
هَذَا مِنْ فَضْلِ رَبِّي



VISION STATEMENT

TO BE OUR CUSTOMERS' MOST CONVENIENT
AND TRUSTED BANK

MISSION STATEMENT

TO MAKE BANKING SAFE, SIMPLE, AND PLEASANT



CORPORATE INFORMATION

Board of Directors	Abbas D. Habib Adnan Afridi Anwar Haji Karim Arshad Nasar Farhana Mowjee Khan Javed Iqbal Mohammad Rafiquddin Mehkari Murtaza H. Habib Qumail R. Habib Syed Mazhar Abbas	<i>Chairman</i> <i>Executive Director</i>
	Mansoor Ali Khan	<i>Chief Executive</i>
Audit Committee	Mohammad Rafiquddin Mehkari Anwar Haji Karim Arshad Nasar Farhana Mowjee Khan Syed Mazhar Abbas	<i>Chairman</i> Member Member Member Member
Human Resource & Remuneration Committee	Arshad Nasar Abbas D. Habib Farhana Mowjee Khan Murtaza H. Habib Syed Mazhar Abbas	<i>Chairman</i> Member Member Member Member
Credit Risk Management Committee	Syed Mazhar Abbas Arshad Nasar Mohammad Rafiquddin Mehkari Murtaza H. Habib Qumail R. Habib	<i>Chairman</i> Member Member Member Member
Risk Management Committee	Adnan Afridi Anwar Haji Karim Farhana Mowjee Khan Mohammad Rafiquddin Mehkari Qumail R. Habib	<i>Chairman</i> Member Member Member Member
IT Committee	Abbas D. Habib Arshad Nasar Javed Iqbal Qumail R. Habib Mansoor Ali Khan	<i>Chairman</i> Member Member Member Member
IFRS 9 Committee	Arshad Nasar Farhana Mowjee Khan Qumail R. Habib	<i>Chairman</i> Member Member
Company Secretary	Mohammad Taqi Lakhani	



Chief Financial Officer	Ashar Husain
Statutory Auditors	EY Ford Rhodes Chartered Accountants
Legal Advisor	LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants
Registered Office	126-C, Old Bahawalpur Road, Multan
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi
Share Registrar	CDC Share Registrar Services Limited CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400.
Website	www.bankalhabib.com

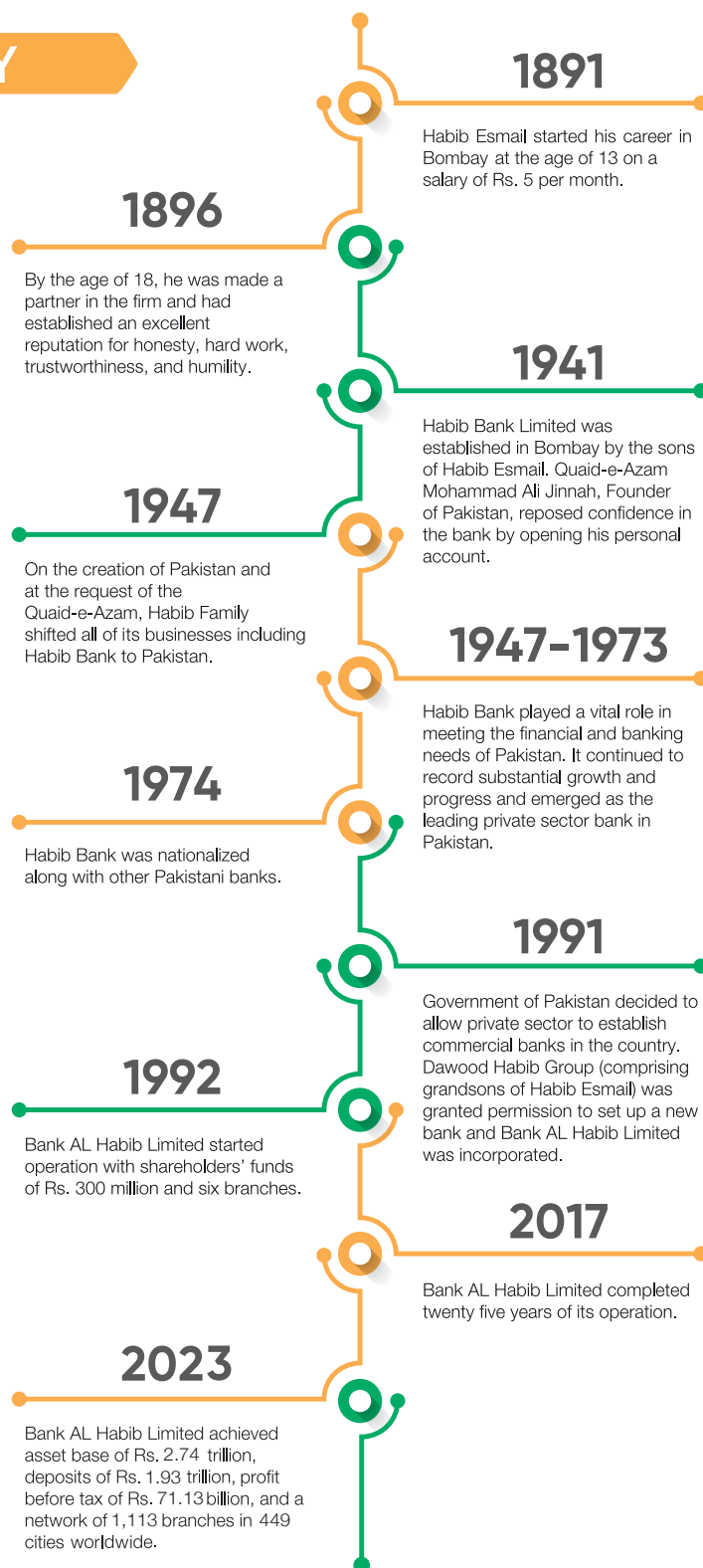


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HISTORY





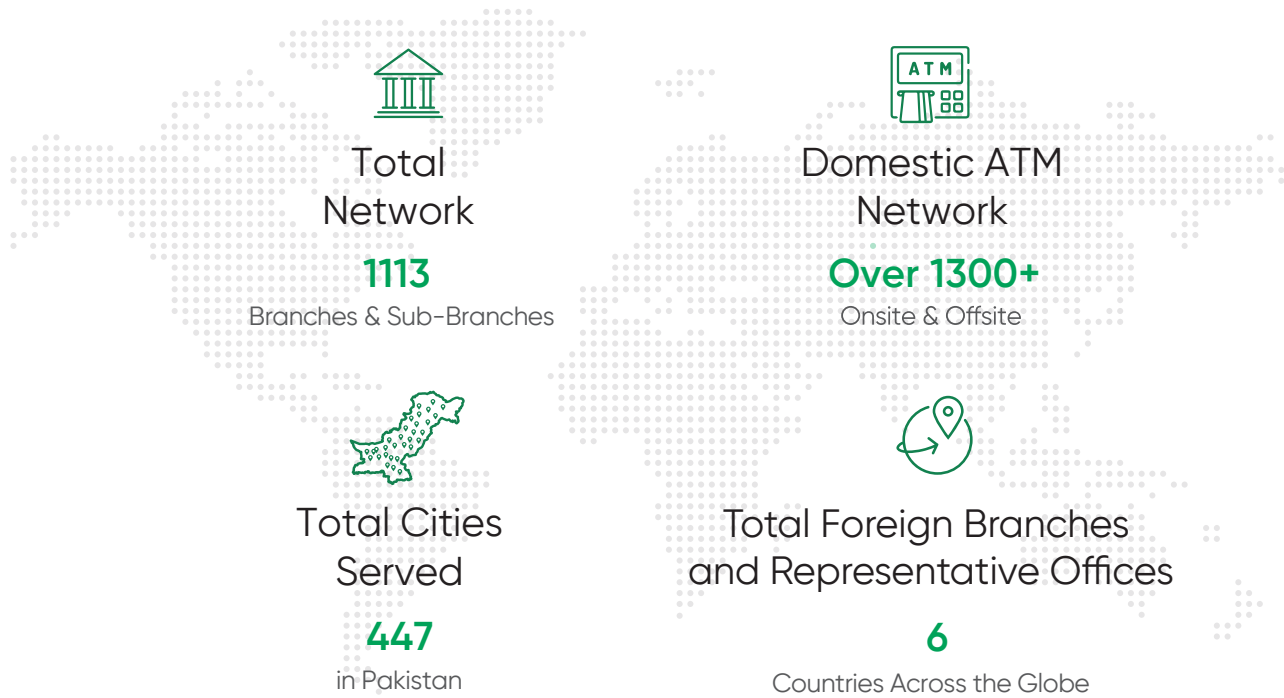
HIGHLIGHTS YEAR 2023



Awards



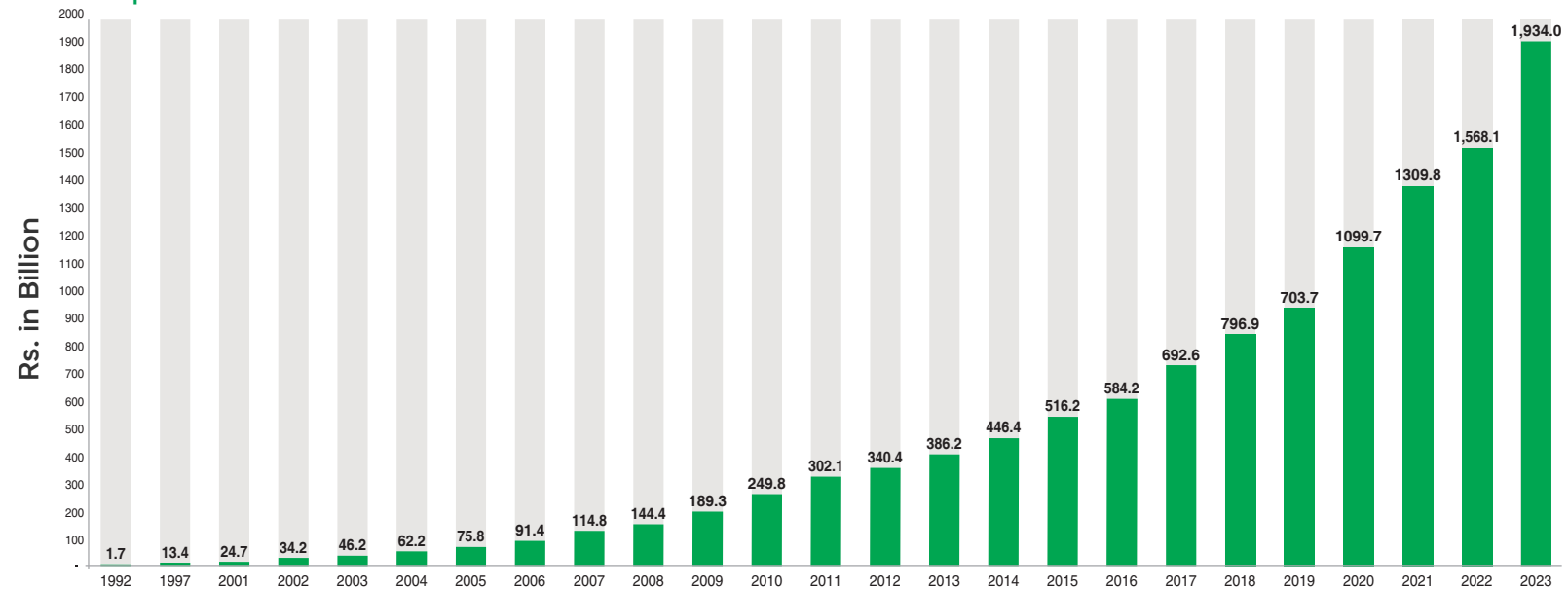
1. "Trade and Supply Chain Finance Program (TSCFP) Award 2023" from Asian Development Bank (ADB)
2. "Leading Remittance Mobilizing Bank of Pakistan" Award from Pakistan Remittance Initiative (PRI)
3. "U.S. Dollar Clearing Elite Quality Recognition Award and Euro Clearing Elite Quality Recognition Award for the years 2022 & 2023" from J.P. Morgan Bank



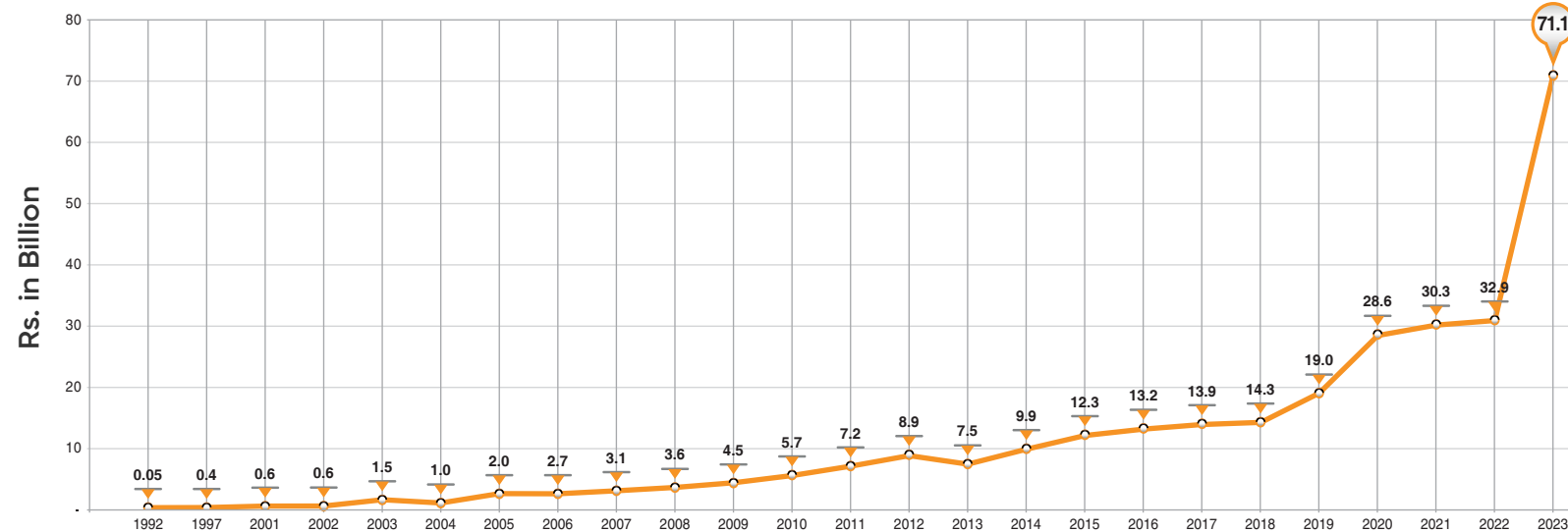


PERFORMANCE 1992-2023

Deposits



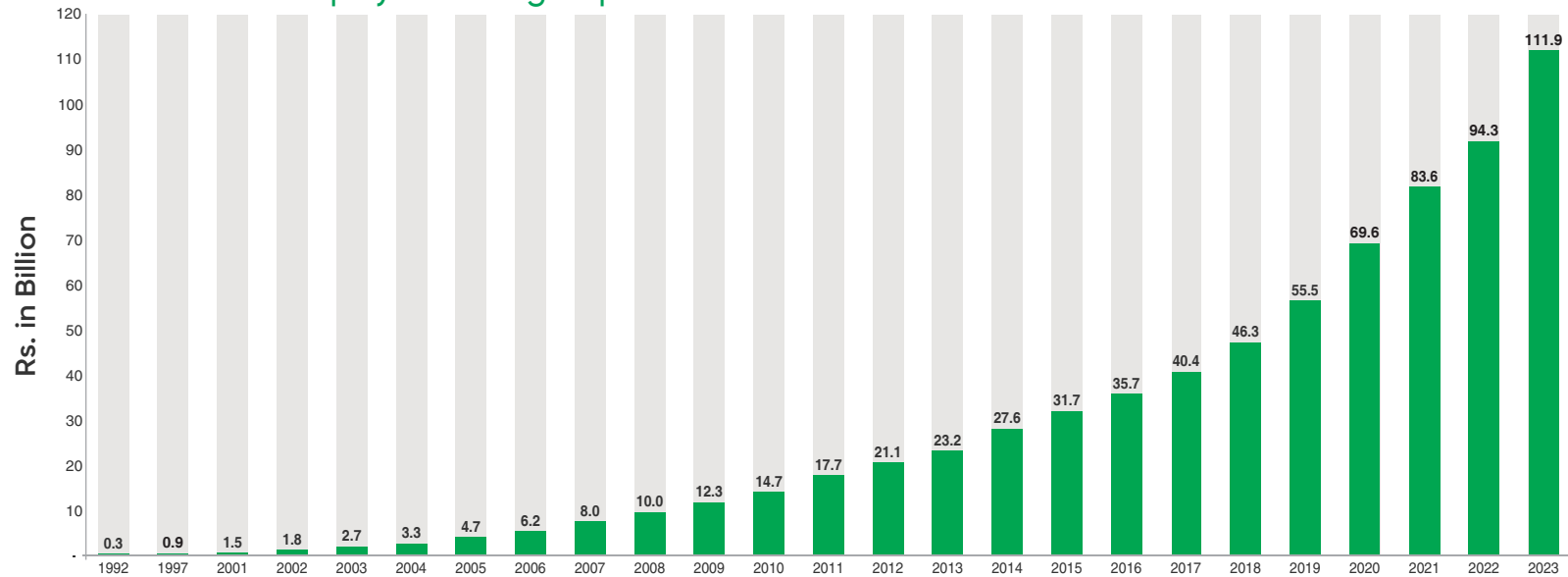
Profit Before Tax



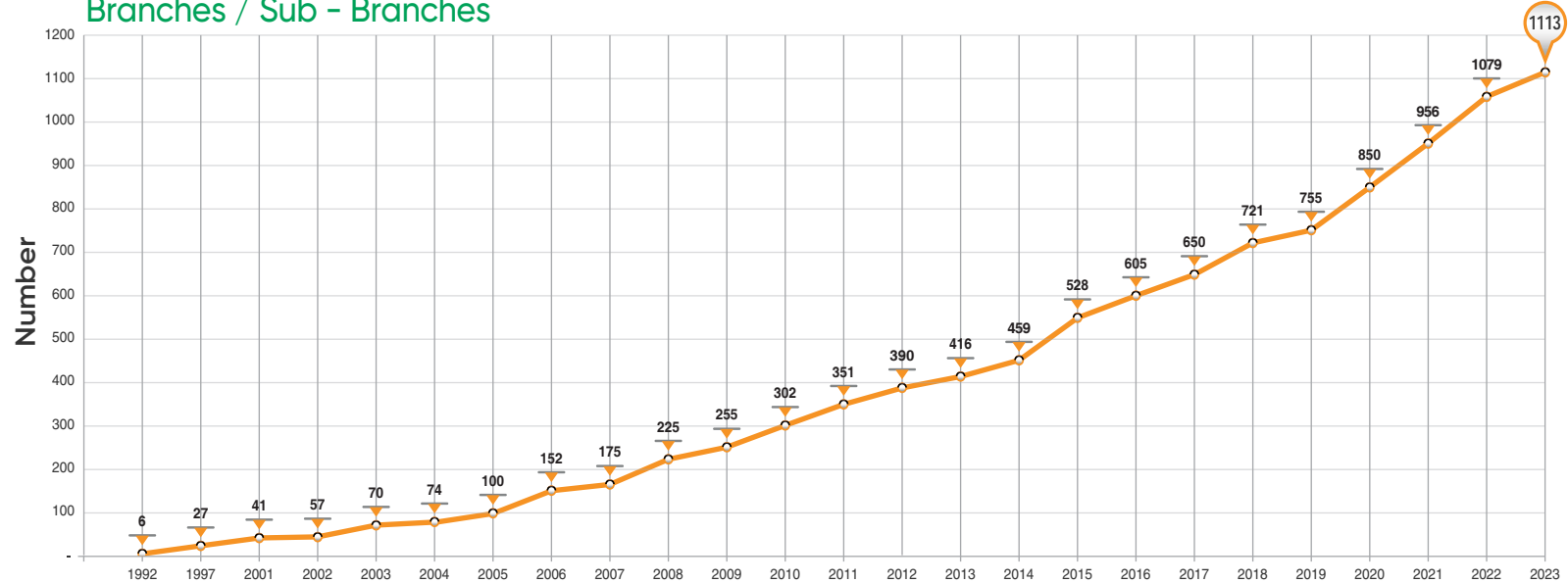


PERFORMANCE 1992-2023

Shareholders' Equity excluding surplus on revaluation of assets



Branches / Sub - Branches





Performance 1992-2023

(Rupees in Million)

Years	Assets	Deposits	Advances	Investments	Shareholders' Equity excluding surplus on revaluation of assets	Profit Before Tax	Profit After Tax	Cash Dividend	Stock Dividend
1992	2,727	1,679	607	1,060	325	51	25	–	–
1993	5,590	3,372	1,647	1,907	421	151	96	–	–
1994	8,346	5,200	3,067	1,932	528	224	107	–	–
1995	11,395	6,353	4,254	2,055	611	255	127	15.0%	–
1996	11,248	8,573	5,664	2,489	718	341	153	15.0%	10.0%
1997	16,515	13,445	7,372	7,440	851	442	199	20.0%	15.0%
1998	16,897	13,226	7,564	6,999	1,016	445	203	10.0%	32.0%
1999	19,870	14,113	10,925	4,601	1,169	373	153	–	20.0%
2000	24,226	17,823	14,722	1,289	1,322	403	153	–	20.0%
2001	29,025	24,697	15,902	5,664	1,532	551	246	5.0%	20.0%
2002	49,437	34,240	23,775	18,831	1,822	620	290	–	25.0%
2003	58,066	46,178	35,232	14,109	2,726	1,513	1,012	10.0%	25.0%
2004	77,436	62,171	47,367	14,414	3,274	1,039	541	–	35.0%
2005	91,502	75,796	55,304	19,758	4,746	2,022	1,464	15.0%	40.0%
2006	114,998	91,420	70,796	21,023	6,186	2,689	1,761	15.0%	40.0%
2007	141,234	114,819	79,224	35,287	8,014	3,052	2,211	15.0%	30.0%
2008	177,324	144,390	100,197	48,234	9,967	3,579	2,425	12.5%	27.5%
2009	249,807	189,280	105,985	111,018	12,287	4,512	2,856	20.0%	20.0%
2010	301,552	249,774	125,773	137,168	14,706	5,656	3,602	20.0%	20.0%
2011	384,282	302,099	114,872	222,959	17,723	7,155	4,533	25.0%	15.0%
2012	453,106	340,393	147,869	249,754	21,058	8,878	5,455	30.0%	–
2013	460,727	386,161	167,579	239,753	23,227	7,513	5,155	20.0%	10.0%
2014	579,394	446,409	181,737	331,423	27,555	9,917	6,349	30.0%	–
2015	639,973	516,213	207,289	356,649	31,698	12,332	7,405	35.0%	–
2016	768,018	584,172	261,440	405,028	35,673	13,164	8,119	35.0%	–
2017	944,134	692,576	339,833	476,125	40,409	13,890	8,501	30.0%	–
2018	1,048,239	796,901	478,215	414,605	46,283	14,264	8,418	25.0%	–
2019	1,298,682	903,703	488,669	586,141	55,489	19,011	11,169	35.0%	–
2020	1,522,091	1,099,686	510,252	764,944	69,570	28,581	17,812	45.0%	–
2021	1,849,652	1,309,823	733,799	826,600	83,569	30,273	18,702	70.0%	–
2022	2,272,068	1,568,138	813,535	1,158,521	94,344	32,884	16,570	70.0%	–
2023	2,741,020	1,934,037	869,459	1,503,895	111,895	71,128	35,319	140.0%	–



REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF THE BOARD

Alhamdulillah, I am pleased to present a report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Bank's objectives.

The Board has approved a formal performance evaluation process of the Board & its Sub Committees. The Bank has adopted In-House Approach and Quantitative Technique with scored questionnaires for Board evaluation.

Accordingly, performance evaluation of the Board was conducted in 2023 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Bank's objective, was found to be generally satisfactory.

Overall objective of performance evaluation of the Board is to ensure sustainable growth and development of the Bank, with focus on the following areas:

- (a) Board Composition and Functioning
- (b) Corporate Strategy and Business plan
- (c) Monitoring of Bank Performance
- (d) Internal Audit and Internal Control
- (e) Risk Management and Compliance
- (f) Disclosure of Material Information
- (g) Ideas for Improvement

Karachi: January 31, 2024

Abbas D. Habib
Chairman
Board of Directors



DIRECTORS' REPORT

Alhamdulillah, the Directors of Bank AL Habib Limited are pleased to present the Thirty Third Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2023.

The operating results and appropriations, as recommended by the Board, are given below:

	(Rupees in '000)
Profit for the year before tax	71,127,957
Taxation	(35,808,582)
Profit for the year after tax	35,319,375
Un-appropriated profit brought forward	58,838,598
Transfer from surplus on revaluation of fixed assets – net of tax	172,276
Other comprehensive income – net of tax	(419,872)
	58,591,002
Profit available for appropriations	93,910,377
Appropriations:	
Transfer to Statutory Reserve	(3,531,938)
Cash dividend – 2022	(7,779,978)
Cash dividend – 2023	(10,002,832)
	(21,314,748)
Unappropriated profit carried forward	72,595,629
Basic / Diluted earnings per share – after tax	Rs. 31.78

The Board of Directors propose a final cash dividend of 50%, i.e., Rs. 5.00 per share, in addition to Rs. 9.00 per share i.e., 90% Interim Cash Dividends already paid to the shareholders of the Bank, thus, total 140% i.e. Rs. 14.00 per share for the year ended December 31, 2023.

Performance Review

Alhamdulillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 1,934 billion against Rs. 1,568.1 billion a year earlier, while advances increased to Rs. 869.5 billion from Rs. 813.5 billion. Foreign Trade Business handled by the Bank during the year was Rs. 2,906 billion. Profit before tax for the year was Rs. 71.1 billion as compared to Rs. 32.9 billion last year, while profit after tax was Rs. 35.3 billion against Rs. 16.6 billion last year.

During the year, the Bank opened 34 new branches, bringing our network to 1,117, which comprises 1,084 branches (including 201 Islamic Banking Branches and 2 Overseas Branches, one each in Bahrain and Malaysia), 29 sub-branches, and 4 Representative Offices, one each in Dubai, Istanbul, Beijing, and Nairobi. The Bank will Inshaallah continue to expand its network.

Alhamdulillah, as advised by the State Bank of Pakistan, your Bank has established an exchange company, AL Habib Exchange Company (Private) Limited, which is a wholly-owned subsidiary of Bank AL Habib Limited with a paid-up capital of PKR 1,000,000,000 (One Billion Rupees). The Exchange Company received its Certificate of Incorporation from the Securities & Exchange Commission of Pakistan on November 24, 2023, and a license for commencement of operations from the State Bank of Pakistan is awaited. Initially, the Exchange Company will open ten (10) branches and intends to open more branches across the country during the year.



AWARDS AND RECOGNITIONS

By the Grace of Allah, the Bank received the following awards during the year:

1. “Trade and Supply Chain Finance Program (TSCFP) Award 2023” from Asian Development Bank (ADB) as being a Leading Partner Bank in Pakistan. The TSCFP award recognizes the Bank’s role in supporting trade in Asia and the Pacific region. This is the fourth time that the Bank has received the award under this category.
2. Award from Pakistan Remittance Initiative (PRI) in the category of “Leading Remittance Mobilizing Bank of Pakistan.” This award is a testament of Bank’s commitment in promoting cross-border payments through legal channels.
3. “U.S. Dollar Clearing Elite Quality Recognition Award and Euro Clearing Elite Quality Recognition Award for the years 2022 & 2023” from J.P. Morgan Bank in recognition for outstanding achievement of Best-in-Class MT202 STP (Straight Through Processing) Rate.

COMPOSITION OF BOARD OF DIRECTORS

Total number of Directors are as follows:

• Male	09
• Female	01
	<u>10</u>

The composition of the Board is as follows:

Independent Directors	Mr. Arshad Nasar Mr. Javed Iqbal Mr. Mohammad Rafiquddin Mehkari
Non-Executive Directors	Mr. Abbas D. Habib Mr. Adnan Afridi Mr. Anwar Haji Karim Mr. Murtaza H. Habib Syed Mazhar Abbas
Executive Director	Mr. Qumail R. Habib
Female Director-Non Executive	Ms. Farhana Mowjee Khan

Mr. Mansoor Ali Khan is the Chief Executive of the Bank. Being CEO of the Bank, he is deemed to be a Director.

Board Meetings

During the year, four meetings of the Board were held and the attendance of each Director was as follows:

Name of Director	Meetings Held	Meetings Attended
Mr. Abbas D. Habib	4	4
Mr. Adnan Afridi	4	4
Mr. Anwar Haji Karim	4	4
Mr. Arshad Nasar	4	4
Ms. Farhana Mowjee Khan	4	4
Mr. Javed Iqbal	4	4
Mr. Mohammad Rafiquddin Mehkari	4	4
Mr. Murtaza H. Habib	4	4
Mr. Qumail R. Habib	4	4
Syed Mazhar Abbas	4	4
Mr. Mansoor Ali Khan, Chief Executive	4	4



Committees Meetings

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee.

During the year, eight meetings of the Audit Committee, and four meetings of Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee were held, and the attendance of members was as follows:

Audit Committee			Human Resource & Remuneration Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Mr. Mohammad Rafiquddin, Mehkari, Chairman	8	8	Mr. Arshad Nasar, Chairman	4	4
Mr. Anwar Haji Karim	8	8	Mr. Abbas D. Habib	4	4
Mr. Arshad Nasar	8	8	Ms. Farhana Mowjee Khan	4	4
Ms. Farhana Mowjee Khan	8	8	Mr. Murtaza H. Habib	4	4
Syed Mazhar Abbas	8	8	Syed Mazhar Abbas	4	4

Credit Risk Management Committee			Risk Management Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Syed Mazhar Abbas, Chairman	4	4	Mr. Adnan Afridi, Chairman	4	4
Mr. Arshad Nasar	4	4	Mr. Anwar Haji Karim	4	4
Mr. Mohammad Rafiquddin Mehkari	4	4	Ms. Farhana Mowjee Khan	4	4
Mr. Murtaza H. Habib	4	4	Mr. Mohammad Rafiquddin Mehkari	4	4
Mr. Qumail R. Habib	4	4	Mr. Qumail R. Habib	4	4

IT Committee			IFRS 9 Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Mr. Abbas D. Habib, Chairman	4	4	Mr. Arshad Nasar, Chairman	4	4
Mr. Arshad Nasar	4	4	Ms. Farhana Mowjee Khan*	4	3
Mr. Javed Iqbal	4	4	Mr. Qumail R. Habib	4	4
Mr. Qumail R. Habib	4	4			
Mr. Mansoor Ali Khan	4	4			

* Ms. Farhana Mowjee Khan attended all IFRS 9 Committee meetings after her nomination.



Directors Training Programme

Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.

Directors' Remuneration Policy

The shareholders of the Bank have approved a 'Policy & Procedure for Fixing Remuneration of Directors', which states that:

- The remuneration of Non-Executive Directors for attending Board and Committee meetings shall be decided by the Board within the maximum limit as specified by the State Bank of Pakistan from time to time.
- The Chairman of the Board is also entitled to have 20% additional remuneration fee of the remuneration set for him for attending Board and its Committee meeting considering the Chairman's vast knowledge, experience, insight, sense of judgement and market contacts. The Chairman of the Board shall also monitor the performance of the Bank's management and implementation of the Business Plan of the Bank on behalf of the Board.
- A full time Director shall receive such remuneration as the members (shareholders) may fix.
- The Chairman of the Board (in case of individual Directors) and Independent Directors with the help of other Directors (in case of Chairman of the Board) shall decide regarding reconsideration in remuneration of underperforming Director/Chairman if the overall performance of the Director/Chairman consistently remains in "Needs Improvement" category for the two consecutive years as per Annual Performance Evaluation of the Board members.

