



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Company



Bank AL Habib Limited and its Subsidiary Company Directors' Report on Audited Consolidated Financial Statements

The Directors are pleased to present the Audited Consolidated Financial Statements of Bank AL Habib Limited and the Bank's Subsidiary M/s AL Habib Capital Markets (Private) Limited for the year ended December 31, 2013.

(Rupees in '000)

Profit for the year before tax	7,552,856
Taxation	(2,354,599)
Profit for the year after tax	5,198,257
Share of profit attributable to minority interest	(2,991)
Profit attributable to shareholders	5,195,266
Unappropriated profit brought forward - restated	4,598,577
Transfer from surplus on revaluation of fixed assets - net of tax	37,328
Other comprehensive income	(63,462)
Profit available for appropriation	9,767,709
Appropriations:	
Transfer to Statutory Reserve	(1,032,690)
Cash Dividend - 2012	(3,031,160)
	(4,063,850)
Un-appropriated profit carried forward	5,703,859
Earnings per share (after tax)	Rs. 5.14

Pattern of Shareholding

The pattern of shareholding as at December 31, 2013 is annexed with the financial statements of Bank AL Habib Limited.

On behalf of the Board of Directors

ALI RAZA D. HABIB
Chairman

Karachi: February 18, 2014



Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Bank AL Habib Limited (the Bank) and its subsidiary company, (together referred to as Group) as at 31 December 2013, and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof for the year then ended. We have also expressed separate opinion and review conclusion on the financial statements of the Bank and its subsidiary company respectively. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary company as at 31 December 2013 and the results of their operations for the year then ended.

Karachi: February 18, 2014

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Arslan Khalid



Consolidated Statement of Financial Position As at 31 December 2013

	Note	2013	2012 (Rupees in '000) Restated	2011 Restated
ASSETS				
Cash and balances with treasury banks	8	32,199,552	27,464,345	22,957,988
Balances with other banks	9	2,664,729	9,747,248	6,744,643
Lendings to financial institutions	10	—	993,981	—
Investments	11	239,986,042	249,923,504	223,105,101
Advances	12	167,569,070	147,859,828	114,863,132
Operating fixed assets	13	11,815,577	11,241,539	10,791,345
Deferred tax assets		—	—	—
Other assets	14	6,786,943	6,123,497	6,063,405
		461,021,913	453,353,942	384,525,614
LIABILITIES				
Bills payable	15	6,173,102	5,257,191	4,979,720
Borrowings	16	29,480,026	69,622,055	43,441,594
Deposits and other accounts	17	386,098,828	340,386,558	302,097,187
Sub-ordinated loans	18	6,485,900	6,489,300	7,390,358
Liabilities against assets subject to finance lease		—	—	28
Deferred tax liabilities	19	1,642,923	1,929,441	1,232,433
Other liabilities	20	5,559,900	5,607,630	5,487,134
		435,440,679	429,292,175	364,628,454
NET ASSETS				
		25,581,234	24,061,767	19,897,160
REPRESENTED BY :				
Share capital	21	10,103,868	10,103,868	8,785,972
Reserves		7,569,407	6,464,546	5,324,689
Unappropriated profit		5,703,859	4,598,577	3,653,870
Equity attributable to the shareholders of the Holding company				
		23,377,134	21,166,991	17,764,531
Non-controlling interest		109,744	106,753	109,782
Total equity				
		23,486,878	21,273,744	17,874,313
Surplus on revaluation of assets - net of tax	22	2,094,356	2,788,023	2,022,847
		25,581,234	24,061,767	19,897,160
CONTINGENCIES AND COMMITMENTS				
	23			

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
Chief Executive and
Managing Director

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



Consolidated Profit and Loss Account For the year ended 31 December 2013

	Note	2013 (Rupees in '000)	2012 Restated
Mark-up / return / interest earned	25	37,254,862	41,474,034
Mark-up / return / interest expensed	26	(22,993,817)	(26,105,028)
Net mark-up / return / interest income		14,261,045	15,369,006
Provision against non-performing loans and advances	12.6	(479,695)	(466,101)
Reversal of provision for diminution in the value of investments		–	14
Bad debts written-off directly		(96)	–
		(479,791)	(466,087)
Net mark-up / return / interest income after provisions		13,781,254	14,902,919
NON MARK-UP / INTEREST INCOME			
Fees, commission and brokerage income		1,916,444	1,520,773
Dividend income		209,500	262,664
Income from dealing in foreign currencies		675,489	577,887
Gain on sale / redemption of securities - net	27	497,307	77,686
Unrealised gain / (loss) on revaluation of investments classified as held for trading		–	–
Share of profit from associates		143,551	140,224
Other income	28	547,666	453,619
Total non mark-up / interest income		3,989,957	3,032,853
		17,771,211	17,935,772
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	(10,050,407)	(8,799,419)
Other provisions / write-offs	30	(11,076)	(12,060)
Other charges	31	(156,872)	(186,153)
Total non mark-up / interest expenses		(10,218,355)	(8,997,632)
Extra-ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		7,552,856	8,938,140
Taxation – Current		(2,451,216)	(3,264,799)
– Prior years		190,885	122,893
– Deferred		(94,268)	(276,816)
	32	(2,354,599)	(3,418,722)
PROFIT AFTER TAXATION		5,198,257	5,519,418
Attributable to :			
Shareholders of the Holding company		5,195,266	5,522,447
Non-controlling interest		2,991	(3,029)
		5,198,257	5,519,418
Basic and diluted earnings per share attributable to equity holders of the Holding company - Rupees			
	33	5.14	5.47

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

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Director



Consolidated Statement of Comprehensive Income For the year ended 31 December 2013

	Note	2013 (Rupees in '000)	2012 Restated
Net profit for the year		5,198,257	5,519,418
Other comprehensive income			
<i>Items to be reclassified to profit or loss in subsequent years:</i>			
Effect of foreign currency translation of net investment in foreign branch		72,171	50,554
<i>Items not to be reclassified to profit or loss in subsequent years:</i>			
Actuarial loss on defined benefit plan	5.1.2 & 36.5	(97,634)	(7,984)
Income tax effect		34,172	(3,434)
		(63,462)	(11,418)
Total comprehensive income for the year		5,206,966	5,558,554
Attributable to :			
Shareholders of the Holding company		5,203,975	5,561,583
Non-controlling interest		2,991	(3,029)
		5,206,966	5,558,554

Surplus arising on revaluation of fixed assets and available for sale investments is required to be shown separately below equity as 'Surplus on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been recognised as other comprehensive income / expenses.

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

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Director



Consolidated Statement of Changes in Equity For the year ended 31 December 2013

	Attributable to the shareholders of the Holding Company								
	Revenue Reserves								
	Share Capital	Statutory Reserve	Special Reserve	General Reserve	Foreign Currency Translation Reserve	Unappropriated Profit	Total	Non-controlling Interest	Total Equity
	(Rupees in '000)								
Balance as at 01 January 2012	8,785,972	4,540,869	126,500	540,000	117,320	3,767,998	17,878,659	109,782	17,988,441
Effect of retrospective change in accounting policy of recognising actuarial gains and losses on defined benefit plan - net of tax (note 5.1.2)	-	-	-	-	-	(114,128)	(114,128)	-	(114,128)
Balance as at 01 January 2012 - restated	8,785,972	4,540,869	126,500	540,000	117,320	3,653,870	17,764,531	109,782	17,874,313
Profit for the year - restated	-	-	-	-	-	5,522,447	5,522,447	(3,029)	5,519,418
Other comprehensive income for the year - restated	-	-	-	-	50,554	(11,418)	39,136	-	39,136
Total comprehensive income for the year - restated	-	-	-	-	50,554	5,511,029	5,561,583	(3,029)	5,558,554
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	37,370	37,370	-	37,370
Transfer to statutory reserve	-	1,089,303	-	-	-	(1,089,303)	-	-	-
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	(2,196,493)	(2,196,493)	-	(2,196,493)
Issue of bonus shares in the ratio of 15 shares for every 100 shares held	1,317,896	-	-	-	-	(1,317,896)	-	-	-
Balance as at 31 December 2012 - restated	10,103,868	5,630,172	126,500	540,000	167,874	4,598,577	21,166,991	106,753	21,273,744
Profit for the year	-	-	-	-	-	5,195,266	5,195,266	2,991	5,198,257
Other comprehensive income for the year	-	-	-	-	72,171	(63,462)	8,709	-	8,709
Total comprehensive income for the year	-	-	-	-	72,171	5,131,804	5,203,975	2,991	5,206,966
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	37,328	37,328	-	37,328
Transfer to statutory reserve	-	1,032,690	-	-	-	(1,032,690)	-	-	-
Cash dividend (Rs. 3 per share)	-	-	-	-	-	(3,031,160)	(3,031,160)	-	(3,031,160)
Balance as at 31 December 2013	10,103,868	6,662,862	126,500	540,000	240,045	5,703,859	23,377,134	109,744	23,486,878

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
Chief Executive and
Managing Director

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Director

ANWAR HAJI KARIM
Director



Consolidated Cash Flow Statement For the year ended 31 December 2013

	2013 (Rupees in '000)	2012 Restated
Cash Flow From Operating Activities		
Profit before taxation	7,552,856	8,938,140
Dividend income	(209,500)	(262,664)
	7,343,356	8,675,476
Adjustments for non - cash items:		
Depreciation	887,068	810,500
Amortisation	51,696	32,996
Provision against non-performing loans and advances	479,695	466,101
Reversal of provision for diminution in the value of investments	—	(14)
Gain on sale of operating fixed assets	(76,240)	(65,085)
Share of profit from associates	(143,551)	(140,224)
Financial charges on leased assets	—	1
Gain on sale / redemption of securities	(497,307)	(77,686)
Provision for compensated absences	42,673	31,113
Provision against off-balance sheet items	11,076	12,060
	755,110	1,069,762
	8,098,466	9,745,238
Increase in operating assets		
Lendings to financial institutions	993,981	(993,981)
Advances	(20,188,937)	(33,462,797)
Other assets	(593,137)	(101,806)
	(19,788,093)	(34,558,584)
Increase in operating liabilities		
Bills payable	915,911	277,471
Borrowings	(40,142,029)	26,228,864
Deposits	45,712,270	38,289,371
Other liabilities (excluding provision for taxation)	(20,685)	175,980
	6,465,467	64,971,686
	(5,224,160)	40,158,340
Income tax paid	(2,563,587)	(3,285,625)
Net cash (used in) / from operating activities (Balance carried forward)	(7,787,747)	36,872,715



	Note	2013 (Rupees in '000)	2012 Restated
Net cash (used in) / from operating activities (Balance brought forward)		(7,787,747)	36,872,715
Cash Flow From Investing Activities			
Net investments in available for sale securities		49,293,512	(54,010,447)
Net investments in held to maturity securities		(40,137,040)	28,796,240
Net investment in associates		448,887	(157,789)
Dividend received		204,410	266,653
Investments in operating fixed assets		(1,538,234)	(1,274,301)
Sale proceeds of operating fixed assets		84,010	77,697
Net cash from / (used in) investing activities		8,355,545	(26,301,947)
Cash Flow From Financing Activities			
Payments of sub-ordinated loans		(3,400)	(901,058)
Payments of lease obligation		—	(29)
Dividend paid		(2,983,881)	(2,162,870)
Net cash used in financing activities		(2,987,281)	(3,063,957)
Exchange adjustment on translation of net investment in a foreign branch		72,171	50,554
(Decrease) / increase in cash and cash equivalents		(2,347,312)	7,557,365
Cash and cash equivalents at beginning of the year		37,211,593	29,654,228
Cash and cash equivalents at end of the year	34	34,864,281	37,211,593

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



Notes to the Consolidated Financial Statements For the year ended 31 December 2013

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding company

- Bank AL Habib Limited

Subsidiary company

- AL Habib Capital Markets (Private) Limited

1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 320 branches (2012: 308 branches), 96 sub-branches (2012: 82) and 03 representative offices (2012: 02). The branch network of the Bank includes a wholesale branch in the Kingdom of Bahrain (2012:01), a branch in Karachi Export Processing Zone (2012:01) and 17 Islamic Banking branches (2012: 13).

1.3 The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited (the company). The company was incorporated in Pakistan on 23 August 2005 as a private limited company under the Companies Ordinance, 1984. The company is a corporate member of the Karachi Stock Exchange Limited and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 04, dated 17 February 2006.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, murabaha financing arrangements undertaken by the Islamic Banking branches are accounted for as a purchase and sale transaction of the underlying goods in these consolidated financial statements in accordance with the accounting policies of the Group.

2.3 The financial results of the Islamic Banking branches have been consolidated in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 44.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the



Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or regulations / directives issued by SECP and SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.

- 3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for the certain investments, land and buildings and derivative financial instruments which are revalued as referred to in notes 5.5, 5.7 and 5.15 below.

5. SIGNIFICANT ACCOUNTING POLICIES

- 5.1 The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as described below:

5.1.1 New and amended standards

The Group has adopted the following revised standard, amendments and interpretation of IFRSs which became effective during the year:

IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 19 - Employee Benefits – (Revised)

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above revision and amendments of the standards did not have any effect on the consolidated financial statements except for as described in Note 5.1.2.

5.1.2 Change in accounting policy

During the period, the Bank has adopted Revised IAS 19 - 'Employee Benefits'. As per revised standard, actuarial gains and losses for defined benefit plans are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss.



The adoption of above revised standard has resulted in change in accounting policy of the Bank related to recognition of actuarial gains and losses to recognise actuarial gains and losses in total in other comprehensive income in the period in which they occur. Previously, actuarial gains or losses in excess of 10% of the actuarial liability or plan assets were recognised in profit and loss account over the expected average working life of the employees. The impact of the said changes on these consolidated financial statements is as under:

	2013 (Rs. in '000)	2012
Impact on consolidated profit and loss account		
Decrease in administrative expenses	(7,775)	(8,898)
Increase in profit before taxation	7,775	8,898
Increase in earnings per share (Rs.)	0.1	0.1
Impact on consolidated statement of comprehensive income		
Increase in actuarial loss on defined benefit plan	(97,634)	(7,984)
Increase / (decrease) in income tax	34,172	(3,434)
Decrease in total comprehensive income for the year	(63,462)	(11,418)
	2013	2012
		(Rs. in '000)
Impact on consolidated statement of financial position		
Increase in other liabilities	176,994	113,533
Decrease in unappropriated profit	176,994	113,533
		2011
		(Rs. in '000)

IAS 19 (revised 2011) also requires more extensive disclosures. These have been provided in Note 36.

5.2 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary.

- The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the Holding Company and subsidiary are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant intercompany transactions have been eliminated.
- Non-controlling interest are the part of the results of the operations and net assets of the subsidiary company attributable to interests which are not owned by the Group. Interest in the equity of the subsidiary not attributable to the Holding Company is reported in the consolidated statement of changes in equity as non-controlling interest. Profit or loss attributable to non-controlling interest is reported in the consolidated profit and loss account as profit or loss attributable to non-controlling interest.

5.3 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated cash flow statement comprises cash and balances with treasury banks and balances with other banks less overdrawn nostros accounts.

5.4 Repurchase / resale agreements

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



Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these arrangements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

5.5 Investments

Investments (other than associates) are classified as follows:

Held for trading

These are investments acquired principally for the purpose of generating profits from short - term fluctuations in price or dealer's margin or are securities included in a portfolio in which a pattern of short - term trading exists.

Held to maturity

These are investments with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold till maturity.

Available for sale

These are investments which do not fall under the held for trading and held to maturity categories.

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. Trade date is the date on which the Group commits to purchase or sell the investments.

Investments (other than held for trading) are initially measured at fair value plus transaction cost associated with the investment. Investments classified as held for trading are initially measured at fair value, and transaction costs are expensed in the consolidated profit and loss account.

After initial recognition, quoted securities, other than those classified as held to maturity, are carried at market value. Unquoted securities are valued at cost less impairment in value, if any. Held to maturity securities are carried at amortised cost.

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to a separate account which is shown in the consolidated statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the consolidated profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

Provision for diminution in the values of securities is made after considering impairment, if any, in their value and charged to consolidated profit and loss account. Impairment is recognised when there is an objective evidence of significant and prolong decline in the value of such securities. Provision for impairment against debt securities is made as per the aging criteria prescribed by the Prudential Regulations of SBP and in case of unquoted equity securities on the basis of book value of investee's net assets.



Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the consolidated profit and loss account.

Investment in associates

Investment in associates are accounted by using equity method of accounting.

5.6 Advances

Loans and advances

These are stated net of provisions for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations and is charged to the profit and loss account. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of the management's risk assessment. Advances are written off when there are no realistic prospects of recovery.

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to 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.

Ijarah finance

In accordance with the requirements of IFAS 2 'Ijarah', assets leased out under ijarah arrangements on or after 01 January 2009 are stated at cost less depreciation and impairment, if any and included under "Advances". Such assets are depreciated over the terms of Ijarah contracts. Ijarah arrangements executed before the above referred date are accounted for as finance lease.

Murabaha

Funds disbursed under murabaha arrangements for purchase of goods are recorded as advance for murabaha. On culmination of murabaha i.e. sale of goods to customers, murabaha receivables are recorded at the sale price net of deferred income. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

5.7 Operating fixed assets

Tangible operating assets - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount. Buildings are initially measured at cost and upon revaluation, are carried at revalued amount less accumulated depreciation and impairment, if any. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to consolidated profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 13.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. The surplus arising on revaluation of fixed assets is credited to the "surplus on revaluation of assets" account shown below equity. The Group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirements of the Companies Ordinance, 1984 and SECP's SRO 45(1)/2003 dated 13 January 2003:



- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from surplus on revaluation of assets to unappropriated profit through statement of changes in equity to record realisation of surplus to the extent of the incremental depreciation charge for the year.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of land and buildings (net of Deferred tax) is transferred directly to unappropriated profit.

Tangible operating assets - leased

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are accounted for by recording the assets and related liability. These are stated at lower of fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 13.3. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal. Intangible assets with indefinite useful lives are not amortised instead they are systematically tested for impairment annually.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any.

Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to consolidated profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

5.8 Employees' benefits

Defined benefit plan

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur.



Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

AL Habib Capital Market (Private) Limited operates unapproved provident fund scheme for its confirmed employees. Contributions are made by the company and the employees at the rate of 10% of the basis salary in accordance with the terms of scheme.

Compensated absences

The Bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.

5.9 Provisions against liabilities

These 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 reporting date and are adjusted to reflect the current best estimate.

5.10 Provisions against off-balance sheet obligations

The Group, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fees, commission and brokerage income" over the period of contracts. The Group liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

5.11 Revenue recognition

- (a) Mark-up / interest / return on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark-up is recognised on receipt basis. Mark-up / interest / return on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of SBP.
- (b) Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.
- (c) The rentals from ijarah are recognised as income over the term of the contract net of depreciation expense relating to the ijarah assets.
- (d) Income from murabaha is accounted for on a time proportionate basis over the period of murabaha transaction.
- (e) Dividend income is recognised when the right to receive is established.
- (f) Gain or loss on sale of investments are recognised in consolidated profit and loss account in the year in which they arise.
- (g) Fees, commission and brokerage income are recognised as services are performed.

5.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in consolidated profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.



Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the consolidated statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred tax is provided on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investment in foreign operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

5.13 Currency translation

Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees which is the Group functional currency and presentation currency.

Transactions and balances in foreign currencies

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

Foreign operations

The assets and liabilities of foreign operations are translated to Pak Rupees at exchange rates prevailing at the reporting date. The income and expense of foreign operations are translated at rate of exchange prevailing during the year. Exchange gain or loss on such translation is taken to equity through statement of other comprehensive income under "foreign currency translation reserve".

Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities.



5.14 **Financial instruments**

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current year.

5.15 **Derivative financial instruments**

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the consolidated profit and loss account.

5.16 **Off - setting**

Financial assets and financial liabilities are only off - set and the net amount is reported in the financial statements when there is a legally enforceable right to set - off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off - set and the net amount is reported in the financial statements.

5.17 **Dividends and appropriations to reserves**

Dividends and appropriations to reserves are recognised in the year in which these are approved, except appropriations required by the law which are recorded in the period to which they pertain.

5.18 **Segment reporting**

A segment is a distinguishable component of the Group that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The segment reporting format has been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by SBP vide BSD Circular No.04, dated, 17 February 2006. The Group primary format of reporting is based on business segments.

5.18.1 **Business segments**

Retail banking

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities include provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc., to individual customers, small merchants and SMEs.

Commercial banking

Commercial banking represents provision of banking services including treasury and international trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and SMEs treated as corporate under the Prudential Regulations.

Retail brokerage

Retail brokerage activities include the business of equity, money market and foreign exchange brokerage, equity research and corporate financial advisory and consultancy services.



5.18.2 Geographical segments

The Group operates in two geographic regions, being:

- Pakistan
- Middle East

5.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at 31 December 2013.

