

Statement of Material Facts

Under Section 160(1)(b) of the Companies Ordinance, 1984

Special Business

Agenda Item 5 – Fee Payable to Non-Executive Directors and Non-Executive Chairman:

As per SBP Prudential Regulation G-1 paragraph C2 Non-Executive Directors including the Non-Executive Chairman may receive a reasonable and appropriate fee from the Bank, the scale of which is to be approved by the Shareholders on a pre or post facto basis.

Since 2008 the Directors Fee has been fixed at Rs. 200,000/- for each Board Meeting and Rs. 100,000/- for each Board Committee Meeting. The same has not been increased for the last 7 years or adjusted for inflation, which has been, on an average, in double digits during this period.

Based on a study by a leading Accountancy firm it is also noted that other leading banks paid their Non-Executive Directors the same fee for attendance of Board Committee Meetings as is payable to them for attending Board Meetings.

Accordingly, and keeping in mind the substantial amount of time invested by the Non-Executive Directors in relation to attendance of Board Meetings and Board Committee Meetings, the Board of Directors, at the Meeting of the Bank held on February 17, 2015, proposed a uniform fee of Rs. 400,000/- for each Board and Committee Meeting attended. In addition the Directors would get TA/DA and fare for travel as per the TA/DA Policy approved by the Board for attendance of (i) out of station Board and Committee Meetings in Pakistan or (ii) attendance of Board and Committee Meetings overseas or (iii) for any other travel in connection with the work of the Bank within or outside Pakistan. The Shareholders are requested to approve and confirm the above.

The Non-Executive Directors and Chairman of the Bank are directly interested in this matter to the extent of the fee, travel fares and TA/DA, which will be payable to them for attending meetings of the Board and of the Committees of the Board or for travel for Bank related work.

Agenda Item 6 – Investment in First Microfinance Bank Limited:

The stated intention of Habib Bank Limited is to be a leader in financial inclusion with emphasis not only on alternate delivery channels and branchless banking, but also on serving customers who are in the low-income bracket. In order for HBL to serve its wide and varied customer base in low-income communities in both rural and urban areas, it is desirable that HBL create a differentiated and cost effective model. To this end, HBL has looked at First Microfinance Bank Limited which already has a base and presence in the microfinance sector all over Pakistan and was the first and is the oldest microfinance bank in Pakistan. HBL has obtained an in-principle approval from the State Bank of Pakistan for participation in the capital increase of First Microfinance Bank Limited. The proposed investment in First Microfinance Bank Limited by way of equity is, however, subject to final approval for such investment being granted by the State Bank of Pakistan.

For this purpose the Board of Directors have recommended that the Members consider and if thought fit to pass the Resolution with or without modification set forth at Agenda Item 6 of the Notice convening the 73rd Annual General Meeting of HBL, which resolution will be proposed and passed as a Special Resolution.

First Microfinance Bank Limited

1	Name of associated company or associated undertaking alongwith criteria based on which the associated relationship is established	The Aga Khan Development Network (AKDN), through the Aga Khan Fund for Economic Development (AKFED) and Aga Khan Agency for Microfinance (AKAM) respectively, own more than 20% shares in Habib Bank Limited and First Microfinance Bank Limited, making the entities associated.
2	Purpose, benefits and period of investments	To serve customers in the low income bracket through providing microfinance products and, as First Microfinance Bank Limited is already an established institution, acquisition of major shareholding will help achieve this goal.
3	Maximum amount of investment	Rs. 2,000,000,000 (Rupees two billion)
4	Maximum price at which securities will be acquired	To be determined once a due diligence and valuation has been conducted by an approved firm of Chartered Accountants.
5	Maximum number of securities to be acquired	Shares upto a value of Rupees two billion.
6	Number of securities and percentage thereof held before and after the proposed investment	At present nil. Through the investment, a majority shareholding of First Microfinance Bank Limited.
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Not Applicable
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	The fair market value to be determined after a due diligence and valuation has been conducted by an approved firm of Chartered Accountants for the purpose of regulation 6(1).
9	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	Rs. 8.16
10	Earnings / (loss) per share of the associated company or associated undertaking for the last three years	2013: Rs. 1.06 2012: Rs. (0.50) 2011: Rs. (0.93)
11	Source of fund from which securities will be acquired	Cash generated from own operations.
12	Where the securities are intended to be acquired using borrowed funds 1. Justification for investment through borrowings and 2. Detail of guarantees and assets pledged for obtaining such funds	Not Applicable