Credit Rating

Alhamdulillah, Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term entity and short term entity ratings at **AAA** (Triple A) and **A1+** (A One plus), respectively. This long term credit rating **AAA** (Triple A) denotes the highest credit quality with the lowest expectation of credit risk, and indicates exceptionally strong capacity for timely payment of financial commitments.

The ratings of our unsecured, subordinated Term Finance Certificates (TFCs) are **AAA** (Triple A) for TFC-2018, TFC 2021 and TFC-2022, and **AA+** (Double A plus) for TFC-2017 (perpetual) and TFC-2022 (perpetual). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. Further, the TFC-2022 & the TFC-2022 (perpetual) issued in 2022, were listed on Pakistan Stock Exchange (PSX) pursuant to Chapter 5C of PSX Rule Book.

Future Outlook

In FY 2023, GDP of Pakistan contracted by 0.2%, compared with growth of about 6% in each of the previous two years. Restrictive policies to manage the balance of payments and control inflation had affected the industrial sector adversely, and so the sector recorded a decline of 3.8%, after growing by about 7% in the previous year. Heavy damage caused by floods contributed to slow-down of agricultural sector growth to 2.3%, compared with 4.3% in the year before. Fiscal deficit remained high at 7.7% of GDP. During the year, the Rupee remained under significant pressure and total foreign exchange reserves declined to US\$ 9.2 billion, from US\$ 15.5 billion. However, current account deficit narrowed to US\$ 2.2 billion, from US\$ 17.5 billion. Inflation remained high at 29.4% as of June 30, 2023.

In FY 2024, the economy started showing some signs of recovery. In July 2023, Pakistan entered into a Stand-By Arrangement with IMF which provided a framework for financial support from IMF and also helped inflows from bilateral and other sources. Subsequently, foreign exchange reserves have improved, agricultural and industrial sectors seem to be growing at a much faster rate, Rupee appears to be stabilizing, and trade deficit has reduced significantly. Inflation, although still quite high, is expected to go down in the coming months.

As in the past, the Bank will continue to be guided by our time-tested principles of prudence and vigilance, and we look forward to achieving sustainable growth and progress during the year, InshaAllah.



Auditors

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires all listed companies in the financial sector to change their external auditors after every five years. In the light of the Code, the present auditors, EY Ford Rhodes, Chartered Accountants, retire and having completed five years as auditors, are not eligible for reappointment.

As suggested by the Audit Committee, the Board of Directors has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Bank for the year ending December 31, 2024, at a fee to be mutually agreed.

Risk Management Framework

The Bank's Risk Management Framework is commensurate with the size of the Bank and the nature of its business. This framework has developed over the years and continues to be refined and improved. A key guiding principle of the Bank is to treat the depositors' money as a trust which must be protected. Therefore, the Bank aims to take business risks in a prudent manner, guided by a conservative outlook. Salient features of the Bank's risk management framework are summarized below:

- Credit risk is managed through the credit policies approved by the Board, a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement credit administration processes; review, and monitoring of credit facilities; and continuous assessment of credit worthiness of counterparties. The Bank has also established a mechanism for independent, post-disbursement review of large credit risk exposures. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. The Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.
- Market risk is managed through the Market Risk Policy and Treasury & Investment Policy approved by the Board; approval of counterparty limits and dealer limits; and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). In addition, the Liquidity Risk Policy provides guidance in managing the liquidity position of the Bank, which is monitored on daily basis by the Treasury and the Middle Office. Decisions regarding the investment portfolio are taken mainly by ALCO. Risk Management Committee of the Board provides overall guidance in managing the Bank's market and liquidity risks, capital adequacy, and integrated risk management (also known as Enterprise Risk Management).
- Operational risk is managed through the Audit Policy, the Operational Risk Policy, the Compliance Policy & Programme, IT and IT Security policies, Human Resource Policy, Consumer Protection Framework, and Outsourcing Policy approved by the Board, along with the Fraud Prevention Policy; Consumer Grievance Handling Policy; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; a Business Continuity Plan, including a Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

In addition, Risk Management Policy, Risk Tolerance Statement, and Country Risk Management Policy provide further guidance on managing the potential risk exposures of the Bank.

In order to comply with SBP's guidelines on risk management, the Bank has established a separate Risk Management Division, including a Middle Office, that independently monitors and analyses the risks inherent in Treasury operations. The steps taken by the Division include: sensitivity testing of Government Securities portfolio; computation of portfolio duration and modified duration; analysis of maturity mismatch and rate sensitive assets and liabilities, analysis of forward foreign exchange gap positions; more detailed reporting of TFCs/Sukuks and equities portfolios; development of improved procedures for dealing in equities and settlements; monitoring of off-market foreign exchange rates and foreign exchange earnings; collecting operational loss data and developing Key Risk Indicators; identifying Top Ten Risks of the Bank; conducting risk evaluation of products and processes; and establishment of a mechanism for independent, post-disbursement review of large credit risk exposures. Assessment of enterprise-wide integrated risk profile of the Bank is carried out, using the Basel Framework, Key Risk Indicators, Internal Capital Adequacy Assessment Process, Stress Testing, and Recovery Plan.



Corporate Social Responsibility (CSR)

Your Bank is fully committed to the concept of Corporate Social Responsibility and fulfills this responsibility by engaging in a wide range of activities which include:

- corporate philanthropy amounting to Rs. 790.86 million by way of donations & charities during the year for social and educational development and welfare of people;
- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and “No Smoking Zone”, and providing a safe and healthy work environment;
- business ethics and anti-corruption measures, requiring all staff members to comply with the Bank’s “Code of Conduct” and “Anti-Bribery and Corruption Policy”.
- consumer protection measures, requiring disclosure of the schedule of charges and terms and conditions that apply to the Bank’s products and services;
- amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc., including employment of special persons;
- expansion of the Bank’s branch network to rural areas, which helps in rural development;
- contribution to the national exchequer by the Bank by way of direct taxes of about Rs. 33.77 billion paid to the Government of Pakistan during the year; furthermore, an additional amount of over Rs. 49.73 billion was deducted/collected by the Bank on account of withholding taxes, federal excise duties and sales tax on services, and paid to the Government of Pakistan/Provincial Governments.

Statement on Corporate and Financial Reporting

1. The financial statements, prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained by the Bank.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements; changes, if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored. The Board’s endorsement of the management’s evaluation related to Internal Control over Financial Reporting, along with endorsement of overall Internal Controls is given on page 31.
6. Going concern assumption is appropriate. There is no identifiable material uncertainty that raises doubt about the ability of the Bank to continue as a going concern.



7. Key operating and financial data for last six years are summarized below:

	(Rupees in million)					
	2023	2022	2021	2020	2019	2018
Total customer deposits	1,934,037	1,568,138	1,309,823	1,099,686	903,703	796,901
Total advances	869,459	813,535	733,799	510,252	488,669	478,215
Profit before tax	71,128	32,884	30,273	28,581	19,011	14,264
Profit after tax	35,319	16,570	18,702	17,812	11,169	8,418
Shareholders' Equity (Excluding revaluation)	111,895	94,344	83,569	69,570	55,489	46,283
Earnings per share (Rs.)	31.78	14.91	16.83	16.03	10.05	7.57
Cash Dividend (%)	140	70	70	45	35	25

8. Value of investments of Provident Fund and Gratuity Fund Schemes based on latest audited financial statements as at December 31, 2022 was as follows:

	(Rupees in '000)
Provident Fund	12,009,112
Gratuity Fund	5,125,598

9. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 135, 136 & 137.

10. The Board has approved a formal process for its performance evaluation. The Bank has adopted In-House Approach and Quantitative Technique with scored questionnaires for Board evaluation. Scope of Board evaluation covers evaluation of the full Board, Individual Directors, Board Committees, the Chairman, and the Chief Executive. Consolidated results/findings will be discussed with the relevant parties. Any areas of improvement identified during the evaluation will be noted for appropriate action. Evaluation process for each calendar year will be completed latest by March 31 of the next year. Additionally, performance evaluation of the Board will be conducted by an external independent evaluator at least every three years. We have appointed Pakistan Institute of Corporate Governance (PICG) for external independent evaluation of the Board.

There is no conflict of interest between the experts hired by the Bank and any Board member or Key Executive.

11. No trade in the shares of the Bank was carried out by the Directors, CEO, CFO, Head of Internal Audit, Company Secretary, and Executives and their spouses and minor children, during the year, except the following:

- 40,000 shares purchased by four Executives.
- 10,000 shares sold by an Executive.

For the purpose of this disclosure, the definition of "Executive" includes Assistant General Managers and above, in addition to officials already mentioned in the Rule Book of the Pakistan Stock Exchange regulations.

General

We wish to thank our customers, for their continued trust and support, local and foreign correspondents for their confidence and cooperation, and the State Bank of Pakistan for their guidance. We also thank all our staff members for their sincerity, dedication and hard work.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 31, 2024



CORPORATE GOVERNANCE

Corporate Governance Culture

Habib Family has been engaged in the business of banking for over 80 years, and is well known for commitment to its traditional values of integrity, prudence, and trust. We are committed to continue all our business activities as per highest ethical and professional standards and practices. We ensure good corporate governance culture by remaining true to our values and by following the Corporate Governance Regulatory Framework (CGRF) issued by the State Bank of Pakistan and the Code of Corporate Governance Regulations issued by the Securities & Exchange Commission of Pakistan. Board of Directors of the Bank comprises reputable businessmen, bankers, professional managers, and chartered accountants, representing a range of industries. They carry out their fiduciary duties to protect the interests of shareholders, depositors, and creditors, and exercise their independent judgement in the best interests of the Bank. We have clearly defined the responsibilities of the Board, Chief Executive, and Senior Management.

Nomination and Selection of Board Members

There is a defined procedure for election of Directors in Companies Act, 2017 and the Bank's Articles of Association which has been strictly followed by the Bank. Accordingly, the Bank announces the schedule of election of Directors in the year when the election is due. Any person desirous to become a Director can submit his/her nomination papers as per the requirements of the Companies Act, 2017 and regulations of State Bank of Pakistan (SBP). The person elected by the shareholders shall hold the office of Director, subject to Fit and Proper Criteria and approval of the State Bank of Pakistan. Any casual vacancy on the Board is filled up by the Directors, subject to applicable regulations.

Profile of Board Members

1. Mr. Abbas D. Habib – Chairman

Mr. Abbas D. Habib, Founder Member & Chairman of the Board, has over 50 years' commercial, industrial and banking experience in the domestic and international markets. He is a Fellow Member of the Institute of Bankers, Pakistan. He has held senior management positions with various organizations of the Habib Group and gained international banking experience. He retired from the Board of Habib Insurance Company Limited in April 2023. Upon the inception of Bank AL Habib Limited in 1991, he became its Director and Joint Managing Director. He assumed responsibilities as Managing Director and Chief Executive of the Bank on May 8, 1994, and served in that position till October 31, 2016. He became Chairman of Bank AL Habib Limited on November 1, 2016. He is also the Chairman of the Board of AL Habib Asset Management Limited, a wholly owned subsidiary of the Bank since August 11, 2020.

2. Mr. Adnan Afridi

Mr. Adnan Afridi holds a Bachelor's degree in Economics and a Juris Doctor degree in Law from Harvard University, USA. His industry experience includes Capital Markets, Private Equity, Financial Services, Real-Estate, Health Care, Natural Resources, Logistics, Large-Scale Manufacturing, Technology and Food sectors, operating in CEO roles with Board level experience. He assumed charge as Managing Director of Pakistan's first and largest Asset Management Company, National Investment Trust Limited (NITL) in February 2019. Mr. Afridi has over 28 years' international experience in Change Management, business transformation, innovation and profitability enhancement in blue chip companies, public sector and high growth situations. He has led a distinguished career in financial services and capital markets, including the position of Managing Director of the Karachi Stock Exchange, CEO of Overseas Chamber of Commerce and Industry (OICCI), Chairman of National Clearing Corporation of Pakistan (NCCPL) and Board of Directors of Gul Ahmed Textile Mills limited, Trading Corporation of Pakistan and Central Depository Company (CDC). He had also served as a member of SECP Policy Board for 4 years. Mr. Afridi also serves as Chairman of the Board of Governors of The Kidney Center Post Graduate Institute and also as Board member of Shaukat Khanum Memorial Trust. He was also president of Old Grammarians Society and former Board member of Young Presidents' Organization (YPO) as well as currently serving as member of Young Presidents' Organization (YPO) – Gold Pakistan. He joined the Board of Bank AL Habib Limited as a nominee of NITL in April 2019.



3. Mr. Anwar Haji Karim

Mr. Anwar Haji Karim holds a Bachelor's degree in commerce and has over 40 years' experience in business and industry. He belongs to the Al Karam Group, a reputable business group of Pakistan, with interests in textiles and synthetics. He is the Chairman of AL Karam Textile Mills (Private) Limited and Iqbal Textile Mills (Private) Limited. He is a Founder Member of the Board of Directors of the Bank since its inception in 1991.

4. Mr. Arshad Nasar

Mr. Arshad Nasar served as Chairman and Chief Executive of Oil & Gas Development Company Ltd (OGDCL) from 2005 - 2008. Under his watch, OGDCL successfully launched a Global Depository Receipt (GDR) issue and was listed on London Stock Exchange. Mr. Nasar previously served as Country Chairman and Managing Director of Caltex Oil (Chevron) Pakistan Ltd from 1998 – 2004, the first Pakistani to lead Caltex Oil in Pakistan. He retired from the Company after 36 years of service. He holds a Master's Degree in Economics and has extensive functional and Management experience in a wide ranging international corporate career spanning more than 40 years. Mr. Nasar has served as Director on the Boards of: Oil & Gas Development Company Limited (OGDCL), Caltex Oil (Chevron) Pakistan Ltd, Engro Corporation Pakistan Ltd, Engro Fertilizer Ltd, Pakistan Industrial Development Corporation (PIDC), Pakistan Refinery Limited (PRL), Mari Gas Company, The American Business Council of Pakistan, and Petroleum Institute of Pakistan. Presently, he is also on the Board of FAST National University of Computer and Emerging Sciences. He joined the Board of Bank AL Habib Limited in March 2016.

5. Ms. Farhana Mowjee Khan

Ms. Farhana Mowjee Khan, Director of Razaque Steels (Private) Limited, has over 35 years' experience in the local and international environment. She has also served as Managing Director of Razaque Steels (Private) Limited from 1994 to 2006. She graduated from University College London, UK and is a qualified Chartered Accountant from Institute of Chartered Accountants in England and Wales, UK. Ms. Farhana Mowjee Khan is also a director of Shabbir Tiles and Ceramics Limited. She joined the Board of Bank AL Habib Limited in April 2019.

6. Mr. Javed Iqbal

Mr. Javed Iqbal holds a Master's degree from University of Manchester, UK, and Master's & Bachelor's degree from Punjab University, and has over 50 years' experience in the field of Information Technology (IT) in various local banks and international organizations. Mr. Javed has served as Chief Information Officer (CIO) in Bank of Punjab, Askari Bank Limited and Allied Bank Limited and earlier as Head of Computer Division in United Bank Limited. He has also served as Director in 1-Link and NIFT. He joined the Board of Bank AL Habib Limited in June 2022.

7. Mr. Mohammad Rafiquddin Mehkari

Mr. Mohammad Rafiquddin Mehkari holds a Bachelor degree and has over 43 years' experience in international and domestic banking. Mr. Mehkari has served as President & Chief Executive of Askari Bank Limited from June 2008 to May 2013. He also served as Director, Exchange Policy Department, State Bank of Pakistan. He carries a varied and versatile banking experience in all banking dimensions including operations, credit, treasury, foreign exchange, fund management and investment banking. He also served as Director on the board of: Askari Investment Management Limited, Khushhali Microfinance Bank Limited, 1- Link Limited, and Export Processing Zone. Mr. Mehkari is currently serving as member of governing board of Imdad foundation, Infaq Foundation and Centre for Development of Social Services. He joined the Board of Bank AL Habib Limited in June 2022.

8. Mr. Murtaza H. Habib

Mr. Murtaza H. Habib holds a Bachelor's degree in finance from Texas A&M University, USA, and has over 25 years' experience in business and industry. He is currently Executive Director of Habib Sugar Mills, and also holds Directorships in several other companies of Habib Group. He is actively involved with social welfare activities of the Group. He is a Founder Member of the Board of Directors of the Bank since its inception in 1991, except for a gap of one year.

9. Mr. Qumail R. Habib – Executive Director

Mr. Qumail R. Habib is a graduate of the University of California in Business Economics and has over 35 years' commercial, industrial, and banking experience. He is a Founder Member of the Board and Executive Director of the Bank since its inception in 1991. Prior to that, he was Resident Director of AL Ghazi Tractors Limited. He has been actively involved with the operations of the Bank since its inception. He is responsible for enhanced oversight on Enterprise Risk and Corporate Strategy, and for monitoring Fraud Investigation Unit. He has been on the Board of Habib Insurance Company Limited since October 03, 2017.



10. Syed Mazhar Abbas

Syed Mazhar Abbas studied at American University of Beirut. He has over 45 years' experience in commercial banking, including senior executive positions at Habib Bank Limited and Bank AL Habib Limited. He has had extensive exposure to international banking in several countries including Bahrain, Lebanon, France, UK, Egypt, and Hong Kong. He joined Bank AL Habib Limited in 1992 as a senior executive and became its Director in 2000.

Details of Membership on the Bank's & other Boards

Sr. No.	Name of Director	Date of Joining /Leaving the Board (dd/mm/yyyy)	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Number of other Board Memberships along with name of Company(ies)
1	Mr. Abbas D. Habib	15/10/1991	Non-Executive	<ul style="list-style-type: none"> Human Resource & Remuneration Committee IT Committee 	<ol style="list-style-type: none"> Habib & Sons (Private) Limited AL Habib Asset Management Limited
2	Mr. Adnan Afridi	17/04/2019	Non-Executive	<ul style="list-style-type: none"> Risk Management Committee 	<ol style="list-style-type: none"> Biafo Industries Limited Bulk Transport Company (Private) Limited Dynea Pakistan Limited International Industries Limited Lucky Core Industries Limited Mari Petroleum Company Limited Siemens (Pakistan) Engineering Limited
3	Mr. Anwar Haji Karim	15/10/1991	Non-Executive	<ul style="list-style-type: none"> Audit Committee Risk Management Committee 	<ol style="list-style-type: none"> AL - Karam Textile Mills (Private) Limited Iqbal Textile Mills (Private) Limited
4	Mr. Arshad Nasar	28/03/2016	Independent	<ul style="list-style-type: none"> Audit Committee Human Resource & Remuneration Committee Credit Risk Management Committee IT Committee IFRS 9 Committee 	-
5	Ms. Farhana Mowjee Khan	17/04/2019	Non-Executive	<ul style="list-style-type: none"> Audit Committee Human Resource & Remuneration Committee Risk Management Committee IFRS 9 Committee 	<ol style="list-style-type: none"> Razaque Steels (Private) Limited Shabbir Tiles and Ceramics Limited
6	Mr. Javed Iqbal	01/06/2022	Independent	<ul style="list-style-type: none"> IT Committee 	-
7	Mr. Mohammad Rafiquddin Mehkari	01/06/2022	Independent	<ul style="list-style-type: none"> Audit Committee Credit Risk Management Committee Risk Management Committee 	-
8	Mr. Murtaza H. Habib	15/10/1991 to 22/12/1997 and 24/11/1998 to date	Non-Executive	<ul style="list-style-type: none"> Human Resource & Remuneration Committee Credit Risk Management Committee 	<ol style="list-style-type: none"> Habib Sugar Mills Limited Habib & Sons (Private) Limited Investment Consultancy (Private) Limited Habib Capital Management (Private) Limited Habib Leasing Corporation (Private) Limited Habib Management Services (Private) Limited Habib Energy (Private) Limited HSM Energy Limited
9	Mr. Qumail R. Habib	15/10/1991	Executive	<ul style="list-style-type: none"> Credit Risk Management Committee Risk Management Committee IT Committee IFRS 9 Committee 	Habib Insurance Company Limited
10	Syed Mazhar Abbas	10/10/2000	Non-Executive	<ul style="list-style-type: none"> Audit Committee Human Resource & Remuneration Committee Credit Risk Management Committee 	-



Appointment of the Shariah Board (SB) Members

Shariah scholars who meet the Fit and Proper Criteria as laid down by State Bank of Pakistan are appointed as SB members for a term of three years by the Board of Directors and are eligible for re-appointment. Their appointment and re-appointment is subject to prior written clearance of SBP. The three years' term of SB commenced from the date of SBP's clearance for appointment / re-appointment. Any SB member (including Chairperson) may be re-appointed as a member of SB for another term by the Board of Directors, at least two months prior to expiry of the term, subject to a fresh prior written clearance of SBP and pursuant to Fit and Proper Criteria of SBP.

Casual vacancy

Board of Directors of the Bank fills the casual vacancy on the SB that may occur as a result of resignation, removal, termination or death of a member, within three months from the date on which such vacancy arises. However, the SB member appointed on casual vacancy shall hold the office till the expiry of the existing term of the SB.

Profile of each of the Shariah Board member

Mufti Ismatullah Hamdullah

Mufti Ismatullah holds the degrees of "Shahadat-ul-Aalamiyah" and "Takhassus Fil Fiqh" from Jamia Dar-ul-Uloom, Karachi. He is a PhD in Islamic Economics from University of Karachi. He has been associated with Islamic Banking Division of Bank AL Habib Limited since 2006 as Shariah Advisor prior to his appointment as the Chairman of Shariah Board.

He has been teaching Quran, Hadith, Fiqh, Philosophy and Arabic Grammar in Dar-ul-Uloom since 1993. He has a vast experience in issuing Shariah rulings (Fatwa) and is currently serving Dar-ul-Ifta' of Dar-ul-Uloom. So far, he has issued about 25,000 Fatwas regarding various topics and Shariah issues.

His thesis – Zar (Money) in light of Shariah – is considered as one of the most useful research on Islamic Economics and has already been published. He is a renowned research scholar; his research papers have been published in Monthly "Al Balaagh". He wrote a book "Guide to Takaful or Islamic Insurance" that has also been published.

Mufti Sahab is Shariah Advisor of AL Habib Asset Management, IGI window Takaful and Pak Qatar Family Takaful Ltd, he is also a Shariah Board member of Pak Qatar Takaful Group.

Mufti Mohib ul Haq

Mufti Mohib ul Haq is a prominent and a well-recognized Shariah scholar of international repute. His credentials include a specialized degree in Shahadat-ul-Aalamiyah (Masters in Arabic and Islamic Studies) and Al-Takhassus fial-Iftaa' (Specialization in Islamic Jurisprudence and Fatwa) from the esteemed Jamia Darul Uloom, Karachi.

Mufti Mohib ul Haq has a diversified experience of more than 20 years in Islamic Finance Industry. He has been associated with Faysal Islamic Banking since 2011, as the Shariah Advisor, prior to his appointment as the Chairman Shariah Board. He is also a Shariah Board Member of Bank Alfalah Limited and Bank AL Habib Limited.

Previously, he has served as the Shariah Advisor / Shariah Board Member at various Financial Institutions which include:

- Takaful Pakistan Limited
- Royal Bank of Scotland Berhad, Malaysia
- JS Islamic Mutual Fund

Mufti Mohib ul Haq has significant research experience related to Islamic Finance and other Shariah related subjects. Further, he is also a member of the State Bank of Pakistan's Committee for Shariah review, standardization of Islamic products and processes, and formalization of Accounting & Auditing Organization for Islamic Financial Institutions ("AAOIFI") Shariah standards for the Pakistan banking industry. He is also an experienced lecturer and trainer in the field of Islamic Finance, Fiqh and Islamic Financial Laws at various institutions which include:

- Jamia Darul Uloom, Karachi
- Centre for Islamic Economics ("CIE")
- National Institute of Banking and Finance ("NIBAF") – SBP
- Institute of Cost and Management Accountants of Pakistan ("ICMA")
- Institution of Business Administration- Centre for Excellence in Islamic Finance ("CEIF")



Mufti Sher Ali

Mufti Sher Ali obtained the degrees of “Shahadat-ul-Aalamiyah and “Specialization in Ifta wa Fiqhil halal” from Jamiah tur Rasheed. He also holds the certification of Certified Shari’ah Advisor and Auditor (CSAA) from Accounting and Auditing Organization for Islamic Financial Institution (AAOFI) besides having a Master’s degree in Islamic Studies from the University of Karachi while currently he is pursuing his M.Phil. He has an outstanding academic record in both Islamic and Contemporary education throughout his career, winning numerous awards & positions at institution, university and national level.

Mufti Sher Ali served in Shariah Compliance Department of BAH-IB as Shariah Scholar for three years and having been a member of the Darul Ifta at Jamia tur Rasheed, he has issued numerous verdicts (Fatawas) on various issues. He also serves as a faculty member at University of Karachi (SZIC) & Al-Ihsan. He possesses a vast Shariah Compliance experience and command over conducting Shariah review of transactions, vetting of all shariah related documents such as policies, agreements, manuals etc. and educating the staff on Islamic Banking & Finance.

Mufti Muhammad Hamza

Mufti Muhammad Hamza is serving Bank AL Habib – Islamic Banking as Shariah Board Member since October 2021. He has a diverse professional experience in IBs and Audit Firms. Prior to his joining, he has served as Shariah Scholar (Assistant Manager Shariah Support) in Product Management and Development Department at Faysal Bank Limited-Islamic. He also served as Shariah Consultant in EY Ford Rhodes.

Mufti Muhammad Hamza possesses both contemporary as well as religious academic qualifications. He holds Shahadat-ul-Aalamiyah (Masters in Islamic and Arabic Studies) along with Takhassus Fiqh-ul-Muamlaat (Islamic Commercial Law and Management Science) from Jamia tur Rasheed, Karachi.

He is also an MBA (Finance) from University of Karachi. Furthermore, he holds “Post Graduate Diploma in Islamic Banking and Takaful” from Centre for Islamic Economics Jamia Darul Uloom Karachi.

He is presently associated with Jamia-tur-Rasheed, Karachi as a Member of Darul Iftaa and lecturer in department of Dars-e-Nizami. Mufti Muhammad Hamza has significant experience of teaching Islamic Jurisprudence (Fiqh) and other related subjects in renowned institutions as Permanent and Visiting Faculty Member such as Jamia tur Rasheed and Al-Burhan international Karachi.

Details of Membership on the Bank’s and other Shariah Boards

Sr. No.	Name of Shariah Board Member	Date of Joining /Leaving the Shariah Board (dd/mm/yyyy)	Status of Shariah Board Member	Number of other Shariah Board Memberships along with name of Company(ies)
1	Mufti Ismatullah Hamdullah	08/10/2015	Chairman (Unique)	• Member, Shariah Board - Pak Qatar Takaful Group
2	Mufti Mohib ul Haq	08/10/2015	Member	• Chairman, Shariah Board - Faysal Bank Limited • Member, Shariah Board - Bank Alfalah Limited
3	Mufti Sher Ali	01/07/2021	Resident Member (Unique)	–
4	Mufti Muhammad Hamza	07/10/2021	Member (Unique)	–



Composition of Board Committees and their Terms of References (TORs)

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee.

Composition of Board's Committees					
Audit Committee	Human Resource & Remuneration Committee	Credit Risk Management Committee	Risk Management Committee	IT Committee	IFRS 9 Committee
Mr. Mohammad Rafiquddin Mehkari, Chairman	Mr. Arshad Nasar, Chairman	Syed Mazhar Abbas, Chairman	Mr. Adnan Afridi, Chairman	Mr. Abbas D. Habib, Chairman	Mr. Arshad Nasar, Chairman
Mr. Anwar Haji Karim	Mr. Abbas D. Habib	Mr. Arshad Nasar	Mr. Anwar Haji Karim	Mr. Arshad Nasar	Ms. Farhana Mowjee Khan
Mr. Arshad Nasar	Ms. Farhana Mowjee Khan	Mr. Mohammad Rafiquddin Mehkari	Ms. Farhana Mowjee Khan	Mr. Javed Iqbal	Mr. Qumail R. Habib
Ms. Farhana Mowjee Khan	Mr. Murtaza H. Habib	Mr. Murtaza H. Habib	Mr. Mohammad Rafiquddin Mehkari	Mr. Mansoor Ali Khan	-
Syed Mazhar Abbas	Syed Mazhar Abbas	Mr. Qumail R. Habib	Mr. Qumail R. Habib	Mr. Qumail R. Habib	-

During the year, eight meetings of the Audit Committee, and four meetings of Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee were held, and the attendance of members were as follows:

Sr. No.	Name of Director	No. of Board Meetings Attended	Number of Board Committees Meetings Attended					
			Audit Committee	Human Resource & Remuneration Committee	Credit Risk Management Committee	Risk Management Committee	IT Committee	IFRS 9 Committee
1	Mr. Abbas D. Habib	4	-	4	-	-	4	-
2	Mr. Adnan Afridi	4	-	-	-	4	-	-
3	Mr. Anwar Haji Karim	4	8	-	-	4	-	-
4	Mr. Arshad Nasar	4	8	4	4	-	4	4
5	Ms. Farhana Mowjee Khan*	4	8	4	-	4	-	3
6	Mr. Javed Iqbal	4	-	-	-	-	4	-
7	Mr. Mohammad Rafiquddin Mehkari	4	8	-	4	4	-	-
8	Mr. Murtaza H. Habib	4	-	4	4	-	-	-
9	Mr. Qumail R. Habib	4	-	-	4	4	4	4
10	Syed Mazhar Abbas	4	8	4	4	-	4	-
11	Mr. Mansoor Ali Khan	4	-	-	-	-	4	-
Total Meetings Held		4	8	4	4	4	4	4

* Ms. Farhana Mowjee Khan attended all IFRS 9 committee meetings after her nomination.