5.20 Clients' assets

The Group provides services that result in the holding of assets on behalf of its clients. Such assets are not reported in the financial statements, as they are not the assets of the Group.

6. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the consolidated financial statements are in respect of the following:

	Note
Classification of investments and provision for diminution in the value of investments	5.5 & 11
Provision against non - performing advances	5.6 & 12
Useful lives of assets and methods of depreciation and amortisation	5.7 & 13
Defined benefit plan	5.8 & 36
Provisions against off - balance sheet obligations	5.10 & 20
Current and deferred taxation	5.12 & 19

7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards and interpretation with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:



Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36 – Recoverable amount for Non Financial Assets – (Amendment)	01 January 2014
IFRIC 21 – Levies	01 January 2014
IFAS 3 – Profit and loss sharing on Deposits	12 June 2013

The Group expects that adoption of the above amendments and interpretation of the standards will not affect the Group financial statements in the period of initial application other than certain additional disclosures as required under IFAS 3.

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013



	Note	2013	2012
		(Rupees in '000)	
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		5,654,715	4,902,302
Foreign currencies		1,921,134	1,144,677
National prize bonds		28,242	27,353
		7,604,091	6,074,332
In transit			
Local currency		27,120	71,940
Foreign currencies		55,105	3,007
		82,225	74,947
With State Bank of Pakistan in:			
Local currency current accounts	8.1	14,459,173	13,024,891
Local currency current account-Islamic Banking	8.1	238,361	224,122
Foreign currency deposit accounts			
Cash reserve account	8.1	1,679,927	1,491,248
Cash reserve / special cash reserve account			
-Islamic Banking		16,220	6,412
Special cash reserve account	8.1	5,039,782	4,473,744
Local US Dollar collection account	8.2	16,488	27,855
		21,449,951	19,248,272
With National Bank of Pakistan in:			
Local currency current accounts		3,063,285	2,066,794
		32,199,552	27,464,345

8.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements.

8.2 This represents US Dollar collection account maintained with SBP.



	Note	2013 (Rupees in '000)	2012
9. BALANCES WITH OTHER BANKS			
In Pakistan			
Current accounts		894,111	751,293
Savings accounts	9.1	5,570	3,206
		899,681	754,499
Outside Pakistan			
Current accounts		1,588,427	2,697,112
Deposit accounts	9.2	176,621	6,295,637
		1,765,048	8,992,749
		2,664,729	9,747,248

9.1 These carry expected profit rates of 5% to 7% (2012: 6%) per annum.

9.2 These carry interest rates upto 0.05% to 0.35% (2012: upto 0.09%) per annum.

10. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency			
Repurchase agreement lendings (Reverse Repo)	10.1	—	993,981

10.1 Securities held as collateral against repurchase agreement lendings

	2013			2012		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	—	—	—	993,981	—	993,981

10.1.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. NIL (2012: 999.753) million.



11. INVESTMENTS

		Note	2013			2012		
			Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
11.1	Investments by type		(Rupees in '000)					
Available for sale securities		11.5						
	Market Treasury Bills		101,159,729	10,933,027	112,092,756	114,006,833	50,291,508	164,298,341
	Pakistan Investment Bonds		12,412,522	–	12,412,522	13,446,569	–	13,446,569
	Foreign Currency Bonds		1,782,395	–	1,782,395	1,108,499	–	1,108,499
	Sukuks		3,300,425	–	3,300,425	3,508,008	–	3,508,008
	Ordinary shares of listed companies		2,542,652	–	2,542,652	276,576	–	276,576
	Ordinary shares of unlisted companies		64,855	–	64,855	39,570	–	39,570
	Listed term finance certificates		544,625	–	544,625	502,829	–	502,829
	Unlisted term finance certificates		2,532,720	–	2,532,720	532,820	–	532,820
	Open ended mutual funds		1,371,246	–	1,371,246	1,727,189	–	1,727,189
			125,711,169	10,933,027	136,644,196	135,148,893	50,291,508	185,440,401
Held to maturity securities		11.2						
	Market Treasury Bills		83,858,220	–	83,858,220	48,660,340	–	48,660,340
	Pakistan Investment Bonds		17,654,496	–	17,654,496	12,503,552	–	12,503,552
	Sukuks		211,342	–	211,342	229,705	–	229,705
	Listed term finance certificates		95,177	–	95,177	246,931	–	246,931
	Unlisted term finance certificates		–	–	–	41,667	–	41,667
			101,819,235	–	101,819,235	61,682,195	–	61,682,195
Associates		11.12						
	Habib Sugar Mills Limited		317,917	–	317,917	281,831	–	281,831
	Habib Asset Management Limited		74,577	–	74,577	40,013	–	40,013
	First Habib Income Fund		259,725	–	259,725	556,646	–	556,646
	First Habib Stock Fund		56,765	–	56,765	56,665	–	56,665
	First Habib Cash Fund		312,930	–	312,930	318,760	–	318,760
	First Habib Islamic Balanced Fund		27,134	–	27,134	25,358	–	25,358
			1,049,048	–	1,049,048	1,279,273	–	1,279,273
Investments at cost			228,579,452	10,933,027	239,512,479	198,110,361	50,291,508	248,401,869
	Provision for diminution in the value of investments	11.4	(6,586)	–	(6,586)	(6,586)	–	(6,586)
Investments (net of provisions)			228,572,866	10,933,027	239,505,893	198,103,775	50,291,508	248,395,283
Surplus / (deficit) on revaluation of available for sale investments - net			488,903	(8,754)	480,149	1,437,899	90,322	1,528,221
Investments after revaluation of available for sale investments			229,061,769	10,924,273	239,986,042	199,541,674	50,381,830	249,923,504

11.2 The aggregate market value of held to maturity securities as at 31 December 2013 amounted to Rs. 101,709 (2012: Rs. 62,824) million.



	Note	2013 (Rupees in '000)	2012
11.3 Investments by segment			
<i>Federal Government Securities</i>			
Market Treasury Bills	11.6	195,950,976	212,958,681
Pakistan Investment Bonds	11.7	30,067,018	25,950,121
Foreign Currency Bonds	11.10	1,459,509	1,006,813
Sukuks	11.8	1,000,000	1,000,000
		228,477,503	240,915,615
<i>Fully paid-up ordinary shares</i>			
Listed companies	11.5.5	2,542,652	276,576
Unlisted companies	11.11	64,855	39,570
		2,607,507	316,146
<i>Term finance certificates, sukuks and bonds</i>			
Term Finance Certificates			
Listed term finance certificates		639,802	749,760
Unlisted term finance certificates		2,532,720	574,487
	11.9	3,172,522	1,324,247
Sukuks	11.8	2,511,767	2,737,713
Foreign Currency Bonds	11.10	322,886	101,686
		6,007,175	4,163,646
<i>Others</i>			
Open ended mutual funds	11.5.9	1,371,246	1,727,189
Associates	11.12	1,049,048	1,279,273
		2,420,294	3,006,462
Investments at cost		239,512,479	248,401,869
Provision for diminution in the value of investments	11.4	(6,586)	(6,586)
Investments - net of provisions		239,505,893	248,395,283
Surplus on revaluation of available for sale investments - net		480,149	1,528,221
Investments after revaluation of available for sale investments		239,986,042	249,923,504



	Note	2013	2012				
		(Rupees in '000)					
11.4	Particulars of provision for diminution in the value of investments						
	Available for sale investments:						
	Opening balance	6,586	6,600				
	Adjustment of provision upon disposal of investment	—	(14)				
	Closing balance	11.4.1	6,586				
11.4.1	Particulars of provision in respect of type and segment						
	Available for sale investments:						
	Listed companies	886	886				
	Unlisted companies	5,700	5,700				
		6,586	6,586				
11.5	Quality of available for sale securities						
	<u>Name of security</u>	<u>Face value</u>	<u>2013</u> <u>2012</u>	<u>2013</u> <u>2012</u>	<u>2013</u> <u>2012</u>		
		<u>Rs. / USD</u>	<u>Rating*</u>	<u>Cost</u>	<u>Carrying value</u>		
				(Rupees in '000)			
11.5.1	Market Treasury Bills	—	Unrated Unrated	112,092,756	164,298,341	111,850,735	164,686,670
11.5.2	Pakistan Investment Bonds	—	Unrated Unrated	12,412,522	13,446,569	12,727,568	14,382,871
11.5.3	Foreign Currency Bonds						
	Government of Pakistan Bonds	USD 100	B- B-	945,156	662,181	1,028,969	701,421
	Government of Pakistan Bonds	USD 100	B- B-	514,353	344,632	542,241	357,511
	Government of Sri Lanka Bonds	USD 100	B+ B+	107,852	101,686	109,450	105,165
	Bank of Ceylon	USD 100	BB- —	215,034	—	212,275	—
				1,782,395	1,108,499	1,892,935	1,164,097
11.5.4	Sukuks						
	<u>2013</u> <u>2012</u> <u>Name of Security</u>						
	No. of certificates						
	170,000 170,000 Engro Foods Limited	Rs. 5,000	A+ A	850,000	850,000	850,000	850,000
	10,000 10,000 Government of Pakistan Ijarah Sukuk - VIII	Rs. 100,000	Unrated Unrated	1,000,000	1,000,000	1,005,400	1,009,800
	1,087,849 1,087,849 Liberty Power Tech Limited	Rs. 1,000	A+ A+	950,425	1,033,008	950,425	1,033,008
	150,000 150,000 WAPDA Second Sukuk Company Limited	Rs. 5,000	Unrated Unrated	500,000	625,000	500,000	625,000
				3,300,425	3,508,008	3,305,825	3,517,808



11.5.5 Ordinary shares of listed companies

2013	2012	Name of security	Face value	2013	2012	2013	2012	2013	2012
No. of shares			Rs.	Rating*		Cost		Carrying value	
(Rupees in '000)									
3,595	3,595	Aisha Steel Limited	Rs.10	Unrated	A-	-	-	34	36
661,000	-	Allied Bank Limited	Rs.10	AA+	-	42,503	-	59,490	-
39,549	35,954	Arif Habib Corporation Limited	Rs.10	AA	AA	1,477	1,477	881	954
115,690	34,059	Attock Petroleum Limited	Rs.10	Unrated	Unrated	47,653	15,207	57,809	17,438
9,806	9,806	Fatima Fertilizer Company Limited	Rs.10	A+	A+	234	-	280	259
3,154,500	-	Fauji Fertilizer Bin Qasim Limited	Rs.10	Unrated	-	126,318	-	138,199	-
3,224,800	-	Fauji Fertilizer Company Limited	Rs.10	Unrated	-	364,507	-	361,048	-
389,000	-	First Habib Modarba	Rs.10	AA+	-	3,449	-	3,376	-
10,102,415	2,700,415	Habib Metropolitan Bank Limited	Rs.10	AA+	AA+	197,587	36,204	253,267	37,840
7,878,500	251,000	Hub Power Company Limited	Rs.10	AA+	AA+	478,686	8,821	478,382	11,355
52,862	52,862	International Industries Limited	Rs.10	Unrated	Unrated	357	357	2,451	1,740
5,623,556	3,364,056	International Steels Limited	Rs.10	Unrated	Unrated	89,228	47,332	96,838	40,705
5,061	5,061	Jahangir Siddiqui & Company Limited	Rs.10	AA	AA	284	284	47	82
532	532	JS Investments Limited	Rs.10	A+	A+	22	22	6	4
3,960,000	-	Kot Addu Power Company Limited	Rs.10	AA+	-	242,202	-	244,530	-
1,594,500	-	Lalpur Power Limited	Rs.10	AA	-	37,626	-	31,730	-
127,400	-	MCB Bank Limited	Rs.10	AAA	-	34,079	-	35,821	-
119,067	107,268	Meezan Bank Limited	Rs.10	AA	AA-	3,028	3,028	4,689	3,223
3,096,000	-	Nishat Chunain Power Limited	Rs.10	A+	-	99,828	-	107,679	-
17,500	17,500	Packages Limited	Rs.10	AA	AA	1,429	1,429	4,771	2,645
4,407,500	-	Pakgen Power Limited	Rs.10	AA	-	108,544	-	95,687	-
305,075	234,075	Pakistan Oilfields Limited	Rs.10	Unrated	Unrated	148,116	89,111	151,839	102,417
740,741	425,168	Pakistan Petroleum Limited	Rs.10	Unrated	Unrated	150,003	68,421	158,489	75,165
595,000	-	Pakistan State Oil Company Limited	Rs.10	AA+	-	195,527	-	197,671	-
-	200,000	Pakistan Telecommunication Authority	Rs.10	-	Unrated	-	2,694	-	3,470
18,000	18,000	Shell Pakistan Limited	Rs.10	Unrated	Unrated	2,189	2,189	3,428	2,452
8,440,450	-	Soneri Bank Limited	Rs.10	AA-	-	64,709	-	92,255	-
2,693,000	-	Standard Chartered Bank (Pakistan) Limited	Rs.10	AAA	-	49,737	-	67,056	-
575,000	-	United Bank Limited	Rs.10	AA+	-	53,330	-	76,216	-
						2,542,652	276,576	2,723,969	299,785

11.5.6 Ordinary shares of unlisted companies

2013	2012	Name of security	No. of shares / certificates	2013	2012	2013	2012	2013	2012
3,000,000	3,000,000	Khushhali Bank Limited	Rs.10	A	A	30,000	30,000	30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited	Rs.10	Unrated	Unrated	5,700	5,700	-	-
24	24	S.W.I.F.T	-	Unrated	Unrated	3,870	3,870	3,870	3,870
4,007,383	-	Karachi Stock Exchange Limited**	Rs.10	Unrated	-	25,285	-	25,285	-
						64,855	39,570	59,155	33,870

11.5.7 Listed term finance certificates

2013	2012	Name of security	No. of certificates	2013	2012	2013	2012	2013	2012
6,000	6,000	Allied Bank Limited	Rs.5,000	AA	AA	14,964	29,928	15,131	30,261
33,800	33,800	Allied Bank Limited - II	Rs.5,000	AA	AA	168,730	168,797	170,248	170,316
-	5,000	Askari Bank Limited - II	Rs.5,000	-	AA-	-	24,930	-	25,030
30,625	-	Bank Alfalah Limited - V	Rs.5,000	AA-	-	153,094	-	156,446	-
40,000	40,000	Engro Fertilizers Limited - III	Rs.5,000	A	A	199,520	199,600	199,500	194,750
-	6,600	NIB Bank Limited	Rs.5,000	-	A+	-	32,941	-	33,026
-	20,000	Pak Arab Fertilizers Limited	Rs.5,000	-	AA	-	30,000	-	30,031
5,000	5,000	United Bank Limited - III	Rs.5,000	AA	AA	8,317	16,633	8,439	16,877
						544,625	502,829	549,764	500,291



			Face value Rs.	2013 Rating*	2012	2013 Cost	2012	2013 Carrying value	2012
11.5.8	Unlisted term finance certificates								
	<u>2013</u>	<u>2012</u>	<u>Name of security</u>						
	No. of certificates								
	150	150	Askari Bank Limited - IV	Rs.1,000,000	AA-	AA-	149,880	149,940	149,880
	20,000	20,000	Bank Alfalah Limited - IV	Rs.5,000	AA-	AA-	99,840	99,880	99,840
	56,600	56,600	Standard Chartered Bank	Rs.5,000	AAA	AAA	283,000	283,000	283,000
	400,000	-	(Pakistan) Limited	Rs.5,000	AAA	-	2,000,000	-	2,000,000
			WAPDA						
						2,532,720	532,820	2,532,720	532,820
11.5.9	Open ended mutual funds								
	<u>2013</u>	<u>2012</u>	<u>Name of Security</u>						
	No. of units								
	118,506	5,380,103	ABL Cash Fund	Rs.10	AA	AA	1,021	50,000	1,186
	182	3,984	Askari Sovereign Cash Fund	Rs.100	AAA	AAA	16	189	18
	57,428	24,657	Atlas Money Market Fund	Rs.500	AA	AA	26,680	12,000	28,872
	699,148	538,591	HLB Money Market Fund	Rs.100	AA	AA	66,480	50,000	70,359
	533,426	269,357	MCB Cash Management Optimizer Fund	Rs.100	AA	AA	50,506	25,000	53,370
	59,779,954	60,308,340	NIT Government Bond Fund	Rs.10	AA	AA	600,000	600,000	622,500
	19,689,110	19,469,983	NIT Income Fund	Rs.10	A+	A+	200,000	200,000	208,114
	-	22,746,463	NIT Unit Fund	Rs. 10	-	AM 2-	-	700,000	-
	8,206,331	-	NIT Unit Trust	Rs.10	3 Star	-	350,000	-	408,183
	15,894	-	Pakistan Cash Management Fund	Rs.10	AAA	-	691	-	796
	279,322	789,747	Primus Cash Fund	Rs.100	AAA	AAA	25,000	50,000	27,946
	534,383	426,706	UBL Liquidity Plus Fund	Rs.100	AA+	AA+	50,852	40,000	53,744
						1,371,246	1,727,189	1,475,088	1,843,824
						136,644,196	185,440,401	137,117,759	186,962,036

* Rating in case of ordinary shares of listed and unlisted companies represents the rating of investee companies, in all other cases, rating represents the rating of underlying instruments.

** These share have been acquired according to the requirements of "The Stock Exchanges (Corporation, Demutalization and integration) Act, 2012" ("The Act").

11.6 Market Treasury Bills

These securities have a maturity period of three months to one year (2012: six months to one year), with yield ranging between 8.97% to 9.91% (2012: 9.25% to 11.92%) per annum.

11.7 Pakistan Investment Bonds

These securities have a maturity period of 3, 5, 7 and 10 years (2012: 3, 5, 7 and 10 years) with interest rates ranging between 9.60% to 12% (2012: 9% to 12%) per annum. These include securities costing Rs. 5 (2012: Rs. 5) million pledged with the Controller of Military Accounts, Karachi as a security deposit for extending banking facilities on account of regimental funds vis-a-vis private fund accounts.



11.8 Sukuks

<u>2013</u>	<u>2012</u>	Redeemable value per certificate	Maturity Date	Name of Security	Rate	<u>2013</u>	<u>2012</u>
No. of certificates		(Rupees)				(Rupees in '000)	
Federal Government Securities							
Available for sale							
10,000	10,000	100,000	May-14	Government of Pakistan Ijarah Sukuk - VIII	Weighted average 6 months T-Bills rate	1,000,000	1,000,000
Others							
Available for sale							
170,000	170,000	5,000	Jan-17	Engro Foods Limited	6 months' KIBOR plus 69 bps	850,000	850,000
1,087,849	1,087,849	874	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	950,425	1,033,008
150,000	150,000	3,333	Jul-17	WAPDA Second Sukuk Company Limited	6 months' KIBOR less 25 bps	500,000	625,000
						2,300,425	2,508,008
Held to maturity							
250,000	250,000	845	Mar-21	Liberty Power Tech Limited	3 months' KIBOR plus 300 bps	211,342	229,705
						2,511,767	2,737,713
						3,511,767	3,737,713

11.8.1 These Sukuks have face value of Rs. 5,000 per certificate except for Liberty Power Tech Limited's Sukuk which has face value of Rs. 1,000 per certificate and Government of Pakistan Ijarah Sukuk which have face value of Rs. 100,000 per certificate.