13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of Directors, Sponsors, Majority Shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The Aga Khan Development Network (AKDN), through the Aga Khan Fund for Economic Development (AKFED) and Aga Khan Agency for Microfinance (AKAM) respectively, own more than 20% shares in both Habib Bank Limited and First Microfinance Bank Limited.
15	Any other important details necessary for the members to understand the transaction	Financial Position in table below.
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely I. Description of the project and its history since conceptualization; II. Starting and expected date of completion of work; III. Time by which such project shall become commercially operational; and IV. Expected time by which the project shall start paying return on investment	Not Applicable

Financial Position:

	2012	2013
Revenue	830.800	1,010.200
Operating expense	774.700	839.200
Operating profit / (loss)	56.100	171.000
Customer deposits	6,570.600	7,814.900
Customer loans and advances	2,971.700	3,450.400
Investments / balances with banks	4,859.300	5,574.500
Equity	960.400	1,102.100

The Directors of the Bank are not directly or indirectly interested in the proposed investment in First Microfinance Bank Limited.

Agenda Item 7 – Issuance of TFCs for raising Tier II Capital:

In order to contribute towards Tier II Capital, Habib Bank Limited intends to issue redeemable capital in the form of term finance certificates under Section 120 of the Companies Ordinance, 1984 and the Basel III Guidelines issued by the State Bank of Pakistan. The funds so raised will be utilized in the Bank's business operations as permitted by the Bank's Memorandum and Articles of Association.

The Board of Directors upon receiving an in-principle approval from the State Bank of Pakistan have approved the issuance of listed, rated, unsecured and subordinated Term Finance Certificates ("TFCs") of up to Rs. 20 billion (inclusive of a green shoe option) subject to compliance with applicable laws, rules and regulations and in particular the conditions specified under Basel III Guidelines issued through BPRD Circular #6 dated August 15, 2013.

Pursuant to the Basel III Guidelines, if the State Bank of Pakistan determines that a point of non-viability has occurred, it may direct the Bank to convert the TFCs into ordinary shares of the Bank at such time or times and for such consideration and on such terms and subject to such conditions as may be determined by the State Bank of Pakistan, under and pursuant to and in accordance with the Basel III Guidelines and the applicable BPRD Circular of the State Bank of Pakistan.

Therefore, the Board of Directors have recommended that the Members consider and if thought fit to pass the Resolution with or without modification set forth at Agenda Item 7 of the Notice convening the 73rd Annual General Meeting of the Bank, which resolution will be proposed and passed as a Special Resolution.

The Directors of the Bank are not directly or indirectly interested in the issue of the TFCs except to the extent of their shareholding in the Bank.

Update

The remainder of this Statement of Material Facts provides information to the Members under Sections 4 and 8 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012:

At the Annual General Meeting held on March 22, 2013 the Members through a Special Resolution approved certain investments to be made in Subsidiaries and Associates of the Bank, the period for which was extended to March 2019 at the AGM held on March 29, 2014. Earlier, at the Annual General Meeting held on March 28, 2008, the Members through a Special Resolution approved investment in seed capital in various funds managed by HBL Asset Management Limited.