TORs of Audit Committee of the Board

The key functions in the TORs include the following:

- Recommend to the Board the appointment / re-appointment of external auditors, their removal, audit fees and provision by external auditors of any services to the Bank in addition to audit of its financial statements for Pakistan Operations and Overseas jurisdictions.
- Discuss with external auditors the major observations arising from interim and final audits and review management letter issued by them and management's response thereto;
- Review quarterly, half-yearly and annual financial statements of the Bank before their publication.
- Review of quarterly, half-yearly and annual financial statements of the Bank, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - the going-concern assumption;
 - any changes in accounting policies and practices;
 - compliance with applicable accounting standards;
 - compliance with listing regulations and other statutory and regulatory requirements.
 - review of preliminary announcement of results prior to publication.
 - review of significant related party transactions.
- Appropriate measures to safeguard the Bank's assets.
- Review of implementation of Customer Risk Profile (CRP), Know Your Customers (eKYC), Anti Money Laundering (AML)/Combating Financing Terrorism (CFT), Terrorist Financing (TF), Proliferation Financing (PF), Trade Based Money Laundering (TBML), and sanctioned screening related measures.
- Approve the half-yearly audit planning schedule and the estimated timeframe for completion of various audits;
- Ensure that policies and procedures of the Bank are in line with prevailing banking laws and regulations of the State Bank of Pakistan and other relevant statutory requirement;
- Institute special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body.
- Recommend the development/ amendments in the Bank's Internal Control Systems and Internal Audit Policy, Audit Manual and Internal Audit Strategy to the Board of Directors for approval.
- Review and approve Internal Audit Charter and Internal Audit Risk Assessment Policy.
- Review of periodical reporting made by the Audit Division on significant findings pointed out during the testing of existing key controls relating to Internal Control over Financial Reporting (ICFR).
- Review the significant audit findings presented by Audit Division in Internal Audit Reports of domestic & overseas operations (Branch Audits, Centralized Credit Audits, Management Audits, Information System Audit, Islamic Banking Branches Audits and Shariah Audits)
- Review the significant findings of Inspection Reports of State Bank of Pakistan, regulators of overseas branches and the status of compliance submitted by the Bank's Management.
- Ensure compliance of the corrective actions as required by Shariah Board on the reports of 'Internal Shariah Audit' and 'External Shariah Audit' as per Shariah Governance Framework for Islamic Banking Institutions.
- Review of quarterly Report of all Shariah Non-Compliance events/transactions.
- Review the reports on internal control system presented by Audit Division on quarterly basis as required under internal control guidelines issued by the State Bank of Pakistan.
- Review of six monthly compliance report on Bank's compliance status, in each jurisdiction, to host country's regulatory requirements and inspection reports etc. as required under SBP Governance Framework for Bank Overseas Operations.
- Review and approve the increments of internal auditors and recommend the performance appraisal and increment / promotion of Head of Internal Audit.
- Approve annual budget of Audit Division for expenditures and staff requirements.



- Coordination between the internal and external auditors of the Bank and review their findings to ensure that necessary steps for implementing their recommendations have been taken.
- Adequacy and effectiveness of internal control systems including financial and operational controls, accounting systems and reporting structure;
- Compliance with the best practices of Corporate Governance;
- Consideration of major findings of internal investigation of activities characterized by fraud, forgeries and misuse of powers and management responses.
- Review of matters relating to operational risk and operational loss event reports including implementation of Operational Risk Framework.
- Review of observations pointed out by the Audit Division during the annual review of BASEL design and implementation.
- Review of Zero Tolerance cases decided by the Disciplinary Action Committee.
- Review of summary of cases investigated by Fraud Investigation Unit (FIU) under Bank's Policy on Employees' Duty to Report (Whistle Blowing Policy).
- Review of summary of cases received and investigated by Fraud Investigation Unit (FIU) under Bank's Anti-Bribery & Corruption Policy.
- Review of the significant audit findings on the Bank's outsourced/insourced arrangements.
- Review of annual report of containing incidents of robbery and dacoity.
- Review of summary of long-outstanding issues / exceptions and the suggested future course of action.
- Consider any other issue or matter as may be assigned by the Board of Directors or required by regulatory authorities.

TORs of Human Resource & Remuneration Committee of the Board

The key functions in the TORs include the following:

- Review and recommend to the Board for approval of Human Resource Policy & Service Rules of the Bank.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) of COO (if any), CFO, Company Secretary, and Head of Internal Audit.
- Consider and approve recommendations of CEO on above matters for key management positions who report directly to CEO or COO (if any).
- Review the manpower budget of the Bank, taking into consideration the expansion programme proposed by the Management.
- Review training activities and management development programmes for employees of the Bank.
- Review total staff strength with cadre and location-wise break-up of employees.
- Review on quarterly basis name-wise details of employees of Senior Chief Manager level and above who have joined on left service of the Bank during the period, along with reasons for their separation.
- Recommend the Remuneration Policy to the Board for approval, ensuring that the Remuneration Policy is fair and competitive, and encourages performance and motivation.
- Recommend to the Board the "structure" of compensation package of Executive Directors, Chief Executive, Key Executives, and other employees, as may be required by the Board.

TORs of Credit Risk Management Committee of the Board

The key functions in the TORs include the following:

- Review from time to time that the Management has put in place effective policies and information systems to identify and mitigate credit risk.
- Review that the Management follows appropriate procedures to recognize adverse trends in the credit portfolio of the Bank, identifies weaknesses in the loan portfolio, takes corrective/remedial actions and maintains an adequate level of provisions for potential loan losses in the light of the requirements of the Prudential Regulations.
- Review and recommend to the Board any changes in the Bank's policies related to credit.



- Review the quality of the Bank's credit portfolio on a quarterly basis through various comparisons / benchmarking, including but not limited to:
 - Industry Benchmarks / Positioning.
 - Diversification of advances by industry, business segment, etc.
 - Concentration of advances in private and public sectors.
 - Movement / changes in advances by region / industry / business segments.
 - Details of large limits approved / enhanced during the quarter, as per the threshold prescribed by the Committee.
 - Maturity profile of the loan portfolio.
 - Review of Non-Performing Loans (NPLs).
 - Review of Watch-List & NPL accounts, as per the threshold prescribed by the Committee.
 - Review / approval of any policy exceptions.
 - Review restructured / rescheduled accounts and written-off advances, as per the threshold prescribed by the Committee.
 - Review any adverse findings of Credit Risk Review Department (CRRD).
- Consider Write Off/Waiver of NPLs up to Rs. 50 million.
- Recommend cases for Write Off/Waiver, exceeding Rs. 50 million, to the Board of Directors for consideration and approval.

TORs of Risk Management Committee of the Board

The key functions in the TORs include the following:

- Review from time to time that the management has put in place effective policies and information systems to identify and mitigate the following risks:
 - Market Risk, which includes Interest Rate Risk, Foreign Exchange Risk, and Equity Price Risk;
 - Liquidity Risk.
- Review summary of risk reports relating to the following risks:
 - Credit Risk,
 - Operational Risk,Which are reviewed in detail by the Credit Risk Management Committee and the Audit Committee of the Board, respectively.
- Review and provide guidance regarding integrated risk management (also known as enterprise risk management), covering various significant risk exposures of the Bank.
- Review the Bank's capital adequacy ratio and establish a process for internal capital adequacy assessment process (ICAAP) using integrated risk management.
- Review and recommend to the Board any changes in the Bank's Treasury and Investment Policy, Market Risk Policy, Liquidity Risk Policy, Risk Management Policy, and ICAAP.
- Review the credit rating report of the Bank, issued by the credit rating agency.
- Review any changes in laws and regulations relating to Market Risk, Liquidity Risk and Capital Adequacy.
- Review changes in prevailing economic and market conditions.
- Review the financial data of other comparable banks.

TORs of IT Committee of the Board

The key functions in the TORs include the following:

- Review and recommend the Bank's IT and Digital strategies, relevant policies, frameworks and changes thereof, for the Board's approval.
- Review the role of IT as an enabler to provide competitive advantage and efficient services to customers.
- Review the level of expertise of IT personnel and assess their adequacy in number and skillset as well as continuous professional development.
- Review major IT related risks and ensure that IT Risk Management strategies are designed and implemented to address IT related risks including cyber-attacks and attacks on multiple critical infrastructure sectors in order to achieve resilience.
- Receive periodic updates from IT Steering Committee to monitor all IT related projects, particularly those which are approved by the Board.



- Ensure that IT related procurements are in line with the strategic directions provided by the Board.
- Review and recommend any IT related material outsourcing arrangement including obtaining IT experts' opinion.
- Constitute/reconstitute IT Steering Committee and approve its TORs and any revisions thereof.
- Review the MIS on incidents, logs, breaches and significant incidents on a regular basis.

TORs of IFRS 9 Committee of the Board

The key functions in the TORs include the following:

- Constitution of IFRS 9 Project Steering Committee of management to administer the Project;
- Review and approve Bank AL Habib Limited's transition plan for IFRS 9 implementation;
- Quarterly review of the progress made against the IFRS 9 implementation challenges (resolution plan)
- Ensure smooth implementation of IFRS 9 within the timelines stipulated by State Bank of Pakistan.
- Review of Expected Credit Loss (ECL) and ensure compliance of ECL policy.

Board's Oversight over Shariah Compliance Functions and Shariah Board (SB)

The Shariah Board members meet the Board of Directors on half yearly basis and give detailed briefings on the Shariah compliance environment, the issues/weaknesses (if any), and recommendations to improve Shariah compliance environment and to ensure timely and effective enforcement of the SB's decisions, Fatwas, observations and recommendations.

Further, every year, Shariah Board Report is also presented by the Shariah Board in the meeting of the Board of Directors of the Bank.

TORs of Shariah Board (SB) of the Bank

The key functions in the TORs include the following:

- The SB shall be empowered to consider, decide and supervise all Shariah related matters of Islamic Banking Division. All decisions, rulings, Fatwas of the SB shall be binding on Islamic Banking Division whereas SB shall be responsible and accountable for all its Shariah related decisions.
- The SB shall cause to develop a comprehensive Shariah compliance framework for all areas of operations of the Islamic Banking Division and shall approve all products/services to be offered and/or launched by the Islamic Banking Division.
- The SB shall review and approve all the Islamic Banking Division's procedure manuals, product programs/structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures so that they are in conformity with the rules and principles of Shariah.
- The SB shall have at all reasonable times unhindered access to all books of accounts, records, documents and information from all sources including professional advisors and Bank's employees in the due discharge of its duties.
- Considering the importance of the SB decisions, rulings and Fatwas given by SB, it shall rigorously deliberate on the issue placed before it for consideration before giving any decision/ Fatwa. All such deliberations and rationale for allowing or disallowing a particular product or service shall be duly recorded and documented.
- All reports of internal Shariah audit, external Shariah audit, Shariah compliance reviews and SBP Shariah compliance inspection shall be submitted to the SB for consideration and prescribing appropriate enforcement action. The report of Internal Shariah shall be finalized by the Internal Shariah Audit Unit (ISAU) and the final report shall be submitted to SB for prescribing appropriate enforcement/corrective actions. The SB shall take up the unresolved issues with Management and shall include all significant outstanding issues in its annual report on the Shariah compliance environment of Islamic Banking Division.
- Moreover, the Head-Shariah Compliance Department and RSBM shall discuss both the significant and unresolved issues with SBP inspection team during their onsite inspection.
- The SB shall also specify the process/procedures for changing, modifying or revisiting Fatwas/rulings/guidelines etc. already issued by SB.



- The SB shall not delegate any of its roles and responsibilities prescribed in Shariah Governance Framework (updated time to time) to any other person or any of its members.
- All the decisions and rulings of the SB of the Bank shall be in conformity with the directives, regulations, instructions and guidelines issued by SBP in accordance with the rulings of Shariah Advisory Committee of SBP.
- The SB shall, in addition to its meetings with the BOD, meet at least on quarterly basis and each member of SB shall attend at least two-thirds of the meetings during a calendar year. Further, in addition to the mandatory quarterly meeting, the Chairperson of SB may convene SB meetings as and when he deems it necessary.
- The quorum of the SB meetings, including that with BOD of the Bank, shall be at least two thirds of Shariah Board members.
- The SB decisions should preferably be made through consensus of the Shariah Board members; however, in case of difference of opinion, the decisions may be made by a majority vote of the Shariah Board members. In the event of equality of votes, the Chairman shall have a second or casting vote.
- All meetings shall be chaired by the Chairman of SB and in his absence one of the Shariah Board members, other than the RSBM, shall be elected as the acting Chairperson to preside over the meeting.
- The agenda of the SB meeting along with sufficient details and documents shall be sent to SB members well in advance enabling them to come prepared to the meeting; the specific timelines for submission of the agenda shall be set by the SB itself.
- The meetings of the SB shall be held by physical presence of the members. However, in appropriate circumstances to be determined by the Chairman of the SB, meetings(s) may be held through video conferencing subject to recording of proper minutes of the meeting.
- The SB shall ensure to cause that minutes of its meetings are properly recorded incorporating necessary details of all deliberations, decisions, rulings and Fatwas issued along with the rationale and difference of opinion or dissenting note, if any. Further, the minutes shall be signed by all the SB members who attended the meeting and a copy thereof be provided to each member of the SB.
- All SB approvals taken through circulation shall be placed for ratification of the SB at its next meeting. A resolution in writing signed by all SB members for the time being and shall be as valid and effective as if it had been ratified at a SB meeting.
- For implementation of the decisions of SB meeting prior to the confirmation of the minutes of the meeting, the approval/ confirmation of the relevant resolution / decision for the specific agenda must be obtained from SB through written consent duly signed by the SB members or through email by the SB members. However, the same shall be ratified in the subsequent meeting of SB.
- The approved / confirmed minutes of meetings of the SB shall be submitted to IBD-SBP within 15 days of its approval/confirmation for information and record. Further, the minutes shall be made available to the BOD, SBP inspection teams, internal auditors and external auditors on request, enabling them to appreciate and understand the rationale and background of the SB rulings, decisions and Fatawas.
- The SB shall, based on the findings and reports of internal Shariah audit and external Shariah audit and Shariah compliance review, prepare a report on Islamic Banking Division's Shariah compliance environment and conditions. The minimum requirements for the report shall be as per prescribed Annexure – B of Shariah Governance Framework. The report shall be signed by all the members of the SB. Further, the report shall also be placed before the BOD meeting for discussion and shall be published in English and Urdu translation in the Bank's annual report.



Shariah Board Meetings

During the year, four meetings of the Shariah Board were held and the attendance of each member was as follows:

Name of Member	Meetings Held	Meetings Attended
Mufti Ismatullah Hamdullah, Chairman	4	4
Mufti Mohib ul Haq, Member	4	4
Mufti Sher Ali, Resident Member	4	4
Mufti Muhammad Hamza, Member	4	4

The Bank had engaged KPMG Taseer Hadi & Co. to assist in developing the draft of remuneration policy, keeping in view the culture and values of the Bank, and other related matters.

Additionally, performance evaluation of the Board is to be conducted by an external independent evaluator at least every three years. The Bank has appointed Pakistan Institute of Corporate Governance (PICG) for external independent evaluation of the full Board, Individual Directors, Board Committees, the Chairman, and the Chief Executive.

There is no conflict of interest between the experts hired by the Bank and any Board member or Key Executive.

Disclosure relating to the Remuneration Policy:

Key objectives of Remuneration Policy are to:

- Attract, retain, and develop competent employees.
- Identify Senior Risk Takers and Controllers.
- Offer remuneration that is fair and competitive.
- Encourage behaviour and practices, consistent with the Bank's Strategy, Vision, Mission, Values, and Guiding Principles.
- Discourage material risk taking.
- Avoid any conflict of interest between the employee and the Bank.
- Establish a management structure to administer and oversee implementation of this Policy.

Bank AL Habib has low tolerance for risk and is averse to taking material risks, i.e., risks that can have a material adverse impact on its business and financial position. Therefore, the Bank does not have any defined Bonus Policy (in any form like cash, stocks, stock options, or other types of incentive pay) to incentivise achievement of performance targets, which may prompt material risk taking. Accordingly, a fundamental principle of the Bank is that employee remuneration is paid in the form of Fixed Remuneration. This has enabled the Bank to maintain sustainable growth and profitability over the years, with a low risk profile and low staff turnover.

There are management committees/senior employees who are authorized to approve risk exposures involving large amounts and deal with other institutionally important matters. They are designated as Senior Risk Takers, who are responsible not only for taking risks, but also for mitigating, monitoring, and controlling the risks taken by the Bank. The Bank encourages and emphasizes risk control, rather than risk taking, which means that control responsibilities take precedence for employees at all levels. Therefore, in case of Senior Risk Takers also, their control responsibilities are paramount and take precedence over their other responsibilities.

Risk Controllers are employees whose professional activities include review, identification, mitigation, and control of risks to which the Bank may be exposed, or providing assistance or assurance related to such activities. Risk control is the responsibility of all functional units of the Bank, including various functions at Principal Office who provide input to line functions on risk management and control, assist them in designing and implementing adequate controls, and independently monitor that the prescribed controls and limits are being complied with.



It is a key principle of employee appraisal that employees must not get penalized or suffer as a consequence of carrying out control activities for which they are institutionally responsible and duly authorized. Any deviation from this principle will be taken very seriously.

Key criteria for evaluation of performance are as follows:

- Compliance with applicable laws and regulations.
- Commitment to the Bank's Vision, Mission, and Values.
- Compliance with the Bank's risk and control policies, procedures, and limits.
- Behaviour with customers and colleagues.
- Knowledge and quality of work.
- New ideas and suggestions.
- Growth of business and profitability vs. business objectives (as applicable).
- Persistence and productivity.
- Job performance.
- Teamwork and People Development.

Fixed Remuneration is determined on the basis of role and responsibility of the individual, professional expertise and experience, job performance, and potential for growth. In addition, all employees of the Bank are required to carry out their duties with due care and in an ethical manner. They must act in accordance with the Bank's Strategy, Vision, Mission, Values, Guiding Principles, Code of Conduct, Policies and Procedures, within the authorities and limits delegated to them. This means that protection of the Bank's reputation, trustworthiness, and safety is of paramount importance and takes precedence over profit maximization.

Risk management policies, together with the Risk Tolerance Statement, authorities, and limits approved by the Board, provide the necessary guidance on risk taking activities of the Bank. Actions taken and decisions made by the employees are institutionally owned and protected by the Bank, as long as these are within the ambit of the prescribed policies and procedures and there is no evidence of self-dealing.

Governance of remuneration is accomplished through a formal structure which includes: Board of Directors; Human Resource & Remuneration Committee; Chief Executive; Human Resource Division; and Finance, Audit, Compliance, and Risk Management Divisions.



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

FOR THE YEAR ENDED DECEMBER 31, 2023

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are ten as per the following:
 - Male 09
 - Female 01

2. The composition of the Board is as follows:

Independent Directors	Mr. Arshad Nasar Mr. Javed Iqbal Mr. Mohammad Rafiquddin Mehkari
Non - Executive Directors	Mr. Abbas D. Habib Mr. Adnan Afridi Mr. Anwar Haji Karim Mr. Murtaza H. Habib Syed Mazhar Abbas
Executive Director	Mr. Qumail R. Habib
Female Director - Non - Executive	Ms. Farhana Mowjee Khan

Mr. Mansoor Ali Khan is the Chief Executive of the Bank. Being the CEO of the Bank, he is deemed to be a Director.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these regulations.
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. The Bank is compliant with the requirement of Directors' Training Program provided in these Regulations. Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.



12. The Board has formed six committees comprising of members given below:

A.	Audit Committee	Position
1	Mr. Mohammad Rafiquddin Mehkari	Chairman
2	Mr. Anwar Haji Karim	Member
3	Mr. Arshad Nasar	Member
4	Ms. Farhana Mowjee Khan	Member
5	Syed Mazhar Abbas	Member

B.	Human Resource & Remuneration Committee	Position
1	Mr. Arshad Nasar	Chairman
2	Mr. Abbas D. Habib	Member
3	Ms. Farhana Mowjee Khan	Member
4	Mr. Murtaza H. Habib	Member
5	Syed Mazhar Abbas	Member

C.	Credit Risk Management Committee	Position
1	Syed Mazhar Abbas	Chairman
2	Mr. Arshad Nasar	Member
3	Mr. Mohammad Rafiquddin Mehkari	Member
4	Mr. Murtaza H. Habib	Member
5	Mr. Qumail R. Habib	Member

D.	Risk Management Committee	Position
1	Mr. Adnan Afridi	Chairman
2	Mr. Anwar Haji Karim	Member
3	Ms. Farhana Mowjee Khan	Member
4	Mr. Mohammad Rafiquddin Mehkari	Member
5	Mr. Qumail R. Habib	Member

E.	IT Committee	Position
1	Mr. Abbas D. Habib	Chairman
2	Mr. Arshad Nasar	Member
3	Mr. Javed Iqbal	Member
4	Mr. Mansoor Ali Khan	Member
5	Mr. Qumail R. Habib	Member



F.	IFRS 9 Committee	Position
1	Mr. Arshad Nasar	Chairman
2	Ms. Farhana Mowjee Khan	Member
3	Mr. Qumail R. Habib	Member

13. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committees for compliance.
14. The frequency of meetings of Board's Committees were as per following:

Board's Committees	Frequency
Audit Committee	Eight meetings held in the year
Human Resource & Remuneration Committee	Four meetings held in the year
Credit Risk Management Committee	Four meetings held in the year
Risk Management Committee	Four meetings held in the year
IT Committee	Four meetings held in the year
IFRS 9 Committee	Four meetings held in the year

15. The Bank has an effective internal audit division that is manned by suitably qualified and experienced personnel. The audit team is conversant with the policies and procedures of the Bank.
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Bank.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 31, 2024



INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Bank AL Habib Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Bank AL Habib Limited (the Bank) for the year ended 31 December 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2023.

EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: 13 February 2024

UDIN: CR202310191NsPkrZuT9



STATEMENT ON INTERNAL CONTROLS

The Management of the Bank is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations; reliability of financial reporting; safeguarding of assets; and compliance with applicable laws and regulations. The Internal Control System has evolved over the years, as it is an ongoing process and is included in the Bank's policies, procedures, financial limits, etc., as detailed in various manuals, circulars and instructions issued by the Bank. This system continues to be reviewed, refined and improved from time to time and immediate corrective action is taken to minimize risks which are inherent in banking business and operations.

The Internal Control System is reviewed by the Internal Auditors as well as External Auditors and their findings and recommendations are reported to the management and to the Audit Committee of the Board, and corrective action is taken to address control deficiencies and for improving procedures and systems as they are identified. The Board, acting through the Audit Committee, provides supervision and overall guidance in improving the effectiveness of the Internal Control System.

While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls. Accordingly, even an effective Internal Control System can only provide reasonable but not absolute assurance that the system's objectives will be achieved.

Internal Control over Financial Reporting (ICFR) aims to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the applicable financial reporting standards. During the year, Internal Auditors tested the Bank's ICFR and reported their findings to the management and the Audit Committee of the Board. While no material deficiencies were detected, indicating that ICFR is effectively implemented in the Bank, it may be reiterated that any control system can provide reasonable but not absolute assurance that its objectives will be achieved.

In accordance with the State Bank of Pakistan (SBP) directives, the Bank has completed all the stages of ICFR. Upon satisfactory completion of ICFR roadmap, the Bank has been granted exemption by SBP from the requirement of submission of Long Form Report by the External Auditors.

The Bank has endeavored to follow the guidelines issued by SBP on internal controls. Updation and review of ICFR exercise for the year 2023 as per SBP Guidelines on Internal Controls has been successfully completed. In accordance with SBP directives, the annual assessment report for the year 2023 is being prepared. Evaluation and management of significant risks is an on-going process and we will make further efforts to improve our Internal Control System during 2024.

ASHAR HUSAIN
Chief Financial Officer

ARIF SAEED KHAN
Head of Internal Audit

Karachi: January 31, 2024

BOARD OF DIRECTORS' REMARKS ON THE MANAGEMENT'S EVALUATION OF INTERNAL CONTROLS

Keeping in view the feedback received by the Board of Directors from the Audit Committee and the management, the Board of Directors endorse management's evaluation of Internal Controls, including Internal Control over Financial Reporting.

On behalf of the Board of Directors

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 31, 2024



INDEPENDENT AUDITORS' REPORT

To the members of Bank AL Habib Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Bank AL Habib Limited, which comprise the unconsolidated statement of financial position as at 31 December 2023, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except for thirty two branches which have been audited by us and notes to the financial statements, including material accounting policy information and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit and loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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



Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
1. Provision against Non-Performing loans and advances	
<p>The Bank's advances portfolio represents 31.72% of its total assets as of 31 December 2023. A substantial portion of the advances portfolio includes loans and advances to businesses operating in diverse sectors of the economy.</p> <p>As per the Bank's accounting policy (refer note 4.4 to the unconsolidated financial statements), the Bank determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision therefore, involves use of management judgment, on a case-to-case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.4 and 9 respectively to the unconsolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Bank's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We have performed procedures on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected individually significant loans and a representative sample of borrowers from the advances portfolios, and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management and the regulatory approvals in place for such policy. - We also assessed adequacy of disclosures as included in note 9 to the unconsolidated financial statements regarding the non-performing advances and provisions there against in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.



Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: 13 February 2024

UDIN: AR202310191oi35eNjP1



**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Note	2023 (Rupees in '000)	2022
ASSETS			
Cash and balances with treasury banks	5	141,815,998	94,163,585
Balances with other banks	6	6,580,672	15,067,261
Lendings to financial institutions	7	1,649,716	15,568,607
Investments	8	1,503,895,348	1,158,520,697
Advances	9	869,458,809	813,534,790
Fixed assets	10	79,572,554	62,075,079
Intangible assets	11	124,462	364,466
Deferred tax assets	12	1,792,112	9,680,840
Other assets	13	136,130,442	103,092,411
		2,741,020,113	2,272,067,736
LIABILITIES			
Bills payable	15	48,083,103	44,855,837
Borrowings	16	477,438,034	418,989,460
Deposits and other accounts	17	1,934,036,510	1,568,138,055
Liabilities against assets subject to finance lease		–	–
Subordinated debt	18	29,985,200	29,991,600
Deferred tax liabilities		–	–
Other liabilities	19	124,870,473	114,850,833
		2,614,413,320	2,176,825,785
NET ASSETS		126,606,793	95,241,951
REPRESENTED BY			
Share capital	20	11,114,254	11,114,254
Reserves		28,184,872	24,391,414
Surplus on revaluation of assets	21	14,712,038	897,685
Unappropriated profit		72,595,629	58,838,598
		126,606,793	95,241,951
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 (Rupees in '000)	2022
Mark-up / return / interest earned	24	373,902,458	200,920,884
Mark-up / return / interest expensed	25	(249,754,849)	(123,602,087)
Net mark-up / interest income		124,147,609	77,318,797
NON MARK - UP / INTEREST INCOME			
Fee and commission income	26	13,871,119	11,595,102
Dividend income		1,552,135	1,342,571
Foreign exchange income		6,841,341	7,241,088
Income / (loss) from derivatives		-	-
Gain on securities-net	27	1,732	182,807
Other income	28	960,930	834,736
Total non mark-up / interest income		23,227,257	21,196,304
Total income		147,374,866	98,515,101
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	(70,273,774)	(51,787,049)
Workers welfare fund		(1,544,532)	(817,029)
Other charges	30	(228,401)	(156,435)
Total non mark-up / interest expenses		(72,046,707)	(52,760,513)
Profit before provisions		75,328,159	45,754,588
Provisions and write offs - net	31	(4,200,202)	(12,870,736)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		71,127,957	32,883,852
Taxation	32	(35,808,582)	(16,313,623)
PROFIT AFTER TAXATION		35,319,375	16,570,229
		(Rupees)	
Basic and diluted earnings per share	33	31.78	14.91

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023 (Rupees in '000)	2022
Profit after taxation for the year	35,319,375	16,570,229
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign branches	261,520	2,077,925
Movement in surplus / (deficit) on revaluation of investments - net of tax	6,757,597	(4,969,129)
	7,019,117	(2,891,204)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement loss on defined benefit obligations - net of tax	(419,872)	(205,271)
Movement in surplus on revaluation of operating fixed assets - net of tax	7,167,062	(460,864)
Movement in surplus on revaluation of non banking assets - net of tax	61,970	(6,009)
	6,809,160	(672,144)
Total comprehensive income	49,147,652	13,006,881

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

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Director

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Director

ABBAS D. HABIB
Chairman



UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets		
	(Rupees in '000)								
Balance as at 01 January 2022	11,114,254	17,511,051	2,478,915	126,500	540,000	(658,441)	7,104,700	51,798,069	90,015,048
Profit after taxation	-	-	-	-	-	-	-	16,570,229	16,570,229
Other comprehensive income - net of tax	-	-	2,077,925	-	-	(4,969,129)	(466,873)	(205,271)	(3,563,348)
Total comprehensive income for the year	-	-	2,077,925	-	-	(4,969,129)	(466,873)	16,364,958	13,006,881
Transfer to statutory reserve	-	1,657,023	-	-	-	-	-	(1,657,023)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(112,572)	112,572	-
Transaction with owners, recorded directly in equity									
Final cash dividend (Rs. 7.00 per share) - December 2021	-	-	-	-	-	-	-	(7,779,978)	(7,779,978)
Balance as at 31 December 2022	11,114,254	19,168,074	4,556,840	126,500	540,000	(5,627,570)	6,525,255	58,838,598	95,241,951
Profit after taxation	-	-	-	-	-	-	-	35,319,375	35,319,375
Other comprehensive income - net of tax	-	-	261,520	-	-	6,757,597	7,229,032	(419,872)	13,828,277
Total comprehensive income for the year	-	-	261,520	-	-	6,757,597	7,229,032	34,899,503	49,147,652
Transfer to statutory reserve	-	3,531,938	-	-	-	-	-	(3,531,938)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(172,276)	172,276	-
Transactions with owners, recorded directly in equity									
Final cash dividend (Rs. 7.00 per share) - December 2022	-	-	-	-	-	-	-	(7,779,978)	(7,779,978)
Interim cash dividend (Rs. 4.50 per share) - June 2023	-	-	-	-	-	-	-	(5,001,416)	(5,001,416)
Interim cash dividend (Rs. 4.50 per share) - September 2023	-	-	-	-	-	-	-	(5,001,416)	(5,001,416)
	-	-	-	-	-	-	-	(17,782,810)	(17,782,810)
Balance as at 31 December 2023	11,114,254	22,700,012	4,818,360	126,500	540,000	1,130,027	13,582,011	72,595,629	126,606,793

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation
Less: dividend income

Adjustments:

Depreciation
Depreciation on right-of-use assets
Amortisation
Provisions and write - offs-net
Gain on sale of fixed assets-net
Gain on sale / redemption of securities-net
Charge for compensated absences
Mark-up expense on lease liability against right-of-use assets

Decrease / (increase) in operating assets

Lendings to financial institutions
Held-for-trading securities
Advances
Other assets

Increase in operating liabilities

Bills payable
Borrowings from financial institutions
Deposits and other accounts
Other liabilities (excluding current taxation)

Income tax paid

Net cash flow generated from operating activities

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities
Net investments in held-to-maturity securities
Net investments in associates
Dividends received
Investments in operating fixed assets
Proceeds from sale of fixed assets
Exchange differences on translation of net investment in foreign branches
Net cash flow used in investing activities

CASH FLOW FROM FINANCING ACTIVITIES

(Payments) / receipts of subordinated debt-net
Dividend paid
Payment against lease liabilities-net
Net cash flow (used in) / generated from financing activities

Increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

Note	2023 (Rupees in '000)	2022
	71,127,957	32,883,852
	(1,552,135)	(1,342,571)
	69,575,822	31,541,281
	4,565,138	3,569,147
	2,298,189	2,140,431
	260,254	309,061
	4,200,155	12,870,721
	(453,343)	(448,906)
	(1,732)	(182,807)
	399,896	175,616
	1,568,789	1,313,510
	12,837,346	19,746,773
	82,413,168	51,288,054
	13,918,891	4,495,221
	95,450	(16,500)
	(63,586,156)	(83,738,642)
	(32,918,726)	(17,288,675)
	(82,490,541)	(96,548,596)
	3,227,266	15,052,082
	57,748,367	116,642,974
	365,898,455	258,314,726
	1,707,805	10,233,409
	428,581,893	400,243,191
	428,504,520	354,982,649
	(33,768,250)	(20,107,119)
	394,736,270	334,875,530
	(145,442,434)	(353,129,757)
	(184,284,570)	459,740
	-	3,203,259
	1,547,433	1,344,165
	(8,005,119)	(9,082,423)
	447,573	465,760
	261,520	2,077,925
	(335,475,597)	(354,661,331)
	(6,400)	13,996,400
	(17,493,572)	(7,693,475)
	(3,295,084)	(2,759,611)
	(20,795,056)	3,543,314
	38,465,617	(16,242,487)
34	108,736,601	124,979,088
34	147,202,218	108,736,601

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017) having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 1,084 branches (2022: 1,050 branches), 29 sub-branches (2022: 29 sub-branches), 04 representative offices (2022: 04 representative offices) and 09 booths (2022: 09 booths). The branch network of the Bank includes 02 overseas branches (2022: 02 overseas branches) and 201 Islamic Banking branches (2022: 178 Islamic Banking branches).