11.9 Term Finance Certificates

<u>2013</u>	<u>2012</u>	Redeemable value per certificate	Maturity Date	Name of Security	Rate	<u>2013</u>	<u>2012</u>
No. of certificates		(Rupees)				(Rupees in '000)	
Listed - Available for sale							
6,000	6,000	2,494	Dec-14	Allied Bank Limited*	6 months' KIBOR plus 190 bps	14,964	29,928
33,800	33,800	4,992	Aug-19	Allied Bank Limited - II*	6 months' KIBOR plus 85 bps	168,730	168,797
-	5,000	-	Oct-13	Askari Bank Limited - II*	6 months' KIBOR plus 150 bps	-	24,930
30,625	-	4,999	Feb-21	Bank Alfalah Limited - V*	6 months' KIBOR plus 125 bps	153,094	-
40,000	40,000	4,988	Nov-15	Engro Fertilizers Limited - III	6 months' KIBOR plus 155 bps	199,520	199,600
-	6,600	-	Mar-16	NIB Bank Limited*	6 months' KIBOR plus 115 bps	-	32,941
-	20,000	-	Feb-13	Pak Arab Fertilizer Limited	6 months' KIBOR plus 150 bps	-	30,000
5,000	5,000	1,663	Sep-14	United Bank Limited - III*	6 months' KIBOR plus 170 bps	8,317	16,633
						544,625	502,829
Unlisted - Available for sale							
150	150	999,200	Dec-21	Askari Bank Limited - IV*	6 months' KIBOR plus 175 bps	149,880	149,940
20,000	20,000	4,992	Dec-17	Bank Alfalah Limited - IV*	15.00% per annum	99,840	99,880
56,600	56,600	5,000	Jun-22	Standard Chartered Bank (Pakistan) Limited*	6 months' KIBOR plus 75 bps	283,000	283,000
400,000	-	5,000	Sep-21	WAPDA	6 months' KIBOR plus 100 bps	2,000,000	-
						2,532,720	532,820



<u>2013</u>	<u>2012</u>	Redeemable value per certificate	Maturity Date	Name of Security	Rate	<u>2013</u>	<u>2012</u>
No. of certificates		(Rupees)				(Rupees in '000)	
Listed - Held to maturity							
-	20,000	-	Feb-13	Askari Bank Limited*	6 months' KIBOR plus 150 bps	-	99,700
17,400	17,400	4,992	Aug-19	Allied Bank Limited - II*	6 months' KIBOR plus 85 bps	86,860	86,896
-	9,000	-	Feb-13	Faysal Bank Limited*	6 months' KIBOR plus 190 bps	-	11,223
-	5,000	-	May-13	Soneri Bank Limited*	6 months' KIBOR plus 160 bps	-	6,235
-	5,000	-	Feb-13	Standard Chartered Bank (Pakistan) Ltd. - III*	6 months' KIBOR plus 200 bps	-	6,250
-	4,000	-	Mar-13	United Bank Limited - II*	9.49% per annum	-	19,994
5,000	5,000	1,663	Sep-14	United Bank Limited - III*	6 months' KIBOR plus 170 bps	8,317	16,633
						95,177	246,931
Unlisted - Held to maturity							
-	2,500	-	Jan-13	Orix Leasing Pakistan Limited - IV	6 months' KIBOR plus 120 bps	-	41,667
						3,172,522	1,324,247

*These Term Finance Certificates are subordinated.

11.9.1 These Term Finance Certificates have face value of Rs. 5,000 per certificate except for Orix Leasing Pakistan Limited - IV, which have face value of Rs 100,000 per certificate and Askari Bank Limited - IV which have face value of Rs. 1,000,000 per certificate.

11.10 Foreign Currency Bonds

<u>2013</u>	<u>2012</u>	Redeemable value per certificate	Maturity Date	Name of Security	Rate	<u>2013</u>	<u>2012</u>
No of certificates of US \$ 100 each		(Rupees)				(Rupees in '000)	
Federal Government Securities - Available for sale							
100,000	80,000	9,452	Jun-17	Government of Pakistan Bonds	6.875% p.a.	945,156	662,181
52,270	40,000	9,840	Mar-16	Government of Pakistan Bonds	7.125% p.a.	514,353	344,632
						1,459,509	1,006,813
Others - Available for sale							
10,000	10,000	10,785	Jan-15	Government of Srilanka Bonds	7.400% p.a.	107,852	101,686
20,000	-	10,752	May-17	Bank of Ceylon	6.875% p.a.	215,034	-
						322,886	101,686
						1,782,395	1,108,499



11.10.1 Foreign Currency Bonds are redeemable semi-annually.

11.11 Ordinary shares of unlisted companies

<u>2013</u>	<u>2012</u>	<u>Name of companies</u>	<u>Note</u>	<u>2013</u>	<u>2012</u>
No. of ordinary shares				(Rupees in '000)	
3,000,000	3,000,000	Khushhali Bank Limited Par value per share: Rs. 10 Break up value per share: Rs. 14.50 (2012: Rs. 13.71) based on audited financial statements for the year ended 31 December 2012 Chief Executive: Mr. Ghalib Nishtar		30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited Par value per share: Rs. 10 Break up value per share: Rs. 1.16 (2012: Rs. 1.16) based on audited financial statements for the year ended 31 December 2009 Chief Executive: Mr. S. M. Zaeem		5,700	5,700
24	24	Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T) allocated shares based on the financial contribution from network based serviced by the Bank.		3,870	3,870
4,007,383	–	Karachi Stock Exchange Limited Par value per share: Rs. 10 Break up value per share: Rs. 10.08 (2012: Rs. NIL) based on audited financial statements for the year ended 30 June 2013 Chief Executive : Mr. Nadeem Naqvi		25,285	–
				64,855	39,570

11.12 Associates

<u>2013</u>	<u>2012</u>	<u>Name of companies</u>			
No. of ordinary shares / units					
9,366,312	9,366,312	Habib Sugar Mills Limited % of holding: 6.24% (2012: 6.24%) Par value per share: Rs. 5 Market value: Rs. 273.309 (2012: Rs. 231.348) million Chief Executive: Mr. Raeesul Hasan	11.12.1	317,917	281,831
6,000,000	3,375,000	Habib Asset Management Limited % of holding: 30% (2012: 30%) Par value per share: Rs. 10 Break up value per share: Rs. 11.56 (2012: Rs. 10.87) based on audited financial statements for the year ended 30 June 2013 Chief Executive: Mr. Imran Azim	11.12.2	74,577	40,013
2,595,171	5,562,566	First Habib Income Fund Average cost per unit: Rs. 96.33 (2012: Rs. 98.88) Net asset value: Rs. 100.08 (2012: Rs. 100.07) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim		259,725	556,646



2013	2012	Name of companies	2013	2012
No. of ordinary shares / units			(Rupees in '000)	
500,000	500,000	First Habib Stock Fund Average cost per unit: Rs. 100 (2012: Rs. 100) Net Asset Value: Rs. 113.53 (2012: Rs. 113.33) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	56,765	56,665
3,126,169	3,182,506	First Habib Cash Fund Average cost per unit: Rs. 95.96 (2012: Rs. 94.27) Net Asset Value: Rs. 100.10 (2012: Rs. 100.16) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	312,930	318,760
252,322	252,322	First Habib Islamic Balanced Fund Average cost per unit: Rs. 99.08 (2012: Rs. 99.08) Net Asset Value: Rs. 107.54 (2012: Rs. 100.50) Management Company: Habib Asset Management Limited Chief Executive of the Management Company: Mr. Imran Azim	27,134	25,358
			<u>1,049,048</u>	<u>1,279,273</u>

11.12.1 Due to common directorship in Habib Sugar Mills Limited, the Bank considers the investee company as an associate.

11.12.2 Includes Rs. 24.750 (2012: Rs. 24.750) million invested in Habib Asset Management Limited categorised as strategic investment in accordance with SBP's guidelines contained in BPD Circular Letter No. 16 of 2006 dated 01 August 2006.

	2013	2012
	(Rupees in '000)	
11.13 Movement of Investments in associates		
Opening balance	1,279,273	973,095
Share of Profit	143,551	140,224
Investment-net	(326,961)	233,090
Dividend received	(46,815)	(67,136)
Closing balance	<u>1,049,048</u>	<u>1,279,273</u>

11.14 Summary of audited financial information of associates

Name of associates	Based on the financial statements for the year ended	2013				
		Assets	Liabilities	Equity	Revenue	Profit
(Rupees in '000)						
First Habib Cash Fund	June 30, 2013	2,321,460	13,813	2,307,647	303,420	255,744
First Habib Income Fund	June 30, 2013	890,797	17,286	873,511	120,193	93,721
First Habib Stock Fund	June 30, 2013	175,183	6,845	168,338	61,032	42,216
Habib Asset Management Limited	June 30, 2013	236,296	5,054	231,242	69,133	21,407
Habib Sugar Mills Limited	September 30, 2013	5,884,486	1,251,719	4,632,767	8,812,069	777,558
First Habib Islamic Balanced Fund	June 30, 2013	360,109	1,708	358,401	36,259	36,621



Name of associates	Based on the financial statements for the year ended	2012				
		Assets	Liabilities	Equity	Revenue	Profit
(Rupees in '000)						
First Habib Cash Fund	June 30, 2012	2,033,816	6,866	2,026,950	153,783	142,954
First Habib Income Fund	June 30, 2012	1,034,567	15,484	1,019,083	166,502	127,647
First Habib Stock Fund	June 30, 2012	114,354	1,322	113,032	10,873	4,001
Habib Asset Management Limited	June 30, 2012	126,755	4,420	122,335	46,467	5,804
Habib Sugar Mills Limited	September 30, 2012	5,277,629	1,222,778	4,054,851	7,205,601	781,150
First Habib Islamic Balanced Fund	Audited accounts not available					

	Note	2013	2012
		(Rupees in '000)	
12. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		139,637,992	126,981,078
Outside Pakistan		7,812,380	8,203,074
		147,450,372	135,184,152
Net investment in finance lease / ijarah financing			
In Pakistan	12.2	985,898	501,124
Outside Pakistan		—	—
		985,898	501,124
Ijarah financing under IFAS 2	12.3 & 5.6	202,296	307,173
Murabaha	12.4	4,723,489	3,206,606
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		2,044,993	1,924,843
Payable outside Pakistan		18,245,217	12,329,922
		20,290,210	14,254,765
Advances - gross		173,652,265	153,453,820
Provision against non-performing loans and advances			
Specific provision	12.5	(3,543,124)	(3,062,933)
General provision against consumer advances (as per SBP regulations)	12.6.1	(40,071)	(31,059)
General provision	12.6.2	(2,500,000)	(2,500,000)
		(6,083,195)	(5,593,992)
Advances - net of provisions		167,569,070	147,859,828



2013 **2012**
(Rupees in '000)

12.1 Particulars of advances - gross

12.1.1 In local currency	140,679,472	126,980,308
In foreign currencies	32,972,793	26,473,512
	173,652,265	153,453,820
12.1.2 Short term (for upto one year)	144,866,449	126,503,727
Long term (for over one year)	28,785,816	26,950,093
	173,652,265	153,453,820

12.2 Net investment in finance lease / ijarah financing

	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Lease / ijarah receivable	384,903	586,330	-	971,233	205,606	258,804	-	464,410
Residual value	32,664	137,556	-	170,220	29,450	83,940	-	113,390
Minimum lease / ijarah payments	417,567	723,886	-	1,141,453	235,056	342,744	-	577,800
Financial charges for future periods	(77,690)	(77,865)	-	(155,555)	(39,981)	(36,695)	-	(76,676)
Present value of finance lease / ijarah financing	339,877	646,021	-	985,898	195,075	306,049	-	501,124

12.3 Ijarah financing under IFAS 2

	2013							Rate of depreciation %
	Cost		Accumulated Depreciation			Book Value		
	As at 01 Jan. 2013	Additions / (deletions)	As at 31 Dec. 2013	As at 01 Jan. 2013	Charge / (deletions)	As at 31 Dec. 2013	As at 31 Dec. 2013	
	(Rupees in '000)							
Equipment	432,787	7,250 (64,735)	375,302	141,824	113,265 (58,279)	196,810	178,492	
Vehicles	27,603	21,904 (14,468)	35,039	11,393	10,055 (10,213)	11,235	23,804	
	460,390	29,154 (79,203)	410,341	153,217	123,320 (68,492)	208,045	202,296	33.33
2012								
Equipment	272,385	325,362 (164,960)	432,787	178,009	112,278 (148,463)	141,824	290,963	
Vehicles	20,383	7,220	27,603	5,091	6,302	11,393	16,210	
	292,768	332,582 (164,960)	460,390	183,100	118,580 (148,463)	153,217	307,173	33.33



12.3.1 Future ijarah payments receivable

2013 2012
(Rupees in '000)

Not later than one year	138,626	149,447
Later than one year and not later than five years	70,087	189,244

208,713 **338,691**

12.4 Murabaha - gross	5,000,909	3,381,017
Less: Deferred murabaha income	(87,853)	(53,465)
Profit receivable shown in other assets	(189,567)	(120,946)

Murabaha **4,723,489** **3,206,606**

12.5 Advances include Rs. 3,699.903 (2012: Rs 3,705.730) million which have been placed under non-performing status as detailed below:

	2013			2013			2013		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Category of classification									
Other assets especially mentioned	16,121	-	16,121	-	-	-	-	-	-
Substandard	56,807	-	56,807	14,208	-	14,208	14,208	-	14,208
Doubtful	98,528	-	98,528	49,264	-	49,264	49,264	-	49,264
Loss	3,099,517	428,930	3,528,447	3,050,722	428,930	3,479,652	3,050,722	428,930	3,479,652
	3,270,973	428,930	3,699,903	3,114,194	428,930	3,543,124	3,114,194	428,930	3,543,124

	2012			2012			2012		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other assets especially mentioned	-	-	-	-	-	-	-	-	-
Substandard	379,505	92,802	472,307	94,876	23,200	118,076	94,876	23,200	118,076
Doubtful	83,246	-	83,246	41,626	-	41,626	41,626	-	41,626
Loss	3,148,885	1,292	3,150,177	2,901,939	1,292	2,903,231	2,901,939	1,292	2,903,231
	3,611,636	94,094	3,705,730	3,038,441	24,492	3,062,933	3,038,441	24,492	3,062,933

12.5.1 For the purposes of determining provision against non-performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against non-performing advances.



12.6 Particulars of provision against non-performing loans and advances

Note	2013			2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	3,062,933	2,531,059	5,593,992	2,998,847	2,132,331	5,131,178
Charge for the year						
Specific provision	860,762	–	860,762	400,812	–	400,812
General provision for consumer portfolio	–	9,012	9,012	–	(1,272)	(1,272)
General provision for loans and advances	–	–	–	–	400,000	400,000
Reversals	(390,079)	–	(390,079)	(333,439)	–	(333,439)
	470,683	9,012	479,695	67,373	398,728	466,101
Exchange adjustment	9,540	–	9,540	–	–	–
Amount written-off	(32)	–	(32)	(3,287)	–	(3,287)
Closing balance	3,543,124	2,540,071	6,083,195	3,062,933	2,531,059	5,593,992

12.6.1 The Prudential Regulations require banks to maintain a general reserve equal to 1.5% of the consumer portfolio which is fully secured and 5% of the consumer portfolio which is unsecured. Accordingly, the general provision maintained by the Bank for secured and unsecured consumer portfolio as of 31 December 2013 amounts to Rs. 40.071 (2012: Rs 31.059) million.

12.6.2 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 31 December 2013 amounts to Rs. 2,500 (2012: Rs.2,500) million.

12.6.3 Particulars of provision against non-performing loans and advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	3,114,194	2,540,071	5,654,265	2,968,839	2,531,059	5,499,898
In foreign currency	428,930	–	428,930	94,094	–	94,094
	3,543,124	2,540,071	6,083,195	3,062,933	2,531,059	5,593,992

12.7 Particulars of write-offs:

	2013	2012
	(Rupees in '000)	
12.7.1 Against provision	32	3,287
Directly charged to profit and loss account	96	–
	128	3,287
12.7.2 Write-offs of Rs. 500,000 and above	–	3,287
Write-offs of below Rs. 500,000	128	–
	128	3,287



12.7.3 In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2013 is given in Annexure 1.

12.8	Particulars of Loans and Advances to Directors, Associated Companies, Subsidiary etc.	Note	2013 (Rupees in '000)	2012
(i)	Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
	Balance at beginning of the year		1,680,401	1,397,327
	Loans granted during the year		827,571	733,758
	Repayments		(509,340)	(450,684)
	Balance at end of the year		1,998,632	1,680,401
(ii)	Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members			
	Balance at beginning of the year		1,615,380	1,404,261
	Loans granted during the year		20,955,131	16,218,504
	Repayments		(21,287,856)	(16,007,385)
	Balance at end of the year		1,282,655	1,615,380
13.	OPERATING FIXED ASSETS			
	Capital work-in-progress	13.1	290,963	404,262
	Property and equipment	13.2	11,477,984	10,748,449
	Intangible assets	13.3	46,630	88,828
			11,815,577	11,241,539
13.1	Capital work-in-progress			
	Civil works		195,439	308,150
	Advance payment towards suppliers, contractors and property		78,055	30,116
	Consultants' fee and other charges		17,469	65,996
			290,963	404,262



13.2 Property and equipment

2013

	Cost / Revalued Amount			Accumulated Depreciation			Book Value	
	As at 01 January 2013	Additions / (deletions) / adjustments*	As at 31 December 2013	As at 01 January 2013	Charge / (deletions) / adjustments*	As at 31 December 2013	As at 31 December 2013	Rate of depreciation %
(Rupees in '000)								
<i>Owned</i>								
Leasehold land	3,255,886	168,347	3,424,233	–	–	–	3,424,233	–
		–			–			
		–			–			
Buildings on leasehold land	5,161,155	267,616	5,429,649	243,381	158,252	401,645	5,028,004	2.22 - 10.00
		–			–			
		878*			12*			
Improvements to leasehold buildings	806,614	238,081	1,043,817	129,104	46,011	175,090	868,727	5
		–			–			
		(878)*			(25)*			
Furniture and fixtures	442,444	60,890	497,515	220,150	41,853	256,610	240,905	10
		(5,819)			(5,393)			
		–			–			
Electrical, office and computer equipments	3,149,592	472,320	3,574,176	2,023,480	437,594	2,414,984	1,159,192	20
		(47,736)			(46,090)			
		–			–			
Vehicles	1,011,300	417,106	1,319,983	462,427	203,358	563,060	756,923	20
		(108,423)			(102,725)			
		–			–			
	13,826,991	1,624,360	15,289,373	3,078,542	887,068	3,811,389	11,477,984	
		(161,978)			(154,208)			
		–			(13)			



2012

	Cost / Revalued Amount			Accumulated Depreciation			Book Value	
	As at 01 January 2012	Additions / (deletions) / adjustments*	As at 31 December 2012	As at 01 January 2012	Charge / (deletions) / adjustments*	As at 31 December 2012	As at 31 December 2012	Rate of depreciation %
(Rupees in '000)								
Owned								
Leasehold land	3,255,495	391	3,255,886	–	–	–	3,255,886	–
		–			–			
		–			–			
Buildings on leasehold land	5,014,738	153,042 3,128* (9,753)*	5,161,155	89,996	153,594 43* (252)*	243,381	4,917,774	2.22 - 10
Improvements to leasehold buildings	741,465	64,403 (3,128)* 3,874*	806,614	90,044	39,005 (43)* 98*	129,104	677,510	5
Furniture and fixtures	401,359	42,952 (1,867)	442,444	183,544	38,211 (1,605)	220,150	222,294	10
		–			–			
Electrical, office and computer equipments	2,741,318	420,071 (11,797)	3,149,592	1,616,668	417,778 (10,966)	2,023,480	1,126,112	20
		–			–			
Vehicles	852,888	247,616 (89,774) 570*	1,011,300	378,200	161,912 (78,255) 570*	462,427	548,873	20
	13,007,263	928,475 (103,438) (5,309)*	13,826,991	2,358,452	810,500 (90,826) 416*	3,078,542	10,748,449	
Leased	570	–	–	570	–	–	–	
Vehicles		–			–			
		(570)*			(570)			
	570	–	–	570	–	–	–	
		–			–			
		(570)*			(570)*			
	13,007,833	928,475 (103,438) (5,879)*	13,826,991	2,359,022	810,500 (90,826) (154)*	3,078,542	10,748,449	



13.2.1 Details of disposal of fixed assets during the year:

Particulars	Cost	Book value (Rupees in '000)	Sale price	Mode of disposal	Particulars of purchaser
Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000					
Furniture and fixtures	5,573	388	511	Auction	Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	1,289	87	873	Insurance claim	Habib Insurance Company Ltd (a related party), Karachi.
Electrical, office and computer equipments	32,460	367	1,636	Auction	Karachi Auction Mart, Karachi.
Electrical, office and computer equipments	7,887	1,160	1,539	Quotation	Pakistan International SF General, Karachi
Electrical, office and computer equipments	4,236	31	266	Quotation	S.M. & Sons, Karachi
Electrical, office and computer equipments	1,362	–	19	Neegotiation	Mr. Saif Masih, Karachi
Vehicles	9,175	3,867	8,259	Insurance claim	Habib Insurance Company Ltd (a related party), Karachi.
Vehicles	1,814	–	1,573	Auction	Mr. M. Islam Khan Karachi.
Vehicles	1,312	18	1,337	Auction	Mr. Abdul Ahad, Karachi.
Vehicles	8,376	272	5,476	Auction	Mr. Abdul Hameed, Karachi.
Vehicles	8,123	276	5,794	Auction	Mr. Abdul Samad Khan, Karachi.
Vehicles	2,658	84	1,568	Auction	Mr. Liaquat Ali, Karachi.
Vehicles	3,152	–	2,024	Auction	Mr. Mehboob Ellahi, Karachi.
Vehicles	2,348	–	1,562	Auction	Mr. Muhammad Abid, Karachi.
Vehicles	4,209	39	2,976	Auction	Mr. Muhammad Ali Akbar Khan, Karachi.
Vehicles	3,847	–	2,564	Auction	Mr. Muhammad Islam Khan, Karachi.
Vehicles	2,352	13	1,491	Auction	Mr. Muhammad Umar, Karachi.
Vehicles	1,595	–	1,107	Auction	Mr. Nabi Bux Jamil, Karachi.
Vehicles	4,731	103	3,263	Auction	Mr. Numeri Abrar, Karachi.
Vehicles	3,145	39	1,916	Auction	Mr. Raheel Khalil, Karachi.
Vehicles	4,990	167	2,799	Auction	Mr. Samiullah Khan Mehar, Karachi.
Vehicles	12,242	203	8,724	Auction	Mr. Wasim Mirza, Karachi.
Vehicles	1,288	–	905	Auction	Mr. Imran Khan, Karachi.
Vehicles	1,192	20	983	Auction	Mr. Muhammad Asif, Karachi.
Vehicles	1,192	60	935	Auction	Sh. Abdul Waheed, Karachi.
Vehicles	952	333	660	Auction	Syed Muhammad Athar Hussain, Karachi.
Vehicles	1,192	–	935	Auction	Mr. Asif Hameed, Karachi.
Vehicles	1,885	–	1,297	Auction	S. Muhammad Saeed, Karachi.
Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000					
Furniture and fixtures	246	37	49		Various
Electrical, office and computer equipments	502	2	186		Various
Vehicles	26,653	204	20,783		Various
	161,978	7,770	84,010		



13.2.2 The leasehold land and buildings of the Bank were last revalued by independent professional valuers as at December 31, 2011. The revaluation was carried out by M/s. Iqbal A. Nanjee & Co on the basis of professional assessment of present market values and resulted in a surplus of Rs. 218.243 million over the book value of the respective properties. Had there been no revaluation, the carrying amount of revalued assets at December 31, 2013 would have been as follows:

	2013 (Rupees in '000)
Leasehold land	2,613,575
Buildings on leasehold land	2,855,167
	<u>5,468,742</u>

13.2.3 As at 31 December 2013, the gross carrying amount of fully depreciated assets still in use amounted to Rs. 1,506.926 (2012: Rs. 1,131.914) million.

