareholding of 8.26% till March 2019.	March 22, 2013	<p>Additional shareholding of 0.55% was acquired during 2018. A total additional shareholding of 3.56% has been acquired under the said approval.</p> <p>The Bank has decided to maintain its holding in the entity at current levels.</p>
Jubilee Life Insurance Company Limited (JLIC)	To acquire additional shareholding of 6.55% till March 2019	March 22, 2013	<p>No additional shares were acquired during the year. A total additional shareholding of 0.57% has been acquired under the said approval.</p> <p>The Bank has decided to maintain its holding in the entity at current levels.</p>

(i) Diamond Trust Bank Kenya Limited (DTBK):

1	Total Investment approved	Approved by the Shareholders in the Annual General Meeting held on March 22, 2013 to acquire additional shareholding of up to 14.32% because of which the total shareholding was to increase up to 26%. The investment was 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 timeline of investment, where investment decision was to be implemented in specified time	The Bank has decided to maintain its holding in the entity at 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.	The financial position of the company is given in the table below.

KES in billion

Financial Position	2017	2016
Revenue	24.959	24.388
Operating expense	10.560	9.195
Operating profit	14.399	15.193
Customer deposits	266.247	238.104
Customer loans and advances	196.048	186.303
Cash, Balances with Banks and Investments	151.912	127.898
Equity	53.620	45.877

As at December 31, 2018 the KES / US\$ exchange was KES 101.7500 / US\$.

(ii) 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 was to increase up to 24.50%. The investment was to be completed by 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	<p>The full investment was not made as this is a listed entity and investment is dependent on availability of a suitable quantity of shares in the market at a desired price.</p> <p>The Bank has decided to maintain its holding in the entity at current levels.</p>
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	2017	2016
Revenue	5,822.922	5,611.951
Operating expenses	4,207.165	3,757.826
Operating profit	1,615.757	1,854.125
Cash, Balances with Banks and Investments	11,526.027	11,227.963
Equity	7,121.735	6,599.857

(iii) 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 up to 6.55% as a result of which the total shareholding was to increase up to 24.50%. The investment was to be completed by 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	<p>The full investment was not made as this is a listed entity and investment is dependent on availability of a suitable quantity of shares in the market at a desired price.</p> <p>The Bank has decided to maintain its holding in the entity at current levels.</p>
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	2017	2016
Revenue	849.727	480.080
Operating expenses	139.838	125.901
Operating profit	709.889	354.179
Cash, Balances with Banks and Investments	114,834.311	99,271.314
Equity	6,646.840	5,069.532

Admission Slip

The 77th Annual General Meeting of Habib Bank Limited will be held on Wednesday, March 27, 2019 at 10 a.m. at the Serena Hotel, Islamabad.

For attending the Annual General Meeting, kindly bring this slip duly signed by you.

Company Secretary

Name _____

Folio/CDC Account No. _____ Signature _____

Note:

- i. The signature of a shareholder holding shares in physical form shall agree with the specimen signature as per the Bank's record.
- ii. A CDC account holder/proxy 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.
- iii. In case of a corporate entity, the Board of Directors' resolution/power of attorney, including the specimen signature of the nominee, shall be presented at the time of the Annual General Meeting, unless it has been provided earlier.
- iv. Shareholders are requested to handover duly completed admission slips at the counter before entering the meeting premises.

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 77th Annual General Meeting of the Bank to be held on
Wednesday, March 27, 2019 at Serena Hotel, Islamabad and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2019.

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 9th 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/she himself/herself 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 the CNICs or the passports of the beneficial owner(s) 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 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.

Habib Bank Limited
Registered Office,
9th Floor, HBL Tower,
Jinnah Avenue, Blue Area,
Islamabad, Pakistan.

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پراکسی فارم

میں / ہم _____
 برائے _____
 حبیب بینک لمیٹڈ کے رکن / اراکین (ممبر (ز)) ہونے کے ناطے حامل
 عمومی حصص (شیرس) بذریعہ ہذا کی تقرری
 برائے _____ وائٹ فلیو / CDC اکاؤنٹ نمبر _____ یا ان کی ناکامی
 جو کہ _____ برائے _____
 فلیو / CDC اکاؤنٹ نمبر _____ کے تحت حبیب بینک لمیٹڈ کے رکن (ممبر) بھی ہیں، کو بدھ، 27 مارچ 2019 کو اس کے بعد (بعد از اس)
 سرینا ہوٹل، اسلام آباد میں منعقد ہونے والے بینک کے 77 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 کرتی ہوں۔

پانچ روپے والے
 ریونیو اسٹیپ
 پر دستخط کریں

یہ دستخط بینک کے پاس
 رجسٹرڈ شدہ نمونہ دستخط سے
 مماثل ہونے چاہیئے

بطور گواہ / بدست میرے / ہمارے دستخط و مہر ثبت، بتاریخ _____، 2019

دستخط شدہ بدست مذکورہ

مقابل حاضرین: 1 _____

2 _____

فلیو / 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، بلیو ایریا، 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 انسٹرمنٹس جمع کرائے جاتے ہیں تو ایسی صورت میں اس قسم کے پراکسی کے تمام انسٹرمنٹس 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 (تاوثیقہ وہ پہلے فراہم نہ کر دیئے ہوں)۔

Habib Bank Limited
Registered Office,
9th Floor, HBL Tower,
Jinnah Avenue, Blue Area,
Islamabad, Pakistan.









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-  Subscription to Alerts (event
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regulatory actions)
-  Jamapunji application for
mobile device



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and ios devices