2. BASIS OF PRESENTATION

2.1 These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018.

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 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 unconsolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.

2.3 Key financial information of the Islamic Banking branches is disclosed in annexure II to these unconsolidated financial statements.

2.4 These financial statements are presented in Pak Rupees which is the Bank's functional and presentation currency and represent separate financial statements of the Bank in which investments in subsidiaries and associates are stated at cost less provision for impairment, if any and are not consolidated or accounted for by using equity method of accounting.

2.5 The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the unconsolidated financial statements continue to be prepared on the going concern basis.

2.6 Statement of compliance

2.6.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- IFAS issued by ICAP, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by SBP and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.



- 2.6.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular No. 07 of 2023 dated 23 April 2023 directed the Banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2024. SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirements are considered for recording, classification and valuation of investment.
- 2.6.3** SBP vide its BPRD Circular No. 04 dated 25 February 2015, has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in the preparation of these unconsolidated financial statements.
- 2.6.4** IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.

2.7 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2023. These are either considered to not be relevant or do not have any significant impact and accordingly have not been detailed in these financial statements, except as disclosed below.

IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (Amendments)

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank's unconsolidated financial statements.

2.8 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

2.8.1 IFRS 9 'Financial Instruments'

As per BPRD Circular Letter No. 07 of 2023 dated 23 April 2023, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2024. SBP has also extended the preparation of annual / interim financial statement on the revised formats to the first quarter of 2024. SBP has issued detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements.



The IFRS 9 application instructions and guidelines that have been issued as part of the circular include the following key components:

- a) Basis for classification and measurement of debt and equity securities;
- b) Framework for determination of “Expected Credit Losses (ECL)” under the requirements of IFRS 9, including required risk management policies;
- c) Credit exposures (in local currency) that have been guaranteed by the Government and Government Securities have been exempted from the application of the above ECL Framework;
- d) In respect of non-performing exposures (Stage 3 exposures) provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs’ requirements;
- e) In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital and fully described in Annexure B to the aforementioned circular.

The actual impact of adopting IFRS 9 on the Bank’s unconsolidated financial statements in the year 2024 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2023. The estimated ECL adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank’s equity at 01 January 2024 is reduction in equity of approximately Rs. 4,386 million (without considering general provisions already held).

As at 31 December 2023, the management is carrying a general provision of Rs. 8,400 million (before tax) against loans / advances portfolio on prudent basis, which is above the requirement of Prudential Regulations and Stage 3 provision under IFRS 9.

2.8.2 Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

Standards and amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - (Amendments)	January 01, 2024
- IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements - (Amendments)	January 01, 2024
- IFRS 16 - Lease Liability in a Sale and Leaseback - (Amendments)	January 01, 2024
- IAS 21 - Lack of exchangeability – (Amendments)	January 01, 2025
- IFRS 17 - Insurance Contracts	January 01, 2026
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

The above standards, amendments and improvements are not expected to have any material impact on the unconsolidated financial statements of the Bank for the future periods.

Further, following new standard has been issued by IASB which is yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (accounting periods beginning on or after)
- IFRS 1 – First-time Adoption of International Financial Reporting Standards	January 01, 2004



2.9 Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make estimates, judgments 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 unconsolidated financial statements are in respect of the following:

	Note
Classification and provisioning against investments	4.3, 4.12, 8 & 31
Classification and provisioning against loans and advances	4.4, 9 & 31
Revaluation of fixed assets	4.5 & 10
Determination of lease term and borrowing rate	4.5, 10 & 19
Non - banking assets acquired in satisfaction of claims	4.6 & 13
Defined benefit plan related assumptions	4.9, 19, 36 & 37
Provisions against off-balance sheet obligations	4.13, 19 & 31
Current and deferred taxation	4.15, 12, 19 & 32

3. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are carried at fair value, certain land and buildings, and non-banking assets acquired in satisfaction of claims are carried at revalued amount. Employee benefits and lease liability against right-of-use assets are carried at present value.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information related to preparation of these unconsolidated financial statements are consistent with those of the previous financial year, are as follows:

4.1 Cash and cash equivalents

Cash and cash equivalents as referred to in the unconsolidated cash flow statement comprise cash and non restricted balances with treasury and other banks less overdrawn nostros accounts. Restricted balances not available for use if any, are excluded from cash and cash equivalents.

4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings and borrowings 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. These are initially recognised at amount of funds received and subsequently reported as payable under the contractual terms.

Purchase under resale obligation

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



Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

4.3 Investments

Subsidiaries

Subsidiaries are entities over which the Bank has control. Investment in subsidiaries is stated at cost less provision for impairment, if any.

Associates

Associates are all entities over which the Bank has significant influence but not control. Investment in associates is stated at cost less provision for impairment, if any. Certain mutual funds are managed by the subsidiary company of the Bank and hence, the Bank has significant influence over such funds and therefore, investments in these mutual funds are considered as investment in associates.

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 Bank has the intention and ability to hold till maturity.

In Bai Muajjal, the Bank sells sukuk on credit to Government of Pakistan. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Available-for-sale

These are investments which do not fall under 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 Bank 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 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', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the 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.

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 profit and loss account.

Details of valuation techniques used in determination of fair value is included in note 39 of unconsolidated financial statements.

4.4 Advances

Loans and advances

These are stated net of provisions for non - performing advances.



Receivables against lease finance where Bank is a lessor (other than Ijarah)

Leases where the Bank 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.

Islamic Financing and Related Assets

Ijarah finance

Assets leased out under ijarah arrangements are stated at cost less accumulated depreciation and impairment, if any. Such assets are depreciated over the terms of ijarah contracts.

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.

Inventory

The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale. Inventory against each contract is maintained on specific identification method.

Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount hence financed is paid back to the Bank.

Diminishing Musharaka

In Diminishing Musharaka financing, the Bank enters into Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic rental payment agreement for the utilisation of the Bank's Musharaka share by the customer. The customer purchases the Bank's share gradually as per his undertaking.

Running Musharaka

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half-yearly / annual accounts of the customer.

Musawama

In Musawama financing, the Bank purchases specific goods / commodities on cash basis from its customer for onward sale. Upon realisation of sale proceeds, the finance is adjusted.

Provision for non-performing advances

Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of respective central banks is followed in respect of overseas branches 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.



The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken in determining provisioning amount.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant / Prudential Regulations and SBP directives.

For overseas operations, the Bank records an allowance for Expected Credit Loss (ECL) for all loans and other debt financial assets not held at Fair Value through Profit and Loss (all referred to as 'financial instruments'). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the Lifetime Expected Credit Losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Losses (12mECL). The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Advances are written-off when there are no realistic prospects of recovery.

4.5 Operating fixed assets and depreciation

Capital work in progress

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

Property and equipment - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. 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 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 10.2. 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 valuations involve estimates / assumptions and various market factors and conditions. The Bank accounts for revaluation surplus / deficit in accordance with the requirements of IAS 16 "Property, Plant and Equipment".

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.

Leases

Bank as a lessee

The Bank enters into lease arrangements principally in respect of office space for its operations. The Bank assesses at contract inception whether a contract is, or contains, a lease.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 10 fixed assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental lending rate to measure lease liabilities.

4.6 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalised.

4.7 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised on an accrual basis as an expense in the period in which it is incurred.

Deposits mobilized under Islamic Banking operations are generated under two modes i.e. "Qard" and "Modaraba". Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits'.

4.8 Subordinated debt

Subordinated debt is initially recorded at the amount of proceeds received and subsequently reported at outstanding amounts as a financial liability. Mark - up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.9 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 and are not reclassified to profit and loss in subsequent periods. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 36. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.



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.

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.

4.10 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are derecognised 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 derecognised when obligation is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit and loss account of the current period.

4.11 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 profit and loss account.

4.12 Impairment of investments

Provision for diminution in the investments classified as available-for-sale and held-to-maturity (except for debt securities) is recognised after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities. This determination of what is significant or prolonged requires judgment.

Provision for impairment against debt securities (other than government securities) is made in accordance with the requirements of the Prudential Regulations of SBP. In case of unquoted equity securities, the breakup value of the security is considered to determine impairment amount.

4.13 Provisions against off - balance sheet obligations

The Bank in the ordinary course of business, issues letters of credit, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fees and commission income" over the period of contracts. The Bank's 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.

4.14 Revenue recognition

- (a) Mark-up / return / interest 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 / return / interest 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) Income from istisna and musawama is recognised on time proportionate basis commencing from the time of sale of goods till the realisation of sale proceeds.
- (f) Income from diminishing musharaka is recognised on time proportionate basis over the term of contract.
- (g) Income from running musharaka financing is recognised on time proportionate basis and is subject to adjustment upon declaration of profit by musharaka partners.
- (h) Income from Bai-Muajjal is recognised on time proportionate basis from the date of disbursement to the due date of payment.
- (i) Dividend income is recognised when the right to receive is established.
- (j) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

4.15 Taxation

Income tax expense comprises current and deferred tax. The Bank recognizes income and deferred tax in accordance with the requirements of IAS 12 "Income Taxes".

Provision for current tax is based on the taxable income for the year computed in accordance with tax laws in Pakistan, using tax rates enacted or substantively enacted at the 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 tax assets and liabilities are recognised on all taxable / deductible temporary differences as of the statement of financial position date.

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

4.16 Dividend and reserves

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared by the Board of Directors.



4.17 Statutory / special reserve

Every Bank incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

Special reserve was created to meet regulatory requirements.

4.18 Clients' assets

The Bank 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 Bank.

4.19 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

4.20 Segment reporting

The Bank's primary format of reporting is based on business segments.

4.21 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 small and medium enterprises.

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 small and medium enterprises treated as corporate under the Prudential Regulations.

4.22 Geographical segments

The Bank operates in three geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific



	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		30,595,391	26,172,039
Foreign currency		4,053,352	1,703,466
		34,648,743	27,875,505
In transit:			
Local currency		42,390	291,878
Foreign currency		27,017	–
		69,407	291,878
With State Bank of Pakistan in:			
Local currency current accounts	5.1	72,206,674	53,502,052
Local currency current accounts - Islamic Banking	5.1	10,539,360	6,348,266
Foreign currency deposit accounts			
Cash reserve account	5.1	5,341,260	4,641,833
Cash reserve / special cash reserve account - Islamic Banking	5.1 & 5.2	995,250	612,722
Special cash reserve account	5.1 & 5.2	10,682,521	–
Local collection account	5.3	441,796	552,306
		100,206,861	65,657,179
With National Bank of Pakistan in:			
Local currency current account		6,585,694	189,343
Prize bonds		305,293	149,680
		141,815,998	94,163,585

- 5.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements.
- 5.2 The special cash reserve carries interest rate of 3.39% to 4.34% (2022: 0.12% to 3.14%) per annum.
- 5.3 This represents foreign currencies collection account maintained with SBP.

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current accounts		202,979	91,742
In deposit accounts	6.1	8,965	598,867
		211,944	690,609
Outside Pakistan:			
In current accounts	6.2	6,246,313	2,655,733
In deposit accounts	6.3	122,483	11,720,938
		6,368,796	14,376,671
		6,580,740	15,067,280
Less: impairment against IFRS 9 in overseas branches		(68)	(19)
		6,580,672	15,067,261



- 6.1 These carry expected profit rates ranging from 7.80% to 12% (2022: 2.32% to 14.50%) per annum.
 6.2 These carry interest rates ranging from 1.55% to 5.08% (2022: 1.55% to 4.08%) per annum.
 6.3 These carry interest rates ranging from 4.58% to 5.08% (2022: 3.58% to 4.08%) per annum.

2023 **2022**
(Rupees in '000)

7. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency:

Repurchase agreement lendings (Reverse Repo) **1,649,716** 15,568,607

7.1 Securities held as collateral against amounts due from financial institutions

	2023			2022		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	1,649,716	-	1,649,716	15,568,607	-	15,568,607

7.1.1 Repurchase agreement lendings carry mark-up rates at 22.95% (2022: 16.00% to 16.25%) per annum.

7.1.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 1,998.743 million (2022: 15,593.410 million).

8. INVESTMENTS

	Note	2023				2022			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1 Investments by type:									
(Rupees in '000)									
Held-for-trading securities									
Shares		-	-	-	-	99,950	-	419	100,369
Available-for-sale securities 8.3 & 8.4									
Federal Government Securities		1,113,970,241	(4,536,292)	(914,454)	1,108,519,495	966,755,424	(4,841,980)	(10,779,332)	951,134,112
Shares		4,458,197	(1,958,659)	1,686,898	4,186,436	4,579,881	(1,889,990)	419,533	3,109,424
Non Government Debt Securities		9,385,650	(99,920)	(108,947)	9,176,783	9,640,277	-	(85,174)	9,555,103
Foreign Securities		8,869,880	(2,996,506)	12,821	5,886,195	7,476,045	(3,314,354)	(43,536)	4,118,155
Units of Mutual Funds		3,076,021	(351,370)	1,539,421	4,264,072	3,226,022	(365,225)	615,580	3,476,377
		1,139,759,989	(9,942,747)	2,215,739	1,132,032,981	991,677,649	(10,411,549)	(9,872,929)	971,393,171
Held-to-maturity securities 8.3 & 8.5									
Federal Government Securities		366,531,501	(1,312,482)	-	365,219,019	182,266,360	(1,739,320)	-	180,527,040
Foreign Securities		1,832,291	(686,846)	-	1,145,445	1,812,862	(810,648)	-	1,002,214
Others		4,481	(4,481)	-	-	4,481	(4,481)	-	-
		368,368,273	(2,003,809)	-	366,364,464	184,083,703	(2,554,449)	-	181,529,254
Associates	8.6	4,614,653	-	-	4,614,653	4,614,653	-	-	4,614,653
Subsidiaries	8.7	883,250	-	-	883,250	883,250	-	-	883,250
Total Investments		1,513,626,165	(11,946,556)	2,215,739	1,503,895,348	1,181,359,205	(12,965,998)	(9,872,510)	1,158,520,697



	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
8.2 Investments by segments:								
Federal Government Securities								
Market Treasury Bills	19,882	-	(1)	19,881	123,110,001	-	(691,755)	122,418,246
Pakistan Investment Bonds	1,261,497,573	-	(1,629,187)	1,259,868,386	865,540,551	-	(4,566,329)	860,974,222
Foreign Currency Bonds	28,254,245	(5,056,062)	(1,121,479)	22,076,704	22,901,702	(5,835,022)	(4,751,087)	12,315,593
Ijarah Sukuks	158,975,260	-	1,783,890	160,759,150	106,895,687	-	(478,887)	106,416,800
Sukuks	25,369,909	(792,712)	52,323	24,629,520	25,392,851	(746,278)	(291,274)	24,355,299
Naya Pakistan Certificates	5,769,121	-	-	5,769,121	4,852,292	-	-	4,852,292
Term Finance Certificates - Unlisted	615,752	-	-	615,752	328,700	-	-	328,700
	1,480,501,742	(5,848,774)	(914,454)	1,473,738,514	1,149,021,784	(6,581,300)	(10,779,332)	1,131,661,152
Shares								
Listed Companies	4,265,995	(1,937,847)	1,686,898	4,015,046	4,487,629	(1,884,290)	419,952	3,023,291
Unlisted Companies	192,202	(20,812)	-	171,390	192,202	(5,700)	-	186,502
	4,458,197	(1,958,659)	1,686,898	4,186,436	4,679,831	(1,889,990)	419,952	3,209,793
Non Government Debt Securities								
Listed	5,072,105	-	(83,573)	4,988,532	4,500,377	-	(85,174)	4,415,203
Unlisted	4,313,545	(99,920)	(25,374)	4,188,251	5,139,900	-	-	5,139,900
	9,385,650	(99,920)	(108,947)	9,176,783	9,640,277	-	(85,174)	9,555,103
Units of Mutual Funds	3,076,021	(351,370)	1,539,421	4,264,072	3,226,022	(365,225)	615,580	3,476,377
Others								
Unlisted Company	4,481	(4,481)	-	-	4,481	(4,481)	-	-
Foreign Securities								
Government Securities	10,702,171	(3,683,352)	12,821	7,031,640	9,288,907	(4,125,002)	(43,536)	5,120,369
Associates								
AL Habib Money Market Fund	600,000	-	-	600,000	600,000	-	-	600,000
AL Habib Islamic Cash Fund	100,000	-	-	100,000	100,000	-	-	100,000
AL Habib Islamic Savings Fund	100,000	-	-	100,000	100,000	-	-	100,000
AL Habib Income Fund	400,000	-	-	400,000	400,000	-	-	400,000
AL Habib Stock Fund	10,000	-	-	10,000	10,000	-	-	10,000
AL Habib Cash Fund	3,349,997	-	-	3,349,997	3,349,997	-	-	3,349,997
AL Habib Islamic Stock Fund	10,000	-	-	10,000	10,000	-	-	10,000
AL Habib Islamic Income Fund	24,656	-	-	24,656	24,656	-	-	24,656
AL Habib Asset Allocation Fund	20,000	-	-	20,000	20,000	-	-	20,000
	4,614,653	-	-	4,614,653	4,614,653	-	-	4,614,653
Subsidiaries								
AL Habib Capital Markets (Private) Limited	200,000	-	-	200,000	200,000	-	-	200,000
AL Habib Asset Management Limited	683,250	-	-	683,250	683,250	-	-	683,250
	883,250	-	-	883,250	883,250	-	-	883,250
Total Investments	1,513,626,165	(11,946,556)	2,215,739	1,503,895,348	1,181,359,205	(12,965,998)	(9,872,510)	1,158,520,697



	2023	2022
	(Rupees in '000)	
8.2.1 Investments given as collateral		
Market Treasury Bills	–	71,831,084
Pakistan Investment Bonds	294,417,591	154,644,300
	294,417,591	226,475,384
8.3 Provision for diminution in value of investments		
Opening balance	12,965,998	3,502,199
Exchange adjustments against IFRS 9 in overseas branches (Reversal) / charge	2,633,674	512,063
Charge for the year (Reversal) / charge of impairment as per IFRS 9 in overseas branches	237,310 (3,807,847)	148,660 8,843,517
Reversal on disposal	(82,579) (3,653,116)	(40,441) 8,951,736
Closing balance	11,946,556	12,965,998

8.3.1 Provision against investments includes Expected Credit Losses (ECL) / impairment under IFRS 9 amounting to Rs. 9,532.126 million (2022: Rs. 10,706.302 million) on overseas branches.

The Bank has estimated ECL / impairment provisions based on the IFRS 9 requirements as applicable in the relevant overseas jurisdictions. Under the IFRS 9 model, credit impairment provisions, inter alia, takes into account the credit ratings of the relevant bonds provided by the International rating agencies and the observed probability of default information relevant for such credit ratings. In respect of the defaulted bonds, the Bank considers currently available market prices.

	2023		2022	
	Non Performing Investments	Provision	Non Performing Investments	Provision
	(Rupees in '000)			
Domestic				
Loss	99,920	99,920	–	–



8.4 Quality of Available-for-Sale Securities

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

	Cost				
	2023	2022			
	(Rupees in '000)				
8.4.1 Federal Government Securities - Government guaranteed					
Market Treasury Bills	19,882	123,110,001			
Pakistan Investment Bonds	904,103,842	690,697,368			
Foreign Currency Bonds	19,116,475	15,478,525			
Ijarah Sukuks	158,975,260	106,895,687			
Sukuks	25,369,909	25,392,851			
Naya Pakistan Certificates	5,769,121	4,852,292			
Term Finance Certificates-Unlisted	615,752	328,700			
	<u>1,113,970,241</u>	<u>966,755,424</u>			
8.4.2 Shares					
8.4.2.1 Listed Companies					
Automobile Assembler	199,842	199,842			
Cement	362,079	362,079			
Commercial Banks	150,024	150,024			
Fertiliser	668,530	668,530			
Insurance	29,975	29,975			
Oil and Gas Exploration Companies	175,366	175,366			
Oil and Gas Marketing Companies	788,541	788,541			
Paper and Board	38,264	38,264			
Pharmaceuticals	21,775	21,775			
Power Generation and Distribution	1,515,756	1,624,300			
Securities Companies	92,509	92,509			
Sugar and Allied Industries	182,690	182,690			
Technology and Communication	-	13,140			
Textile Composite	40,644	40,644			
	<u>4,265,995</u>	<u>4,387,679</u>			
	<u>2023</u>	<u>2022</u>			
8.4.2.2 Unlisted Companies	Cost	Breakup value	Cost	Breakup value	
	(Rupees in '000)				
Khushhali Bank Limited	December 31, 2022	30,000	142,446	30,000	196,796
Pakistan Export Finance Guarantee Agency Limited	-	5,700	-	5,700	-
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	-	18,536	-	18,536	-
Pakistan Mortgage Refinance Company Limited	December 31, 2022	50,000	105,145	50,000	88,580
1LINK (Private) Limited	December 31, 2022	50,000	733,214	50,000	428,290
Pakistan Corporate Restructuring Company Limited	December 31, 2022	37,966	22,854	37,966	30,117
		<u>192,202</u>	<u>1,003,659</u>	<u>192,202</u>	<u>743,783</u>

The above breakup values are based on the latest available audited financial statements of the unlisted companies.



		Cost	
		2023	2022
		(Rupees in '000)	
8.4.3 Non Government Debt Securities			
8.4.3.1 Listed			
AA+		1,120,695	1,120,695
AA		299,940	200,000
AA-		2,496,470	2,029,682
A+		755,000	750,000
A		400,000	300,000
A-		-	100,000
		<u>5,072,105</u>	<u>4,500,377</u>
8.4.3.2 Unlisted			
AAA		1,798,000	1,798,000
AA+		1,200,000	1,450,000
AA-		1,015,625	1,517,000
A+		-	75,000
A		100,000	100,000
A-		-	100,000
B+		199,920	99,900
		<u>4,313,545</u>	<u>5,139,900</u>
		2023	2022
8.4.4 Foreign Securities		Cost	Rating
		(Rupees in '000)	
Government Securities			
Egypt	1,841,221	B-	1,824,716
Srilanka	5,659,177	D	4,563,909
Turkiye	1,369,482	B	1,087,420
	<u>8,869,880</u>		<u>7,476,045</u>
		Cost	
		2023	2022
		(Rupees in '000)	
8.4.5 Units of Mutual Funds		<u>3,076,021</u>	<u>3,226,022</u>



Cost	
2023	2022
(Rupees in '000)	

8.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	357,393,731	174,843,183
Foreign Currency Bonds	9,137,770	7,423,177
	366,531,501	182,266,360

Others

Pakistan Corporate Restructuring Company Limited (PCRCL)	4,481	4,481
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Foreign Securities	2023		2022	
	Cost	Rating	Cost	Rating
(Rupees in '000)				
Government Securities				
Egypt	422,987	B-	680,707	B+
Srilanka	1,409,304	D	1,132,155	D
	1,832,291		1,812,862	

8.5.1 The market value of securities classified as held to maturity at 31 December 2023 amounted to Rs. 360,288 million (2022: Rs. 170,599 million).

8.6 Associates

2023	2022	Name of funds	2023	2022
Number of units			(Rupees in '000)	
6,000,000	6,000,000	AL Habib Money Market Fund % of holding: 3.07% (2022: 6.38%) Average cost per unit: Rs. 100 (2022: 100) Net asset value Rs. 100 (2022: Rs. 100)	600,000	600,000
1,000,000	1,000,000	AL Habib Islamic Cash Fund % of holding: 0.48% (2022: 0.79%) Average cost per unit: Rs. 100 (2022: 100) Net asset value Rs. 100 (2022: Rs. 100)	100,000	100,000
1,000,000	1,000,000	AL Habib Islamic Saving Fund % of holding: 0.54% (2022: 2.72%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value Rs. 100.16 (2022: Rs. 100.81)	100,000	100,000
3,845,202	3,845,202	AL Habib Income Fund % of holding: 6.65% (2022: 13.76%) Average cost per unit: Rs. 104.03 (2022: Rs. 104.03) Net asset value: Rs. 102.12 (2022: Rs. 101.34)	400,000	400,000



2023	2022	Name of funds	2023	2022
Number of units			(Rupees in '000)	
100,000	100,000	AL Habib Stock Fund % of holding: 5.49% (2022: 7.17%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value: Rs. 114.55 (2022: Rs. 74.79)	10,000	10,000
33,307,275	33,307,275	AL Habib Cash Fund % of holding: 10.04% (2022: 8.72%) Average cost per unit: Rs. 100.58 (2022: Rs. 100.58) Net asset value: Rs. 102.65 (2022: Rs. 102.24)	3,349,997	3,349,997
100,929	100,929	AL Habib Islamic Stock Fund % of holding: 2.08% (2022: 2.70%) Average cost per unit: Rs. 99.08 (2022: Rs. 99.08) Net asset value: Rs. 110.26 (2022: Rs. 72.53)	10,000	10,000
250,421	250,421	AL Habib Islamic Income Fund % of holding: 0.57% (2022: 0.41%) Average cost per unit: Rs. 98.46 (2022: Rs. 98.46) Net asset value: Rs. 101.91 (2022: Rs. 100.96)	24,656	24,656
200,149	200,149	AL Habib Asset Allocation Fund % of holding: 19.20% (2022: 18.79%) Average cost per unit: Rs. 99.93 (2022: Rs. 99.93) Net asset value: Rs. 126.17 (2022: Rs. 96.49)	20,000	20,000
			4,614,653	4,614,653

8.6.1 The place of incorporation and business of associates is Pakistan.

8.6.2 All of the above funds are managed by AL Habib Asset Management Limited (the subsidiary company). The Chief Executive of the Management Company is Mr. Kashif Rafi.

8.6.3 Associates - Key Information

(Based on latest audited financial statements)

	Assets	Liabilities	Total income / (loss)	Profit/ (loss) before taxation	Profit / (loss) after taxation
	(Rupees in '000)				
AL Habib Money Market Fund	8,257,216	19,802	842,551	787,087	787,087
AL Habib Islamic Cash Fund	13,845,361	39,327	1,654,346	1,565,491	1,565,491
AL Habib Islamic Savings Fund	4,521,913	114,553	557,864	521,969	521,969
AL Habib Income Fund	2,934,658	30,126	443,505	410,083	410,083
AL Habib Stock Fund	115,433	2,839	(776)	(3,776)	(3,776)
AL Habib Cash Fund	24,997,485	127,846	4,272,557	3,987,012	3,987,012
AL Habib Islamic Stock Fund	301,472	3,114	8,932	2,519	2,519
AL Habib Islamic Income Fund	5,187,209	38,675	932,923	890,043	890,043
AL Habib Asset Allocation Fund	109,824	3,786	11,972	9,258	9,258



8.7 Subsidiaries

2023	2022	Name of companies	2023	2022
Number of ordinary shares			(Rupees in '000)	
20,000,000	20,000,000	AL Habib Capital Markets (Private) Limited % of holding: 66.67% (2022: 66.67%) Par value per share: Rs. 10 Break up value per share: Rs. 11.28 based on audited financial statements for the year ended 31 December 2022 Chief Executive: Mr. Aftab Q. Munshi	200,000	200,000
75,000,000	75,000,000	AL Habib Asset Management Limited % of holding: 100% (2022: 100%) Par value per share: Rs. 10 Break up value per share: Rs. 19.74 based on audited financial statements for the year ended 31 December 2023 Chief Executive: Mr. Kashif Rafi	683,250	683,250
			883,250	883,250

8.7.1 The place of incorporation and business of subsidiaries is Pakistan.

9. ADVANCES

	Note	Performing		Non-Performing		Total	
		2023	2022	2023	2022	2023	2022
(Rupees in '000)							
Loans, cash credits, running finances, etc.	9.1	695,176,617	673,560,243	23,670,518	13,102,322	718,847,135	686,662,565
Islamic financing and related assets		114,129,113	100,915,017	809,154	744,942	114,938,267	101,659,959
Bills discounted and purchased		61,542,273	42,148,012	707,670	874,021	62,249,943	43,022,033
Advances - gross		870,848,003	816,623,272	25,187,342	14,721,285	896,035,345	831,344,557
Provision against advances							
- Specific		-	-	17,830,419	11,606,594	17,830,419	11,606,594
- General as per regulations		264,544	410,890	-	-	264,544	410,890
- General		8,400,000	5,750,000	-	-	8,400,000	5,750,000
- As per IFRS 9 in overseas branches		81,573	42,283	-	-	81,573	42,283
		8,746,117	6,203,173	17,830,419	11,606,594	26,576,536	17,809,767
Advances-net of provision		862,101,886	810,420,099	7,356,923	3,114,691	869,458,809	813,534,790

9.1 Includes net investment in finance lease as disclosed below:

	2023			2022		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
(Rupees in '000)						
Lease rentals receivable	11,064,215	13,280,877	24,345,092	11,441,881	15,575,991	27,017,872
Residual value	2,212,312	6,693,799	8,906,111	1,369,974	7,008,675	8,378,649
Minimum lease payments	13,276,527	19,974,676	33,251,203	12,811,855	22,584,666	35,396,521
Financial charges for future periods	(3,459,145)	(2,735,736)	(6,194,881)	(3,135,972)	(2,726,376)	(5,862,348)
Present value of minimum lease payments	9,817,382	17,238,940	27,056,322	9,675,883	19,858,290	29,534,173



9.2 Particulars of advances (Gross)

	2023	2022
	(Rupees in '000)	
In local currency	773,994,517	732,956,629
In foreign currencies	122,040,828	98,387,928
	<u>896,035,345</u>	<u>831,344,557</u>

9.3 Advances include Rs. 25,187.342 million (2022: Rs. 14,721.285 million) which have been placed under non-performing status as detailed below:

Category of classification	2023		2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	286,295	5,135	65,333	917
Substandard	2,235,618	524,859	887,349	211,101
Doubtful	8,725,151	4,305,429	926,869	463,175
Loss	5,063,316	4,971,436	4,618,496	4,552,653
	<u>16,310,380</u>	<u>9,806,859</u>	<u>6,498,047</u>	<u>5,227,846</u>
Overseas				
Overdue by:				
Upto 90 days	-	-	5,650,414	3,805,924
181 to 365 days	283,129	141,565	43,612	43,612
> 365 days	8,593,833	7,881,995	2,529,212	2,529,212
	<u>8,876,962</u>	<u>8,023,560</u>	<u>8,223,238</u>	<u>6,378,748</u>
Total	<u>25,187,342</u>	<u>17,830,419</u>	<u>14,721,285</u>	<u>11,606,594</u>

9.4 Particulars of provision against advances

Note	2023			2022		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	11,606,594	6,203,173	17,809,767	6,494,129	6,596,182	13,090,311
Exchange adjustments	1,751,369	9,995	1,761,364	663,797	99,778	763,575
Charge / (reversals) for the year						
- Specific provision	6,774,544	-	6,774,544	7,771,780	-	7,771,780
- General provision as per regulations	-	(146,346)	(146,346)	-	41,500	41,500
- General provision - As per IFRS 9 in overseas branches	-	29,295	29,295	-	(534,287)	(534,287)
- Reversals	(1,645,356)	-	(1,645,356)	(3,275,830)	-	(3,275,830)
	<u>5,129,188</u>	<u>2,532,949</u>	<u>7,662,137</u>	<u>4,495,950</u>	<u>(492,787)</u>	<u>4,003,163</u>
Amounts written off	9.5 (656,732)	-	(656,732)	(47,282)	-	(47,282)
Closing balance	<u>17,830,419</u>	<u>8,746,117</u>	<u>26,576,536</u>	<u>11,606,594</u>	<u>6,203,173</u>	<u>17,809,767</u>



9.4.1 Particulars of provision against advances

	2023			2022		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
In local currency	9,366,384	8,664,544	18,030,928	4,353,826	6,160,890	10,514,716
In foreign currencies	8,464,035	81,573	8,545,608	7,252,768	42,283	7,295,051
	<u>17,830,419</u>	<u>8,746,117</u>	<u>26,576,536</u>	<u>11,606,594</u>	<u>6,203,173</u>	<u>17,809,767</u>

9.4.2 In line with its prudent policies, the Bank has also made general provision of Rs. 2,650 million (2022: Nil), bringing the total of such provision to Rs. 8,400 million (2022: Rs. 5,750 million). This general provision is in addition to the requirements of the Prudential Regulations.