13.3 Intangible assets

	2013							
	Cost		Accumulated Amortisation			Book Value		
	As at 01 January 2013	Additions	As at 31 December 2013	As at 01 January 2013	Charge	As at 31 December 2013	As at 31 December 2013	Rate of Amortisation %
				(Rupees in '000)				
Computer software	257,014	27,173	284,187	202,936	44,086	247,022	37,165	50
Stock Exchange								
Membership Card	34,750	—	34,750	—	25,285	25,285	9,465	
	<u>291,764</u>	<u>27,173</u>	<u>318,937</u>	<u>202,936</u>	<u>69,371</u>	<u>272,307</u>	<u>46,630</u>	
	2012							
Computer software	192,776	64,238	257,014	177,550	25,386	202,936	54,078	50
Stock Exchange								
Membership Card	34,750	—	34,750	—	—	—	34,750	
	<u>227,526</u>	<u>64,238</u>	<u>291,764</u>	<u>177,550</u>	<u>25,386</u>	<u>202,936</u>	<u>88,828</u>	

13.3.1 As at 31 December 2013, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs.191.528 (2012: Rs. 178.333) million.

	Note	2013 (Rupees in '000)	2012
14. OTHER ASSETS			
Mark-up / return / interest accrued in local currency		4,778,703	4,500,941
Mark-up / return / interest accrued in foreign currencies		137,232	115,498
Advances, deposits and prepayments		1,161,037	901,682
Advances, taxation (payments less provisions)		72,828	—
Unrealised gain on forward foreign exchange contracts		182,835	251,487
Stationery and stamps on hand		154,405	134,729
Receivable from SBP on encashment of Government Securities		9,633	24,289
Non-refundable deposits	14.1	81,500	89,109
ATM settlement account		115,175	26,162
Others		93,595	79,600
		<u>6,786,943</u>	<u>6,123,497</u>



- 14.1 Represent deposits paid in relation to acquisition of some of the Bank's properties. These are being written-off over the periods ranging from 10 to 20 years (being estimated useful lives of related properties).

	Note	2013 (Rupees in '000)	2012
15. BILLS PAYABLE			
In Pakistan		<u>6,173,102</u>	<u>5,257,191</u>
16. BORROWINGS			
In Pakistan		29,480,026	67,902,505
Outside Pakistan		–	1,719,550
		<u>29,480,026</u>	<u>69,622,055</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		29,480,026	67,902,505
In foreign currencies		–	1,719,550
		<u>29,480,026</u>	<u>69,622,055</u>
16.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	16.3	15,065,898	14,138,447
Long term financing for export oriented projects	16.4	156,637	369,695
Long term financing for imported and locally manufactured plant and machinery	16.5	3,225,277	3,015,612
Financing facility for storage of agricultural produce	16.6	120,727	47,703
		<u>18,568,539</u>	<u>17,571,457</u>
Repurchase agreement borrowings	16.7	10,911,487	50,331,048
		<u>29,480,026</u>	<u>67,902,505</u>
Unsecured			
Borrowings from financial institutions		–	1,719,550
		<u>29,480,026</u>	<u>69,622,055</u>



- 16.3 These carry mark-up rate of 8.40% (2012: 8.50%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.
- 16.4 These carry mark-up rates ranging from 4% to 5% (2012: 4% to 5%) per annum having maturity periods upto 2 to 3 years.
- 16.5 These carry mark-up rates ranging from 8.40% to 8.80% (2012: 8.20% to 9.50%) per annum having maturity periods upto ten years.
- 16.6 This carries mark-up rate of 5.50% (2012: 5.50%) having maturity period upto 2 to 3 years.
- 16.7 These carry mark-up rate of 9.85% to 10% (2012: 8.86%) per annum, having maturity periods upto one month.

	Note	2013	2012
		(Rupees in '000)	
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		82,536,366	96,079,552
Savings deposits		124,273,324	105,561,063
Current accounts - Remunerative		41,157,487	29,061,770
Current accounts - Non-remunerative		124,061,833	104,284,355
		372,029,010	334,986,740
Financial institutions			
Remunerative deposits		13,448,617	4,949,208
Non-remunerative deposits		621,201	450,610
		14,069,818	5,399,818
		386,098,828	340,386,558
17.1 Particulars of deposits			
In local currency		339,365,277	301,017,995
In foreign currencies		46,733,551	39,368,563
		386,098,828	340,386,558
18. SUB-ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - II - (Quoted)	18.1	1,496,100	1,496,700
Term Finance Certificates (TFCs) - III - (Unquoted)	18.2	1,992,800	1,994,400
Term Finance Certificates (TFCs) - IV - (Unquoted)	18.3	2,997,000	2,998,200
		6,485,900	6,489,300



18.1 Term Finance Certificates - II (Quoted)

Total issue	Rupees 1,500 million
Rating	AA
Rate	Payable six monthly at average six months' KIBOR plus 1.95% without any floor and cap
Redemption	6-84th month: 0.28%; 90th and 96th month: 49.86% each
Tenor	8 years
Maturity	February 2015

18.2 Term Finance Certificates - III (Unquoted)

Total issue	Rupees 2,000 million
Rating	AA
Rate	Payable three monthly at 15.50% p.a. for first 5 years and 16.00% p.a. for next 3 years
Redemption	3rd-84th month: 0.56%; 87th, 90th, 93rd and 96th month: 24.86% each
Tenor	8 years
Maturity	June 2017

18.3 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	AA
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021

Note **2013** 2012
(Rupees in '000)
(Restated)

19. DEFERRED TAX LIABILITIES

Taxable temporary differences arising in respect of:

Accelerated depreciation		943,084	929,371
Surplus on revaluation of fixed assets	22.1	595,969	616,069
Surplus on revaluation of investments	22.2	133,608	514,394
		1,672,661	2,059,834

Deductible temporary differences arising in respect of:

Provision against non-performing loans and advances	(18,998)	(123,665)
Provision for compensated absences	(263)	(197)
Recognised tax losses	(9,907)	(5,961)
Provision for diminution in the value of investments	(570)	(570)
	(29,738)	(130,393)
	1,642,923	1,929,441



19.1 Reconciliation of deferred tax

	Balance as at 01 January 2013	Recognised in profit and loss account (Rupees in '000)	Recognised in deficit on revaluation of assets	Balance as at 31 December 2013
Taxable temporary differences arising in respect of:				
Accelerated depreciation	929,371	13,713	—	943,084
Surplus on revaluation of fixed assets	616,069	(20,100)	—	595,969
Surplus on revaluation of investments	514,394	—	(380,786)	133,608
	2,059,834	(6,387)	(380,786)	1,672,661
Deductible temporary differences arising in respect of:				
Provision against non-performing loans and advances	(123,665)	104,667	—	(18,998)
Provision for compensated absences	(197)	(66)	—	(263)
Recognised tax losses	(5,961)	(3,946)	—	(9,907)
Provision against diminution in the value of investments	(570)	—	—	(570)
	(130,393)	100,655	—	(29,738)
	1,929,441	94,268	(380,786)	1,642,923
	Balance as at 01 January 2012	Recognised in profit and loss account (Rupees in '000) (Restated)	Recognised in deficit on revaluation of assets	Balance as at 31 December 2012
Taxable temporary differences arising in respect of:				
Accelerated depreciation	927,849	1,522	—	929,371
Surplus on revaluation of fixed assets	636,247	(20,123)	(55)	616,069
Surplus on revaluation of investments	94,147	—	420,247	514,394
	1,658,243	(18,601)	420,192	2,059,834
Deductible temporary differences arising in respect of:				
Provision against non-performing loans and advances	(424,567)	300,902	—	(123,665)
Provision for diminution in the value of investments	(570)	—	—	(570)
Recognised tax losses	—	(5,961)	—	(5,961)
Provision for compensated absences	(665)	468	—	(197)
Lease Obligations	(8)	8	—	—
	(425,810)	295,417	—	(130,393)
	1,232,433	276,816	420,192	1,929,441



	Note	2013 (Rupees in '000)	2012 Restated
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,131,618	2,387,134
Mark-up / return / interest payable in foreign currencies		29,026	26,341
Provision for compensated absences	20.1	277,896	234,770
Taxation (Provision less payments)		—	264,600
Unclaimed dividends		160,673	113,394
Branch adjustment account		159,204	303,174
Special exporters' accounts in foreign currencies		84,557	115,852
Unearned commission income		58,343	23,467
Security deposits against leases / ijarah		206,582	156,943
Other security deposits		253,617	214,894
Workers' welfare fund		610,042	456,716
Accrued expenses		231,003	208,629
Payable to defined benefit plan		272,300	174,667
Provision against off-balance sheet items	20.2	96,258	85,182
Payable to SBP / NBP		423,195	439,512
Payable to supplier against murabaha		71,210	129,069
Charity payable		4,147	9,782
Payable against sale of marketable securities on behalf of customers		63,992	22,937
Others		426,237	240,567
		<u>5,559,900</u>	<u>5,607,630</u>
20.1	Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:		
		2013 (% per annum)	2012
Discount rate		13.00%	12.00%
Expected rate of increase in salary in future years		12.00%	11.00%
20.2	Provision against off-balance sheet items		
		2013 (Rupees in '000)	2012
Opening balance		85,182	73,122
Charge for the year		21,940	12,060
Reversals		(10,864)	—
Closing balance		<u>96,258</u>	<u>85,182</u>
21. SHARE CAPITAL			
	2013 (Number of shares)	2012 (Rupees in '000)	2012
Authorised Capital			
<u>1,200,000,000</u>	1,200,000,000	Ordinary shares of Rs.10/- each	<u>12,000,000</u>
Issued, subscribed and paid-up capital			
		Ordinary shares of Rs.10/- each fully paid in cash	
<u>30,000,000</u>	30,000,000	Issued for cash	<u>300,000</u>
<u>980,386,742</u>	980,386,742	Issued as bonus shares	<u>9,803,868</u>
<u>1,010,386,742</u>	1,010,386,742		<u>10,103,868</u>
21.1	As of statement of financial position date 173,878,718 (2012: 166,648,241) ordinary shares of Rs. 10/- each were held by the related parties.		



	Note	2013 (Rupees in '000)	2012
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Operating fixed assets	22.1	1,722,912	1,760,240
Available for sale investments	22.2	371,444	1,027,783
		2,094,356	2,788,023
22.1 Surplus on revaluation of operating fixed assets			
Balance at the beginning of the year		2,376,309	2,439,525
Adjustment on revaluation of the Bank's properties during the year		—	(5,723)
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(57,428)	(57,493)
		2,318,881	2,376,309
Related deferred tax liability on:			
Balance at the beginning of the year		616,069	636,247
Adjustment of Bank's properties during the year		—	(55)
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(20,100)	(20,123)
		(595,969)	(616,069)
		1,722,912	1,760,240
22.2 Surplus on revaluation of available for sale investments			
Federal Government Securities		190,125	1,386,550
Fully paid-up ordinary shares		182,202	24,097
Term finance certificates, sukuks bonds and others		28,883	14,895
Open ended mutual funds		103,842	116,635
		505,052	1,542,177
Related deferred tax liability		(133,608)	(514,394)
		371,444	1,027,783
23. CONTINGENCIES AND COMMITMENTS			
23.1 Direct Credit Substitutes			
Financial institutions		308,098	166,232
Others		171,805	348,728
		479,903	514,960
23.2 Transaction-related Contingent Liabilities			
Government		13,305,949	9,446,751
Financial institutions		238,651	68,497
Others		6,112,025	6,279,180
		19,656,625	15,794,428
23.3 Trade-related Contingent Liabilities			
Letters of credit		70,207,859	50,183,933
Acceptances		6,895,498	8,647,034
		77,103,357	58,830,967



	2013	2012
	(Rupees in '000)	
23.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	1,130,970	472,257
23.5 Commitments in respect of forward exchange contracts		
Purchase	23,468,276	15,272,338
Sale	20,363,924	16,888,512
23.6 Commitments for the acquisition of operating fixed assets	154,299	143,468
24. DERIVATIVE FINANCIAL INSTRUMENTS		
The Group deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business. As per the Group policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised gains and losses on these contracts are recorded in the statement of financial position under "other assets / other liabilities". These products are offered to the Group customers to protect from unfavourable movements in foreign currencies. The Group hedges such exposures in the inter-bank foreign exchange market.		
	2013	2012
	(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	13,205,128	13,691,482
Financial institutions	238,918	190,356
	13,444,046	13,881,838
On investments:		
Available for sale securities	17,816,864	18,071,395
Held to maturity securities	5,816,162	9,345,391
	23,633,026	27,416,786
On deposits with financial institutions	62,824	83,132
On securities purchased under resale agreements	113,047	89,539
On call money lendings	1,919	2,739
	37,254,862	41,474,034
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	18,092,970	19,513,193
Sub-ordinated loans	929,644	995,475
Repurchase agreement borrowings	2,243,930	3,745,487
Borrowings from SBP	1,418,627	1,386,260
Other borrowings	308,646	464,613
	22,993,817	26,105,028



	Note	2013	2012
		(Rupees in '000)	
27. GAIN ON SALE / REDEMPTION OF SECURITIES - NET			
Listed shares		254,374	4,849
Government securities		546	6,132
Mutual funds		242,387	66,705
		497,307	77,686
28. OTHER INCOME			
Gain on sale of operating fixed assets		76,240	65,085
Recovery of expenses from customers	28.1	161,023	137,140
Lockers rent		3,411	4,368
Cheque book issuance / cheque return charges		211,048	181,010
Banking charges		54,935	45,753
Others		41,009	20,263
		547,666	453,619
28.1	Includes courier, SWIFT, postage and other charges recovered from customers.		
29. ADMINISTRATIVE EXPENSES			Restated
Salaries, allowances, etc.		4,470,929	3,836,494
Charge for defined benefit plan	36.6	120,978	105,334
Contribution to defined contribution plan		185,323	157,282
Charge for employees compensated absences		42,673	31,113
Non-executive directors' fees, allowances and other expenses		3,675	2,500
Rent, taxes, insurance, electricity, etc.		1,573,340	1,366,713
Legal and professional charges		89,867	58,508
Communications		240,381	233,884
Repairs and maintenance		544,287	460,686
Financial charges on leased assets		—	1
Security charges		512,062	403,204
Stationery and printing		373,553	221,391
Advertisement and publicity		110,995	249,215
Donations	29.1	21,750	28,750
Auditors' remuneration	29.2	3,478	6,116
Depreciation	13.2	887,068	810,500
Amortisation		51,696	32,996
Travelling and conveyance		62,834	59,309
Vehicle running expenses		203,311	300,449
Commission and brokerage		83,652	38,789
Subscriptions and publications		51,635	47,650
Clearing charges (NIFT)		67,478	55,494
Staff training		22,750	22,725
Staff refreshment		91,304	73,286
Cleaning charges		43,180	32,884
Charitable expenses		27,377	24,139
Others		164,831	140,007
		10,050,407	8,799,419



	2013	2012
	(Rupees in '000)	
29.1 The details of donations in excess of Rupees One hundred thousand are given below:		
Al-Sayyeda Benevolent Trust	1,500	925
GCU Endowment Fund Trust*	1,000	1,000
Habib Education Trust	1,500	900
Habib Medical Trust	1,500	925
Habib Poor Fund	1,500	900
Institute of Management Sciences, Bahauddin Zakariya University, Multan	1,000	500
Lahore University of Management Sciences / National Management Foundation	—	20,000
Pakistan Aid Foundation	7,500	—
Pakistan Bridge Federation	250	—
Panah Trust	—	500
Rahmatbai Habib Food & Clothing Trust	1,500	900
Rahmatbai Habib Widows & Orphans Trust	1,500	900
The Citizens Foundation	3,000	1,300
	21,750	28,750
* Mr. Shameem Ahmed, Director of Bank AL Habib Limited, is member of Executive Committee of GCU Endowment Fund Trust, GC University, Lahore.		
29.2 Auditors' remuneration		
Audit fee - standalone financial statements	2,100	2,100
Audit fee - consolidated financial statements	300	300
Half yearly review	650	650
Special certifications	—	2,575
Provident fund and gratuity fund	75	75
Out of pocket expenses	353	416
	3,478	6,116
30. OTHER PROVISIONS / WRITE-OFFS		
Provision against off-balance sheet items	11,076	12,060
31. OTHER CHARGES		
Workers' welfare fund	153,396	185,847
Penalties imposed by SBP	3,476	306
	156,872	186,153
32. TAXATION		
For the year		
Current	2,451,216	3,264,799
Prior years	(190,885)	(122,893)
Deferred	94,268	276,816
	2,354,599	3,418,722



		2013 (Rupees in '000)	2012 Restated
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		7,552,856	8,938,140
Tax at the applicable rate of 35% (2012: 35%)		2,643,500	3,128,349
Tax effects of:			
Expenses that are not deductible in determining taxable income		64,208	475,031
Tax effect of prior year provisions		(190,885)	(122,893)
Dividend income taxed at reduced rate		(63,484)	(38,293)
Capital gain taxed at reduced rate		(93,035)	—
Others		(5,705)	(23,472)
		2,354,599	3,418,722
33. BASIC AND DILUTED EARNINGS PER SHARE - ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY			
Profit after taxation - attributable to equity holders of the Holding Company		5,195,266	5,522,447
		(Numbers)	
Weighted average number of ordinary shares		1,010,386,742	1,010,386,742
		(Rupees)	
			Restated
Basic and diluted earnings per share		5.14	5.47
	Note	2013	2012
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	8	32,199,552	27,464,345
Balances with other banks	9	2,664,729	9,747,248
		34,864,281	37,211,593
		(Numbers)	
35. STAFF STRENGTH			
Permanent		5,424	4,882
Temporary / on contractual basis		228	198
Group own staff at end of the year		5,652	5,080
Outsourced		1,557	1,497
Total staff strength		7,209	6,577



36. DEFINED BENEFIT PLAN

36.1 General description

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or on earlier cessation of service as under:

Number of years of eligible service completed:	Amount of gratuity payable:
Less than 5 years	Nil
5 years or more but less than 10 years	1/3rd of basic salary for each year served
10 years or more but less than 15 years	2/3rd of basic salary for each year served
15 years or more	Full basic salary for each year served

36.2 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2013 and the significant assumptions used for actuarial valuation were as follows:

	2013	2012
36.3 Significant Actuarial Assumptions		
Financial Assumptions		
Discount Rate	13%	12%
Salary Increase Rate	12%	11%
Demographic Assumptions		
Mortality rates (for death in service)	SLIC (2001-05)	LIC (1975-79)
Rates of employee turnover	Light	Moderate
	2013	2012
	(Rupees in '000)	
36.4 Statement of Financial Position		
Present value of defined benefit obligation	1,103,850	883,141
Fair value of plan assets	(831,550)	(708,474)
Deficit	272,300	174,667
36.5 Movement in Net defined benefit liability		
Balance accrued as at the beginning of the year	174,668	175,581
Net periodic benefit cost for the year ended	120,978	105,334
Employer's contribution during the year	(120,978)	(114,232)
Amount of remeasurements losses recognised in Other Comprehensive Income during the year	97,634	7,984
Balance accrued as at the end of the year	272,302	174,667