An update of the investments made to date as authorised under the aforesaid Special Resolutions is provided as under:

Summary / Overview

Company name	Approvals taken in Annual General Meeting (March 22, 2013/March 28, 2008)	Update for 2014
Diamond Trust Bank Kenya Limited (DTBK)	To acquire additional shareholding of 14.32%	0.06% shares acquired in 2014
Kyrgyz Investment and Credit Bank Limited (KICB)	To acquire additional shareholding of 8%	No shares were acquired in 2014
Habib Allied International Bank, Plc, UK (HBL-UK)	To invest upto GBP 50 million	GBP 10.4 million invested in 2014
Jubilee General Insurance Company Limited (JGIC)	To acquire additional shareholding of 8.26%	0.64% shares acquired in 2014
Jubilee Life Insurance Company Limited (JLIC)	To acquire additional shareholding of 6.55%	No shares were acquired in 2014
HBL Asset Management Limited	To invest Rs. 2,250 million as seed capital in various funds managed by HBL Asset Management Limited	No investment in seed capital made in 2014

(i) Diamond Trust Bank Kenya Limited (DTBK):

1	Total Investment approved	Approved by the Shareholders in Annual General Meeting held on March 22, 2013 to acquire additional shareholding of 14.32% as a result of which the total shareholding shall stand increased to upto 26%.
2	Amount of investment made to date	US\$ 21,367,339 (Equivalent Kshs 1.94 billion) representing 11.97% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	This is a listed entity and investment is dependent on availability of shares in the market at a reasonable price.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Financial position of the company is given in the table below.

US\$ million

	2009	2010	2011	2012	2013
Revenue	66.82	96.36	112.67	142.44	174.40
Operating expense	36.41	45.60	53.95	60.37	75.45
Operating profit	26.57	43.83	51.78	82.07	98.95
Customer deposits	696.56	822.32	1,012.20	1,244.62	1,561.49
Customer loans and advances	547.37	636.77	839.29	1,020.44	1,345.15
Investments / balances with banks	19.09	265.96	281.02	457.96	524.87
Equity	92.26	111.04	136.47	192.23	254.02

(ii) Kyrgyz Investment and Credit Bank Limited (KICB):

1	Total Investment approved	Approved by the Shareholders in Annual General Meeting held on March 22, 2013 to acquire additional shareholding of 8% as a result of which total shareholding shall stand increased to upto 26%.
2	Amount of investment made to date	US\$ 2.55 million representing 18% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The investment is dependent on availability of shares as KICB is an unlisted entity.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Financial position of the company is given in the table below.

US\$ in million

	2009	2010	2011	2012	2013
Revenue	9.61	10.48	14.29	19.59	23.59
Operating expense	5.61	6.34	7.72	9.09	11.54
Operating profit	3.55	2.06	6.68	10.49	12.05
Customer deposits	46.83	71.31	99.47	147.54	170.72
Customer loans and advances	57.96	64.24	88.23	117.42	146.92
Investments / balances with banks	0.16	3.05	12.90	45.27	26.60
Equity	22.38	24.21	37.38	43.63	50.13

(iii) Habib Allied International Bank, Plc, UK (HBL-UK):

1	Total Investment approved:	Approved by the Shareholders in Annual General Meeting held on March 22, 2013 to invest upto GBP 50 million.
2	Amount of investment made to date	GBP 13.2 million representing 88.59% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	HBL-UK's capital raising plan was delayed against the earlier expectation.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Financial position of the company is given in the table below.

GBP in million

	2009	2010	2011	2012	2013
Revenue	15.00	10.90	14.50	17.30	15.30
Operating expenses	7.40	7.40	11.90	15.20	16.30
Operating profit / (loss)	7.40	3.50	2.60	2.10	(1.00)
Customer deposits	197.00	193.60	422.40	462.40	472.60
Customer loans and advances	125.10	122.00	199.40	174.34	171.50
Investments / balances with banks	240.40	257.40	413.00	142.03	414.60
Equity	44.90	49.20	49.40	42.76	40.90

(iv) Jubilee General Insurance Company Limited (JGIC):

1	Total Investment approved	Approved by the Shareholders in the Annual General Meeting held on March 22, 2013 to acquire additional 8.26% as a result of which the total shareholding shall stand increased to upto 24.50%.
2	Amount of investment made to date	Rs. 1,703 million representing 17.84% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	This is a listed entity and investment is dependent on availability of shares in the market at a reasonable price.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Financial position of the Company is given in the table below.