9.4.3 For the purposes of determining provision against domestic 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.

9.5	PARTICULARS OF WRITE OFFs	Note	2023 (Rupees in '000)	2022
9.5.1	Against Provisions Directly charged to Profit and Loss account	9.4	656,732 —	47,282 —
			<u>656,732</u>	<u>47,282</u>
9.5.2	Against Provisions Write Offs of below Rs. 500,000 Write Offs of Rs. 500,000 and above	9.6	284 656,448	409 46,873
			<u>656,732</u>	<u>47,282</u>

9.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

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 rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure I.

	Note	2023 (Rupees in '000)	2022
10. FIXED ASSETS			
Capital work-in-progress	10.1	4,293,549	3,175,654
Property and equipment	10.2	75,279,005	58,899,425
		<u>79,572,554</u>	<u>62,075,079</u>
10.1 Capital work-in-progress			
Civil works		1,756,006	1,173,278
Advance payment for purchase of equipments		613,294	228,417
Advance payment towards suppliers, contractors and property		1,879,756	1,752,554
Consultants' fee and other charges		44,493	21,405
		<u>4,293,549</u>	<u>3,175,654</u>



10.3 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2023. The revaluation was carried out by an independent valuer, M/s. Harvester Services (Pvt.) Limited on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in surplus of Rs. 14,216.516 million over the book value of the respective properties and also net deficit of Rs. 75.889 million on certain properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2023 would have been as follows:

	2023	2022
	(Rupees in '000)	
Leasehold land	<u>13,066,480</u>	<u>8,730,369</u>
Buildings on leasehold land	<u>13,141,824</u>	<u>6,399,816</u>

10.4 The cost of fully depreciated fixed assets that are still in use is as follows:

Furniture and fixture	315,817	276,867
Electrical, office and computer equipment	6,947,465	5,796,256
Vehicles	952,630	593,863
Improvements to leasehold buildings	2,255,124	1,960,799
	<u>10,471,036</u>	<u>8,627,785</u>

10.5 Details of disposal of fixed assets during the year:

Particulars	2023		
	Cost	Book value	Insurance claim
	(Rupees in '000)		
Habib Insurance Company Limited - (Related Party - Karachi)			
Furniture and fixture	2,072	760	1,027
Electrical, office and computer equipment	11,887	4,615	12,284
Vehicles	9,005	4,780	11,193

11. INTANGIBLE ASSETS

	2023	2022
	(Rupees in '000)	
Computer software		
At 01 January,		
Cost	2,181,373	1,776,092
Accumulated amortisation	(1,816,907)	(1,507,846)
Net book value	<u>364,466</u>	<u>268,246</u>
Year ended 31 December,		
Opening net book value	364,466	268,246
Additions - directly purchased	20,250	405,281
Amortisation charge	(260,254)	(309,061)
Closing net book value	<u>124,462</u>	<u>364,466</u>
At 31 December,		
Cost	2,201,623	2,181,373
Accumulated amortisation	(2,077,161)	(1,816,907)
Net book value	<u>124,462</u>	<u>364,466</u>
Rate of amortisation (percentage)	<u>50%</u>	<u>50%</u>
Useful life	<u>2 years</u>	<u>2 years</u>

11.1 As at 31 December 2023, the cost of fully amortised intangible assets still in use amounted to Rs. 1,781.397 million (2022: Rs. 1,560.078 million).



12. DEFERRED TAX ASSETS

	2023			
	As at 01 January	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision against diminution in the value of investments	5,573,505	278,117	–	5,851,622
Provision against loans and advances, off-balance sheet, etc.	2,131,285	3,612,022	–	5,743,307
Workers' welfare fund	1,659,964	988,444	–	2,648,408
	9,364,754	4,878,583	–	14,243,337
Taxable Temporary Differences on				
Accelerated tax depreciation	(1,713,566)	(417,014)	–	(2,130,580)
Surplus on revaluation of available-for-sale investments	4,245,359	–	(5,331,071)	(1,085,712)
Surplus on revaluation of fixed assets / non-banking assets	(2,215,527)	165,520	(7,184,926)	(9,234,933)
Surplus on revaluation of held-for-trading securities	(180)	180	–	–
	316,086	(251,314)	(12,515,997)	(12,451,225)
	9,680,840	4,627,269	(12,515,997)	1,792,112
	2022			
	As at 01 January	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision against diminution in the value of investments	1,364,207	4,209,298	–	5,573,505
Provision against loans and advances, off-balance sheet, etc.	2,083,606	47,679	–	2,131,285
Workers' welfare fund	1,186,908	473,056	–	1,659,964
Surplus on revaluation of available-for-sale investments	420,972	–	3,824,387	4,245,359
	5,055,693	4,730,033	3,824,387	13,610,113
Taxable Temporary Differences on				
Accelerated tax depreciation	(1,146,649)	(566,917)	–	(1,713,566)
Surplus on revaluation of fixed assets / non-banking assets	(1,833,576)	84,922	(466,873)	(2,215,527)
Surplus on revaluation of held-for-trading securities	(640)	460	–	(180)
	(2,980,865)	(481,535)	(466,873)	(3,929,273)
	2,074,828	4,248,498	3,357,514	9,680,840



13. OTHER ASSETS	Note	2023	2022
(Rupees in '000)			
Income / mark-up accrued in local currency - net of provision		82,921,325	41,885,628
Income / mark-up accrued in foreign currencies - net of provision		1,213,568	1,221,831
Advances, deposits, advance rent and other prepayments		3,390,303	1,552,508
Non-banking assets acquired in satisfaction of claims	13.1	3,862,121	3,651,344
Mark to market gain on forward foreign exchange contracts		2,322,982	2,685,804
Acceptances		39,174,104	47,907,675
Stationery and stamps on hand		1,144,768	710,733
Others	13.2	1,855,903	3,349,381
		<u>135,885,074</u>	<u>102,964,904</u>
Less: Provision held against other assets	13.3	(7,815)	(8,101)
Other Assets (net of provision)		<u>135,877,259</u>	<u>102,956,803</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1	253,183	135,608
Other Assets-total		<u>136,130,442</u>	<u>103,092,411</u>
13.1 Market value of non-banking assets acquired in satisfaction of claims		<u>4,115,923</u>	<u>3,898,631</u>
Market value of the non-banking assets acquired in satisfaction of claims has been carried out by independent valuers, M/s. K.G.Traders (Pvt.) Ltd., M/s. BFA (Pvt.) Ltd. and M/s. MYK Associates (Pvt.) Ltd. based on present physical condition and location of non-banking assets. Fair values were ascertained by the independent valuers under market approach through various enquiries conducted by them at site from real estate agents and brokers.			
		2023	2022
(Rupees in '000)			
13.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		3,786,952	950,942
Revaluations		121,553	-
Additions		214,035	2,843,229
Depreciation		(7,236)	(7,219)
Closing balance		<u>4,115,304</u>	<u>3,786,952</u>
13.2	During the year, the Bank paid Rs. 1,000 million towards subscription of 100% shares in AL Habib Exchange Company (Private) Limited (the Company). The Company is in process of obtaining license from SBP.		
		2023	2022
(Rupees in '000)			
13.3 Provision held against other assets			
Receivable against consumer loans		<u>7,815</u>	<u>8,101</u>
13.3.1 Movement in provision held against other assets			
Opening balance		8,101	7,497
Charge for the year		3,664	2,620
Reversals		(3,664)	(1,672)
Amount written off		-	948
		(286)	(344)
Closing balance		<u>7,815</u>	<u>8,101</u>
14. CONTINGENT ASSETS			
There were no contingent assets of the Bank as at 31 December 2023 (2022: Nil).			



	Note	2023	2022
(Rupees in '000)			
15. BILLS PAYABLE			
In Pakistan		<u>48,083,103</u>	<u>44,855,837</u>
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	16.1	91,978,556	88,423,421
Under renewable energy	16.2	17,584,226	17,089,222
Under long term financing for imported and locally manufactured plant and machinery	16.3	30,917,513	35,641,679
Under modernisation of small and medium enterprises	16.4	820,084	771,687
Under women entrepreneurship	16.5	36,843	29,253
Under financing facility for storage of agricultural produce	16.6	878,318	1,009,305
Under refinance scheme for payment of wages and salaries		-	544,994
Under temporary economic refinance facility	16.7	36,625,315	39,132,557
Under refinance facility for combating COVID-19	16.8	155,920	188,889
		178,996,775	182,831,007
Repurchase agreement borrowings	16.9	297,246,807	230,164,208
Total secured		476,243,582	412,995,215
Unsecured			
Call borrowings		-	5,500,000
Overdrawn nostro accounts		1,194,452	494,245
Total unsecured		1,194,452	5,994,245
		<u>477,438,034</u>	<u>418,989,460</u>
16.1	These carry mark - up rates ranging from 1% to 18% (2022: 1% to 10%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.		
16.2	These carry mark - up rates of 2% to 3% (2022: 2% to 3%) per annum having maturity periods over ten years.		
16.3	These carry mark - up rates ranging from 2% to 15% (2022: 2% to 9%) per annum having maturity periods upto ten years.		
16.4	These carry mark - up rates of 2% (2022: 2%) per annum having maturity periods upto ten years.		
16.5	These carry mark - up rate of Nil (2022: Nil) per annum having maturity periods upto five years.		
16.6	These carry mark - up rates from 2% to 3.5% (2022: 2% to 3.5%) per annum having maturity periods upto seven years.		
16.7	These carry mark - up rates of 1% (2022: 1%) per annum having maturity periods over ten years.		
16.8	These carry mark - up rate of Nil (2022: Nil) per annum having maturity periods upto five years.		
16.9	These repurchase agreement borrowings are secured against Market Treasury Bills. These carry effective mark - up rates ranging from 21.75% to 22.98% (2022: 15.22% to 16.20%) per annum, having maturity periods upto one month.		



16.10 Particulars of borrowings with respect to currencies

	2023	2022
	(Rupees in '000)	
In local currency	476,243,582	418,495,215
In foreign currencies	1,194,452	494,245
	<u>477,438,034</u>	<u>418,989,460</u>

17. DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	595,309,808	56,445,179	651,754,987	515,194,125	53,700,013	568,894,138
Savings deposits	640,708,283	50,248,962	690,957,245	402,129,430	51,436,347	453,565,777
Term deposits	215,403,093	70,650,094	286,053,187	225,036,480	48,657,036	273,693,516
Current deposits - remunerative	187,912,301	5,250,507	193,162,808	162,972,729	6,476,707	169,449,436
Others	29,720,340	18,887,944	48,608,284	36,607,996	12,203,992	48,811,988
	<u>1,669,053,825</u>	<u>201,482,686</u>	<u>1,870,536,511</u>	<u>1,341,940,760</u>	<u>172,474,095</u>	<u>1,514,414,855</u>
Financial institutions						
Current deposits	10,386,373	515,221	10,901,594	5,701,409	576,226	6,277,635
Savings deposits	14,463,621	29	14,463,650	21,876,618	22	21,876,640
Term deposits	1,483,491	449,568	1,933,059	727,223	293,228	1,020,451
Current deposits - remunerative	35,228,067	955,619	36,183,686	23,822,116	686,547	24,508,663
Others	18,010	-	18,010	39,811	-	39,811
	<u>61,579,562</u>	<u>1,920,437</u>	<u>63,499,999</u>	<u>52,167,177</u>	<u>1,556,023</u>	<u>53,723,200</u>
	<u>1,730,633,387</u>	<u>203,403,123</u>	<u>1,934,036,510</u>	<u>1,394,107,937</u>	<u>174,030,118</u>	<u>1,568,138,055</u>

	2023	2022
	(Rupees in '000)	
17.1 Composition of deposits		
- Individuals	1,234,830,302	973,642,209
- Government (Federal and Provincial)	65,896,212	47,765,573
- Public Sector Entities	10,503,831	57,457,148
- Banking Companies	346,095	463,478
- Non-Banking Financial Institutions	63,153,904	53,259,722
- Private Sector	559,306,166	435,549,925
	<u>1,934,036,510</u>	<u>1,568,138,055</u>

17.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 1,395,296.889 million (2022: Rs. 1,078,398.465 million).



	Note	2023 (Rupees in '000)	2022
18. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - VI	18.1	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII	18.2	3,992,000	3,993,600
Term Finance Certificates (TFCs) - VIII	18.3	4,996,000	4,998,000
Term Finance Certificates (TFCs) - IX	18.4	7,000,000	7,000,000
Term Finance Certificates (TFCs) - X	18.5	6,997,200	7,000,000
		<u>29,985,200</u>	<u>29,991,600</u>

18.1 Term Finance Certificates - VI

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA+
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.50% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



18.2 Term Finance Certificates - VII

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.3 Term Finance Certificates - VIII

Issue amount	Rupees 5,000 million
Issue date	September 2021
Maturity date	September 2031
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 0.75% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



18.4 Term Finance Certificates-IX

Issue amount	Rupees 7,000 million
Issue date	April 2022
Maturity date	Perpetual
Rating	AA+
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.65% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.5 Term Finance Certificates-X

Issue amount	Rupees 7,000 million
Issue date	December 2022
Maturity date	December 2032
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.35% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



	Note	2023	2022
(Rupees in '000)			
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		7,172,666	7,727,692
Mark-up / return / interest payable in foreign currencies		1,064,432	380,651
Unearned commission income		1,706,124	692,150
Accrued expenses		4,948,584	3,284,380
Acceptances		39,174,104	47,907,675
Unclaimed / dividend payable		921,969	632,731
Mark to market loss on forward foreign exchange contracts		2,504,312	1,106,213
Branch adjustment account		3,625,247	1,343,949
Payable to defined benefit plan		2,200,083	1,376,805
Charity payable		59,665	23,820
Provision against off - balance sheet items	19.1	226,549	110,059
Security deposits against leases / ijarah		9,423,299	8,899,624
Provision for compensated absences	19.2	1,717,463	1,311,882
Other security deposits		1,245,904	878,993
Workers' welfare fund		5,404,914	3,860,382
Payable to SBP / NBP		10,851,474	4,581,075
Insurance payable		543,505	683,385
Lease liability against right-of-use assets		14,633,878	14,213,811
Current taxation (payments less provisions)		8,565,737	2,301,542
ATM switch settlement account		2,564,029	3,059,347
Clearing and settlement account		1,585,454	7,198,150
Others		4,731,081	3,276,517
		124,870,473	114,850,833
19.1 Provision against off - balance sheet obligations			
Opening balance		110,059	173,319
Exchange adjustment against IFRS 9 in overseas branches		1,245	21,866
Charge for the year		107,390	27,330
As per IFRS 9 in overseas branches		7,905	(109,073)
Reversals		(50)	(3,383)
		115,245	(85,126)
Closing balance		226,549	110,059
19.1.1 The provision against off-balance sheet obligations includes provision in respect of letter of credit, letter of guarantees and shipping guarantee.			
19.2 Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:			
		2023	2022
		(% per annum)	
Discount rate		15.50%	14.25%
Expected rate of increase in salary in future years		15.50%	13.25%



20. SHARE CAPITAL

20.1 Authorised Capital

2023	2022		2023	2022
Number of shares			(Rupees in '000)	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>20,000,000</u>	<u>20,000,000</u>

20.2 Issued, subscribed and paid up capital

2023	2022		2023	2022
Number of shares				
<u>30,000,000</u>	30,000,000	Fully paid in cash	<u>300,000</u>	300,000
<u>1,081,425,416</u>	<u>1,081,425,416</u>	Issued as bonus shares	<u>10,814,254</u>	<u>10,814,254</u>
<u>1,111,425,416</u>	<u>1,111,425,416</u>		<u>11,114,254</u>	<u>11,114,254</u>

20.3 As of statement of financial position date 161,380,377 (2022: 161,380,377) ordinary shares of Rs.10/- each were held by the related parties.

Note
2023
2022
(Rupees in '000)

21. SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of:

- Available for sale securities	8.1	2,215,739	(9,872,929)
- Fixed assets	21.1	22,634,109	8,675,522
- Non-banking assets acquired in satisfaction of claims	21.2	253,183	135,608
		25,103,031	(1,061,799)

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities		1,085,712	(4,245,359)
- Fixed assets	21.1	9,188,502	2,226,730
- Non-banking assets acquired in satisfaction of claims	21.2	116,779	59,145
		10,390,993	(1,959,484)
		14,712,038	897,685

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at 01 January	8,675,522	8,869,136
Surplus on revaluation of the Bank's fixed assets during the year	14,292,405	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(333,818)	(193,614)
Surplus on revaluation of fixed assets as at 31 December	22,634,109	8,675,522

Less: related deferred tax liability on:

- revaluation as at 01 January	2,226,730	1,849,120
- adjustment / revaluation recognised during the year	7,125,343	460,864
- incremental depreciation charged during the year	(163,571)	(83,254)
	9,188,502	2,226,730
	13,445,607	6,448,792



	Note	2023 (Rupees in '000)	2022
21.2 Surplus on revaluation of non - banking assets acquired in satisfaction of claims			
Surplus on revaluation of non-banking assets as at 01 January		135,608	139,488
Surplus on revaluation of non-banking assets during the year		121,553	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(3,978)	(3,880)
Surplus on revaluation of non-banking assets as at 31 December		253,183	135,608
Less: related deferred tax liability on:			
- revaluation as at 01 January		59,145	54,804
- adjustment / revaluation recognised during the year		59,583	6,009
- incremental depreciation charged during the year		(1,949)	(1,668)
		116,779	59,145
		136,404	76,463
22. CONTINGENCIES AND COMMITMENTS			
- Guarantees	22.1	185,470,538	164,254,110
- Commitments	22.2	497,808,811	347,436,086
- Other contingent liabilities	22.3	5,019,188	1,887,763
		688,298,537	513,577,959
22.1 Guarantees:			
Financial guarantees		28,634,285	24,753,930
Performance guarantees		156,836,253	139,500,180
		185,470,538	164,254,110
22.2 Commitments:			
Documentary credits and short term trade-related transactions			
- letters of credit		287,964,804	225,453,786
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	204,174,136	114,512,491
- forward lending	22.2.2	3,955,661	6,328,518
Commitments for acquisition of:			
- operating fixed assets		1,714,210	1,141,291
		497,808,811	347,436,086
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		123,771,146	78,111,679
Sale		80,402,990	36,400,812
		204,174,136	114,512,491
The maturities of above contracts are spread over the periods upto one year.			
22.2.2 Commitments in respect of forward lending		3,955,661	6,328,518
These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			



	2023	2022
	(Rupees in '000)	
22.3 Claims against the Bank not acknowledged as debts	<u>5,019,188</u>	<u>1,887,763</u>
22.4 Other contingent liabilities		

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2022 (Tax Year 2023) including Azad Kashmir and Gilgit Baltistan operations. The income tax assessments of the Bank (including Azad Kashmir operations) have been finalized upto and including tax year 2022.

Matters of disagreement exist between the Bank and tax authorities for various tax years and are pending with the Commissioner Inland Revenue (Appeals) and Income Tax Appellate Tribunal (ITAT). These issues mainly relate to addition of general provision (specific), reversal of provision for non-performing loans, charge for defined benefit plan and provision for compensated absences.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses resulting in an impact of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 154.201 million. The resulted aggregate net tax impact stands at Rs. 147.655 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 224.625 million. The resulted aggregate net tax impact stands at Rs. 80.557 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2018 (Accounting Year 2017) by allowing certain expenses resulting in an impact of Rs. 65.722 million. The resulted aggregate net tax impact stands at Rs. 194.376 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2019 (Accounting Year 2018) by disallowing certain expenses resulting in an impact of Rs. 173.799 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2020 (Accounting Year 2019) by disallowing certain expenses resulting in an impact of Rs. 873.437 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2021 (Accounting Year 2020) by disallowing certain expenses resulting in an impact of Rs. 1,734.859 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.



Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2022 (Accounting Year 2021) by disallowing certain expense resulting in an impact of Rs. 920.741 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

Deputy Commissioner Inland Revenue (DCIR) has passed order against Federal Excise Duty levy on certain items for the period from January 2018 to December 2019. The resulted aggregate net tax impact stands at Rs. 17.524 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. Appellate Tribunal – Punjab Revenue Authority has remanded back the order of Commissioner (HQ), Punjab Revenue Authority.

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals), Mirpur AJ&K has annulled the amendments made by Assistant Commissioner Inland Revenue, Mirpur AJ&K for Tax Year 2014 to 2018. This resulted in a favorable aggregate net tax impact of Rs. 93.443 million.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2019 by disallowing certain expenses resulting in an impact of Rs. 92.311 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2020 by disallowing certain expenses resulting in an impact of Rs. 6.608 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2021 by disallowing certain expenses resulting in an impact of Rs. 7.031 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2022 by disallowing certain expenses resulting in an impact of Rs. 12.804 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters.

23. DERIVATIVE INSTRUMENTS

The Bank 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 Bank's 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 Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter - bank foreign exchange market.



23.1 Product Analysis

Counter Parties	2023					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
	(Rupees in '000)					
Banks						
Hedging	33,947,415	587,431	67,117,360	775,893	101,064,775	1,363,324
Other Entities						
Hedging	103,109,361	(1,544,654)	–	–	103,109,361	(1,544,654)
Total						
Hedging	<u>137,056,776</u>	<u>(957,223)</u>	<u>67,117,360</u>	<u>775,893</u>	<u>204,174,136</u>	<u>(181,330)</u>
	2022					
Banks						
Hedging	6,657,489	(79,494)	57,727,922	472,630	64,385,411	393,136
Other Entities						
Hedging	50,127,080	1,186,455	–	–	50,127,080	1,186,455
Total						
Hedging	<u>56,784,569</u>	<u>1,106,961</u>	<u>57,727,922</u>	<u>472,630</u>	<u>114,512,491</u>	<u>1,579,591</u>

23.2 Maturity Analysis

	2023				
	Number of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
	(Rupees in '000)				
Upto 1 month	379	83,672,301	(648,268)	1,093,484	445,216
1 to 3 months	568	72,676,016	(1,330,312)	660,930	(669,382)
3 to 6 months	400	41,419,915	(379,053)	465,153	86,100
6 months to 1 year	340	6,405,904	(146,679)	103,415	(43,264)
	<u>1,687</u>	<u>204,174,136</u>	<u>(2,504,312)</u>	<u>2,322,982</u>	<u>(181,330)</u>
	2022				
Upto 1 month	309	44,674,521	(486,472)	1,246,699	760,227
1 to 3 months	469	50,246,423	(535,680)	904,348	368,668
3 to 6 months	318	16,445,297	(74,497)	420,589	346,092
6 months to 1 year	53	3,146,250	(9,564)	114,168	104,604
	<u>1,149</u>	<u>114,512,491</u>	<u>(1,106,213)</u>	<u>2,685,804</u>	<u>1,579,591</u>



	Note	2023 (Rupees in '000)	2022
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		137,320,956	80,465,357
On investments		232,937,902	117,558,806
On deposits with financial institutions		1,044,571	716,991
On securities purchased under resale agreements		2,508,387	2,113,709
On lending to financial institutions		90,326	66,021
On call money lendings		316	–
		373,902,458	200,920,884
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		187,317,471	89,418,140
Borrowings from SBP		11,095,058	7,013,123
Subordinated debt		6,380,172	3,161,147
Cost of foreign currency swaps		6,450,761	2,990,706
Repurchase agreement borrowings		36,336,008	18,461,522
Mark-up expense on lease liability against right-of-use assets		1,568,789	1,313,510
Other borrowings		606,590	1,243,939
		249,754,849	123,602,087
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,931,099	1,380,944
Investment banking fees		115,621	97,747
Consumer finance related fees		45,187	53,877
Card related fees (debit and credit cards)		3,686,735	2,858,630
Credit related fees		395,209	456,071
Commission on trade		5,962,923	5,480,866
Commission on guarantees		900,637	766,519
Commission on cash management		258,408	252,702
Commission on home remittances		523,426	186,047
Others		51,874	61,699
		13,871,119	11,595,102
27. GAIN / (LOSS) ON SECURITIES - NET			
Realised	27.1	1,732	184,029
Unrealised-held for trading		–	(1,222)
		1,732	182,807
27.1 Realised gain / (loss) on:			
Federal Government Securities		1,124	4,565
Shares		16,417	126,208
Mutual Funds		(15,809)	53,256
		1,732	184,029
28. OTHER INCOME			
Rent on property		12,840	11,690
Gain on sale of fixed assets-net		453,343	448,906
Recovery of expenses from customers	28.1	466,718	348,436
Lockers rent		25,718	21,871
Others		2,311	3,833
		960,930	834,736
28.1			
Includes courier, SWIFT, postage and other charges recovered from customers.			



	Note	2023 (Rupees in '000)	2022
29. OPERATING EXPENSES			
Total compensation expenses	29.1	28,179,302	21,975,534
Property expenses			
Rent and taxes		195,147	292,106
Insurance		21,802	13,605
Utilities cost		3,381,054	2,534,806
Security (including guards)		1,942,989	1,472,103
Repair and maintenance (including janitorial charges)		711,766	511,790
Depreciation		3,691,224	3,302,189
		9,943,982	8,126,599
Information technology expenses			
Software maintenance		2,903,784	1,980,747
Hardware maintenance		1,046,896	681,346
Depreciation		996,642	699,807
Amortisation		260,254	309,061
Network charges		706,796	565,114
		5,914,372	4,236,075
Other operating expenses			
Directors' fees and allowances		45,270	43,520
Fees and allowances to Shariah Board		25,167	18,919
Insurance		899,933	755,732
Legal and professional charges		477,395	458,140
Outsourced services costs	29.2	3,528,424	2,173,515
Travelling and conveyance		506,478	441,032
NIFT and other clearing charges		217,715	198,238
Depreciation		2,175,461	1,707,582
Repair and maintenance		2,556,051	1,942,999
Training and development		134,966	67,010
Postage and courier charges		377,041	383,873
Communication		2,223,443	701,072
Stationery and printing		1,838,722	1,262,891
Marketing, advertisement and publicity		1,802,011	630,714
Donations	29.3	619,060	392,000
Auditors remuneration	29.4	17,506	15,601
Commission and brokerage		1,550,903	945,992
Entertainment and staff refreshment		683,377	527,788
Vehicle running expenses		4,414,345	2,805,810
Subscriptions and publications		333,153	266,736
CNIC verification charges		220,583	184,711
Security charges		757,476	645,805
Others		831,638	879,161
		26,236,118	17,448,841
		70,273,774	51,787,049
29.1 Total compensation expense			
Fees and allowances etc.		2,966,117	1,673,362
Managerial remuneration		16,856,753	13,298,038
Charge for defined benefit plan		832,728	628,504
Contribution to defined contribution plan		1,032,446	868,786
Rent and house maintenance		4,374,094	3,775,860
Utilities		1,094,305	945,430
Medical		589,575	584,679
Charge for employees compensated absences		399,896	175,616
Social security		4,495	3,258
Staff indemnity		28,893	22,001
		28,179,302	21,975,534



The compensation provided by the Bank to employees is composed of fixed pay structures and do not include any variable element that varies based on performance benchmarks or targets.

29.2 Total cost for the year included in other operating expenses relating to material outsourced activities is Rs. 73.861 million (2022: Rs. 49.465 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:

S.No.	Name of material outsourced activity	Name of service provider	Nature of service
1.	Point of Sale (POS) Acquiring	M/s. Wemsol (Private) Limited	Terminal Management & Merchant On Boarding
2.	Vision Plus-Credit Card System	M/s. Arab Financial Services (AFS)	Credit Card

29.3 The detail of donations is given below:

	2023 (Rupees in '000)	2022
Al-Sayyeda Benevolent Trust	6,000	12,000
Childlife Foundation	20,000	15,000
Ghulaman-e-Abbas Educational & Medical Trust*	12,000	6,000
Habib Education Trust**	12,000	12,000
Habib Medical Trust	12,000	12,000
Habib Poor Fund*	6,000	12,000
Lahore University of Management Sciences / National Management Foundation	-	50,000
Masoomen Hospital Trust	12,000	-
Memon Health & Education Foundation	125,000	75,000
Jinnah Foundation (Memorial) Trust	-	2,000
Patients' Aid Foundation	131,860	75,000
Rahmatbai Habib Food and Clothing Trust	12,000	12,000
Rahmatbai Habib Widows and Orphans Trust	12,000	12,000
The Citizens Foundation	8,400	6,800
The Health Foundation	-	1,000
The Indus Hospital	249,800	79,200
The Kidney Centre	-	10,000
	<u>619,060</u>	<u>392,000</u>

* Mr. Murtaza H. Habib, Director, is Trustee of Ghulaman-e-Abbas Educational & Medical Trust and Habib Poor Fund.