	2013	2012
	(Rupees in '000)	
36.6 Defined Benefit Cost for the year		
Cost recognised in Profit and Loss Account for the year		
<i>Service cost</i>		
Current service cost	101,204	85,200
Net Interest cost		
Interest cost on defined benefit obligation	107,240	90,365
Interest Income on plan assets	(87,466)	(70,231)
Net Interest cost	19,774	20,134
Cost recognised in Profit and Loss for the year	120,978	105,334
Re-measurements recognised in Other Comprehensive Income during the year		
Actuarial loss on obligation	49,415	19,097
Actuarial loss / (gain) on assets	48,219	(11,113)
Re-measurement loss recognised in Other Comprehensive Income	97,634	7,984
Total defined benefit cost recognised in Profit and Loss Account and Other Comprehensive Income	218,612	113,318
36.7 Movements in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of year	883,141	706,730
Service cost	101,204	85,200
Interest cost on defined benefit obligation	107,240	90,365
Actual benefit paid during the year	(37,149)	(18,251)
Actual loss on obligation	49,414	19,097
Present value of defined benefit obligation at the end of year	1,103,850	883,141
36.8 Movement in the fair value of plan assets		
Fair value of plan assets at the beginning of year	708,474	531,149
Interest income on plan assets	87,466	70,231
Actual contribution by employer	120,978	114,232
Actual benefits paid during the year	(37,149)	(18,251)
Return on plan assets over interest income (loss) / gain	(48,219)	11,113
Fair value of plan assets at the end of year	831,550	708,474
36.9 Actual return on plan assets	78,025	81,345



2014
(Rupees in '000)

36.10 Charge and contribution for the year ending 31st December 2014

<i>Service cost</i>	
Current service cost	133,733
<i>Net interest cost</i>	
Interest cost on defined benefit obligation	149,723
Interest Income on plan assets	(116,422)
Net Interest cost	33,301
Cost to be recognised in Profit and loss account for the year 2014	167,034

36.11 Analysis of Present value of defined benefit obligation

2013
(Rupees in '000)

<i>Vested/Non-Vested</i>	
Vested Benefits	1,022,972
Non-Vested benefits	80,879
Total	1,103,851
<i>Type of Benefits</i>	
Accumulated Benefit Obligation	335,518
Amounts attributed to future salary increases	768,333
Total	1,103,851

36.12 Remeasurement recognised in Other Comprehensive (Income) / expense during the year

<i>Actuarial gain / (loss) on obligation</i>	
Loss due to change in financial assumptions	(6,265)
Loss due to change in demographic assumptions	(25,782)
Loss due to change in experience adjustments	(17,368)
Total actuarial loss on obligation	(49,415)
<i>Net return on plan assets over interest income</i>	
Actual return on plan assets	78,025
Opening difference in fair value of plan assets (after audit)	(38,778)
Interest income on plan assets	(87,466)
Net return on plan assets over interest income	(48,219)
Re-measurements loss recognised in Other Comprehensive Income during the year	(97,634)



2013
(Rupees in '000)

36.13 Disaggregation of fair value of plan assets

Cash and Cash equivalents (after adjusting current liabilities)	65,065
<i>Unquoted investments</i>	
Pakistan Investment Bonds	153,063
SBP - Treasury Bills	610,000
Term Finance Certificates	3,422
	766,485
Total fair value of plan assets	831,550

36.14 Maturity profile of the defined benefit obligation

The Weighted average duration of the PBO is 14.81 years

Distribution of timing of benefit payments

Within the next 12 months (next annual reporting period)	34,990
Between 2 and 5 years	258,021
Between 5 and 10 years	656,160
Beyond 10 years	64,353,039
	65,302,210

**36.15 Sensitivity Analysis on significant actuarial assumptions :
Actuarial Liability**

Discount Rate + 1%	968,843
Discount Rate – 1%	1,266,938
Long Term Salary Increases + 1%	1,272,582
Long Term Salary Increases - 1%	962,307



37. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 5.7.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors*		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Fee **	—	—	3,675	2,500	—	—
Managerial remuneration	14,846	11,068	9,482	6,541	1,143,908	915,056
Charge for defined benefit plan	9,494	3,078	7,344	1,818	107,366	114,450
Contribution to defined contribution plan	1,485	1,107	948	654	85,213	68,679
Rent and house maintenance	5,938	4,427	3,793	2,616	396,930	323,607
Utilities	3,631	2,963	978	678	99,232	80,902
Medical	2	2	79	80	33,082	27,031
Bonus	2,282	2,741	1,427	1,620	163,074	201,575
Others	—	—	—	—	28,991	26,793
	37,678	25,386	27,726	16,507	2,057,796	1,758,093
Number of person(s)	1	1	10***	9	973	781

Executives, including the Chief Executive and Executive Director, are provided with Group maintained cars in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Bank. In addition, the Chief Executive and Executive Director are also provided with drivers, club memberships, security arrangements and payment of travel bills in accordance with their terms of employment.

* Directors include one executive director (2012: 01)

** This represents fee paid to non-executive directors for attending Board of Directors and its committees' meetings.

*** This includes a Director who resigned during the year as well as Director who was appointed in his place.



39. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2013		2012	
	Book value	Fair value (Rupees in '000)	Book value	Fair value
				Restated
On-balance sheet financial instruments				
Assets				
Cash and balances with treasury banks	32,199,552	32,199,552	27,464,345	27,464,345
Balances with other banks	2,664,729	2,664,729	9,747,248	9,747,248
Lendings to financial institutions	—	—	993,981	993,981
Investments	239,986,042	239,839,895	249,923,504	251,022,489
Advances	167,569,070	167,569,070	147,859,828	147,859,828
Other assets	5,317,174	5,317,174	4,961,740	4,961,740
	<u>447,736,567</u>	<u>447,590,420</u>	<u>440,950,646</u>	<u>442,049,631</u>
Liabilities				
Bills payable	6,173,102	6,173,102	5,257,191	5,257,191
Borrowings	29,480,026	29,480,026	69,622,055	69,622,055
Deposits and other accounts	386,098,828	386,098,828	340,386,558	340,386,558
Sub-ordinated loans	6,485,900	6,485,900	6,489,300	6,489,300
Other liabilities	4,358,124	4,358,124	4,239,722	4,239,722
	<u>432,595,980</u>	<u>432,595,980</u>	<u>425,994,826</u>	<u>425,994,826</u>
Off-balance sheet financial instruments				
Commitment to extend credit (excluding commitments that are unilaterally cancellable)	<u>1,130,970</u>	<u>1,130,970</u>	<u>472,257</u>	<u>472,257</u>
Forward purchase of foreign exchange contracts	<u>23,468,276</u>	<u>23,245,731</u>	<u>15,272,338</u>	<u>15,455,658</u>
Forward sale of foreign exchange contracts	<u>20,363,924</u>	<u>20,769,304</u>	<u>16,888,512</u>	<u>16,956,048</u>

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government Securities	PKRV rates (Reuters page)
Listed securities	Market prices
Mutual funds	Net asset values
Unlisted equity investments	Break up value as per latest available audited financial statements.

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities. The provision for impairment of loans and advances and debt securities has been calculated in accordance with the Group accounting policies as stated in note 5.5 and 5.6.



40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2013				
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	Total
Total income	19,638,527	37,301,590	53,177	(15,748,475)	41,244,819
Total expenses	(16,522,874)	(32,863,554)	(54,010)	15,748,475	(33,691,963)
Net income	3,115,653	4,438,036	(833)	–	7,552,856
Segment assets (net of provisions)	357,232,136	443,928,101	350,956	(340,489,280)	461,021,913
Segment non performing loans	42,776	3,657,127	–	–	3,699,903
Segment provision required	42,092	3,501,032	–	–	3,543,124
Segment liabilities	355,612,241	420,118,741	198,977	(340,489,280)	435,440,679
Segment return on net assets (%)*	5.50%	8.40%	15.15%		
Segment cost of funds (%)*	4.65%	7.82%	27.14%		
	2012				
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000) (Restated)	Inter Segment Elimination	Total
Total income	20,853,817	41,156,329	29,686	(17,532,945)	44,506,887
Total expenses	(18,446,575)	(34,600,739)	(54,378)	17,532,945	(35,568,747)
Net income	2,407,242	6,555,590	(24,692)	–	8,938,140
Segment assets (net of provisions)	309,158,258	437,695,636	346,174	(293,846,126)	453,353,942
Segment non performing loans	46,187	3,659,543	–	–	3,705,730
Segment provision required	43,747	3,019,186	–	–	3,062,933
Segment liabilities	307,992,646	414,942,593	203,062	(293,846,126)	429,292,175
Segment return on net assets (%)*	6.75%	9.40%	8.58%		
Segment cost of funds (%)*	5.99%	8.34%	26.78%		

*These percentages have been computed based on closing assets / liabilities figures.



41. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), retirement benefit funds, major share holders, directors and key management personnel and their close family members.

Transactions with related parties of the Group are carried out on an arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Bank are carried out in accordance with the terms of their employment.

Transactions with related parties, other than those disclosed in note 13.2.1 and 21.1, are summarized as follows:

	2013				
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Deposits					
At beginning of the year	1,691,582	146,594	294,767	151,603	2,284,546
Placements during the year	76,167,530	767,897	1,186,282	4,538,194	82,659,903
Withdrawals during the year	(76,045,298)	(772,387)	(1,112,108)	(4,514,986)	(82,444,779)
At end of the year	1,813,814	142,104	368,941	174,811	2,499,670
Advances					
At beginning of the year	1,615,380	351	28,605	—	1,644,336
Given during the year	20,955,131	3,025	45,862	—	21,004,018
Repaid during the year	(21,287,856)	(3,250)	(36,645)	—	(21,327,751)
At end of the year	1,282,655	126	37,822	—	1,320,603
Investments					
At beginning of the year	1,279,273	—	—	—	1,279,273
Investment made during the year	647,501	—	—	—	647,501
Redeemed during the year	(877,726)	—	—	—	(877,726)
At end of the year	1,049,048	—	—	—	1,049,048
Contingencies and commitments	721,649	—	—	—	721,649
Purchase of fixed assets	1,430	—	—	—	1,430
Sale / redemption of securities	1,026,056	—	—	—	1,026,056
Purchase of securities	647,501	—	—	—	647,501
Mark-up earned	135,635	5	1,910	—	137,550
Mark-up expensed	90,984	8,363	26,751	22,500	148,598
Bank charges and commission	4,671	13	102	—	4,786
Gain on sale of securities	64,706	—	—	—	64,706
Salaries and allowances	—	—	207,578	—	207,578
Bonus	—	—	18,247	—	18,247
Contribution to defined contribution plan	—	—	9,698	—	9,698
Contribution to defined benefit plan	—	—	25,874	—	25,874
Staff provident fund	—	—	—	185,323	185,323
Staff gratuity fund	—	—	—	120,978	120,978
Directors' fee	—	3,400	—	—	3,400
Insurance claim received	11,717	—	—	—	11,717
Insurance premium paid	137,228	—	—	—	137,228
Dividend income	46,815	—	—	—	46,815
Brokerage and advisory income	1,142	—	—	—	1,142
Other expenses	2,125	—	—	—	2,125



	2012				
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Deposits					
At beginning of the year	1,438,356	86,815	275,992	118,882	1,920,045
Placements during the year	75,338,485	631,362	1,169,514	7,365,961	84,505,322
Withdrawals during the year	(75,085,259)	(571,583)	(1,150,739)	(7,333,240)	(84,140,821)
At end of the year	1,691,582	146,594	294,767	151,603	2,284,546
Advances					
At beginning of the year	1,404,261	426	30,252	–	1,434,939
Given during the year	16,218,504	2,976	41,608	–	16,263,088
Repaid during the year	(16,007,385)	(3,051)	(43,255)	–	(16,053,691)
At end of the year	1,615,380	351	28,605	–	1,644,336
Investments					
At beginning of the year	973,095	–	–	–	973,095
Investment made during the year	225,000	–	–	–	225,000
Redeemed / adjusted during the year	81,178	–	–	–	81,178
At end of the year	1,279,273	–	–	–	1,279,273
Contingencies and commitments	532,693	–	–	–	532,693
Purchase of fixed assets	1,734	–	–	–	1,734
Sale / redemption of securities	3,377	–	–	–	3,377
Purchase of securities	225,000	–	–	–	225,000
Mark-up earned	131,746	2	1,764	–	133,512
Mark-up expensed	92,825	13,588	26,001	17,668	150,082
Bank charges and commission	910	245	197	–	1,352
Gain on sale of securities	4	–	–	–	4
Salaries and allowances	–	–	172,338	–	172,338
Bonus	–	–	24,238	–	24,238
Contribution to defined contribution plan	–	–	7,578	–	7,578
Contribution to defined benefit plan	–	–	12,075	–	12,075
Staff provident fund	–	–	–	157,282	157,282
Staff gratuity fund	–	–	–	114,232	114,232
Directors' fee	–	2,500	–	–	2,500
Insurance claim received	20,945	–	–	–	20,945
Insurance premium paid	146,029	–	–	–	146,029
Dividend income	67,136	–	–	–	67,136
Brokerage and advisory income	758	–	–	–	758



42 CAPITAL ASSESSMENT AND ADEQUACY

42.1 Capital adequacy

As per requirements of SBP, the Bank is required to comply with the capital adequacy framework which comprises the following capital standards :

i) Minimum Capital Requirement (MCR):

The MCR standard sets the paid-up capital that the Bank is required to hold at all times.

As of the statement of financial position date, the Bank's paid-up capital stands at Rs. 10.104 billion as against the required MCR of Rs. 10 billion.

ii) Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks. The banks are required to comply with the CAR as specified by the State Bank of Pakistan on standalone as well as consolidated basis.

During the year, SBP issued revised instructions on the computation of CAR based on Basel III Capital Reform as issued by the Basel Committee on Banking Supervision. These instructions are effective from 31 December 2013 with full implementation intended by 31 December 2019. These instructions also specify the transitional arrangements from 2013 to 2019.

Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in the financial statements on the basis of Basel III requirements as prescribed by SBP. The comparative information is however reported on the basis of CAR as was applicable on 31 December 2012.

The CAR on the basis of above framework works out to be as follows:

	2013
Required CAR	10%
CAR on standalone basis	14.40%
CAR on consolidated basis	14.60%

The Bank calculates capital requirement as per Basel III regulatory framework, using the following approaches:

Credit Risk	Standardised Approach
Market Risk	Standardised Approach
Operational Risk	Basic Indicator Approach

42.2 Scope of application

The Basel III Framework for capital adequacy is applicable to the Bank both at the consolidated level (including subsidiary) and also on a standalone basis. Bank AL Habib Limited is the only bank in the Group to which Basel III capital adequacy framework applies. The Bank has ownership in the following subsidiary, where the Bank holds more than 50% of voting shares as at December 31, 2013:



Name	Type of entity	Country of incorporation
AL Habib Capital Markets (Private) Limited	Financial	Pakistan

The assets, liabilities, income, expenses and cash flows of above subsidiary are included in the consolidated financial statements and also consolidated for regulatory capital adequacy purposes.

42.3 Capital structure

The Bank's Tier 1 capital comprises paid-up capital, statutory reserve, special reserve, general reserve, and unappropriated profit and is adjusted for deductions in respect of intangible assets, shortfall in provision against classified assets, deficit on revaluation of investments, deferred tax asset, direct or indirect investment in own shares and reciprocal cross holdings in Tier 1 instruments.

The Bank's Tier 2 capital includes subordinated loans, general provisions, revaluation reserves, and exchange translation reserve and is adjusted for reciprocal cross holdings in Tier 2 instruments.

Details of capital structure are given below:

	2013	2012
	Amount	Amount subject to Pre-Basel III treatment
		Amount subject to Basel II
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1):		
Instruments and reserves		
Fully Paid-up Capital	10,103,868	10,103,868
Balance in Share Premium Account	—	—
Reserve for issue of Bonus Shares	—	—
General / Statutory Reserves	7,329,362	6,224,501
Gain / (losses) on derivatives held as Cash Flow Hedge	—	—
Unappropriated / unremitted profits / (losses)	5,703,859	4,598,577
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	109,744	106,753
CET 1 before Regulatory Adjustments	23,246,833	21,033,699



2013

2012

Amount	Amount subject to Pre-Basel III treatment	Amount subject to Basel II
--------	--	----------------------------------

(Rupees in '000)

Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	—	—	—
All other intangibles (net of any associated deferred tax liability)	(46,630)	—	(88,828)
Shortfall of provisions against classified assets	—	—	—
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—	—
Defined-benefit pension fund net assets	—	—	—
Reciprocal cross holdings in CET1 capital instruments	(385,474)	—	—
Cash flow hedge reserve	—	—	—
Investment in own shares/ CET1 instruments	—	—	—
Securitization gain on sale	—	—	—
Capital shortfall of regulated subsidiaries	—	—	—
Deficit on account of revaluation from bank's holdings of property/ AFS	—	—	—
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	—	—	—
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	—	—
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	—	—	—
Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences	—	—	—
National specific regulatory adjustments applied to CET1 capital Investment in TFCs of other banks exceeding the prescribed limit	—	—	—
Any other deduction specified by SBP (Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital)	(74,578)	—	(20,006)
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	—	—	—
Total regulatory adjustments applied to CET1	(506,682)	—	(108,834)
Common Equity Tier 1	(a) 22,740,151	—	20,924,865



	2013	2012	
	Amount	Amount subject to Pre-Basel III treatment	Amount subject to Basel II
	(Rupees in '000)		
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity	—	—	—
of which: Classified as liabilities	—	—	—
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	—	—	—
AT1 before regulatory adjustments			
AT 1 Capital: regulatory adjustments			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	—	—	—
Investment in own AT1 capital instruments	—	—	—
Reciprocal cross holdings in Additional Tier 1 capital instruments	—	—	—
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation			
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	—	—	—
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—	—	—
Total of Regulatory Adjustment applied to AT1 capital	—	—	—
Additional Tier 1 capital	—	—	—
AT 1 capital recognized for capital adequacy (b)			
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	22,740,151	—	20,924,865



	2013	2012	
	Amount	Amount subject to Pre-Basel III treatment	Amount subject to Basel II
	(Rupees in '000)		
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III	–	–	–
Capital instruments subject to phase out arrangement from tier 2			
(Pre-Basel III instruments)	3,724,217		4,837,000
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out	–	–	–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,171,567	–	2,341,323
Revaluation Reserves	2,094,356	–	1,757,031
of which: Revaluation reserves on Property	1,722,912	–	–
of which: Unrealized Gains/Losses on AFS	371,444	–	–
Foreign Exchange Translation Reserves	240,045	–	167,874
Undisclosed/Other Reserves (if any)	–	–	–
T2 before regulatory adjustments	8,230,185		9,103,228
Tier 2 Capital: regulatory adjustments			
Portion of deduction applied 50:50 to core capital and supplementary on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–	–	(20,006)
Reciprocal cross holdings in Tier 2 instruments	(695,160)	–	–
Investment in own Tier 2 capital instrument	–	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
Amount of Regulatory Adjustment applied to T2 capital	(695,160)	–	(20,006)
Tier 2 capital (T2)			
Tier 2 capital recognized for capital adequacy			
Excess Additional Tier 1 capital recognized in Tier 2 capital			
Total Tier 2 capital admissible for capital adequacy (d)	7,535,025	–	9,083,222
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	30,275,176	–	30,008,087
Total Risk Weighted Assets (i=f+g+h)	207,392,915	–	187,305,864



		2013	2012	
		Amount	Amount subject to Pre-Basel III treatment	Amount subject to Basel II
(Rupees in '000)				
Total Credit Risk Weighted Assets	(f)	173,725,371	—	156,448,778
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment of which: recognized portion of investment in capital of banking,		—	—	—
financial and insurance entities where holding is more than 10% of the issued common share capital of the entity of which: deferred tax assets				
Total Market Risk Weighted Assets	(g)	641,621	—	844,510
Total Operational Risk Weighted Assets	(h)	33,025,923	—	30,012,576
Capital Ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA	(a/i)	10.96%	—	11.17%
Tier-1 capital to total RWA	(c/i)	10.96%	—	11.17%
Total capital to RWA	(e/i)	14.60%	—	16.02%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which: capital conservation buffer requirement				
of which: countercyclical buffer requirement		—	—	—
CET1 available to meet buffers (as a percentage of risk weighted assets)		—	—	—
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio		5%	—	—
Tier 1 minimum ratio		6.50%	—	—
Total capital minimum ratio		10%	—	10%
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financial entities		—	—	—
Significant investments in the common stock of financial entities		—	—	—
Deferred tax assets arising from temporary differences (net of related tax liability)		—	—	—



2013

2012

Amount	Amount subject to Pre-Basel III treatment	Amount subject to Basel II
--------	---	----------------------------

(Rupees in '000)

Applicable caps on the inclusion of provisions in Tier 2

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)

Cap on inclusion of provisions in Tier 2 under standardized approach

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to

internal ratings-based approach (prior to application of cap)