Rs. in million

	2009	2010	2011	2012	2013
Revenue	2,976.099	3,081.131	3,534.106	3,910.745	4,567.290
Operating expense	2,204.201	2,534.449	2,641.195	2,964.666	3,347.020
Operating profit	771.898	546.682	892.911	946.079	1,220.270
Investments / balances with banks	3,930.943	4,830.384	6,049.439	7,335.848	8,467.000
Equity	2,621.006	2,903.875	3,542.869	4,072.828	4,759.800

(v) Jubilee Life Insurance Company Limited (JLIC):

1	Total Investment approved	Approved by the Shareholders in Annual General Meeting held on March 22, 2013 to acquire additional shareholding of 6.55% as a result of which the total shareholding shall stand increased to upto 24.50%.
2	Amount of investment made to date	Rs. 468 million representing 17.95% shareholding.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	This is a listed entity and investment is dependent on availability of shares in the market at a reasonable price.
4	Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Financial position of the Company is given in the table below.

Rs. in million

	2009	2010	2011	2012	2013
Revenue	5.741	34.328	97.619	142.548	145.050
Operating expense	(55.003)	17.060	45.263	29.970	60.070
Operating profit	60.744	17.268	52.356	112.578	84.980
Investments / balances with banks	7,702.591	10,757.779	15,230.351	22,789.931	33,242.180
Equity	546.505	1,149.873	1,430.398	1,795.635	2,243.100

(vi) HBL Asset Management Limited:

1	Total Investment approved	The Shareholders in the Annual General Meeting held on March 28, 2008 authorised a total investment of upto Rs. 2,250 million in seed capital of various funds of HBL Asset Management Limited.
2	Amount of investment made to date	Rs. 1,130 million has been invested in various funds of HBL Asset Management Limited.
3	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	This depends on the requirement of the Company in terms of Funds launched.
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 annualised rate of return of Funds launched by HBL Asset Management Limited is given in the table below.

HBL Asset Management Limited

Fund Return

For the period From 2009 to 2014

Year ended June 30,	HBL Income Fund		HBL Stock Fund		HBL Multi Asset Fund		HBL Money Market Fund		HBL Islamic Money Market Fund		HBL Islamic Stock Market Fund	
	Return	NAV	Return	NAV	Return	NAV	Return	NAV	Return	NAV	Return	NAV
2010	13.28%	100.938	19.52%	91.046	19.17%	96.462	N/A	N/A	N/A	N/A	N/A	N/A
2011	12.90%	101.764	28.19%	103.901	23.55%	99.411	11.54%	103.050	10.46%	101.461	2.50%	102.500
2012	12.29%	103.315	11.00%	104.066	12.67%	94.824	11.50%	102.893	10.33%	103.024	16.52%	117.630
2013	7.70%	102.611	44.42%	135.850	37.60%	116.712	9.28%	101.260	8.45%	100.984	44.87%	155.910
2014	9.91%	101.338	27.40%	105.916	10.24%	95.450	8.08%	100.412	6.86%	100.183	30.17%	131.907

Half Year ended, December 31, 2014	12.89%	107.910	3.53%	108.830	0.91%	96.320	8.42%	104.670	7.50%	103.970	5.32%	138.920
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Year ended June 30,	HBL Pension Fund						HBL Islamic Pension Fund					
	Equity		Debt		Money		Equity		Debt		Money	
	Return	NAV	Return	NAV	Return	NAV	Return	NAV	Return	NAV	Return	NAV
2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2012	35.17%	122.436	9.77%	104.720	9.29%	104.904	32.43%	119.932	9.38%	104.074	8.80%	104.635
2013	45.40%	178.036	8.87%	114.055	7.88%	113.209	50.27%	180.252	8.63%	113.098	7.69%	112.687
2014	25.56%	223.569	7.44%	122.537	7.13%	121.277	44.41%	260.293	7.04%	121.070	6.08%	119.533

Half Year ended, December 31, 2014	16.71%	260.930	13.57%	130.920	7.30%	125.740	15.05%	299.470	3.08%	122.940	2.93%	121.300
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