** Mr. Qumail R. Habib, Executive Director, is Managing Trustee of Habib Education Trust.

29.4 Auditors' remuneration

	2023 (Rupees in '000)	2022
Audit fee	7,150	5,500
Half yearly review	2,275	1,750
Other certifications	5,699	6,665
Gratuity fund	228	175
Out of pocket expenses	2,154	1,511
	<u>17,506</u>	<u>15,601</u>

30. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	<u>228,401</u>	<u>156,435</u>
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	Note	2023 (Rupees in '000)	2022
31. PROVISIONS AND WRITE OFFS-NET			
(Reversal) / provision for diminution in value of investments - net	8.3	(3,653,116)	8,951,736
Provision against loans and advances - net	9.4	7,662,137	4,003,163
Provision against other assets		-	948
Provision / (reversal) against off-balance sheet items	19.1	115,245	(85,126)
Provision against balance with other banks		47	15
Loss on revaluation of fixed asset - net	10.3	75,889	-
		<u>4,200,202</u>	<u>12,870,736</u>
32. TAXATION			
Current		37,487,623	20,562,121
Prior years		2,948,228	-
Deferred		(4,627,269)	(4,248,498)
		<u>35,808,582</u>	<u>16,313,623</u>
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>71,127,957</u>	<u>32,883,852</u>
Tax at the applicable rate of 39% (2022: 39%)		27,739,903	12,824,702
Tax effects of:			
Items that are not deductible in determining taxable income		(2,530,084)	(707,430)
Prior years		2,948,228	-
Tax effect of super tax		7,650,535	4,196,351
		<u>35,808,582</u>	<u>16,313,623</u>
32.1.1			
The effective tax rate for the year is 50.34% (2022: 49.61%).			
32.1.2			
In terms of the provisions of Section 99D of the Income Tax Ordinance, 2001, the Federal Government through FBR's notification dated 21 November 2023, imposed additional tax at the rate of 40 percent in relation to the foreign exchange income of the banking sector for the financial years 2021 and 2022. The Bank has challenged the imposition of such additional tax before Lahore High Court. The Honorable Lahore High Court has granted stay and petition is pending for final adjudication. However, the Bank has made full provision for this tax in the financial statements, on prudence basis.			
	Note	2023 (Rupees in '000)	2022
33. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		<u>35,319,375</u>	<u>16,570,229</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic and diluted earnings per share		<u>31.78</u>	<u>14.91</u>
		2023 (Rupees in '000)	2022
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	141,815,998	94,163,585
Balances with other banks	6	6,580,672	15,067,261
Overdrawn nostro accounts	16	(1,194,452)	(494,245)
		<u>147,202,218</u>	<u>108,736,601</u>



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

	2023		
	Subordinated debt	Lease liability (Rupees in '000)	Dividend payable
Balance as at 01 January 2023	29,991,600	14,213,811	632,731
Changes from financing cash flows			
Payments against subordinated debt	(6,400)	–	–
Payment against lease liability-net	–	(3,295,084)	–
Dividend paid	–	–	(17,493,572)
Total changes from financing cash flows	(6,400)	(3,295,084)	(17,493,572)
Other changes			
Addition to right-of-use-assets-net	–	2,146,362	–
Mark-up expense on lease liability against right-of-use assets	–	1,568,789	–
Final cash dividend (Rs. 7.00 per share)-December 2022	–	–	7,779,978
Interim cash dividend (Rs. 4.50 per share)-June 2023	–	–	5,001,416
Interim cash dividend (Rs. 4.50 per share)-September 2023	–	–	5,001,416
	–	3,715,151	17,782,810
Balance as at 31 December 2023	29,985,200	14,633,878	921,969
	2022		
	Subordinated debt	Lease liability (Rupees in '000)	Dividend payable
Balance as at 01 January 2022	15,995,200	12,235,539	546,228
Changes from financing cash flows			
Receipts against subordinated debt-net	13,996,400	–	–
Payment against lease liability-net	–	(2,759,611)	–
Dividend paid	–	–	(7,693,475)
Total changes from financing cash flows	13,996,400	(2,759,611)	(7,693,475)
Other changes			
Addition to right-of-use-assets-net	–	3,424,373	–
Mark-up expense on lease liability against right-of-use assets	–	1,313,510	–
Final cash dividend (Rs. 7.00 per share)-December 2021	–	–	7,779,978
	–	4,737,883	7,779,978
Balance as at 31 December 2022	29,991,600	14,213,811	632,731

	2023	2022
	(Number)	
35. STAFF STRENGTH		
Permanent	16,766	16,201
Temporary / on contractual basis	216	271
Bank's own staff at end of the year	16,982	16,472
Outsourced	3,550	3,362
Total staff strength	20,532	19,834
35.1 Domestic	20,486	19,788
Offshore	46	46
	20,532	19,834



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

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 / losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss account in subsequent periods.

36.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 16,793 (2022: 16,180).

36.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2023 and the significant assumptions used for actuarial valuation were as follows:

	2023	2022
Discount rate	15.50%	14.50%
Expected rate of return on plan assets	15.50%	14.50%
Expected rate of salary increase : Year 1	15.50%	13.50%
Year 2	15.50%	13.50%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate

36.4 Reconciliation of payable to defined benefit plan

	2023	2022
	(Rupees in '000)	
Present value of obligations	8,964,117	6,616,783
Fair value of plan assets	(6,764,034)	(5,239,978)
Payable	<u>2,200,083</u>	<u>1,376,805</u>

36.5 Movement in defined benefit obligations

Obligation at the beginning of the year	6,616,783	5,252,581
Current service cost	646,160	520,208
Interest cost	979,667	632,235
Benefits paid during the year	(283,344)	(129,371)
Remeasurement loss	1,004,851	341,130
Obligation at the end of the year	<u>8,964,117</u>	<u>6,616,783</u>



	Note	2023	2022
		(Rupees in '000)	
36.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		5,239,978	4,278,268
Interest income on plan assets		793,099	523,939
Contribution by the Bank-net		832,728	628,504
Actual benefits paid during the year		(283,344)	(129,371)
Remeasurement gain / (loss) on plan assets	36.8.2	181,573	(61,362)
Fair value at the end of the year		<u>6,764,034</u>	<u>5,239,978</u>
36.7 Movement in payable under defined benefit scheme			
Opening balance		1,376,805	974,313
Charge for the year		832,728	628,504
Contribution by the Bank		(832,728)	(628,504)
Remeasurement loss recognised in Other Comprehensive Income during the year	36.8.2	823,278	402,492
Closing balance		<u>2,200,083</u>	<u>1,376,805</u>
36.8 Charge for defined benefit plan			
36.8.1 Cost recognised in profit and loss			
Current service cost		646,160	520,208
Net interest on defined benefit liability		186,568	108,296
		<u>832,728</u>	<u>628,504</u>
36.8.2 Re-measurements recognised in OCI during the year			
Loss on obligation			
- Financial assumptions		887,465	95,997
- Experience assumptions		117,386	245,133
		1,004,851	341,130
Actuarial (gain) / loss on plan assets		(181,573)	61,362
Total remeasurement loss recognised in OCI		<u>823,278</u>	<u>402,492</u>
36.9 Components of plan assets			
Cash and cash equivalents-net		1,173,381	20,897
Government securities		5,590,653	5,219,081
Total fair value of plan assets		<u>6,764,034</u>	<u>5,239,978</u>



36.10 Sensitivity analysis

	2023 (Rupees in '000)
1% increase in discount rate	8,160,615
1% decrease in discount rate	9,899,480
1% increase in expected rate of salary increase	9,933,541
1% decrease in expected rate of salary increase	8,118,733

36.11 Expected contributions to be paid to the funds in the next financial year

1,205,128

36.12 Expected charge for the next financial year

1,205,128

36.13 Maturity profile

The weighted average duration of the obligation is 9.65 years.

	2023 (Rupees in '000)
Distribution of timing of benefit payments within the next 12 months (next annual reporting period)	737,810
between 1 and 5 years	3,376,529
between 6 and 10 years	9,614,670
	<u>13,729,009</u>

36.14 Funding Policy

The Bank will fund the yearly contribution to the defined benefit plan each year, as per the amount calculated by the valuer.

36.15 Significant Risk

Asset Volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly floating income bonds. Almost 82.65% of the total investment (Rs. 5.591 billion) is invested in PIBs. This gives rise to significant reinvestment risk.

The asset class is volatile with reference to the yield on PIBs. This risk should be viewed together with change in the bond yield risk.

Changes in Bond Yields

There are two dimensions to the changes in bond yields: first, as described above; second, the valuation of the gratuity liability is discounted with reference to these bond yields. So any increase in bond yields will lower the gratuity liability and vice versa, but, it will also lower the asset values.

Inflation Risk

The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that asset values will also decrease, the salary inflation does, as an overall affect, increases the net liability of the Bank.



Life Expectancy / Withdrawal Rate

The gratuity is paid off at the maximum of age 60. The life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the gratuity. Thus, the risk of life expectancy is almost negligible. However, had a post retirement benefit been given by the Bank like monthly pension, post retirement medical etc., this would have been a significant risk which would have been quite difficult to value even by using advance mortality improvement models.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions.

Other Risks

Though, not imminent and observable, over long term there are some risks that may crystallize. This includes:

Model Risk

The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the gratuity fund are also marked to market. This two-tier valuation gives rise to the model risk.

Retention Risk

The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.

Final Salary Risk

The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.

Operational Risk related to a Separate Entity

Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank.

Generally, the protocols, processes and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit funds. This gives rise to some specific operational risks.

Compliance Risk

The risk that retirement benefits offered by the Bank does not comply with minimum statutory requirements.

Legal / Political Risk

The risk that the legal / political environment changes and the Bank is required to offer additional or different retirement benefits than what the Bank projected.

37. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.9.

	2023 (Rupees in '000)
Contributions made during the year :	
Employer's contribution	<u>1,032,666</u>
Employees' contribution	<u>1,032,666</u>

The number of employees covered under the defined contribution plan are 15,243 (2022: 14,282).



38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense

	2023						
	Chairman	Directors Executives (other than CE)	Non- Executives	Members Shariah Board	Chief Executive	Key Management Personnel	Other Risk Takers / Controllers
	(Rupees in '000)						
Fees and allowances etc.	11,520	–	33,750	–	–	–	–
Managerial remuneration	–	47,375	–	16,665	115,067	627,506	2,187,409
Charge for defined benefit plan	–	–	–	–	45,421	132,025	222,518
Contribution to defined contribution plan	–	–	–	220	8,107	38,590	152,692
Rent and house maintenance	–	13,350	–	6,298	32,427	179,188	626,639
Utilities	–	3,338	–	1,576	8,107	44,797	156,659
Medical	–	–	–	144	–	1,224	43,063
Others	–	–	–	264	–	2,809	322,132
Total	11,520	64,063	33,750	25,167	209,129	1,026,139	3,711,112
Number of persons	1	1	8	4	1	34	1,233
	2022						
Fees and allowances etc.	11,520	–	32,000	–	–	–	–
Managerial remuneration	–	38,873	–	12,373	87,733	428,206	1,843,317
Charge for defined benefit plan	–	–	–	–	39,161	99,627	257,513
Contribution to defined contribution plan	–	–	–	218	6,640	25,489	135,012
Rent and house maintenance	–	11,662	–	4,736	26,560	131,845	566,053
Utilities	–	2,916	–	1,184	6,640	32,961	141,513
Medical	–	–	–	144	–	1,065	41,164
Others	–	–	–	264	–	3,608	199,621
Total	11,520	53,451	32,000	18,919	166,734	722,801	3,184,193
Number of persons	1	1	10	4	1	33	1,189



Chief Executive, Executive Director, Members Shariah Board, Key Management Personnel and Other Risk Takers / Controllers are entitled to Bank's maintained cars with fuel 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, security arrangements and payment of travel bills in accordance with their terms of employment.

Chairman of the Board is also entitled to Bank's maintained cars with fuel, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2023							
		Meeting Fees							
		For Board Committees							
S.No.	Name of Director	For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
(Rupees in '000)									
1.	Mr. Abbas D. Habib	3,840	–	3,840	–	–	–	3,840	11,520
2.	Mr. Anwar Haji Karim	1,000	2,000	–	1,000	–	–	–	4,000
3.	Ms. Farhana Mowjee Khan	1,000	2,000	1,000	1,000	–	750	–	5,750
4.	Syed Mazhar Abbas	1,000	2,000	1,000	–	1,000	–	–	5,000
5.	Syed Hasan Ali Bukhari	–	–	–	–	–	–	–	–
6.	Mr. Safar Ali Lakhani	–	–	–	–	–	–	–	–
7.	Mr. Murtaza H. Habib	1,000	–	1,000	–	1,000	–	–	3,000
8.	Mr. Arshad Nasar	1,000	2,000	1,000	–	1,000	1,000	1,000	7,000
9.	Mr. Adnan Afridi	1,000	–	–	1,000	–	–	–	2,000
10.	Mr. Mohammad Rafiquddin Mehkari	1,000	2,000	–	1,000	1,000	–	–	5,000
11.	Mr. Javed Iqbal	1,000	–	–	–	–	–	1,000	2,000
		11,840	10,000	7,840	4,000	4,000	1,750	5,840	45,270



2022

Meeting Fees

For Board Committees

S.No.	Name of Director	For Board Meetings	Human Resource & Remuneration Committee					IT Committee	Total Amount Paid
			Audit Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee			
(Rupees in '000)									
1.	Mr. Abbas D. Habib	3,840	–	3,840	–	–	–	3,840	11,520
2.	Mr. Anwar Haji Karim	1,000	1,750	–	1,000	–	–	–	3,750
3.	Ms. Farhana Mowjee Khan	1,000	1,000	1,000	1,000	–	–	–	4,000
4.	Syed Mazhar Abbas	1,000	1,750	1,000	–	1,500	–	500	5,750
5.	Syed Hasan Ali Bukhari	250	500	250	–	250	250	–	1,500
6.	Mr. Safar Ali Lakhani	250	500	–	250	250	–	–	1,250
7.	Mr. Murtaza H. Habib	1,000	–	500	–	1,500	–	–	3,000
8.	Mr. Arshad Nasar	1,000	1,750	1,000	–	1,000	1,000	1,000	6,750
9.	Mr. Adnan Afridi	1,000	–	–	1,000	–	–	–	2,000
10.	Mr. Mohammad Rafiquddin Mehkari	500	1,000	–	500	1,000	–	–	3,000
11.	Mr. Javed Iqbal	500	–	–	–	–	–	500	1,000
		<u>11,340</u>	<u>8,250</u>	<u>7,590</u>	<u>3,750</u>	<u>5,500</u>	<u>1,250</u>	<u>5,840</u>	<u>43,520</u>

38.3 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non-Resident Members	Chairman	Resident Member	Non-Resident Members
	(Rupees in '000)					
Managerial remuneration	7,996	3,117	5,552	6,000	2,133	4,240
Contribution to defined contribution plan	–	220	–	–	218	–
Rent and house maintenance	3,198	880	2,220	2,400	640	1,696
Utilities	800	220	556	600	160	424
Medical	36	36	72	36	36	72
Others	–	264	–	–	264	–
Total	<u>12,030</u>	<u>4,737</u>	<u>8,400</u>	<u>9,036</u>	<u>3,451</u>	<u>6,432</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>



39. FAIR VALUE MEASUREMENTS

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)
Foreign securities	Market prices / Mashreqbank PSC
Listed securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual funds	Net asset values declared by respective funds
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 debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies as stated in notes 4.12 and 4.4.

39.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

There were no transfers between levels 1 and 2 during the year.

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2023			Total
	Level 1	Level 2 (Rupees in '000)	Level 3	
On balance sheet financial instruments				
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	1,108,519,495	–	1,108,519,495
Shares	4,015,046	–	–	4,015,046
Non-Government Debt Securities	4,988,532	4,188,251	–	9,176,783
Foreign Securities	–	5,886,195	–	5,886,195
Units of Mutual Funds	–	4,264,072	–	4,264,072
Financial assets disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	358,464,148	–	358,464,148
Non-Government Debt Securities	–	1,823,596	–	1,823,596
Associates				
Mutual Funds	–	4,685,268	–	4,685,268
Off balance sheet financial instruments measured at fair value				
For ward purchase of foreign e change contracts	–	122,491,971	–	122,491,971
For ward sale of foreign e change contracts	–	81,500,835	–	81,500,835



2022

	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
On balance sheet financial instruments				
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	951,134,112	–	951,134,112
Shares	3,023,291	–	–	3,023,291
Non-Government Debt Securities	4,415,203	5,139,900	–	9,555,103
Foreign Securities	–	4,118,155	–	4,118,155
Units of Mutual Funds	–	3,476,377	–	3,476,377
Financial assets disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	169,562,245	–	169,562,245
Non-Government Debt Securities	–	1,037,110	–	1,037,110
Associates				
Mutual Funds	–	4,655,089	–	4,655,089
Off balance sheet financial instruments measured at fair value				
Forward purchase of foreign exchange contracts	–	80,387,622	–	80,387,622
Forward sale of foreign exchange contracts	–	35,704,460	–	35,704,460

39.2 Certain fixed assets and non banking assets acquired in satisfaction of claims have been carried at revalued amounts determined by professional valuer (level 3 measurement) based on their assessment of the market value.

39.3 Foreign exchange contracts are valued using exchange rates declared by the State Bank of Pakistan.

40. TRUST ACTIVITIES

The Bank is not engaged in any trust activities other than holding investments of individuals and entities in its IPS account maintained with the State Bank of Pakistan.



41. SEGMENT INFORMATION

41.1 Segment details with respect to Business Activities

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

	2023		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	321,829,848	52,072,610	373,902,458
Inter segment revenue - net	–	90,307,947	90,307,947
Non mark-up / return / interest income	5,742,168	17,485,089	23,227,257
Total income	327,572,016	159,865,646	487,437,662
Segment direct expenses	(199,663,947)	(122,137,609)	(321,801,556)
Inter segment expense allocation	(90,307,947)	–	(90,307,947)
Total expenses	(289,971,894)	(122,137,609)	(412,109,503)
Provisions	(4,195,785)	(4,417)	(4,200,202)
Profit before tax	33,404,337	37,723,620	71,127,957
Statement of financial position			
Cash and bank balances	139,759,529	8,637,141	148,396,670
Investments	1,503,895,348	–	1,503,895,348
Net inter segment lending	–	1,277,340,122	1,277,340,122
Lendings to financial institutions	1,649,716	–	1,649,716
Advances - performing	811,562,903	50,538,983	862,101,886
- non-performing net of provision	7,290,737	66,186	7,356,923
Others	205,230,834	12,388,736	217,619,570
Total assets	2,669,389,067	1,348,971,168	4,018,360,235
Borrowings	477,438,034	–	477,438,034
Subordinated debt	29,985,200	–	29,985,200
Deposits and other accounts	699,206,208	1,234,830,302	1,934,036,510
Net inter segment borrowing	1,277,340,122	–	1,277,340,122
Others	62,527,369	110,426,207	172,953,576
Total liabilities	2,546,496,933	1,345,256,509	3,891,753,442
Equity	122,892,134	3,714,659	126,606,793
Total equity and liabilities	2,669,389,067	1,348,971,168	4,018,360,235
Contingencies and commitments	473,348,064	87,278	473,435,342



	2022		
	Commercial banking	Retail banking	Total
	(Rupees in '000)		
Profit and loss account			
Mark-up / return / profit	178,917,157	22,003,727	200,920,884
Inter segment revenue-net	–	54,017,823	54,017,823
Non mark-up / return / interest income	10,886,123	10,310,181	21,196,304
Total income	189,803,280	86,331,731	276,135,011
Segment direct expenses	(114,422,911)	(61,939,689)	(176,362,600)
Inter segment expense allocation	(54,017,823)	–	(54,017,823)
Total expenses	(168,440,734)	(61,939,689)	(230,380,423)
Provisions	(12,804,802)	(65,934)	(12,870,736)
Profit before tax	8,557,744	24,326,108	32,883,852
Statement of financial position			
Cash and bank balances	95,446,058	13,784,788	109,230,846
Investments	1,158,520,697	–	1,158,520,697
Net inter segment lending	–	940,663,885	940,663,885
Lendings to financial institutions	15,568,607	–	15,568,607
Advances - performing	707,798,504	102,621,595	810,420,099
- non-performing net of provision	3,069,270	45,421	3,114,691
Others	152,565,414	22,647,382	175,212,796
Total assets	2,132,968,550	1,079,763,071	3,212,731,621
Borrowings	418,989,460	–	418,989,460
Subordinated debt	29,991,600	–	29,991,600
Deposits and other accounts	594,495,846	973,642,209	1,568,138,055
Net inter segment borrowing	940,663,885	–	940,663,885
Others	60,546,297	99,160,373	159,706,670
Total liabilities	2,044,687,088	1,072,802,582	3,117,489,670
Equity	88,281,462	6,960,489	95,241,951
Total equity and liabilities	2,132,968,550	1,079,763,071	3,212,731,621
Contingencies and commitments	389,420,252	287,644	389,707,896



41.2 Segment details with respect to geographical locations

Geographical Segment Analysis

	2023			
	Pakistan	Middle East	Asia Pacific	Total
	(Rupees in '000)			
Profit and loss account				
Mark-up / return / profit	366,579,384	4,008,839	3,314,235	373,902,458
Non mark-up / return / interest income	22,485,498	410,425	331,334	23,227,257
Total income	389,064,882	4,419,264	3,645,569	397,129,715
Segment direct expenses	(316,130,567)	(3,192,146)	(2,478,843)	(321,801,556)
(Provisions) / reversals	(7,999,328)	2,088,613	1,710,513	(4,200,202)
Profit before tax	64,934,987	3,315,731	2,877,239	71,127,957
Statement of financial position				
Cash and bank balances	148,211,172	111,350	74,148	148,396,670
Investments	1,472,688,775	18,039,187	13,167,386	1,503,895,348
Net inter segment lending	9,865,125	32,365,720	1,099,850	43,330,695
Lending to financial institutions	1,649,716	-	-	1,649,716
Advances-performing	837,654,420	12,067,767	12,379,699	862,101,886
-non-performing net of provision	6,645,086	-	711,837	7,356,923
Others	210,429,287	6,641,539	548,744	217,619,570
Total assets	2,687,143,581	69,225,563	27,981,664	2,784,350,808
Borrowings	477,438,034	-	-	477,438,034
Subordinated debt	29,985,200	-	-	29,985,200
Deposits and other accounts	1,871,448,322	45,390,647	17,197,541	1,934,036,510
Net inter segment borrowing	22,303,294	10,964,974	10,062,427	43,330,695
Others	165,816,741	6,751,803	385,032	172,953,576
Total liabilities	2,566,991,591	63,107,424	27,645,000	2,657,744,015
Equity	120,151,990	6,118,139	336,664	126,606,793
Total equity and liabilities	2,687,143,581	69,225,563	27,981,664	2,784,350,808
Contingencies and commitments	453,245,382	19,339,604	850,356	473,435,342



	2022			
	Pakistan	Middle East	Asia Pacific	Total
	(Rupees in '000)			
Profit and loss account				
Mark-up / return / profit	195,467,434	2,267,133	3,186,317	200,920,884
Non mark-up / return / interest income	20,135,193	438,013	623,098	21,196,304
Total income	215,602,627	2,705,146	3,809,415	222,117,188
Segment direct expenses	(173,385,454)	(1,391,275)	(1,585,871)	(176,362,600)
(Provisions) / reversals	(926,600)	(5,177,887)	(6,766,249)	(12,870,736)
Profit / (loss) before tax	41,290,573	(3,864,016)	(4,542,705)	32,883,852
Statement of financial position				
Cash and bank balances	108,019,850	1,153,020	57,976	109,230,846
Investments	1,139,790,428	10,712,788	8,017,481	1,158,520,697
Net inter segment lending	7,359,004	22,085,705	2,027,263	31,471,972
Lendings to financial institutions	15,568,607	-	-	15,568,607
Advances-performing	777,823,881	12,885,227	19,710,991	810,420,099
-non-performing net of provision	1,270,203	113,215	1,731,273	3,114,691
Others	159,613,433	2,045,003	13,554,360	175,212,796
Total assets	2,209,445,406	48,994,958	45,099,344	2,303,539,708
Borrowings	418,989,460	-	-	418,989,460
Subordinated debt	29,991,600	-	-	29,991,600
Deposits and other accounts	1,507,585,694	37,610,725	22,941,636	1,568,138,055
Net inter segment borrowing	8,907,427	9,386,267	13,178,278	31,471,972
Others	144,713,951	1,986,726	13,005,993	159,706,670
Total liabilities	2,110,188,132	48,983,718	49,125,907	2,208,297,757
Equity	99,257,274	11,240	(4,026,563)	95,241,951
Total equity and liabilities	2,209,445,406	48,994,958	45,099,344	2,303,539,708
Contingencies and commitments	382,493,331	5,722,879	1,491,686	389,707,896

42. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates, directors, key management personnel and other related parties.

Transactions with related parties of the Bank are carried out on 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 10.5, 20.3 and 38 are summarised as follows:

	2023					2022				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	883,250	4,614,652	386,597	-	-	883,250	7,764,656	305,998
Investment made during the year	-	-	-	-	-	-	-	-	8,200,000	50,000
Investments adjusted / redeemed / disposed off during the year	-	-	-	-	-	-	-	-	(11,350,004)	-
Surplus on revaluation	-	-	-	-	267,489	-	-	-	-	30,599
Closing balance	-	-	883,250	4,614,652	654,086	-	-	883,250	4,614,652	386,597
Advances										
Opening balance	1,310	320,774	265,950	-	1,023,207	1,620	195,482	463,425	-	2,417,285
Addition during the year	26,499	277,173	32,427,242	-	31,872,765	90,890	328,735	20,685,721	-	40,985,490
Repaid during the year	(23,761)	(252,912)	(32,104,223)	-	(31,215,190)	(91,200)	(203,443)	(20,883,196)	-	(42,379,568)
Closing balance	4,048	345,035	588,969	-	1,680,782	1,310	320,774	265,950	-	1,023,207
Operating fixed assets										
Right of use	-	-	-	-	5,111	-	-	-	-	9,199
Other assets										
Interest / mark-up accrued	-	451	22,170	-	47,832	-	177	14,837	-	25,879
L/C acceptances	-	-	-	-	207,281	-	-	-	-	323,894
Dividend receivable	-	-	-	11,047	-	-	-	-	-	-
Advance for subscription	-	-	1,000,000	-	-	-	-	-	-	-
Other receivable	-	-	25,537	-	-	-	-	-	6,345	-
Subordinated debt										
Opening balance	-	-	-	-	44,000	-	-	-	-	44,000
Issued / purchased during the year	-	-	-	-	150,000	-	-	-	-	-
Closing balance	-	-	-	-	194,000	-	-	-	-	44,000
Deposits and other accounts										
Opening balance	569,762	691,575	132,421	1,770,411	5,223,723	769,918	774,436	90,084	59,383	6,936,252
Received during the year	5,549,523	6,766,311	18,745,447	653,642,242	169,329,325	4,487,172	5,939,373	11,589,748	582,767,296	174,705,011
Withdrawn during the year	(5,347,792)	(6,663,537)	(17,561,321)	(636,063,529)	(165,143,846)	(4,687,328)	(6,022,234)	(11,547,411)	(581,056,268)	(176,417,540)
Closing balance	771,493	794,349	1,316,547	19,349,124	9,409,202	569,762	691,575	132,421	1,770,411	5,223,723
Other liabilities										
Interest / mark-up payable	921	2,456	-	-	12,008	73	1,598	-	-	24,737
Payable to staff retirement fund	-	-	-	-	2,200,083	-	-	-	-	1,376,805
Other liabilities	-	540	1,782	-	-	-	113	836	-	-
Contingencies and commitments										
	-	-	-	-	1,193,643	-	-	-	-	1,004,215
Other transactions - Investor Portfolio Securities										
Opening balance	-	-	120,000	-	16,314,700	-	-	75,000	-	4,791,800
Increased during the year	-	-	-	-	20,732,500	-	-	45,000	-	25,764,700
Decreased during the year	-	-	(75,000)	-	(18,183,700)	-	-	-	-	(14,241,800)
Closing balance	-	-	45,000	-	18,863,500	-	-	120,000	-	16,314,700



42.1 RELATED PARTY TRANSACTIONS

	2023					2022				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key Management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Income										
Mark-up / return / interest earned	-	20,145	58,464	-	162,955	4	14,941	62,358	-	139,329
Fee and commission income	147	824	19	215	16,163	116	508	23	94	7,909
Dividend income	-	-	-	863,023	82,614	-	-	-	669,111	53,996
Net gain on sale / redemption of securities and units of mutual funds	-	-	-	-	-	-	-	-	53,256	332
Rental Income	-	-	12,840	-	-	-	-	11,690	-	-
Other income	-	-	779	-	540	-	-	785	-	587
Expense										
Mark-up / return / interest expensed	108,392	111,547	38,411	953,239	1,464,684	60,358	86,439	21,275	667,018	714,419
Operating expenses	-	-	-	-	5,238	-	-	-	-	36,888
Brokerage commission	-	-	6,924	-	-	-	-	5,688	-	-
Salaries and allowances	-	1,074,789	-	-	-	-	861,408	-	-	-
Bonus	-	258,180	-	-	-	-	183,996	-	-	-
Contribution to defined contribution plan	-	48,972	-	-	-	-	35,567	-	-	-
Contribution to defined benefit plan	-	193,585	-	-	-	-	155,512	-	-	-
Staff provident fund	-	-	-	-	1,032,666	-	-	-	-	869,004
Staff gratuity fund	-	-	-	-	832,728	-	-	-	-	628,504
Directors' fees	43,270	-	-	-	-	41,520	-	-	-	-
Donation	-	-	-	-	30,000	-	-	-	-	30,000
Insurance premium paid	-	-	-	-	342,344	-	-	-	-	243,851
Insurance claims settled	-	-	-	-	47,446	-	-	-	-	54,343



43. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	2023	2022
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	11,114,254	11,114,254
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	106,748,559	88,523,529
Eligible Additional Tier 1 (ADT 1) Capital	13,149,415	13,331,030
Total Eligible Tier 1 Capital	119,897,974	101,854,559
Eligible Tier 2 Capital	38,239,758	30,082,013
Total Eligible Capital (Tier 1 + Tier 2)	158,137,732	131,936,572
Risk Weighted Assets (RWAs):		
Credit Risk	778,517,551	735,957,692
Market Risk	22,589,366	11,889,046
Operational Risk	197,102,489	147,320,337
Total	998,209,406	895,167,075
	2023	2022
	(Percentage)	
Common Equity Tier 1 Capital Adequacy Ratio	10.694%	9.889%
Tier 1 Capital Adequacy Ratio	12.011%	11.378%
Total Capital Adequacy Ratio	15.842%	14.739%

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. 11.114 billion as against the required MCR of Rs. 10 billion.

Minimum Capital Adequacy Ratio (CAR)

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

	2023	2022
	(Percentage)	
Required CAR	11.500%	11.500%
CAR on Bank level	15.842%	14.739%

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



	2023	2022
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	119,897,974	101,854,559
Total Exposures	<u>3,215,463,888</u>	<u>2,742,827,763</u>
Leverage Ratio	<u>3.729%</u>	<u>3.713%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	955,564,193	741,159,604
Total Net Cash Outflow	<u>354,165,673</u>	<u>309,591,436</u>
Liquidity Coverage Ratio	<u>269.807%</u>	<u>239.399%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	2,003,648,662	1,651,635,617
Total Required Stable Funding	<u>1,226,057,068</u>	<u>922,254,251</u>
Net Stable Funding Ratio	<u>163.422%</u>	<u>179.087%</u>

43.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the Bank's website. The link to the full disclosure is available at <https://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-banklevel2023>.

44. 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.

44.1 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.

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 textiles which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub-sectors like spinning, weaving and composites etc.

Credit Administration Department (CAD) is primarily responsible for custody, monitoring, and maintenance of security that underlies the Banks' credit portfolio. CAD is also responsible for ensuring that all required terms and conditions as per approvals are properly reflected in customer documentation.

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.

Generally, the Bank primarily lends against cash flows, which is considered the primary source of repayment. However, if cash flows of a borrower deteriorate and are insufficient to service debt obligations, collateral serves as the secondary recourse of repayment.

Specific and general provisions on the credit portfolio are determined in accordance with Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies and as per IFRS 9 for overseas branches. Particulars of provisions against advances are given in note 9.4.

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.