Cap for inclusion of provisions in Tier 2 under internal ratings-based approach

2,540,071	—	2,531,059
2,171,567	—	2,341,323
—	—	—
—	—	—

42.4 Capital structure reconciliation

42.4.1 Reconciliation of accounting and regulatory scope of consolidation

2013

2012

As per published Consolidated financial statements	Under regulatory scope of Consolidation
--	---

(Rupees in '000)

Assets

Cash and balances with treasury banks

Balances with other banks

Lendings to financial institutions

Investments

Advances

Operating fixed assets

Deferred tax assets

Other assets

Total assets

32,199,552	32,199,552
2,664,729	2,664,729
—	—
239,986,042	239,986,042
167,569,070	167,569,070
11,815,577	11,815,577
—	—
6,786,943	6,786,943
461,021,913	461,021,913

Liabilities & Equity

Bills payable

Borrowings

Deposits and other accounts

Sub-ordinated loans

Liabilities against assets subject to finance lease

Deferred tax liabilities

Other liabilities

Total liabilities

6,173,102	6,173,102
29,480,026	29,480,026
386,098,828	386,098,828
6,485,900	6,485,900
—	—
1,642,923	1,642,923
5,559,900	5,559,900
435,440,679	435,440,679

Share capital/ Head office capital account

Reserves

Unappropriated/ Unremitted profit/ (losses)

Minority Interest

Surplus on revaluation of assets

Total Equity

Total liabilities & equity

10,103,868	10,103,868
7,569,407	7,569,407
5,703,859	5,703,859
109,744	109,744
2,094,356	2,094,356
25,581,234	25,581,234
461,021,913	461,021,913



42.4.2 Reconciliation for balance sheet items that require capital adjustments

	Reference to Note 42.4.3	2013 As per published Consolidated financial statements	2013 Under regulatory scope of Consolidation
(Rupees in '000)			
Assets			
Cash and balances with treasury banks		32,199,552	32,199,552
Balances with other banks		2,664,729	2,664,729
Lendings to financial institutions		—	—
Investments		239,986,042	239,986,042
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	(a)	—	—
of which: significant capital investments in financial sector entities exceeding regulatory threshold	(b)	—	—
of which: Mutual Funds exceeding regulatory threshold	(c)	—	—
of which: reciprocal crossholding of capital instrument-Equity	(d)	385,474	385,474
of which: reciprocal crossholding of capital instrument-TFCs	(e)	695,160	695,160
Advances		167,569,070	167,569,070
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	(f)	—	—
general provisions reflected in Tier 2 capital	(g)	2,171,567	2,171,567
Fixed Assets		11,815,577	11,815,577
of which: Intangibles	(k)	46,630	46,630
Deferred Tax Assets		—	—
of which: DTAs excluding those arising from temporary differences	(h)	—	—
of which: DTAs arising from temporary differences exceeding regulatory threshold	(i)	—	—
Other assets		6,786,943	6,786,943
of which: Goodwill	(j)	—	—
of which: Defined-benefit pension fund net assets	(l)	—	—
Total assets		461,021,913	461,021,913
Liabilities & Equity			
Bills payable		6,173,102	6,173,102
Borrowings		29,480,026	29,480,026
Deposits and other accounts		386,098,828	386,098,828
Sub-ordinated loans		6,485,900	6,485,900
of which: eligible for inclusion in AT1	(m)	—	—
of which: eligible for inclusion in Tier 2	(n)	3,724,217	3,724,217
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		1,642,923	1,642,923
of which: DTLs related to goodwill	(o)	—	—
of which: DTLs related to intangible assets	(p)	—	—
of which: DTLs related to defined pension fund net assets	(q)	—	—
of which: other deferred tax liabilities	(r)	1,642,923	1,642,923
Other liabilities		5,559,900	5,559,900
Total liabilities		435,440,679	435,440,679



	Reference to Note 42.4.3	2013 As per published Consolidated financial statements	2013 Under regulatory scope of Consolidation
(Rupees in '000)			
Share capital			
of which: amount eligible for CET1	(s)	10,103,868	10,103,868
of which: amount eligible for AT1	(t)	–	–
Reserves		7,569,407	7,569,407
of which: portion eligible for inclusion in CET1 (provide breakup)	(u)	7,329,362	7,329,362
of which: portion eligible for inclusion in Tier 2	(v)	240,045	240,045
Unappropriated profit/ (losses)	(w)	5,703,859	5,703,859
Minority Interest		109,744	109,744
of which: portion eligible for inclusion in CET1	(x)	–	–
of which: portion eligible for inclusion in AT1	(y)	–	–
of which: portion eligible for inclusion in Tier 2	(z)	–	–
Surplus on revaluation of assets		2,094,356	2,094,356
of which: Revaluation reserves on Property	(aa)	1,722,912	1,722,912
of which: Unrealized Gains/Losses on AFS		371,444	371,444
In case of Deficit on revaluation (deduction from CET1)	(ab)	–	–
Total Equity		25,581,234	25,581,234
Total liabilities & equity		461,021,913	461,021,913

42.4.3 Reconciliation of computation of capital with balance sheet of the bank

	Source based on reference number from Note 42.4.2	Component of regulatory capital reported by bank
(Rupees in '000)		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital/ Capital deposited with SBP		10,103,868
Balance in Share Premium Account	(s)	–
Reserve for issue of Bonus Shares		–
General/ Statutory Reserves	(u)	7,329,362
Gain/(Losses) on derivatives held as Cash Flow Hedge		–
Unappropriated/unremitted profits/(losses)	(w)	5,703,859
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	109,744
CET 1 before Regulatory Adjustments		23,246,833



Source based on
reference number
from Note 42.4.2

Component of
regulatory capital
reported by bank

(Rupees in '000)

Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	(j)-(o)	—
All other intangibles (net of any associated deferred tax liability)	(k)-(p)	(46,630)
Shortfall of provisions against classified assets	(f)	—
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h-r)* x%	—
Defined-benefit pension fund net assets	(l-q)* x%	—
Reciprocal cross holdings in CET1 capital instruments	(d)	(385,474)
Cash flow hedge reserve		—
Investment in own shares/ CET1 instruments		—
Securitization gain on sale		—
Capital shortfall of regulated subsidiaries		—
Deficit on account of revaluation from bank's holdings of property/ AFS	(ab)	—
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a)-(ac)-(ae)	—
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b)-(ad)-(af)	—
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	—
Amount exceeding 15% threshold		—
of which: significant investments in the common stocks of financial entities		—
of which: deferred tax assets arising from temporary differences		—
National specific regulatory adjustments applied to CET1 capital		—
Investment in TFCs of other banks exceeding the prescribed limit		—
Any other deduction specified by SBP (Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital)		(74,578)
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		—
Total regulatory adjustments applied to CET1 (sum of 9 to 25)		(506,682)

Common Equity Tier 1

22,740,151



Source based on
reference number
from Note 42.4.2

Component of
regulatory capital
reported by bank

(Rupees in '000)

Additional Tier 1 (AT 1) Capital

AT1 before regulatory adjustments

—

Additional Tier 1 Capital: regulatory adjustments

—

Additional Tier 1 capital recognized for capital adequacy

—

Tier 1 Capital (CET1 + admissible AT1)

22,740,151

Tier 2 Capital

Qualifying Tier 2 capital instruments under Basel III

—

Capital instruments subject to phase out arrangement from
tier 2 (Pre-Basel III instruments)

(n)

3,724,217

Tier 2 capital instruments issued to third party by consolidated
subsidiaries (amount allowed in group tier 2)

—

of which: instruments issued by subsidiaries subject to phase out

(z)

—

General Provisions or general reserves for loan losses-up to
maximum of 1.25% of Credit Risk Weighted Assets

(g)

2,171,567

Revaluation Reserves eligible for Tier 2

portion of (aa)

2,094,356

of which: portion pertaining to Property

1,722,912

of which: portion pertaining to AFS securities

371,444

Foreign Exchange Translation Reserves

(r)

240,045

Undisclosed/Other Reserves (if any)

—

T2 before regulatory adjustments

8,230,185

Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to core capital and
supplementary capital based on pre-Basel III treatment which,
during transitional period, remain subject to deduction
from tier-2 capital

—

Reciprocal cross holdings in Tier 2 instruments

(e)

(695,160)

Investment in own Tier 2 capital instrument

—

Investments in the capital instruments of banking, financial and
insurance entities that are outside the scope of regulatory
consolidation, where the bank does not own more than 10%
of the issued share capital (amount above 10% threshold)

(ae)

—

Significant investments in the capital instruments issued by
banking, financial and insurance entities that are outside the
scope of regulatory consolidation

(af)

—

Amount of Regulatory Adjustment applied to T2 capital

(695,160)

Tier 2 capital (T2)

7,535,025

Tier 2 capital recognized for capital adequacy

7,535,025

Excess Additional Tier 1 capital recognized in Tier 2 capital

—

Total Tier 2 capital admissible for capital adequacy

7,535,025

TOTAL CAPITAL (T1 + admissible T2)

30,275,176



	2013		2012	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	(Rupees in '000)			
42.5 Risk-Weighted Exposures				
<i>Credit Risk</i>				
Balance Sheet Items:				
Cash and other liquid Assets	10,749,601	–	8,216,073	–
Money at call / Lending to FIs / Balances with Banks	24,114,680	607,376	29,989,501	2,178,517
Investments	239,986,042	6,928,735	249,923,504	6,441,846
Loans and Advances	167,569,070	122,113,545	147,859,828	109,450,634
Fixed Assets	11,815,577	11,768,948	11,241,539	11,092,482
Other Assets	6,786,943	4,659,601	6,123,497	4,110,059
	461,021,913	146,078,205	453,353,942	133,273,538
Off Balance Sheet items				
Direct Credit Substitutes including Acceptances	7,375,401	6,682,975	9,161,994	8,288,393
Transaction Related Contingent Liabilities	19,656,625	7,343,300	15,794,428	5,582,624
Trade-related Contingent Liabilities excluding Acceptances	70,207,859	11,819,600	50,183,933	8,137,972
Other Commitments	1,275,901	1,275,901	618,327	618,314
Outstanding Foreign Exchange Contracts	43,832,200	525,390	32,160,850	547,937
	142,347,986	27,647,166	107,919,532	23,175,240
Credit risk-weighted exposures		173,725,371		156,448,778
<i>Market Risk</i>				
General market risk		593,867		844,510
Specific market risk		47,754		–
Market risk-weighted exposures		641,621		844,510
<i>Operational Risk</i>		33,025,923		30,012,576
Total Risk-Weighted Exposures		207,392,915		187,305,864



42.6 Main Features of Regulatory Capital Instruments

	Main Features	Common Shares	Instrument 1	Instrument 2	Instrument 3
1	Issuer	Bank AL Habib Limited	Bank AL Habib Limited	Bank AL Habib Limited	Bank AL Habib Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BAHL	BAHL TFC2	BAHL TFC3	BAHL TFC4
3	Governing law(s) of the instrument (Regulatory Authorities) Regulatory treatment	SBP & SECP	SBP & SECP	SBP & SECP	SBP & SECP
4	Transitional Basel III rules	CET-1	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	CET-1	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/group & solo	Group & Standalone	Group & Standalone	Group & Standalone	Group & Standalone
7	Instrument type	Ordinary Shares	Subordinated Debt	Subordinated Debt	Subordinated Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands as of reporting date)	10,103,868	134,622	895,535	2,694,060
9	Par value of instrument	Rs. 10	Rs. 5,000	Rs. 5,000	Rs. 5,000
10	Accounting classification	Shareholders' Equity	Liability-Subordinated Loans	Liability-Subordinated Loans	Liability-Subordinated Loans
11	Original date of issuance	January 1992	7-Feb-2007	15-Jun-2009	30-Jun-2011
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	N/A	7-Feb-2015	15-Jun-2017	30-Jun-2021
14	Issuer call subject to prior supervisory approval	No	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	15-Jun-2014	30-Jun-2016
16	Subsequent call dates, if applicable	N/A	N/A	On each coupon payment date after 60 months from the date of issue	On each coupon payment date after 60 months from the date of issue
	Coupons / dividends				
17	Fixed or floating dividend / coupon	N/A	Floating	Fixed	Fixed
18	Coupon rate and any related index / benchmark	N/A	6 Months Kibor plus 1.95%	15.50% p.a for years 1 to 5 and 16% p.a for years 6 to 8	15.00% p.a for years 1 to 5 and 15.50% p.a for years 6 to 10
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No	Yes	Yes
22	Noncumulative or cumulative	Non-Cumulative Shares	Non-Cumulative	Non-Cumulative	Non-Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts	N/A	N/A	N/A	N/A
30	Write-down feature	N/A	No	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated Loans	All TFCs are subordinate to all other debts including deposits	All TFCs are subordinate to all other debts including deposits	All TFCs are subordinate to all other debts including deposits
36	Non-compliant transitioned features	No	Yes	Yes	Yes
37	If yes, specify non-compliant features	N/A	No loss absorbercy	No loss absorbercy	No loss absorbercy



42.7 The risk weighted assets to capital ratio, calculated in accordance with SBP's guidelines on capital adequacy is as follows:

	Capital Requirements		Risk Weighted Assets	
	2013	2012	2013	2012
	(Rupees in '000)			
Credit Risk				
Portfolios subject to standardized approach (Comprehensive)				
Sovereign	271,667	255,501	2,716,669	2,555,005
Public sector enterprises	97,421	735,574	974,211	7,355,743
Corporate	13,783,094	11,546,804	137,830,944	115,468,035
Banks	546,184	556,950	5,461,844	5,569,496
Retail	785,227	681,367	7,852,265	6,813,668
Residential mortgages	68,714	58,429	687,136	584,289
Equity exposures	381,220	448,849	3,812,204	4,488,492
Other assets	1,439,010	1,361,405	14,390,098	13,614,050
	17,372,537	15,644,878	173,725,371	156,448,778
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	37,784	26,922	472,299	336,524
Foreign exchange risk etc	13,546	40,639	169,322	507,986
	51,330	67,561	641,621	844,510
Operational Risk				
Capital Requirement for operational risks	2,642,074	2,401,006	33,025,923	30,012,576
	20,065,941	18,113,445	207,392,915	187,305,864
	2013	2012		
	(Rupees in '000)			
Capital Adequacy Ratio				
Total eligible regulatory capital held	A={Note No. 42.3 (e)}	30,275,176	30,008,087	
Total risk Weighted assets	B={Note No. 42.3 (i)}	207,392,915	187,305,864	
Capital Adequacy Ratio	(A) / (B)	14.60%	16.02%	

43. RISK MANAGEMENT

The Bank has a risk management framework commensurate with its size and the nature of its business. The Board of Directors has approved risk management policies covering key areas of activities for the guidance of management and committees of the Board, management committees, and Divisions / Departments of the Bank.

This section presents information about the Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments.

43.1 Credit risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees and other similar transactions both on and off balance sheet. These exclude investments and treasury related exposures, which are covered under market risk.



It is the Bank's policy that all credit exposures shall be adequately collateralised, except when specially exempted by SBP as in case of personal loans and credit cards, and those at overseas branch where the accepted local banking practice is followed.

The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Bank's risk capital, to maintain the soundness of assets and to ensure returns commensurate with risk.

Credit risk of the Bank is managed through the credit policy approved by the Board, a well defined credit approval mechanism, prescribed documentation requirement, post disbursement administration, review and monitoring of all credit facilities; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.

Counterparty exposure limits are approved in line with the Prudential Regulations and the Bank's own policies, by taking into account both qualitative and quantitative criteria. There is an established system for continuous monitoring of credit exposures and follow-up of any past due loans with the respective business units. All past due loans, including trade bills, are reviewed on fortnightly basis and pursued for recovery. Any non-performing loans are classified and provided for as per Prudential Regulations. The Bank has also established a mechanism for independent post-disbursement review of large credit risk exposures.

Credit facilities, both fund based and non-fund based, extended to large customer groups and industrial sectors are regularly monitored. The Bank has concentration of credit in textile which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub-sectors like spinning, weaving and composites, credit worthiness of counterparties, and adequate collateralisation of exposures.

Credit administration function has been placed under a centralised set-up. Its main focus is on compliance with terms of sanction of credit facilities and the Bank's internal policies and procedures, scrutiny of documentation, monitoring of collateral, and maintenance of borrowers' limits, mark-up rates, and security details.

The Bank has implemented its own internal risk rating system for the credit portfolio, as per guidelines of SBP. Credit ratings by external rating agencies, if available, are also considered.

The Bank lends primarily against the cash flow of the business with recourse to the assets being financed as primary security. Collaterals in the form of liquid securities, tangible securities, and other acceptable securities are obtained to hedge the risk, as deemed appropriate. Main types of collaterals taken by the Bank include charge on stock - in - trade, receivables, machinery, mortgage of properties, pledge of goods, shares and other marketable securities, government securities, government guarantees, bank guarantees and cash margins and bank deposits.

Specific provisions on credit portfolio are determined in accordance with the Prudential Regulations. General provision on the consumer portfolio is also determined as per Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies. Particulars of provisions against advances are given in note 12.6.

The Bank uses the Standardised Approach to calculate capital charge for credit risk as per Basel regulatory framework, with comprehensive approach for credit risk mitigation.

Stress testing for credit risk is carried out regularly to estimate the impact of increase in non - performing loans and downward shift in these categories.



43.1.1 Credit risk: Disclosures on portfolio subject to Standardised Approach - Basel Specific

The Bank uses the ratings issued by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) for its local currency exposures and ratings issued by Moody's, S&P, and Fitch for its foreign currency exposures. These External Credit Assessments Institutions (ECAIs) have been approved by SBP.

For foreign currency claims on sovereigns, the Bank also uses risk scores of Export Credit Agencies (ECAs).

	JCR-VIS (local currency)	PACRA (local currency)	Moody's, S&P, and Fitch (foreign currency)	ECA Score (foreign currency)
Types of exposures				
Corporates	✓	✓	—	—
Banks	✓	✓	✓	—
Sovereigns	—	—	✓	✓
Small and Medium Enterprises	—	—	—	—
Securitisations	—	—	—	—
Others (public sector enterprises)	✓	✓	—	—

The Bank has not transferred public issue ratings onto comparable assets in the banking book in its calculations. ECAI ratings and ECA scores are aligned with risk buckets as determined by SBP.

Credit exposures subject to Standardised Approach

Risk buckets	Amount outstanding/ credit equivalent (rated and unrated)	Credit Risk Mitigation (CRM) deduction (Rupees in '000)	Net amount
0%	276,398,070	14,161,048	262,237,022
20%	14,983,194	467,794	14,515,400
35%	1,963,245	—	1,963,245
50%	22,996,032	13,813,488	9,182,544
75%	13,536,585	3,066,898	10,469,687
100%	161,376,394	6,462,439	154,913,955
150%	1,851,775	—	1,851,775
	<u>493,105,295</u>	<u>37,971,667</u>	<u>455,133,628</u>

43.1.2 Credit risk: Disclosures on CRM for Standardised Approach – Basel Specific

Eligible collaterals used by the Bank for credit risk mitigation are cash margins and cash deposits, government securities, financial guarantees, listed shares, and other listed, quoted or rated securities. The Bank requires perfection of collaterals by marking lien on cash margins and deposits, pledging of shares and other securities and verifying the authenticity of guarantees received. Shares and securities including marketable government securities are taken at market value and other government securities are taken at encashment value. Appropriate hair - cuts are applied as per Basel regulatory framework. Among the mitigants used by the Bank, there is concentration in cash margins, cash deposits, and financial guarantees.



43.1.3 Segment by class of business

2013

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	3,369,732	1.94	779,247	0.20	2,159,391	2.22
Automobiles and transportation equipment	633,370	0.36	1,474,348	0.38	2,511,656	2.58
Cement	242,437	0.14	68,984	0.02	908,183	0.93
Chemicals / pharmaceuticals	3,197,661	1.84	2,132,190	0.55	2,595,773	2.67
Commerce and trade	12,287,970	7.08	17,054,478	4.42	12,083,703	12.43
Electronics and electrical appliances	893,044	0.51	539,135	0.14	1,169,347	1.20
Fertilizers	-	-	3,177,932	0.82	100,298	0.10
Financial	3,486,420	2.01	14,069,818	3.64	13,905,286	14.30
Food and allied	26,046,335	15.00	3,045,928	0.79	2,727,433	2.80
Ghee and edible oil	5,588,241	3.22	1,035,950	0.27	5,431,248	5.59
Individuals	4,272,674	2.46	271,728,509	70.38	11,699	0.01
Iron and steel	8,515,451	4.90	860,449	0.22	3,289,616	3.38
Oil refinery / marketing	437,547	0.25	16,209,588	4.20	4,856,770	4.99
Paper and board	2,106,048	1.21	104,635	0.03	838,057	0.86
Plastic products	3,654,070	2.10	397,213	0.10	3,479,424	3.58
Production and transmission of energy	8,667,112	4.99	2,402,463	0.62	1,819,731	1.87
Real estate / construction	1,266,357	0.73	2,974,402	0.77	3,041,855	3.13
Services (other than financial)	1,518,124	0.87	10,204,001	2.64	1,496,818	1.54
Shoes and leather garments	1,497,637	0.86	867,611	0.22	312,047	0.32
Sugar	5,518,898	3.18	1,085,943	0.28	425,998	0.44
Surgical equipments and metal products	857,007	0.49	538,855	0.14	906,211	0.93
Textile						
Spinning	29,237,736	16.84	1,659,050	0.43	10,127,901	10.42
Weaving	11,746,000	6.76	776,016	0.20	4,616,472	4.75
Composite	23,570,275	13.57	1,752,223	0.45	5,183,115	5.33
Ready-made garments	4,796,906	2.76	1,298,900	0.34	3,216,443	3.31
	69,350,917	39.93	5,486,189	1.42	23,143,931	23.81
Others	10,245,213	5.93	29,860,960	7.75	10,025,410	10.32
	173,652,265	100.00	386,098,828	100.00	97,239,885	100.00



2012

	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture / agri business	2,210,977	1.44	317,034	0.09	1,366,191	1.82
Automobiles and transportation equipment	928,223	0.60	1,242,271	0.36	2,620,963	3.49
Cement	585,206	0.38	70,492	0.02	289,846	0.39
Chemicals / pharmaceuticals	3,185,449	2.08	1,808,832	0.53	2,302,915	3.06
Commerce and trade	9,259,016	6.03	14,856,632	4.36	11,960,693	15.92
Electronics and electrical appliances	171,860	0.11	347,378	0.10	1,227,607	1.63
Fertilizers	607,413	0.40	4,169,917	1.23	69,186	0.09
Financial	4,283,011	2.79	5,399,818	1.59	1,370,623	1.82
Food and allied	28,206,992	18.38	2,983,610	0.88	2,464,831	3.28
Ghee and edible oil	3,927,721	2.56	947,494	0.28	7,224,412	9.61
Individuals	3,457,090	2.25	241,523,050	70.96	13,860	0.02
Iron and steel	7,495,526	4.88	1,596,071	0.47	3,925,636	5.22
Oil refinery / marketing	1,563,332	1.02	10,374,129	3.05	1,588,844	2.11
Paper and board	1,736,539	1.13	95,685	0.03	332,428	0.44
Plastic products	1,713,649	1.12	435,890	0.13	3,296,186	4.39
Production and transmission of energy	10,586,705	6.90	1,082,843	0.32	1,789,234	2.38
Real estate / construction	1,586,594	1.03	4,451,451	1.31	3,103,729	4.13
Services (other than financial)	1,476,647	0.96	9,977,542	2.93	1,497,228	1.99
Shoes and leather garments	996,765	0.65	578,336	0.17	334,860	0.45
Sugar	3,161,360	2.06	1,467,343	0.44	609,057	0.83
Surgical equipments and metal products	687,175	0.45	385,881	0.11	634,632	0.84
Textile						
Spinning	21,595,676	14.07	1,578,789	0.46	9,494,332	12.64
Weaving	9,768,467	6.37	855,448	0.25	3,751,720	4.99
Composite	19,200,670	12.51	1,689,800	0.50	4,370,065	5.82
Ready-made garments	4,219,638	2.75	933,643	0.27	2,863,392	3.81
	54,784,451	35.70	5,057,680	1.48	20,479,509	27.26
Others	10,842,119	7.08	31,217,179	9.16	6,637,885	8.83
	153,453,820	100.00	340,386,558	100.00	75,140,355	100.00



43.1.4 Details of non-performing advances and specific provisions by class of business segment

	2013		2012	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Agriculture / agri business	90,277	74,156	74,156	74,156
Automobiles and transportation equipment	7,196	7,196	33,769	33,769
Commerce and trade	492,139	474,421	447,105	447,105
Electronics and electrical appliances	4,058	4,058	4,058	4,058
Financial	101,949	70,832	292,327	90,056
Ghee and edible oil	3,838	2,516	2,075	2,075
Individuals	48,370	47,520	51,558	49,120
Oil refinery / marketing	11,948	11,948	17,998	17,998
Plastic products	91,400	91,400	91,676	91,676
Real estate / construction	263,006	260,867	260,346	260,346
Shoes and leather garments	—	—	5,849	5,849
Services (other than financial)	207	207	—	—
Surgical Equipment	1,715	1,715	2,797	2,797
Textile				
Spinning	809,456	792,873	961,282	942,162
Weaving	267,028	244,037	251,362	108,814
Composite	992,173	950,564	994,954	872,101
Ready-made garments	492,462	492,462	164,233	44,290
	2,561,119	2,479,936	2,371,831	1,967,367
Others	22,681	16,352	50,185	16,561
	3,699,903	3,543,124	3,705,730	3,062,933

43.1.5 Segment by sector

	2013					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	28,422,641	16.37	29,004,153	7.51	10,208,682	10.50
Private	145,229,624	83.63	357,094,675	92.49	87,031,203	89.50
	173,652,265	100.00	386,098,828	100.00	97,239,885	100.00
	2012					
	Gross Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	33,456,872	21.80	27,499,134	8.08	8,252,289	10.98
Private	119,996,948	78.20	312,887,424	91.92	66,888,066	89.02
	153,453,820	100.00	340,386,558	100.00	75,140,355	100.00



43.1.6 Details of non-performing advances and specific provisions by sector

	2013		2012	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Public / Government	—	—	—	—
Private	3,699,903	3,543,124	3,705,730	3,062,933
	3,699,903	3,543,124	3,705,730	3,062,933

43.1.7 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	7,165,119	447,999,178	24,153,283	94,802,805
Middle East	387,737	13,022,735	1,427,951	2,437,080
	7,552,856	461,021,913	25,581,234	97,239,885
	2012			
	Profit before taxation	Total assets employed (Rupees in '000) Restated	Net assets employed	Contingencies and commitments
Pakistan	8,671,561	442,348,435	23,057,822	70,403,181
Middle East	266,579	11,005,507	1,003,945	4,737,174
	8,938,140	453,353,942	24,061,767	75,140,355

43.2 Market risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

The Bank takes positions in securities for the purpose of investment and not to run a trading book. As regards foreign exchange positions, the purpose is to serve the needs of clients. The Bank does not engage in trading or market making activities.

Market risk is managed through the market risk policy approved by the Board, approval of counterparty and dealer limits, specific senior management approval for each investment and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of the Bank's market risk management is to balance safety, liquidity, and income in that order of priority. Another key element is separation of functions and reporting lines for the Treasury Division which undertakes dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deal and Middle Office which independently monitors and analyses the risks inherent in treasury operations. Risk Management Committee of the Board provides overall guidance in managing the Bank's market risk.



Dealing activities of the Bank include investment in government securities, term finance certificates, sukuks / bonds, shares and mutual funds, money market transactions and foreign exchange transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Any excess over limits noted by the Settlements Department and / or the Middle Office is reported to senior management and ALCO. Stress testing is performed as per guidelines of SBP as well as Bank's internal policy.

The Bank uses the Standardised Approach to calculate capital charge for market risk as per Basel regulatory framework. Details of capital charge for market risk are given in note 42.4.

43.2.1 Interest rate / yield risk

Interest rate risk is the risk of loss from adverse movements in interest rates. ALCO monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

The Bank's interest rate exposure is calculated by categorizing its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity dates.

Interest rate risk exposures of the Bank are controlled through dealer limits, counter-party exposure limits and (when necessary) type - of - instrument limits. Duration and modified duration of various types of debt securities as well as their entire portfolio are also calculated, and the impact of adverse change in interest rates on the market value of the securities is estimated. Stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

Interest rate / yield risk in the banking book – Basel Specific

The Bank holds financial assets and financial liabilities with different maturities or repricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates. Interest rate risk in the banking book refers to the risk associated with interest-bearing financial instruments that are not held in the trading book of the Bank.

Repricing gap analysis presents the Bank's interest sensitive assets (ISA) and interest sensitive liabilities (ISL), categorised into various time bands based on the earlier of their contractual repricing or maturity dates (or settlement dates for off-balance sheet instruments). Deposits with no fixed maturity dates (for example, saving deposits and treasurer's call deposits) are included in the lowest, one - month time band, but these are not expected to be payable within a one - month period. The difference between ISA and ISL for each time band signifies the gap in that time band, and provides a workable framework for determining the impact on net interest income.

The Bank reviews the repricing gap analysis periodically to monitor and manage interest rate risk in the banking book.



43.2.2 Mismatch of interest rate sensitive assets and liabilities

2013

		Exposed to Yield / Interest rate risk										Non interest
	Effective Yield / Interest Rate	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	bearing financial instruments
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	32,199,552	5,065,117	-	-	-	-	-	-	-	-	27,134,435
Balances with other banks	0.02%	2,664,729	900,811	-	-	-	-	-	-	-	-	1,763,918
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	9.92%	239,986,042	51,023,189	80,810,465	70,370,331	1,409,788	2,276,323	6,913,689	6,410,598	15,464,398	-	5,307,261
Advances	9.02%	167,569,070	118,321,309	26,840,740	14,597,021	1,335,122	1,182,946	1,066,963	1,012,054	1,551,632	1,661,283	-
Other assets	-	5,317,174	-	-	-	-	-	-	-	-	-	5,317,174
		447,736,567	175,310,426	107,651,205	84,967,352	2,744,910	3,459,269	7,980,652	7,422,652	17,016,030	1,661,283	39,522,788
Liabilities												
Bills payable	-	6,173,102	-	-	-	-	-	-	-	-	-	6,173,102
Borrowings	8.97%	29,480,026	26,014,227	133,768	78,091	190,922	505,985	583,279	667,039	1,306,715	-	-
Deposits and other accounts	7.11%	386,098,828	196,625,811	21,619,763	13,386,437	20,967,687	3,721,707	2,900,547	2,132,171	-	-	124,744,705
Sub-ordinated loans	14.24%	6,485,900	-	1,496,500	1,993,000	600	1,200	2,994,600	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	4,358,124	-	-	-	-	-	-	-	-	-	4,358,124
		432,595,980	222,640,038	23,250,031	15,457,528	21,159,209	4,228,892	6,478,426	2,799,210	1,306,715	-	135,275,931
On-balance sheet gap		15,140,587	(47,329,612)	84,401,174	69,509,824	(18,414,299)	(769,623)	1,502,226	4,623,442	15,709,315	1,661,283	(95,753,143)
Off-balance sheet financial instruments												
Forward purchase of foreign exchange contracts		23,468,276	16,333,648	3,581,869	2,530,992	1,021,767	-	-	-	-	-	
Forward sale of foreign exchange contracts		(20,363,924)	(10,632,601)	(4,709,716)	(5,000,011)	(21,596)	-	-	-	-	-	
Forward commitments to extend credit		1,130,970	545,790	223,190	361,990	-	-	-	-	-	-	
Off-balance sheet gap		4,235,322	6,246,837	(904,657)	(2,107,029)	1,000,171	-	-	-	-	-	
Total interest / yield risk sensitivity gap		19,375,909	(41,082,775)	83,496,517	67,402,795	(17,414,128)	(769,623)	1,502,226	4,623,442	15,709,315	1,661,283	
Cumulative interest / yield risk sensitivity gap			(41,082,775)	42,413,742	109,816,537	92,402,409	91,632,786	93,135,012	97,758,454	113,467,769	115,129,052	



2012

			Exposed to Yield / Interest rate risk									Non interest
	Effective Yield / Interest Rate	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	bearing financial instruments
(Rupees in '000) (Restated)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	27,464,345	4,505,096	-	-	-	-	-	-	-	-	22,959,249
Balances with other banks	0.02%	9,747,248	8,657,584	-	-	-	-	-	-	-	-	1,089,664
Lendings to financial institutions	8.75%	993,981	993,981	-	-	-	-	-	-	-	-	-
Investments	10.56%	249,923,504	40,906,218	63,430,590	59,723,528	59,863,152	1,329,443	2,287,865	6,290,528	12,635,428	-	3,456,752
Advances	9.82%	147,859,828	96,592,497	30,756,817	14,801,098	544,025	811,925	915,702	1,242,651	773,125	1,421,988	-
Other assets	-	4,961,740	-	-	-	-	-	-	-	-	-	4,961,740
		440,950,646	151,655,376	94,187,407	74,524,626	60,407,177	2,141,368	3,203,567	7,533,179	13,408,553	1,421,988	32,467,405
Liabilities												
Bills payable	-	5,257,191	-	-	-	-	-	-	-	-	-	5,257,191
Borrowings	8.56%	69,622,055	52,388,284	6,919,877	6,970,516	377,627	617,118	656,261	1,019,825	672,547	-	-
Deposits and other accounts	7.81%	340,386,558	159,178,670	18,351,569	19,422,776	22,455,908	9,396,968	3,846,405	2,999,296	-	-	104,734,966
Sub-ordinated loans	14.84%	6,489,300	-	1,497,100	1,000	1,400	1,994,000	1,200	2,994,600	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	4,239,722	-	-	-	-	-	-	-	-	-	4,239,722
		425,994,826	211,566,954	26,768,546	26,394,292	22,834,935	12,008,086	4,503,866	7,013,721	672,547	-	114,231,879
On-balance sheet gap		14,955,820	(59,911,578)	67,418,861	48,130,334	37,572,242	(9,866,718)	(1,300,299)	519,458	12,736,006	1,421,988	(81,764,474)
Off-balance sheet financial instruments												
Forward purchase of foreign exchange contracts		15,272,338	5,575,942	3,782,904	3,874,199	2,039,293	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(16,888,512)	(9,981,099)	(3,247,329)	(2,753,805)	(906,279)	-	-	-	-	-	-
Forward commitments to extend credit		472,257	503	-	471,754	-	-	-	-	-	-	-
Off-balance sheet gap		(1,143,917)	(4,404,654)	535,575	1,592,148	1,133,014	-	-	-	-	-	-
Total interest / yield risk sensitivity gap		13,811,903	(64,316,232)	67,954,436	49,722,482	38,705,256	(9,866,718)	(1,300,299)	519,458	12,736,006	1,421,988	-
Cumulative interest / yield risk sensitivity gap			(64,316,232)	3,638,204	53,360,686	92,065,942	82,199,224	80,898,925	81,418,383	94,154,389	95,576,377	-



43.2.3 Foreign exchange risk

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Bank's foreign exchange exposure comprises forward contracts, purchase of foreign bills, foreign currency loans and investments, foreign currency cash in hand, balances with banks abroad, foreign currency deposits and foreign currency placements with SBP and other banks. Focus of the Bank's foreign exchange activities is on catering to the needs of its customers, both in spot and forward markets.

Foreign exchange risk exposures of the Bank are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities within strict limits. The net open position in any single currency and the overall foreign exchange exposure are both managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impact of adverse changes in foreign exchange rates.

	2013			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
		(Rupees in '000)		
Pakistan Rupee	415,944,007	388,468,565	(3,103,429)	24,372,013
United States Dollar	42,473,592	37,968,071	(3,270,077)	1,235,444
Great Britain Pound	762,922	5,789,941	5,033,460	6,441
Japanese Yen	39,243	4,288	(49,851)	(14,896)
Euro	1,445,134	2,596,707	1,120,142	(31,431)
Other currencies	357,015	613,107	269,755	13,663
	461,021,913	435,440,679	–	25,581,234
	2012			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
		(Rupees in '000)		
		Restated		
Pakistan Rupee	409,475,010	386,907,687	1,617,592	23,184,915
United States Dollar	41,446,186	34,425,693	(6,072,866)	947,627
Great Britain Pound	871,690	4,221,366	3,347,636	(2,040)
Japanese Yen	81,871	–	(121,822)	(39,951)
Euro	1,309,654	2,323,450	981,461	(32,335)
Other currencies	169,531	413,980	247,999	3,550
	453,353,942	429,292,175	–	24,061,767



43.3 Liquidity risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable losses.

Liquidity risk is managed through the liquidity risk policy approved by the Board, careful monitoring of daily liquidity position by the Treasury Division and the Middle Office and regular review and monitoring of the liquidity position by ALCO. Risk Management Committee of the Board provides overall guidance in managing the Bank's liquidity risk.

Key elements of the Bank's liquidity risk management are as follows:

- To maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet the Bank's funding requirements at any time.
- To keep a strong focus on mobilisation of low - cost core deposits from customers.
- To maintain a realistic balance between the behavioural maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing costs and ability to raise funds are directly affected by credit rating).
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

The Bank's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity risk is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.



43.3.1

Maturities of assets and liabilities - based on expected maturities as determined by ALCO

For assets and liabilities that have a contractual maturity, the expected maturity is considered to be the same as contractual maturity. Assets and Liabilities that do not have a contractual maturity have been categorised on the basis of expected maturities as determined by ALCO. In case of saving and current accounts, their historical net withdrawal pattern over the next one year was reviewed, based on year - end balances for the last three years. Thereafter, taking a conservative view, ALCO categorised these deposits in various maturity bands. Other assets and liabilities have been categorised on the basis of assumptions / judgments that are believed to be reasonable.

2013									
Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)									
<i>Assets</i>									
Cash and balances with treasury banks	32,199,552	32,199,552	-	-	-	-	-	-	-
Balances with other banks	2,664,729	2,664,729	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-
Investments	239,986,042	48,378,088	78,397,126	69,764,035	6,418,018	3,125,059	7,900,709	7,754,428	17,596,930
Advances	167,569,070	42,355,624	38,426,628	36,242,610	21,758,392	8,379,311	7,610,177	7,543,056	3,579,168
Operating fixed assets	11,815,577	278,396	203,071	297,946	449,831	3,001,103	575,772	720,670	850,642
Other assets	6,786,943	5,207,742	778,509	190,661	277,561	112,482	52,091	44,217	46,724
	461,021,913	131,084,131	117,805,334	106,495,252	28,903,802	14,617,955	16,138,749	16,062,371	22,073,464
									7,840,855
<i>Liabilities</i>									
Bills payable	6,173,102	6,173,102	-	-	-	-	-	-	-
Borrowings	29,480,026	11,432,378	9,592,572	5,201,136	190,922	505,985	583,279	667,039	1,306,715
Deposits and other accounts	386,098,828	53,294,945	51,405,938	43,172,612	50,753,862	57,336,821	56,515,662	58,725,902	14,893,086
Sub-ordinated loans	6,485,900	-	700	1,000	749,300	750,700	996,400	996,800	2,991,000
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	1,642,923	(13,729)	21,881	(34,486)	140,675	697,818	105,989	92,144	48,712
Other liabilities	5,559,900	3,746,342	97,460	30,012	655,744	28,758	4,730	164,429	-
	435,440,679	74,633,038	61,118,551	48,370,274	52,490,503	59,320,082	58,206,060	60,646,314	19,239,513
									1,416,344
<i>Net assets</i>	25,581,234	56,451,093	56,686,783	58,124,978	(23,586,701)	(44,702,127)	(42,067,311)	(44,583,943)	2,833,951
									6,424,511
Share capital	10,103,868								
Reserves	7,569,407								
Unappropriated profit	5,703,859								
Non controlling interest	109,744								
Surplus on revaluation of assets - net of tax	2,094,356								
	25,581,234								



2012

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000) (Restated)									
<i>Assets</i>										
Cash and balances with treasury banks	27,464,345	27,464,345	—	—	—	—	—	—	—	—
Balances with other banks	9,747,248	9,747,248	—	—	—	—	—	—	—	—
Lendings to financial institutions	993,981	993,981	—	—	—	—	—	—	—	—
Investments	249,923,504	38,434,669	62,897,387	58,054,852	63,077,728	2,526,058	2,680,452	7,771,480	14,125,164	355,714
Advances	147,859,828	47,624,578	34,093,116	21,159,165	18,032,876	7,862,798	6,444,278	9,101,032	2,105,560	1,436,425
Operating fixed assets	11,241,539	237,963	202,320	300,661	501,817	720,829	2,795,610	609,037	747,797	5,125,505
Other assets	6,123,497	4,711,031	709,525	238,517	171,176	84,787	42,754	44,137	49,377	72,193
	453,353,942	129,213,815	97,902,348	79,753,195	81,783,597	11,194,472	11,963,094	17,525,686	17,027,898	6,989,837
<i>Liabilities</i>										
Bills payable	5,257,191	5,257,191	—	—	—	—	—	—	—	—
Borrowings	69,622,055	52,388,284	6,919,877	6,970,516	377,627	617,118	656,261	1,019,825	672,547	—
Deposits and other accounts	340,386,558	45,045,584	42,670,242	43,741,449	46,774,581	53,170,579	47,620,016	49,204,773	12,159,334	—
Sub-ordinated loans	6,489,300	—	700	1,000	1,700	751,000	750,700	1,992,000	2,992,200	—
Liabilities against assets subject to finance lease	—	—	—	—	—	—	—	—	—	—
Deferred tax liabilities	1,929,441	403,511	24,572	36,197	66,636	123,492	657,565	43,730	(917)	574,655
Other liabilities	5,607,630	3,568,400	107,018	400,762	740,484	8,979	29,342	107,253	—	645,392
	429,292,175	106,662,970	49,722,409	51,149,924	47,961,028	54,671,168	49,713,884	52,367,581	15,823,164	1,220,047
<i>Net assets</i>	24,061,767	22,550,845	48,179,939	28,603,271	33,822,569	(43,476,696)	(37,750,790)	(34,841,895)	1,204,734	5,769,790
Share capital	10,103,868									
Reserves	6,464,546									
Unappropriated profit	4,598,577									
Non-controlling interest	106,753									
Surplus on revaluation of assets – net of tax	2,788,023									
	24,061,767									



43.3.2 Maturities of assets and liabilities - based on contractual maturities

The following maturity profile is based on contractual maturities for assets and liabilities that have a contractual maturity. Assets and liabilities that do not have a contractual maturity have been categorised in the shortest maturity band.

2013									
Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)									
<i>Assets</i>									
Cash and balances with treasury banks	32,199,552	32,199,552	-	-	-	-	-	-	-
Balances with other banks	2,664,729	2,664,729	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-
Investments	239,986,042	54,103,813	78,406,031	69,967,390	1,548,373	3,092,970	7,813,875	7,634,561	17,419,029
Advances	167,569,070	42,355,624	38,426,628	36,242,610	21,758,392	8,379,311	7,610,177	7,543,056	3,579,168
Operating fixed assets	11,815,577	5,493,461	153,484	225,176	421,115	739,668	575,772	720,670	850,642
Other assets	6,786,943	5,426,836	752,660	146,166	200,359	112,482	52,091	44,217	46,724
	461,021,913	142,244,015	117,738,803	106,581,342	23,928,239	12,324,431	16,051,915	15,942,504	21,895,563
									4,315,101
<i>Liabilities</i>									
Bills payable	6,173,102	6,173,102	-	-	-	-	-	-	-
Borrowings	29,480,026	11,432,378	9,592,572	5,201,136	190,922	505,985	583,279	667,039	1,306,715
Deposits and other accounts	386,098,828	321,370,516	21,619,763	13,386,437	20,967,687	3,721,707	2,900,547	2,132,171	-
Sub-ordinated loans	6,485,900	-	700	1,000	749,300	750,700	996,400	996,800	2,991,000
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	1,642,923	712,723	23,180	33,961	64,636	110,784	75,597	50,191	(13,553)
Other liabilities	5,559,900	4,779,107	97,460	24,593	619,490	28,758	4,730	5,762	-
	435,440,679	344,467,826	31,333,675	18,647,127	22,592,035	5,117,934	4,560,553	3,851,963	4,284,162
									585,404
<i>Net assets</i>	25,581,234	(202,223,811)	86,405,128	87,934,215	1,336,204	7,206,497	11,491,362	12,090,541	17,611,401
									3,729,697
Share capital	10,103,868								
Reserves	7,569,407								
Unappropriated profit	5,703,859								
Non Controlling interest	109,744								
Surplus on revaluation of assets									
- net of tax	2,094,356								
	25,581,234								



2012

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000) (Restated)									
<i>Assets</i>										
Cash and balances with treasury banks	27,464,345	27,464,345	—	—	—	—	—	—	—	—
Balances with other banks	9,747,248	9,747,248	—	—	—	—	—	—	—	—
Lendings to financial institutions	993,981	993,981	—	—	—	—	—	—	—	—
Investments	249,923,504	43,238,418	62,812,290	58,038,142	59,706,261	2,476,662	2,626,920	7,595,133	13,429,678	—
Advances	147,859,828	47,624,578	34,093,116	21,159,165	18,032,876	7,862,798	6,444,278	9,101,032	2,105,560	1,436,425
Operating fixed assets	11,241,539	5,521,021	136,090	199,374	374,099	663,401	534,174	609,017	747,797	2,456,566
Other assets	6,123,497	4,967,740	686,945	129,938	103,811	84,787	42,754	44,137	49,377	14,008
	453,353,942	139,557,331	97,728,441	79,526,619	78,217,047	11,087,648	9,648,126	17,349,319	16,332,412	3,906,999
<i>Liabilities</i>										
Bills payable	5,257,191	5,257,191	—	—	—	—	—	—	—	—
Borrowings	69,622,055	52,388,284	6,919,877	6,970,516	377,627	617,118	656,261	1,019,825	672,547	—
Deposits and other accounts	340,386,558	263,913,637	18,351,569	19,422,776	22,455,908	9,396,968	3,846,405	2,999,295	—	—
Sub-ordinated loans	6,489,300	—	700	1,000	1,700	751,000	750,700	1,992,000	2,992,200	—
Liabilities against assets subject to finance lease	—	—	—	—	—	—	—	—	—	—
Deferred tax liabilities	1,929,441	1,017,901	21,211	31,156	56,553	103,328	81,823	43,730	(917)	574,656
Other liabilities	5,607,630	4,737,275	103,618	4,000	722,621	8,979	29,342	1,795	—	—
	429,292,175	327,314,288	25,396,975	26,429,448	23,614,409	10,877,393	5,364,531	6,056,645	3,663,830	574,656
<i>Net assets</i>	24,061,767	(187,756,957)	72,331,466	53,097,171	54,602,638	210,255	4,283,595	11,292,674	12,668,582	3,332,343
Share capital	10,103,868									
Reserves	6,464,546									
Unappropriated profit	4,598,577									
Non Controlling interest	106,753									
Surplus on revaluation of assets – net of tax	2,788,023									
	24,061,767									



43.4 **Equity position risk in the banking book – Basel Specific**

The Bank's policy is to take equity positions for investment purposes and not to run a trading book for buying and selling of equities. Equity holdings include direct investment in shares and in equity - based mutual funds, both closed - end and open - end. Policies covering their valuation and accounting are disclosed in note 5.5.

Equity position risk

Equity position risk is the risk of loss from adverse movements in equity prices. The Bank's policy is to take equity positions for investment purposes and not to run a trading book for buying and selling of shares.

Equity position risk of the Bank is controlled through equity portfolio limits, sector limits, script limits, and future contracts limits. Direct investment in equities and mutual funds is managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for equity price risk is carried out regularly to estimate the impact of decline in stock prices.

43.5 **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

Operational risk is managed through the operational risk policy and audit policy approved by the Board, along with the policies on prevention of frauds and forgeries and compliance with "Know Your Customer" / "Customer Due Diligence" and "Anti Money Laundering / Combating Financing of Terrorism" requirements; operational manuals and procedures issued from time to time; a system of internal controls and dual authorisation for important transactions and safe - keeping; a Business Continuity Plan, including a Disaster Recovery Plan for I.T., to prevent interruption of business services in the event of a major incident or disaster; an I.T. Security Policy to ensure security and integrity of I.T. systems; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

The Bank's operational risk management framework, as laid down in the operational risk policy permits the overall risk management approach to evolve in the light of organisational learning and the future needs of the Bank.

The Bank places a high priority on conducting all business dealings with integrity and fairness, as laid down in the Code of Conduct which is required to be complied with by all employees.

Internal controls are an essential feature of risk reduction in operational risk management and the Bank continues to improve its internal controls.

Operational risk disclosures – Basel Specific

The Bank uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel regulatory framework. This approach is considered to be most suitable in view of the business model of the Bank which relies on an extensive network of branches to offer one - stop, full - service banking to its clients. The Bank has developed and implemented an Operational Loss Database. Operational loss and "near miss" events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve security and control procedures.



44. ISLAMIC BANKING BUSINESS

44.1 The Bank is operating 17 (2012: 13) Islamic banking branches in Pakistan. The statement of financial position and profit and loss account of these branches as at 31 December 2013 and for the year are as follows:

44.1.1 STATEMENT OF FINANCIAL POSITION

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Cash and balance with treasury banks		363,446	322,418
Balances with and due from financial institutions		35,677	2,786
Investments		1,493,818	1,573,586
Islamic financing and related assets	44.1.1.1	10,647,906	7,698,981
Operating fixed assets		62,567	41,123
Other assets		359,338	254,653
		12,962,752	9,893,547
LIABILITIES			
Bills payable		112,276	44,896
Due to financial institutions		1,643,761	1,081,647
Deposits and other accounts		8,617,703	6,824,034
– Current accounts		2,198,218	1,469,285
– Saving accounts		1,420,729	713,014
– Term deposits		3,380,965	3,981,713
– Others		11,348	58,863
– Deposits from financial institutions - remunerative		1,605,680	600,625
– Deposits from financial institutions - non-remunerative		763	534
Due to Head Office		990,000	360,000
Other liabilities		293,351	315,081
		(11,657,091)	(8,625,658)
NET ASSETS		1,305,661	1,267,889
REPRESENTED BY:			
Islamic banking fund		1,000,000	950,000
Unremitted profit		301,343	310,177
		1,301,343	1,260,177
Surplus on revaluation of assets		4,320	7,712
		1,305,663	1,267,889



44.1.1.1 Islamic financing and related assets

	2013	2012
	(Rupees in '000)	
Murabaha	4,684,555	3,125,006
Net investment in ijarah	—	3,926
Net book value of assets / investment in ijarah under IFAS 2	202,296	307,173
Diminishing musharika	3,056,660	2,851,554
Export refinance murabaha	38,934	81,600
Export refinance istisna	1,517,077	1,000,047
Istisna	651,646	44,644
Gross financing	10,151,168	7,413,950
Less: general provisioning against consumer financing	(523)	(231)
Net financing	10,150,645	7,413,719
Advance against murabaha	449,831	277,979
Advance against ijarah	47,430	7,283
Islamic financing and related assets - net off provision	10,647,906	7,698,981

44.1.1.2 Islamic financing and related assets

Financings / inventory / receivables	10,151,168	7,413,950
Advances	497,261	285,262
Less: general provision against consumer financing	(523)	(231)
	10,647,906	7,698,981

44.2 PROFIT AND LOSS ACCOUNT

Profit / return on financing and placements earned	1,046,170	1,076,165
Profit / return on deposits and other dues expensed	(568,622)	(566,121)
	477,548	510,044
Provision against non performing loans and advances	(292)	(231)
Net spread earned	477,256	509,813

OTHER INCOME

Fee, commission and brokerage income	27,776	29,808
Income from dealing in foreign currencies	8,795	8,764
Other income	8,796	5,269

45,367	43,841
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522,623	553,654
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OTHER EXPENSES

Administrative expenses	(221,280)	(243,477)
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PROFIT BEFORE TAXATION

301,343	310,177
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	2013 (Rupees in '000)	2012
44.3 Remuneration to Shariah Advisor / Board	<u>1,890</u>	<u>1,530</u>
44.4 CHARITY FUND		
Opening balance	9,779	2,281
Additions during the year	4,144	9,779
Payments / utilisation during the year		
Health	(6,804)	(1,356)
Social welfare	(2,975)	(925)
	<u>(9,779)</u>	<u>(2,281)</u>
Closing balance	<u>4,144</u>	<u>9,779</u>

44.5 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

44.5.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk & reward characteristics:

We have a single pool mechanism with the depositors. The pool operates on Mudarba basis. Since we are operating in a single pool structure the risk and reward are proportionately shared by the depositor.

Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & Shariah clearance.

44.5.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudarba based funds have been deployed in the following avenues / sectors / business :

- Chemical & Pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes & Leather garments
- Investment in Sukuk
- Production and transmission of energy
- Food and Tobacco except Sugar
- Wheat
- Individuals
- Others (Ship breaking, Plastic Product)



44.5.3 Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components :

The Bank's Islamic Banking Division (IBD) is currently accepting Pak Rupees Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab - UI - Maal. The Bank also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing such as Murabaha, Ijarah, Istisna, Diminishing Musharaka and Ijarah Sukuk.

The Bank calculates the profit of the pool after every quarter. Profit is distributed at the Net Income level. Net Income is calculated after deducting costs and expenses such as cost of Murabaha, cost of Takaful, and Depreciation directly incurred in deriving that Income.

The Net income / loss is being allocated between the Bank's equity and the depositors' fund in proportion to their respective share in pool.

The Bank's profit sharing ratio during the year was 50% (2012: 60%) of Net Income and the depositors' profit sharing ratio was 50% (2012: 40%) of Net Income.

After the allocation of Income between the equity holder and depositors the profit is distributed among the account holders on the basis of predetermined weightages, announced by the Bank at the beginning of the quarter based on their respective category / tiers. In case of loss, Rab - UI - Maal has to bear the loss in the ratio of its investment.

In case of provisioning, the general and specific provisions created against non - performing financing and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the IBIs as Mudarib. However, write - offs of financings and loss on sale of investments shall be charged to the pool along with other direct expenses.

44.5.4 Mudarib share (in amount and percentage of Distributable Income)

	2013 (Rupees in Million)	2012
Distributable Income	698*	953
Mudarib Share	349	572
Mudarib Share (percent)	50%	60%

* From this year we are taking our share of profit on equity before the distribution and hence the distributable was less than that of last year.

44.5.5 Amount and percentage of Mudarib share transferred to the depositors through Hiba

Mudarib Share	349	572
Hiba	104	189
Hiba percentage of Mudarib Share	30%	33%

44.5.6 Profit rate earned vs. profit rate distributed to the depositors during the year

Profit Rate Earned	10.35%	12.30%
Profit Rate Distributed	5.57%	7.48%



45. SUBSEQUENT EVENT

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 2 (2012: Rs. 3) per share and issue of bonus shares in the ratio of 10 (2012: NIL) shares of every 100 shares held.

46. GENERAL

- 46.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements, wherever necessary to facilitate comparative and to conform with changes in presentation in the current year.
- 46.2 Captions, as prescribed by BSD Circular No. 04, dated 17 February 2006, in respect of which there are no amounts have not been reproduced in these financial statements, except for the captions of the statement of financial position and profit and loss account.
- 46.3 Figures have been rounded off to the nearest thousand rupees.

47. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on February 18, 2014.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



Annexure-1

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended 31 December 2013

(Rupees in '000)

S. No.	Name and address of the borrowers	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written- off	Interest / Mark-up written- off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Others	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Sikandar Razzak Sons Suit No. 5/14, Arkay Square, Shahrah-e-Liaquat, Karachi	Mr. Sikandar Ali (CNIC: 42101-5240870-1)	Mr. Muhammad Dawood	6,985	1,302	–	8,287	–	1,393	–	1,393
		Mr. Shahzad Ali (CNIC: 42101-1941294-1)	Mr. Sikandar Ali								
		Mr. Maqsood Ali (CNIC: 42101-1360380-9)	Mr. Sikandar Ali								
		Mr. Muhammad Ali (CNIC: 42101-1798591-3)	Mr. Sikandar Ali								
		Mr. Ahmed Ali (CNIC: 42101-1609173-5)	Mr. Sikandar Ali								
2	Habibullah Sons (Pvt) Ltd F-232, S.I.T.E., Karachi	Mr. Asmatullah Khan (CNIC: 42301-7343370-1)	Mr. H.M. Habibullah	–	5,210	–	5,210	–	4,210	–	4,210
		Mr. Jamal Asmatullah (CNIC: 42301-6778395-9)	Mr. Asmatullah Khan								
3	Hexagon (Pvt) Ltd 3-KM Bhoptian Chowk, Raiwind Road, Lahore	Mr. Vicky Chaudhary (CNIC: 35202-4156881-1)	Mr. Amir Chaudhary	13,543	424	–	13,967	–	641	–	641
		Mr. Imran Chaudhry (CNIC: 35202-0808487-5)	Mr. Khalid Chaudhary								
		Mr. Usman Chaudhry (CNIC: 35201-3595554-9)	Mr. Khalid Chaudhary								
			Total	20,528	6,936	–	27,464	–	6,244	–	6,244

Note: 1 Interest / mark-up written-off was against suspended mark-up.



Report of Shariah Advisor

We have examined, on test check basis, each class of transaction, the relevant documentation and procedures adopted by Islamic Banking Branches / Division of Bank AL Habib Limited (IBB-BAHL), and we hereby report, for the year ended December 31, 2013, that in our opinion;

- (a) the affairs of IBB-BAHL have been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules as well as with specific fatawa and rulings issued by the Shariah Advisor from time to time;
- (b) the allocation of funds, weightages, profit sharing ratios, profits and charging of losses, if any, relating to PLS accounts conform to the basis vetted by the Shariah Advisor in accordance with Shariah rules and principles and;
- (c) any earnings that have been realised from sources or by means prohibited by Shariah rules and principles have been credited to charity account.

Karachi: February 18, 2014

ISMATULLAH
Shariah Advisor
Islamic Banking Division



Branch Network

The Bank has a network of 416 branches including 96 sub-branches, a wholesale branch in the Kingdom of Bahrain, a branch in Karachi Export Processing Zone and 17 Islamic Banking branches. The Bank has branches / sub-branches / representative offices in the following cities:

- | | | |
|---------------------------------|---------------------------|-----------------------|
| • Abbotabad | • Kandhkot | • Rahim Yar Khan |
| • Attock | • Karachi | • Rawalpindi |
| • Badin | • Karkhana Bazar (Vehari) | • Rohailan Wali |
| • Bahawalpur | • Kasur | • Sadiqabad |
| • Bhiria Road | • Khairpur | • Sahiwal |
| • Burewala | • Khanbela | • Sakrand |
| • Chaksawari (A.K.) | • Khanewal | • Saleh Khana |
| • Chakwal | • Khanpur | • Sanghar |
| • Chenab Nagar | • Kharian | • Sargodha |
| • Dadu | • Khurrianwala | • Shahdadkot |
| • Dadyal (A.K.) | • Khushab | • Shahdadpur |
| • Daharki | • Kotla Arab Ali Khan | • Shahpur Chakar |
| • Darya Khan Mari | • Kunri | • Sheikhpura |
| • Daska | • Lahore | • Shikarpur |
| • Dera Ghazi Khan | • Lala Musa | • Sialkot |
| • Dinga | • Larkana | • Skardu |
| • Faisalabad | • Mandi Bahauddin | • Sukkur |
| • Fateh Jang | • Mansehra | • Tando Adam |
| • Fazil Pur | • Mardan | • Tando Allahyar |
| • Feroza | • Mathanichangan Swabi | • Tando Bagho |
| • Feroze Watoan | • Matli | • Tando Muhammad Khan |
| • Gaggo Mandi | • Mehar | • Taxila |
| • Gambat | • Mehrabpur | • Thari Mirwah |
| • Gawadar | • Mian Channu | • Tharu Shah |
| • Ghakhar | • Mirpur (A.K.) | • Tibba Sultanpur |
| • Gharo | • Mirpurkhas | • Toba Tek Singh |
| • Ghotki | • Moro | • Turbat |
| • Gilgit | • Multan | • Uch Sharif |
| • Gujar Khan | • Muridke | • Wah Cantt |
| • Gujranwala | • Muzaffargarh | • Wazirabad |
| • Gujrat | • Narowal | • Zahir Pir |
| • Hafizabad | • Naukot | |
| • Hala | • Naushahro Feroze | |
| • Haripur | • Nawabshah | |
| • Hingorja | • Nooriabad | |
| • Hub | • Okara | |
| • Hyderabad | • Peshawar | |
| • Islamabad | • Pir Mahal | |
| • Jacobabad | • Pull Kharan | |
| • Jehlum | • Qasba Gujrat | |
| • Joharabad | • Qazi Ahmed | |
| • Kamalia Sugar Mills (Kamalia) | • Quetta | |
-
- | | |
|-----------------------------------|--|
| Off Shore Branches | |
| • Export Processing Zone, Karachi | |
| • Manama, Bahrain | |
| Representative Offices | |
| • Beijing, China | |
| • Dubai, U.A.E. | |
| • Istanbul, Turkey | |

Principal Office
Mackinnons Building, I. I. Chundrigar Road, Karachi.
Phones: (92-21) 32412421, 32446916 & 111-786-110
Fax: (92-21) 32419752

Registered Office
126-C, Old Bahawalpur Road, Multan.
Phones: (92-61) 4580314-16, & 111-786-110
Fax: (92-61) 4582471

SWIFT CODE : BAHLPKKA website : www.bankalhabib.com



Form of Proxy

The Company Secretary
Bank AL Habib Limited
126-C, Old Bahawalpur Road,
MULTAN.

I/We _____
of _____
a member(s) of Bank AL Habib Limited and holding _____
ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. _____
hereby appoint _____ Folio No. _____
of _____
or failing him/her _____ Folio No. _____
of _____
another member of the Bank to vote for me/us and on my/our behalf at the Twenty Third Annual General Meeting
of the Bank to be held on Tuesday, March 25, 2014 and at any adjournment thereof.
As witness my/our hand this _____ day of _____ 2014.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his / her original CNIC or passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted alongwith proxy form.

The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.