44.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Public / Government	1,649,716	10,625,937	-	-	-	-
Private	-	4,942,670	-	-	-	-
	<u>1,649,716</u>	<u>15,568,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

44.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Power (electricity), gas, water, sanitary	27,432,171	26,886,304	-	-	1,363,759	1,227,405
Financial	1,471,461,767	1,139,064,664	99,920	-	8,268,287	9,478,897
Iron and steel	680,000	750,000	-	-	-	-
Oil refinery / marketing	1,015,625	1,250,000	-	-	-	-
	<u>1,500,589,563</u>	<u>1,167,950,968</u>	<u>99,920</u>	<u>-</u>	<u>9,632,046</u>	<u>10,706,302</u>
Credit risk by public / private sector						
Public / Government	1,480,501,742	1,149,021,784	-	-	5,848,774	6,581,300
Private	20,087,821	18,929,184	99,920	-	3,783,272	4,125,002
	<u>1,500,589,563</u>	<u>1,167,950,968</u>	<u>99,920</u>	<u>-</u>	<u>9,632,046</u>	<u>10,706,302</u>



44.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
			(Rupees in '000)			
Agriculture, forestry, hunting and fishing	33,310,814	23,514,781	626,914	352,700	325,919	267,683
Mining and quarrying	97,172	106,774	-	-	-	-
Textile	290,239,332	273,539,211	9,508,611	1,884,270	5,465,443	1,868,519
Chemical and pharmaceuticals	19,980,060	25,761,490	553,848	194,020	368,285	51,455
Cement	5,635,348	5,556,190	43,966	43,966	43,966	10,991
Sugar	16,306,134	12,343,776	-	-	-	-
Footwear and leather garments	6,702,380	6,351,960	-	-	-	-
Automobile and transportation equipment	6,976,411	12,160,382	80,112	5,081	41,977	4,668
Electronics and electrical appliances	5,690,751	5,537,804	767,362	287,273	767,362	267,544
Construction	23,451,007	26,490,762	1,353,292	218,475	474,736	175,341
Power (electricity), gas, water, sanitary	46,273,435	43,860,601	6,562	-	1,640	-
Wholesale and retail trade	115,064,264	103,054,861	7,635,680	7,224,386	6,558,119	5,270,277
Transport, storage and communication	10,088,976	12,347,247	718,335	154,861	247,245	49,731
Financial	12,480,316	13,100,768	101,949	101,949	81,441	86,126
Insurance	210,066	430,285	61,180	61,180	61,180	61,180
Services (other than financial services)	17,462,523	15,353,568	140,617	46,038	19,849	552
Individuals	36,233,437	43,595,751	128,915	133,285	68,783	87,666
Food and allied	177,852,672	137,407,489	429,884	293,846	302,099	91,982
Iron and steel	38,567,142	34,140,947	108,436	1,282,991	108,436	1,282,991
Oil refinery / marketing	3,691,753	4,480,822	-	-	-	-
Paper and board	4,859,951	5,556,645	7,431	7,431	7,431	7,431
Plastic products	11,542,098	11,295,807	272,896	272,892	272,896	272,892
Others	13,319,303	15,356,636	2,641,352	2,156,641	2,613,612	1,749,565
	896,035,345	831,344,557	25,187,342	14,721,285	17,830,419	11,606,594
Credit risk by public / private sector						
Public / Government	138,443,582	103,892,455	-	-	-	-
Private	757,591,763	727,452,102	25,187,342	14,721,285	17,830,419	11,606,594
	896,035,345	831,344,557	25,187,342	14,721,285	17,830,419	11,606,594



44.1.4 Contingencies and Commitments

Credit risk by industry sector	2023	2022
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	2,070,747	2,225,472
Mining and quarrying	197,370	5,653
Textile	79,723,105	77,312,880
Chemical and pharmaceuticals	23,956,367	15,646,369
Cement	1,563,089	2,202,641
Sugar	3,713,849	3,496,947
Footwear and leather garments	2,879,709	3,212,850
Automobile and transportation equipment	14,410,670	12,239,124
Electronics and electrical appliances	11,276,541	8,684,913
Construction	15,951,659	14,067,954
Power (electricity), gas, water, sanitary	18,970,038	20,020,893
Wholesale and retail trade	70,676,910	71,215,367
Transport, storage and communication	22,123,448	1,239,116
Financial	49,636,749	24,308,270
Insurance	67,265	122,075
Services (other than financial services)	37,231,781	32,378,759
Individuals	87,278	287,644
Food and allied	53,150,036	42,486,330
Iron and steel	26,545,873	17,282,540
Oil refinery / marketing	1,388,549	3,028,209
Paper and board	4,664,576	7,884,785
Plastic products	18,340,141	20,037,103
Others	14,809,592	10,322,002
	473,435,342	389,707,896
Credit risk by public / private sector		
Public / Government	43,717,123	34,294,985
Private	429,718,219	355,412,911
	473,435,342	389,707,896

44.1.5 Concentration of Advances

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 264,653 million (2022: Rs. 209,186 million) are as following:

	2023	2022
	(Rupees in '000)	
Funded	166,019,310	143,042,074
Non Funded	98,633,284	66,144,123
Total Exposure	264,652,594	209,186,197

The sanctioned limits against these top 10 exposures aggregated to Rs. 300,722 million (2022: Rs. 310,186 million). Provision against top 10 exposures amounts to be Nil (2022: Nil).



44.1.6 Advances - Province / Region - wise Disbursement and Utilization

2023							
Province / Region	Disbursements		Utilization				AJK including Gilgit-Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	406,213,996	390,936,993	9,476,571	270,030	22,264	5,467,304	40,834
Sindh	333,973,967	2,073,168	323,405,262	5,708,197	2,668,625	7,641	111,074
KPK including FATA	7,050,048	19,963	27,957	6,221,667	7,344	773,117	-
Balochistan	1,225,549	-	213,253	22,714	989,582	-	-
Islamabad	41,268,835	896,586	11,198	960,115	-	39,400,936	-
AJK including Gilgit - Baltistan	645,533	-	-	4,510	-	63,845	577,178
Total	790,377,928	393,926,710	333,134,241	13,187,233	3,687,815	45,712,843	729,086

2022							
Province / Region	Disbursements		Utilization				AJK including Gilgit-Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	354,268,365	348,282,224	3,494,948	316,125	27,595	2,101,300	46,173
Sindh	342,804,256	1,589,733	337,507,367	2,431,025	1,168,194	6,467	101,470
KPK including FATA	7,162,365	13,890	9,400	6,578,647	3,303	557,125	-
Balochistan	1,339,462	-	445,937	32,806	860,719	-	-
Islamabad	33,112,606	116,453	18,562	291,778	-	32,685,813	-
AJK including Gilgit - Baltistan	754,661	-	-	3,972	-	59,286	691,403
Total	739,441,715	350,002,300	341,476,214	9,654,353	2,059,811	35,409,991	839,046

44.2 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, except to a very limited extent (maximum of Rs. 300 million) for trading in equities. As regards foreign exchange positions, the purpose is to serve the needs of clients. Except as aforesaid, the Bank does not engage in trading or market making activities.

Market risk is managed through the Market Risk Policy and Treasury and Investment 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 and Equity Market Department, which undertake dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deals, 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. Portfolio risks arising in banking book are also measured through Value at Risk (VAR).



44.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	141,815,998	-	141,815,998	94,163,585	-	94,163,585
Balances with other banks	6,580,672	-	6,580,672	15,067,261	-	15,067,261
Lendings to financial institutions	1,649,716	-	1,649,716	15,568,607	-	15,568,607
Investments	1,503,895,348	-	1,503,895,348	1,158,420,328	100,369	1,158,520,697
Advances	869,458,809	-	869,458,809	813,534,790	-	813,534,790
Fixed assets	79,572,554	-	79,572,554	62,075,079	-	62,075,079
Intangible assets	124,462	-	124,462	364,466	-	364,466
Deferred tax assets	1,792,112	-	1,792,112	9,680,840	-	9,680,840
Other assets	136,130,442	-	136,130,442	103,092,411	-	103,092,411
	<u>2,741,020,113</u>	<u>-</u>	<u>2,741,020,113</u>	<u>2,271,967,367</u>	<u>100,369</u>	<u>2,272,067,736</u>

44.2.2 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.

	2023			Net foreign currency exposure
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	
	(Rupees in '000)			
United States Dollar	176,151,123	192,464,281	31,261,319	14,948,161
Great Britain Pound	2,519,099	17,207,175	10,382,601	(4,305,475)
Japanese Yen	13,790	3,114	(13,641)	(2,965)
Euro	5,773,972	11,623,351	3,461,895	(2,387,484)
Other currencies	2,069,513	1,233,214	(1,724,018)	(887,719)
	<u>186,527,497</u>	<u>222,531,135</u>	<u>43,368,156</u>	<u>7,364,518</u>



Interest rate risk exposures of the Bank are controlled through dealer limits, counter - party exposure limits and (when necessary) type-of-instrument limits. Outright purchase and sale of securities are also approved by ALCO. 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.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	5,910,047	–	6,643,913	–



44.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2023												
Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	4.18%	141,815,998	11,667,181	-	-	-	-	-	-	-	-	130,148,817
Balances with other banks	4.77%	6,580,672	3,091,960	-	-	-	-	-	-	-	-	3,488,712
Lendings to financial institutions	22.95%	1,649,716	1,649,716	-	-	-	-	-	-	-	-	-
Investments	21.59%	1,503,895,348	272,797,142	241,218,544	835,578,605	39,002,445	15,711,782	2,866,895	69,030,113	13,741,409	-	13,948,413
Advances	16.14%	869,458,809	453,971,729	157,352,683	111,011,134	37,018,916	22,909,440	18,886,401	28,291,634	25,015,685	14,973,519	27,668
Other assets	-	127,480,067	-	-	-	-	-	-	-	-	-	127,480,067
		2,650,880,610	743,177,728	398,571,227	946,589,739	76,021,361	38,621,222	21,753,296	97,321,747	38,757,094	14,973,519	275,093,677
Liabilities												
Bills payable	-	48,083,103	-	-	-	-	-	-	-	-	-	48,083,103
Borrowings	16.50%	477,438,034	356,239,633	21,043,360	19,186,630	7,067,504	13,456,946	12,696,585	22,046,569	25,423,306	277,501	-
Deposits and other accounts	18.21%	1,934,036,510	1,002,937,535	48,659,935	79,457,142	83,987,101	2,878,724	715,085	4,103,122	8,039	6,951	711,282,876
Subordinated debt	23.16%	29,985,200	-	4,996,000	24,989,200	-	-	-	-	-	-	-
Other liabilities	-	87,405,101	-	-	-	-	-	-	-	-	-	87,405,101
		2,576,947,948	1,359,177,168	74,699,295	123,632,972	91,054,605	16,335,670	13,411,670	26,149,691	25,431,345	284,452	846,771,080
On-balance sheet gap		73,932,662	(615,999,440)	323,871,932	822,956,767	(15,033,244)	22,285,552	8,341,626	71,172,056	13,325,749	14,689,067	(571,677,403)
Off-balance sheet financial instruments												
Documentary credits and short term trade related transactions		287,964,804	112,140,419	134,858,122	21,834,584	8,267,215	10,652,488	211,976	-	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		123,771,146	28,648,989	50,171,504	40,306,633	4,644,020	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(80,402,990)	(55,023,309)	(22,504,512)	(1,113,283)	(1,761,886)	-	-	-	-	-	-
Forward commitments to extend credit		3,955,661	1,643,615	1,353,628	302,978	655,440	-	-	-	-	-	-
Off-balance sheet gap		47,323,817	(24,730,705)	29,020,620	39,496,328	3,537,574	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(528,589,726)	487,750,674	884,287,679	(3,228,455)	32,938,040	8,553,602	71,172,056	13,325,749	14,689,067	(571,677,403)
Cumulative Yield / Interest Risk Sensitivity Gap			(528,589,726)	(40,839,052)	843,448,627	840,220,172	873,158,212	881,711,814	952,883,870	966,209,619	980,898,686	409,221,283



2022

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.18%	94,163,585	886,519	-	-	-	-	-	-	-	-	93,277,066
Balances with other banks	3.13%	15,067,261	12,645,943	-	-	-	-	-	-	-	-	2,421,318
Lendings to financial institutions	16.10%	15,568,607	15,568,607	-	-	-	-	-	-	-	-	-
Investments	15.43%	1,158,520,697	150,575,882	131,844,192	543,994,415	184,564,727	42,642,799	12,721,670	61,068,389	18,920,069	-	12,188,554
Advances	12.66%	813,534,790	466,015,414	116,369,051	79,122,656	24,434,538	29,247,959	24,182,893	30,758,637	32,237,144	11,155,120	11,378
Other assets	-	97,042,218	-	-	-	-	-	-	-	-	-	97,042,218
		2,193,897,158	645,692,365	248,213,243	623,117,071	208,999,265	71,890,758	36,904,563	91,827,026	51,157,213	11,155,120	204,940,534
Liabilities												
Bills payable	-	44,855,837	-	-	-	-	-	-	-	-	-	44,855,837
Borrowings	10.60%	418,989,460	269,314,226	42,346,647	18,147,398	6,309,037	13,327,930	13,416,475	23,924,663	32,069,437	133,647	-
Deposits and other accounts	12.91%	1,568,138,055	740,206,816	49,687,388	39,689,825	85,510,483	12,114,259	5,456,859	11,428,481	12,157	8,214	624,023,573
Subordinated debt	17.84%	29,991,600	-	4,998,000	24,993,600	-	-	-	-	-	-	-
Other liabilities	-	83,818,908	-	-	-	-	-	-	-	-	-	83,818,908
		2,145,793,860	1,009,521,042	97,032,035	82,830,823	91,819,520	25,442,189	18,873,334	35,353,144	32,081,594	141,861	752,698,318
On-balance sheet gap		48,103,298	(363,828,677)	151,181,208	540,286,248	117,179,745	46,448,569	18,031,229	56,473,882	19,075,619	11,013,259	(547,757,784)
Off-balance sheet financial instruments												
Documentary credits and short term trade related transactions		225,453,786	76,729,551	96,015,817	22,455,246	20,527,556	9,725,616	-	-	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		78,111,679	27,229,530	31,766,931	15,926,999	3,188,219	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(36,400,812)	(15,955,646)	(19,520,505)	(860,781)	(63,880)	-	-	-	-	-	-
Forward commitments to extend credit		6,328,518	1,822,615	1,358,281	466,120	2,279,952	271,750	53,800	76,000	-	-	-
Off-balance sheet gap		48,039,385	13,096,499	13,604,707	15,532,338	5,404,291	271,750	53,800	76,000	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(274,002,627)	260,801,732	578,273,832	143,111,592	56,445,935	18,085,029	56,549,882	19,075,619	11,013,259	(547,757,784)
Cumulative Yield / Interest Risk Sensitivity Gap			(274,002,627)	(13,200,895)	565,072,937	708,184,529	764,630,464	782,715,493	839,265,375	858,340,994	869,354,253	321,596,469



44.2.5.1 Reconciliation of Financial Assets and Liabilities

	2023 (Rupees in '000)	2022
Assets as per statement of financial position	2,741,020,113	2,272,067,736
Less:		
Fixed assets	79,572,554	62,075,079
Intangible assets	124,462	364,466
Deferred tax assets	1,792,112	9,680,840
Advances, deposits, advance rent and other prepayments	3,390,303	1,552,508
Non-banking assets acquired in satisfaction of claims	4,115,304	3,786,952
Stationery and stamps on hand	1,144,768	710,733
	8,650,375	6,050,193
Interest Rate Sensitive Assets	2,650,880,610	2,193,897,158
Liabilities as per statement of financial position	2,614,413,320	2,176,825,785
Less:		
Unearned commission income	1,706,124	692,150
Branch adjustment account	3,625,247	1,343,949
Clearing and settlement account	1,585,454	7,198,150
Provision against off - balance sheet items	226,549	110,059
Provision for compensated absences	1,717,463	1,311,882
Workers' welfare fund	5,404,914	3,860,382
Lease liability against right-of-use assets	14,633,878	14,213,811
Current taxation (payments less provisions)	8,565,737	2,301,542
	37,465,366	31,031,925
Interest Rate Sensitive Liabilities	2,576,947,954	2,145,793,860

44.3 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 risk but excludes strategic and reputational risks. Bank classifies operational loss / near miss incidents into seven loss incidents types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Internal Control System and Internal Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance and Risk Management Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT and CPF Policy, Fraud Prevention Policy, Service Quality and Consumer Grievance Handling Policy, Business Continuity & Disaster Recovery Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and I.T. steering committee. 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.

Business Continuity Planning (BCP) of the Bank pays special attention to identify potential threats and associated risks by carrying out Business Impact Analysis and Risk Assessment processes to minimise financial losses, serve customers with minimal disruptions, and mitigate negative effects on business operations, including those that are dependent on third parties. It also identifies alternate mechanisms for timely resumption of services, with a special focus on critical business processes, location of off-site backup and regular review and testing of the BCP plan.

Bank AL Habib's internet banking platform, both web and mobile based applications offer various digital products and services to the customers and are being regularly enhanced with new features to provide better customer experience and security.

The Bank has zero tolerance for Cybersecurity risks and non-compliance to regulations. Monitoring controls and processes have been implemented to identify and appropriately address Cybersecurity risks. Long term measures are defined in Cyber Security Strategy that is supported by a complementing Action Plan. While Information Security Risk Management plan covers measures for identifying the risks posed to Information Systems in alignment with bank's strategy. The Bank has developed a cyber secure environment by implementing various technical and administrative controls to ensure security and privacy of customers' data residing with the Bank. In this regard, Bank has also implemented industrial standards and best practices for Information Security assurance.

44.3.1 Operational Risk-Disclosures Basel II 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. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Bank.

44.4 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 cost or losses.

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 mobilization of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing cost 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.

44.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 08 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Bank's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.



The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2023, the Bank's LCR stood at 233% against SBP's minimum requirement of 100%.

44.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Bank has "zero tolerance" for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division and Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Bank's liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Bank's liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

44.4.3 Funding Strategy

The Bank's prime source of liquidity is the customers' deposit base. Within deposits, the Bank strives to maintain core deposit base in form of current and saving deposits and avoids concentration in particular products, tenors and dependence on large fund providers. As a general rule, the Bank will not depend on borrowings in the inter-bank market, including repos, to be a part of its permanent pool of funds for financing of loans, but will use these as a source for obtaining moderate amounts of additional funds to meet temporary liquidity needs in the normal course of business or for money market operations.

44.4.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like core deposits to total deposits, advances to deposits, liquid assets to total deposits, Interbank borrowing to total deposits, which are monitored on regular basis against limits. Further, the Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. For maturity analysis, behavioral study is carried out to determine the behavior of non - contractual assets and liabilities. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.

In addition, LCR, NSFR and Monitoring Tools of Basel III framework further strengthen liquidity risk management of the Bank.

44.4.5 Liquidity Stress Testing

As per SBP FSD Circular No. 01 of 2020, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits and interbank borrowing, withdrawal of top deposits, etc. Results of stress testing are presented to ALCO and Risk Management Committee. 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 as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.



44.4.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Bank which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. Responsibilities and response levels are also incorporated in order to tackle the contingency. Moreover, CFP highlights possible funding sources, in case of a liquidity contingency.

44.4.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD Circular No. 08 dated 23 June 2016.

44.4.8 Composition of High Quality Liquid Assets (HQLAs)

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash and Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks and Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.

44.4.9 Concentration of Funding Sources

The Bank relies on customers' deposits as its key source of funding, especially current and saving deposits and time deposits of small / medium denominations, and avoids concentration of large deposits. Share of core deposits in total deposits and of large deposits in total deposits are regularly monitored. In particular the Bank does not depend on large depositors or borrowings from SBP and financial institutions to meet its funding requirements.

44.4.10 Currency Mismatch in the LCR

About 90% of the Bank's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

44.4.11 Centralisation of Liquidity Management

Overall liquidity management of the Bank is centralised in Treasury Division at Principal Office. The Bank mobilises deposits through its branch network. It also uses the branch network to grant loans to customers. Branches that have more deposits than loans, transfer ("lend") their excess deposits to the Principal Office. Branches that do not have enough deposits to fund their loans, acquire ("borrow") additional funds from the Principal Office.

44.4.12 Other Inflows and Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

44.4.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a bank must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank's NSFR stood at 163% as on 31 December 2023.



44.5 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

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.

	Total	2023												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	141,815,998	141,815,998	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,580,672	6,580,672	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,649,716	-	1,649,716	-	-	-	-	-	-	-	-	-	-	-
Investments	1,503,895,348	10,646,798	(59,058)	13,631	(167,148)	(1,018,399)	1,377,192	16,968,325	26,722,107	18,272,205	419,319,585	302,069,871	365,354,094	344,396,145
Advances	869,458,809	78,167,586	16,558,762	14,013,455	63,521,819	94,643,494	217,374,750	133,116,382	24,207,548	14,971,223	56,502,148	47,847,935	49,789,867	58,743,840
Fixed assets	79,572,554	39,587,751	-	-	681,255	588,100	592,204	1,686,424	1,612,898	1,563,225	5,742,163	4,816,808	6,177,612	16,524,114
Intangible assets	124,462	-	-	-	17,732	17,509	15,957	47,806	18,225	2,531	4,702	-	-	-
Deferred tax assets	1,792,112	3,922,691	-	-	(118,159)	(76,048)	(76,048)	(199,301)	(181,761)	(181,761)	(614,412)	(451,378)	41,289	(273,000)
Other assets	136,130,442	42,815,019	12,833,348	4,489,033	12,549,284	15,676,963	10,037,829	35,513,408	978,225	1,012,558	159,821	31,674	21,586	11,694
	2,741,020,113	323,536,515	30,982,768	18,516,119	76,484,783	109,831,619	229,321,884	187,133,044	53,357,242	35,639,981	481,114,007	354,314,910	421,384,448	419,402,793
Liabilities														
Bills payable	48,083,103	48,083,103	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	477,438,034	2,679,821	156,749,882	93,937,615	56,905,266	18,528,835	41,788,166	25,880,038	3,458,519	3,608,985	13,456,946	12,696,585	22,046,569	25,700,807
Deposits and other accounts	1,934,036,510	1,651,145,560	14,933,595	11,031,584	37,109,670	20,467,845	28,192,090	79,457,142	46,298,024	37,689,077	2,878,724	715,085	4,103,122	14,992
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,985,200	-	-	-	-	-	1,000	2,200	1,000	2,200	6,400	6,400	3,996,800	25,969,200
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	124,870,473	49,672,302	3,794,965	2,887,615	8,906,814	10,169,241	7,704,520	7,447,856	10,115,664	1,765,510	4,009,436	3,979,936	4,747,117	9,669,497
	2,614,413,320	1,751,580,786	175,478,442	107,856,814	102,921,750	49,165,921	77,685,776	112,787,236	59,873,207	43,065,772	20,351,506	17,398,006	34,893,608	61,354,496
Net assets	126,606,793	(1,428,044,271)	(144,495,674)	(89,340,695)	(26,436,967)	60,665,698	151,636,108	74,345,808	(6,515,965)	(7,425,791)	460,762,501	336,916,904	386,490,840	358,048,297
Share capital	11,114,254													
Reserves	28,184,872													
Surplus on revaluation of assets	14,712,038													
Unappropriated profit	72,595,629													
	126,606,793													



Total

2022

	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	94,163,585	94,098,037	-	65,548	-	-	-	-	-	-	-	-	-
Balances with other banks	15,067,261	14,048,322	-	-	1,018,939	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,568,607	-	15,568,607	-	-	-	-	-	-	-	-	-	-
Investments	1,158,520,697	(3,575,639)	(390,446)	(393,020)	(1,108,639)	(1,399,962)	21,061,297	91,796,573	151,653,290	65,014,224	45,896,201	296,353,878	285,428,350
Advances	813,534,790	70,593,237	21,403,306	15,154,441	60,467,460	78,900,895	173,786,316	118,537,227	35,638,379	25,076,227	59,436,268	45,911,325	48,441,561
Fixed assets	62,075,079	24,350,283	-	-	531,930	519,273	688,145	1,351,303	1,466,396	1,417,045	5,158,084	4,491,858	6,370,184
Intangible assets	364,466	-	-	-	32,054	25,648	24,627	66,659	55,184	50,660	109,634	-	-
Deferred tax assets	9,680,840	11,394,401	-	-	(49,959)	(45,769)	(45,769)	(135,675)	(122,248)	(122,248)	(439,555)	(387,403)	(206,340)
Other assets	103,092,411	29,934,903	4,804,567	7,023,967	16,369,100	18,656,168	11,355,738	13,843,551	375,522	585,606	116,719	8,880	7,540
	2,272,067,736	240,843,544	41,386,034	21,850,936	77,260,885	96,656,253	206,870,354	225,459,638	189,066,523	92,021,514	110,277,351	346,378,538	340,041,295
Liabilities													
Bills payable	44,855,837	44,855,837	-	-	-	-	-	-	-	-	-	-	-
Borrowings	418,989,460	2,180,743	106,665,961	1,174,294	106,008,103	49,698,689	26,932,426	37,148,055	2,772,462	3,536,575	13,327,930	13,416,475	23,924,663
Deposits and other accounts	1,568,138,055	1,295,185,731	18,057,827	15,269,912	35,716,918	14,641,167	35,046,221	39,689,825	42,875,595	42,634,888	12,114,259	5,456,859	11,428,481
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,991,600	-	-	-	-	-	1,000	2,200	1,000	2,200	6,400	6,400	12,800
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	114,850,833	40,842,584	3,003,625	5,639,004	12,638,098	15,616,261	9,175,373	3,798,335	3,108,647	813,941	3,347,893	3,814,653	5,430,669
	2,176,825,785	1,383,064,895	127,727,413	22,083,210	154,363,119	79,956,117	71,155,020	80,638,415	48,757,704	46,987,604	28,796,482	22,694,387	40,796,613
Net assets	95,241,951	(1,142,221,351)	(86,341,379)	(232,274)	(77,102,234)	16,700,136	135,715,334	144,821,223	140,308,819	45,033,910	81,480,869	323,684,151	299,244,682
Share capital	11,114,254												
Reserves	24,391,414												
Surplus on revaluation of assets	897,685												
Unappropriated profit	58,838,598												
	95,241,951												



44.6 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

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.

	Total	2023								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	141,815,998	141,815,998	-	-	-	-	-	-	-	-
Balances with other banks	6,580,672	6,580,672	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,649,716	1,649,716	-	-	-	-	-	-	-	-
Investments	1,503,895,348	6,347,704	(365,911)	16,626,178	56,523,693	416,356,735	301,830,914	365,938,051	336,372,822	4,265,162
Advances	869,458,809	172,261,622	312,018,244	133,116,382	39,178,771	56,502,148	47,847,935	49,789,867	38,998,948	19,744,892
Fixed assets	79,572,554	717,417	1,348,881	3,854,737	5,530,582	6,176,127	25,931,794	6,177,612	5,883,261	23,952,143
Intangible assets	124,462	17,732	33,466	47,806	20,756	4,702	-	-	-	-
Deferred tax assets	1,792,112	8,643,152	172,621	(77,232)	(246,495)	655,184	(9,203,514)	(244,850)	3,905,444	(1,812,198)
Other assets	136,130,442	68,177,773	25,906,429	35,800,863	2,568,097	164,601	272,437	21,586	11,694	3,206,962
	2,741,020,113	406,211,786	339,113,730	189,368,734	103,575,404	479,859,497	366,679,566	421,682,266	385,172,169	49,356,961
Liabilities										
Bills payable	48,083,103	48,083,103	-	-	-	-	-	-	-	-
Borrowings	477,438,034	310,272,584	60,317,001	25,880,038	7,067,504	13,456,946	12,696,585	22,046,569	25,423,306	277,501
Deposits and other accounts	1,934,036,510	232,775,173	213,264,961	244,062,168	248,592,127	249,786,263	247,622,624	251,010,662	246,915,579	6,953
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,985,200	-	1,000	2,200	3,200	6,400	6,400	3,996,800	11,969,200	14,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	124,870,473	64,015,793	17,873,761	7,447,856	11,881,174	4,009,436	3,979,936	4,747,117	6,057,096	4,858,304
	2,614,413,320	655,146,653	291,456,723	277,392,262	267,544,005	267,259,045	264,305,545	281,801,148	290,365,181	19,142,758
Net assets	126,606,793	(248,934,867)	47,657,007	(88,023,528)	(163,968,601)	212,600,452	102,374,021	139,881,118	94,806,988	30,214,203
Share capital	11,114,254									
Reserves	28,184,872									
Surplus on revaluation of assets	14,712,038									
Unappropriated profit	72,595,629									
	126,606,793									



	Total	2022								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	94,163,585	94,163,585	-	-	-	-	-	-	-	-
Balances with other banks	15,067,261	15,067,261	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,568,607	15,568,607	-	-	-	-	-	-	-	-
Investments	1,158,520,697	3,260,475	19,692,890	91,534,512	226,799,110	41,262,652	292,058,598	279,596,197	200,035,991	4,280,272
Advances	813,534,790	167,618,444	252,687,211	118,537,227	60,714,606	59,436,268	45,911,325	48,441,561	42,772,238	17,415,910
Fixed assets	62,075,079	548,066	1,369,194	10,826,471	3,333,165	6,331,362	4,491,858	6,370,184	6,235,104	22,569,675
Intangible assets	364,466	32,053	50,275	66,659	105,844	109,635	-	-	-	-
Deferred tax assets	9,680,840	4,083,642	(113,979)	(2,167,800)	601,370	1,551,204	1,459,567	2,301,487	3,207,025	(1,241,676)
Other assets	103,092,411	54,092,573	30,182,278	14,022,204	1,446,126	120,572	8,880	7,540	10,150	3,202,088
	2,272,067,736	354,434,706	303,867,869	232,819,273	293,000,221	108,811,693	343,930,228	336,716,969	252,260,508	46,226,269
Liabilities										
Bills payable	44,855,837	44,855,837	-	-	-	-	-	-	-	-
Borrowings	418,989,460	216,029,101	76,631,115	37,148,055	6,309,037	13,327,930	13,416,475	23,924,663	32,069,437	133,647
Deposits and other accounts	1,568,138,055	200,148,710	179,029,796	169,032,234	214,852,892	206,127,872	199,470,472	205,442,094	194,025,771	8,214
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,991,600	-	1,000	2,200	3,200	6,400	6,400	12,800	15,959,600	14,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	114,850,833	59,761,475	24,791,634	3,798,335	3,922,588	3,347,893	3,814,653	5,430,669	6,018,118	3,965,468
	2,176,825,785	520,795,123	280,453,545	209,980,824	225,087,717	222,810,095	216,708,000	234,810,226	248,072,926	18,107,329
Net assets	95,241,951	(166,360,417)	23,414,324	22,838,449	67,912,504	(113,998,402)	127,222,228	101,906,743	4,187,582	28,118,940
Share capital	11,114,254									
Reserves	24,391,414									
Surplus on revaluation of assets	897,685									
Unappropriated profit	58,838,598									
	95,241,951									



45. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 5 (2022: Rs. 7) per share. This is in addition to Rs. 9 already paid during the year, bringing the total dividend for the year to Rs. 14 (2022: Rs. 7).

46. GENERAL

46.1 Captions, as prescribed by BPRD Circular No. 02 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these unconsolidated financial statements, except for captions of the statement of financial position and profit and loss account.

46.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

46.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements wherever necessary to facilitate comparison and better presentation.

47. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue in the Board of Directors' meeting held on 31 January 2024.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



Annexure I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE
DURING THE YEAR ENDED 31 DECEMBER 2023**

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors with CNIC Nos.	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other Charges written off	Total (9+10+11)
				Principal	Interest / Mark-up	Other Charges	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Wateen Telecom Limited Main Walton Road Opposite, Bab-e-Pakistan Walton Cantt, Lahore.	Mr. Adil Rashid (CNIC: 37405-0223625-3) Mr. Mathew William Hollis (Passport: 707533167) Mr. Edward Philip Hurt (Passport: 510759964)	Mr. Azmat Rashid Mr. Peter Leslie Seymour Hollis Mr. Wayne Paul Hurt	971,578	767,566	-	1,739,144	654,682	796,879	-	1,451,561
2	Wateen Wimax (Pvt) Limited Main Walton Road Opposite, Bab-e-Pakistan Walton Cantt, Lahore.	Mr. Rizwan Ali Tiwana (CNIC: 38201-5422846-5) Mr. Muhammad Aqib Zulfiquar (CNIC: 35200-1512775-9) Mr. Zafar Masood (CNIC: 35202-3014940-7)	Mr. Malik Bashir Ali Khan Tiwana Mr. Zulfiquar Ahmed Abid Mr. Masood Alam	-	57,393	-	57,393	-	57,393	-	57,393
3	Syed Shariq Hasan House No. 89/1, Street-24, Khayaban-e-Sehar, Phase-VI, DHA, Karachi.	Syed Shariq Hasan (CNIC: 42301-3281333-9)	Syed Ali Hasan	1,788	664	256	2,708	1,766	664	256	2,686
4	Ch. Muhammad Ali & Sons Shop 39-Grain Market, Mian Channu.	Muhammad Ali (CNIC: 36104-0450766-3)	Roshan Din	7,990	3,571	93	11,654	-	1,654	-	1,654
			Total	981,356	829,194	349	1,810,899	656,448	856,590	256	1,513,294



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 201 (2022: 178) Islamic banking branches and 138 (2022: 150) Islamic banking windows at the end of the year.

	Note	2023 (Rupees in '000)	2022
ASSETS			
Cash and balances with treasury banks		15,978,853	10,129,656
Balances with other banks		8,166	7,087
Due from financial institutions		—	—
Investments	1	194,105,585	139,707,651
Islamic financing and related assets-net	2	114,115,766	101,266,517
Fixed assets		1,306,410	960,714
Intangible assets		—	—
Due from Head Office		—	—
Other assets		17,590,335	9,004,260
Total Assets		343,105,115	261,075,885
LIABILITIES			
Bills payable		500,279	429,262
Due to financial institutions		34,472,018	38,932,611
Deposits and other accounts	3	255,291,936	177,775,602
Due to Head Office		2,456,894	7,016,160
Subordinated debt		—	—
Other liabilities		8,562,932	15,579,661
		301,284,059	239,733,296
NET ASSETS		41,821,056	21,342,589
REPRESENTED BY			
Islamic Banking Fund		7,600,000	7,600,000
Reserves		—	—
Surplus / (deficit) on revaluation of assets		1,825,669	(463,276)
Unappropriated profit	5	32,395,387	14,205,865
		41,821,056	21,342,589
CONTINGENCIES AND COMMITMENTS	6		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2023 is as follows:

	Note	2023 (Rupees in '000)	2022
Profit / return earned	7	47,491,919	25,214,470
Profit / return expensed	8	(23,857,169)	(14,002,001)
Net Profit / return		23,634,750	11,212,469
Other income			
Fee and commission income		1,181,217	879,793
Dividend income		79,244	78,529
Foreign exchange income		206,936	155,791
Income / (loss) from derivatives		-	-
Loss on securities		(7,172)	(29,526)
Other income		88,066	63,276
Total other income		1,548,291	1,147,863
Total income		25,183,041	12,360,332
Other expenses			
Operating expenses		(6,572,156)	(4,569,909)
Other charges		(22)	(225)
Total other expenses		(6,572,178)	(4,570,134)
Profit before provisions		18,610,863	7,790,198
Provisions and write offs-net		(421,341)	(192,055)
Profit for the year		18,189,522	7,598,143

	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
1. Investments by segments								
(Rupees in '000)								
Federal Government Securities								
- Ijarah Sukuks	180,077,410	-	1,781,739	181,859,149	127,997,953	-	(481,153)	127,516,800
- Neelum Helum Hydropower Co Ltd. Sukuk	1,443,750	-	13,811	1,457,561	2,021,250	-	-	2,021,250
- Islamic Naya Pakistan Certificates	5,769,121	-	-	5,769,121	4,852,292	-	-	4,852,292
	187,290,281	-	1,795,550	189,085,831	134,871,495	-	(481,153)	134,390,342
Shares								
- Listed Companies	17,389	(11,535)	3,938	9,792	30,529	(19,253)	56	11,332
Non Government Debt Securities								
- Listed	1,122,000	-	1,602	1,123,602	850,000	-	-	850,000
- Unlisted	3,363,625	-	(25,374)	3,338,251	3,940,000	-	-	3,940,000
	4,485,625	-	(23,772)	4,461,853	4,790,000	-	-	4,790,000
Units of Mutual Funds	351,022	(52,866)	49,953	348,109	351,022	(52,866)	17,821	315,977
Associates								
- AL Habib Islamic Cash Fund	100,000	-	-	100,000	100,000	-	-	100,000
- AL Habib Islamic Savings Fund	100,000	-	-	100,000	100,000	-	-	100,000
	200,000	-	-	200,000	200,000	-	-	200,000
Total Investments	192,344,317	(64,401)	1,825,669	194,105,585	140,243,046	(72,119)	(463,276)	139,707,651



	Note	2023	2022
(Rupees in '000)			
2. Islamic financing and related assets			
Ijarah	2.1	3,079,001	2,452,842
Murabaha	2.2	17,586,364	10,598,735
Diminishing Musharaka		16,779,105	15,741,969
Istisna		10,282,784	5,766,719
Islamic Long Term Financing Facility (ILTFF)		5,241,800	3,835,813
Islamic Refinance for Renewable Energy (IFRE)		2,224,625	2,157,740
Islamic Refinance for Wages and Salaries (IRWS)		–	41,082
Islamic Refinance for Temporary Economic Refinance Facility (ITERF)		6,830,099	5,498,680
Islamic Refinance Facility for Modernization of SMEs (IRFSME)		52,588	49,186
Islamic Financing Facility for Storage of Agricultural Product (IFFSAP)		157,403	142,438
Islamic Export Refinance - Istisna (IERF)		2,160,467	2,303,561
Musawamah		4,605,689	3,532,923
Islamic Export Refinance-Musawamah		6,000	303,750
Running Musharaka		2,479,691	2,073,941
Islamic Export Refinance-Running Musharaka		7,166,641	6,075,426
Financing against Bills-Musawamah		5,083,273	3,916,970
Export Finance Scheme (EFS) - Discounting		7,235,359	5,110,945
Staff Financing		2,013,176	1,438,084
Musawamah Inventory		3,076,506	3,947,033
Advance against Istisna		13,554,721	9,761,928
Advance against Istisna - IERF		2,249,152	7,922,393
Advance against Ijarah		138,636	444,846
Advance against Diminishing Musharaka		1,303,776	3,102,235
Advance against ILTFF		–	2,100,278
Advance against IFRE		666,683	451,733
Advance against ITERF		951,795	2,888,709
Advance against IRFSME		12,933	–
Gross Islamic financing and related assets		114,938,267	101,659,959
Less: provision against Islamic financings			
- Specific		(772,444)	(343,385)
- General		(50,057)	(50,057)
		(822,501)	(393,442)
Islamic financing and related assets-net of provision		114,115,766	101,266,517

2.1 Ijarah

	2023						
	Cost			Accumulated depreciation			Book value as at 31 December
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge for the year / (deletions)	As at 31 December	
(Rupees in '000)							
Plant and machinery	523,792	– (452,409)	71,383	407,366	45,173 (388,609)	63,930	7,453
Vehicles	3,357,645	1,968,663 (1,056,513)	4,269,795	1,039,847	772,274 (613,052)	1,199,069	3,070,726
Equipment	110,066	– (105,948)	4,118	91,448	– (88,152)	3,296	822
Total	3,991,503	1,968,663 (1,614,870)	4,345,296	1,538,661	817,447 (1,089,813)	1,266,295	3,079,001



	2022						Book value as at 31 December
	Cost			Accumulated depreciation			
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge for the year / (deletions)	As at 31 December	
	(Rupees in '000)						
Plant and machinery	583,404	– (59,612)	523,792	294,330	160,128 (47,092)	407,366	116,426
Vehicles	2,137,519	1,958,855 (738,729)	3,357,645	972,561	571,270 (503,984)	1,039,847	2,317,798
Equipment	203,408	– (93,342)	110,066	146,681	15,624 (70,857)	91,448	18,618
Total	2,924,331	1,958,855 (891,683)	3,991,503	1,413,572	747,022 (621,933)	1,538,661	2,452,842

2.1.1 Future ijarah payments receivable

	2023			2022		
	Not later than 1 year	Later than 1 year and less than 5 years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Total
	(Rupees in '000)					
Ijarah rental receivables	1,323,741	2,575,478	3,899,219	976,345	1,707,662	2,684,007

Note

2023
(Rupees in '000)

2022

2.2 Murabaha

Murabaha financing	2.2.1	10,098,518	7,323,675
Advances for Murabaha		7,487,846	3,275,060
		17,586,364	10,598,735
2.2.1 Murabaha receivable-gross			
Less: Deferred murabaha income	2.2.2	11,140,005	7,853,739
Profit receivable shown in other assets	2.2.4	(559,242)	(222,743)
Murabaha financings		(482,245)	(307,321)
		10,098,518	7,323,675
2.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		7,853,739	7,929,218
Sales during the year		38,800,845	28,763,308
Adjusted during the year		(35,514,579)	(28,838,787)
Closing balance		11,140,005	7,853,739
2.2.3 Murabaha sale price		11,140,005	7,853,740
Murabaha purchase price		(10,098,518)	(7,323,675)
		1,041,487	530,065
2.2.4 Deferred murabaha income			
Opening balance		222,743	130,922
Arising during the year		2,453,949	984,087
Less: recognised during the year		(2,117,450)	(892,266)
Closing balance		559,242	222,743



3. Deposits and other accounts

	2023			2022		
	In local currency	In foreign currencies	Total (Rupees in '000)	In local currency	In foreign currencies	Total
Customers						
Current deposits	88,013,287	3,380,920	91,394,207	62,687,584	2,234,196	64,921,780
Savings deposits	119,870,552	5,445,480	125,316,032	61,608,252	2,872,384	64,480,636
Term deposits	24,830,685	-	24,830,685	27,105,947	-	27,105,947
	<u>232,714,524</u>	<u>8,826,400</u>	<u>241,540,924</u>	<u>151,401,783</u>	<u>5,106,580</u>	<u>156,508,363</u>
Financial institutions						
Current deposits	35,468	-	35,468	16,506	-	16,506
Savings deposits	13,715,544	-	13,715,544	21,250,733	-	21,250,733
	<u>13,751,012</u>	<u>-</u>	<u>13,751,012</u>	<u>21,267,239</u>	<u>-</u>	<u>21,267,239</u>
	<u>246,465,536</u>	<u>8,826,400</u>	<u>255,291,936</u>	<u>172,669,022</u>	<u>5,106,580</u>	<u>177,775,602</u>

	2023 (Rupees in '000)	2022
3.1 Composition of deposits		
- Individuals	136,907,220	101,053,976
- Government / Public Sector Entities	8,698,958	1,152,775
- Banking Companies	52	46
- Non-Banking Financial Institutions	13,750,960	21,267,193
- Private Sector	95,934,746	54,301,612
	<u>255,291,936</u>	<u>177,775,602</u>

3.1.1 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 197,393.808 million (2022: Rs. 132,980.916 million).

	2023 (Rupees in '000)	2022
4. Charity Fund		
Opening balance	23,820	12,978
Additions during the year		
Received from customers on account of delayed payment	58,471	16,942
Charity accrued but not yet received	11,563	7,287
Dividend purification amount	268	-
Other Non - Shariah compliant income	1,589	409
Profit on charity saving account	4,354	1,203
	<u>76,245</u>	<u>25,841</u>
Payments / utilization during the year		
Health	(20,000)	(7,849)
Social welfare	(15,400)	(5,650)
Education	(5,000)	(1,500)
	<u>(40,400)</u>	<u>(14,999)</u>
Closing balance	<u>59,665</u>	<u>23,820</u>



	2023	2022
	(Rupees in '000)	
4.1		
Detail of charity is as follows:		
Afzaal Memorial Thalassemia Foundation	2,000	849
Agha Welfare Trust	1,000	-
Al Mustafa Trust	2,000	1,000
ASF Foundation	1,400	1,400
Bait-ul-Sukoon	2,000	1,000
Child Aid Association	2,000	1,000
Dar-ul-Sukun	2,000	1,000
Green Crescent Trust	2,000	1,250
IDA RIEU Welfare Association	2,000	1,000
Indus Hospital	2,000	500
Jinnah Foundation	-	1,000
Karachi Down Syndrome Program	2,000	-
Karachi Institute of Kidney Diseases Association	2,000	-
Markaz-e-Umeed	2,000	-
NOWPDP	2,000	1,000
Orange Tree Foundation	1,000	500
Osmania Hospital	2,000	1,000
Pakistan Children's Heart Foundation	2,000	1,000
Pakistan Foundation Fighting Blindness	2,000	-
Sahil Welfare Association	1,000	-
SIUT	2,000	1,000
SOS Children's Village	2,000	-
The Cancer Foundation	2,000	-
The Kidney Centre	-	500
	<u>40,400</u>	<u>14,999</u>
5. Islamic Banking Business Unappropriated Profit		
Opening balance	14,205,865	6,607,722
Add: Islamic Banking profit for the year	18,189,522	7,598,143
Closing balance	<u>32,395,387</u>	<u>14,205,865</u>
6. Contingencies and Commitments		
- Guarantees	14,463,377	10,385,298
- Commitments	28,717,529	24,096,223
	<u>43,180,906</u>	<u>34,481,521</u>
7. Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	15,289,918	8,973,841
Investments	32,110,595	16,150,941
Placement	91,406	89,688
	<u>47,491,919</u>	<u>25,214,470</u>
8. Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	19,827,836	8,335,432
Due to Financial Institutions	2,556,552	3,222,733
Due to Head Office	1,472,781	2,443,836
	<u>23,857,169</u>	<u>14,002,001</u>



9. Profit and Loss Distribution and Pool Management

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

General Pool PKR (Mudaraba)

Deposits which assume minimal risk of loss due to diversified assets being tagged thereto are parked in the general pool. In case of loss in general pool, the loss will be borne by the general pool members.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and investments are parked to share the return among the FCY deposit holders. In case of loss in a FCY general pool, the loss will be borne by the FCY general pool members.

Special Pool(s) FCY (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Equity Pool

Investments with relatively higher risks such as investment in shares and mutual funds are tagged to the equity pool in order to safeguard the interest of depositors. The Bank as Mudarib in the general pool is responsible for administrative costs and cost of operating fixed assets, which are financed from equity. Furthermore, subsidised financing to employees are also financed from equity as per SBP guidelines.

Special Mudaraba Financing Facility (SMFF) Pool - Open Market Operations (OMO) Injections

Special Mudaraba Financing Facility (SMFF) Pool for OMO Injection is created to invest the funds exclusively raised from SBP through Islamic Open Market Operations (OMO) in High Quality Assets including securities that are eligible as approved securities for maintaining Statutory Liquidity Requirement (SLR).

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 organizations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules and Shariah clearance.

9.2 Avenues / sectors of economy / businesses where Mudaraba based deposits have been deployed

The Mudaraba based funds have been deployed in the following avenues / sectors / businesses:

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuk
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)



9.3 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 accepting Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-ul-Maal. The Bank with the prior approval of depositors also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharaka, Running Musharaka, Musawamah, Shares, Mutual Funds and Sukuks etc.

The Bank calculates the profit of the pool at every month. Profit is distributed at the Net Income level. Net Income is calculated after deducting direct costs such as cost of Murabaha, Cost of Takaful, Depreciation on Ijarah Assets, and Amortisation of Premium on Sukuks and Loss of Investments 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 quarter was 50% (2022: 50%) of Net Income and the depositors' profit sharing ratio was 50% (2022: 50%) 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 month based on their respective category / tiers. In case of loss, Rab-ul-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.

9.4 Mudarib share and HIBA distributed to depositor's pool and specific pool

	2023		2022		
	Distributable Income (Rupees in '000)	Mudarib Share (Rupees in '000)	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	27,063,141	10,004,896	36.97%	4,159,293	41.57%
FCY Pool	296,126	222,545	75.15%	28,104	12.63%
LCY Pool	15,344,469	4,305,910	28.06%	1,881,570	43.70%
FCY Pool	158,391	146,756	92.65%	15,999	10.90%
			2023		2022
			(Percentage)		

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

Profit rate earned	17.75%	11.09%
Profit rate distributed	9.97%	6.03%



Disclosure on Complaint Handling in Annual Accounts-2023

Under the umbrella of Customer Service Division, Complaint Management is primarily in control of upholding high FTC (Fair Treatment to Customers) standards by promptly resolving complaints and providing fair resolutions to customers.

To promote customer centricity in the culture and dynamics of BAHL, we have developed a comprehensive policy for handling customer complaints that is established on the values of fairness, transparency, promptness, visibility, and accessibility. BAHL take complaints as an effective measure to improve its services instead of considering complaints as root cause for customer dissatisfaction. Additionally, Fair Treatment to Consumers Committee (FTCC) is established to anticipate customer problems and recommend resolution that can give our customers a better experience.

In order to ensure that customer concerns are quickly resolved, Bank's customer complaint unit has been enhanced further during 2023. Additionally, training sessions have been conducted to emphasize complaint management procedures and guidelines throughout the bank.

Customers can register complaints through a variety of channels, including a call center, the bank's website, direct emails, social media, and letters delivered directly or through drop box to the customer services division. These complaints are swiftly recorded in the complaint management system. From the time a complaint is acknowledged until it is resolved, bank has a defined escalation matrix to resolve complaints, where if any complaint is not resolved within the allotted turnaround time, it is escalated to the next senior level of management to ensure resolution of the complaints on priority.

As a post resolution activity, the complaint trends and analysis are shared with Board Members, Senior Management and Business Segments. Based on the findings, root cause analysis is conducted and communicated timely with the relevant departments for reduction of customer grievance.

Key Highlight: In 2023, the Bank received 293,919 complaints, about 23% lower than the previous year. The complaints were investigated and closed within an average turnaround time of 4 working days.



Report of Shari'ah Board for the year ending December 31, 2023

In the name of Allah, the Beneficent, the Merciful

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank AL Habib – Islamic Banking Division (BAHL-IBD) are conducted in a manner that comply with Shari'ah principles and guidelines issued by the Shari'ah Board of the BAHL-IBD at all times. The Shari'ah Governance Framework issued by the State Bank of Pakistan, required from the Shari'ah Board (SB) to submit a report on the overall Shari'ah compliance environment of BAHL-IBD.
2. To form the opinion as expressed in this report, the Shari'ah Compliance Department carried out Shari'ah Reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shari'ah Board reviewed the Internal Shari'ah Audit and External Shari'ah Audit Reports. Based on above, we are of the view that:
 - I. BAHL-IBD has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
 - II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
 - III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management. On recommendations of Shari'ah Board measures are being taken to further strengthen the Pool Management system.
 - IV. BAHL-IBD has a comprehensive mechanism in place to ensure Shari'ah Compliance in its overall operations.
 - V. The Shari'ah Board appreciates the view and commitment of BOD towards ensuring the Shari'ah Compliance in the products, processes and operations of the BAHL-IBD. Improvement is required in level of awareness of Islamic Banking staff as well Executive Management in order to improve their understanding on the importance of Shari'ah Compliance in their respective areas, particularly in Foreign Trade Department.
 - VI. The Management has committed to provided further human resources to Shari'ah Compliance Department enabling them to discharge their duties effectively.
 - VII. The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings identified from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. In year 2023, charity amount of Rs. 64.683 Million has been realized, out of which an income of Rs. 1.589 Million was credited to charity due to Shari'ah non-compliance as per instructions of Shari'ah Board. An amount of Rs. 40.4 Million has been granted to various charitable institutions from available charity fund.

Mufti Sher Ali
Resident Shari'ah Board Member

Mufti Muhammad Hamza
Member Shari'ah Board

Mufti Mohib ul Haq Siddiqui
Member Shari'ah Board

Mufti Ismatullah
Chairman Shari'ah Board

Karachi: 31 January, 2024



Notice of Annual General Meeting

Notice is hereby given that the Thirty-third Annual General Meeting of Bank AL Habib Limited (the Bank) will be held at the Bank's premises located at 128-C, Old Bahawalpur Road, Multan, on Wednesday, March 06, 2024 at 10:30 a.m. to transact the following business. The shareholders may also attend the meeting through electronic means as advised by Securities and Exchange Commission of Pakistan (SECP).

1. To receive and adopt the Audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2023 together with the Reports of Chairman, Directors and Auditors.
2. To consider and approve payment of final cash dividend @ 50%, i.e., Rs. 5.00 per share of Rs. 10/- each, in addition to Rs. 9.00 per share i.e., 90% Interim Cash Dividends already paid to the shareholders of the Bank, thus, total 140% i.e. Rs. 14.00 per share for the year ended December 31, 2023.
3. To appoint auditors for the year 2024 and to fix their remuneration. Existing auditors EY Ford Rhodes, Chartered Accountants, have retired. In compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019, and based on the recommendations of the Audit Committee and the Board, the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors in place of the retiring auditors.
4. To consider any other business of the Bank with the permission of the Chair.

Special Business

5. To obtain approval of the shareholders of the Bank, as per the requirements of SRO 389(I)/2023 dated March 21, 2023, issued by the SECP for transmission of the annual balance sheet, profit and loss account, auditor's report and directors' report, etc. ("annual audited financial statements") to the members through QR-enabled code and weblink.
6. To consider and approve remuneration payable to Executive Director of the Bank.

For Item Nos. 5 & 6 statement under Section 134(3) of the Companies Act, 2017 in respect of special business is annexed.

By order of the Board

MOHAMMAD TAQI LAKHANI
Company Secretary

Karachi: February 14, 2024

Notes:

1. Participation in the Annual General Meeting (AGM) through Electronic Means:

The entitled shareholders who are interested to attend AGM through online platform and whose names appeared in the Books of the Bank by the close of business on February 23, 2024 are hereby requested to get themselves registered with the Company Secretary Office by providing the following details at the earliest but not later than 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day) at agm@bankalhabib.com.

Name of Shareholder	CNIC No.	Folio Number /CDC Account No.	Cell Number	Email Address



Upon receipt of the above information from interested shareholders, the Bank will send the login details at their email addresses. On the AGM day, shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from any convenient location.

The login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

The entitled shareholders (whose names appeared in the Books of the Bank by the close of business on February 23, 2024) along with the details mentioned above may send their comments/suggestions for the proposed Agenda items at the above email address at least 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day).

2. The share transfer book of the Bank will remain closed from February 26, 2024 to March 06, 2024 (both days inclusive). Transfers received in order at the office of our Share Registrar, CDC Share Registrar Services Limited, located at CDC House, 99-B, Block B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi – 74400, by the close of business on February 23, 2024 will be treated in time for payment of final cash dividend (subject to approval of the members). Members are requested to promptly communicate any change in their addresses to our above-mentioned Share Registrar.
3. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and vote on his/her behalf. A proxy (except for a corporation) must be a member of the Bank. Proxy form, in order to be effective, must be received at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the time of the meeting (no account shall be taken of any part of the day that is not a working day).
4. The entitled shareholders are requested to keep with them their original Computerized National Identity Cards (CNICs) / Passport along with their folio numbers / participant(s) ID numbers and CDC account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. The proxy shall also produce his/her original CNIC or Passport at the time of the meeting. In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted along with Proxy Form in the Bank.

5. **Payment of Cash Dividend through Electronic Mode**

Under the provision of Section 242 of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

In order to receive cash dividend directly into the designated bank account, members who have not yet provided the bank account details are requested to fill and sign the "E-Dividend Bank Mandate Form" available on the Bank's website link, <https://www.bankalhabib.com/download-forms> and send to the relevant Participants / Investor Account Services of the CDC/Share Registrar of the Bank (as the case may be) latest by February 23, 2024 along with a copy of their valid CNICs. The aforesaid form is also available in the Annual Report of the Bank.

In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of valid CNICs, the Bank will withhold cash dividend of such members.

6. As per Section 150 of the Income Tax Ordinance 2001, different rates are prescribed for deduction of withholding tax on the amount of cash dividend paid by the companies / banks. These tax rates are as follows:

(a)	For filers of income tax returns	15%
(b)	For non-filers of income tax returns	30%

To enable the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 30% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of cash dividend i.e., March 6, 2024; otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

According to FBR, withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint-shareholder(s) based on their shareholding proportions, in case of joint accounts. Members that hold shares with joint-shareholder(s) are requested to provide shareholding proportions of principal shareholder and joint-shareholder(s) in respect of shares held by them to the Bank's Share Registrar in writing in the following format.



Bank Name	Folio/CDC Account No.	Total Shares	Principal Shareholder		Joint-Shareholder(s)	
			Name and CNIC	Shareholding Proportion (No. of Shares)	Name and CNIC	Shareholding Proportion (No. of Shares)

In case the required information is not provided to our Share Registrar latest by February 23, 2024, it will be assumed that the shares are equally held by them.

In case of corporate entity, withholding tax exemption from dividend income shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar latest by February 23, 2024.

As per instructions of SECP and Central Depository Company of Pakistan (CDC) circular No. 6 of 2018, the shareholders are hereby informed that the CDC has developed Centralized Cash Dividend Register (CCDR) on eServices Web Portal which contains details of cash dividend such as either paid or unpaid, withheld by the Bank, total amount of cash dividend, tax and zakat deductions and net amount credited into designated bank account of shareholders. The shareholders are requested to register themselves to CDC's eServices Portal link, <https://csp.cdcaccess.com.pk> to obtain the aforesaid information.

7. Audited Financial Statements through e-mail

In pursuant to Section 223 of the Companies Act 2017, Annual Report 2023 which includes Auditors' Report along with Audited Financial Statements, Directors' Report, Chairman's Review Report and Notice of Annual General Meeting are being e-mailed to the members who have provided their e-mail addresses for the said purpose. Members are also requested to intimate change (if any) in their registered e-mail addresses to our Share Registrar for the aforesaid purpose. Members of the Bank who wish to receive soft copy of Annual Report are requested to send their e-mail addresses to our Share Registrar through consent form, available on the Bank's website.

The Annual Report 2023 of the Bank is also available on the Bank's website and can be downloaded through the weblink : <https://www.bankalhabib.com/files/download/reports/Annual-Report-2023.pdf>

8. Procedure for Electronic-Voting and Voting Through Postal Ballot:

i) Electronic-Voting

In accordance with the Companies (Postal Ballot) Regulations, 2018 ("the Regulations") the right to vote through electronic voting facility and voting by post shall be provided to members of every listed company for all business classified as special business under the Companies Act, 2017, ("the Act") in the manner and subject to conditions contained in the Regulations.

- Details of the e-voting facility will be shared through an e-mail with those members of the Bank who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the Bank by the close of business on February 23, 2024.
- The web address and login details will be communicated to members via email. The security codes will be communicated to members through SMS from the web portal of CDC Share Registrar Services Limited (being the e-voting service provider)
- Identity of the members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- Members shall cast vote online at any time from March 03, 2024, at 09:00 a.m. and shall close on March 05, 2024 at 5:00 p.m. Members can cast their votes any time in this period. Once the vote on the resolution is cast by a member, he/she shall not be allowed to change it subsequently.

ii) Voting Through Postal Ballot

The members shall ensure that the duly filled and signed ballot paper (blank ballot paper attached), along with a copy of CNIC should reach the Chairman of the meeting through post at the Bank's principal office, Bank AL Habib Limited, 3rd Floor, Mackinnons Building, I. I. Chundrigar Road, Karachi or email at chairmanagm@bankalhabib.com one day before the AGM, i.e.. on March 05, 2024, during office hours. This Postal Ballot Paper is also available for download from the website of the Bank at www.bankalhabib.com.



- a. The signature on the Ballot Paper should match with signature on the CNIC.
- b. In case of foreign members and representatives of a body corporate, corporation and Federal Government, acceptability of other identification documents in lieu of CNIC should be approved by the board of that body corporate/company.
- c. Incomplete, unsigned, incorrect, defaced, torn, mutilated, overwritten ballot papers will be rejected.

Additional Information for Shareholders:

a. **Unclaimed / Unpaid Cash dividend and Share Certificates:**

In compliance of Section 244 of the Act, the Bank has already requested through individual letters to shareholders and also through newspaper to collect their unclaimed shares / unpaid cash dividend, if any. Shareholders are once again requested to lodge a claim for unclaimed shares / unpaid cash dividends with the Bank's Share Registrar i.e. CDC Share Registrar Services Limited.

b. **Deposit / Conversion of Physical shares into Book-Entry form:**

The shareholders having physical share certificates of the Bank are advised to place / convert their physical shares into Book-Entry form in CDC as required under the provisions of Section 72 of the Companies Act, 2017.

Statement under Section 134(3) of the Companies Act, 2017

The statement is annexed to the Notice of the Thirty-third (33rd) Annual General Meeting of Bank AL Habib Limited at which a special business is to be transacted. The purpose of this statement is to set forth the material fact concerning such special business.

Item No.5 of the Agenda

As recommended by the Board of Directors in their meeting held on January 31, 2024, it is intended to propose the following resolution to be passed as an Ordinary Resolution:

“RESOLVED THAT the shareholders of the Bank do hereby consent and authorise the Bank for transmission of “annual audited financial statements”, including but not limited to the annual balance sheet, profit and loss account, auditor’s report and directors’ report, etc, to its shareholders through QR-enabled code and weblink, subject to the requirements of SECP’s SRO 389(I)/2023 dated March 21, 2023.”

Item No.6 of the Agenda

As recommended by the Board of Directors in their meeting held on January 31, 2024, it is intended to propose the following resolution to be passed as an Ordinary Resolution:

“RESOLVED THAT the remuneration of Mr. Qumail R. Habib, Executive Director shall not exceed Rs. 5,000,000/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment.”



Bank AL Habib Limited

Postal Ballot Paper

Voting through post for Special Businesses at the Annual General Meeting
to be held on March 06, 2024 @ 10:30 a.m. at Multan

This postal ballot paper is also available for download from the website of Bank AL Habib Limited at www.bankalhabib.com. Further, the designated email address of the Chairman of the meeting at which the duly filled ballot paper may be sent : chairmanagm@bankalhabib.com

Folio / CDC Account #	
Name of Shareholder / Joint Shareholders	
Registered Address	
Number of shares held	
NICOP /Passport (in case of foreigner) / CNIC Number (Copy to be attached)	
Additional Information and enclosures (In case of representative of body corporate, corporation and Federal Government)	
Name of Authorized Signatory	
NICOP /Passport (in case of foreigner) / CNIC No. of Authorized Signatory (copy to be attached)	

I/we hereby exercise my/our vote in respect of the following resolutions through postal ballot by conveying my/our assent or dissent to the following resolutions by placing tick (✓) mark in the appropriate box below

Serial No.	Nature and Description of resolutions	No. of ordinary shares for which votes cast	I/We assent to the Resolutions (FAVOR)	I/We dissent to the Resolutions (AGAINST)
1)	“RESOLVED THAT the shareholders of the Bank do hereby consent and authorise the Bank for transmission of “annual audited financial statements”, including but not limited to the annual balance sheet, profit and loss account, auditor’s report and directors’ report, etc, to its shareholders through QR-enabled code and weblink, subject to the requirements of SECP’s SRO 389(I)/2023 dated March 21, 2023.”			
2)	“RESOLVED THAT the remuneration of Mr. Qumail R. Habib, Executive Director shall not exceed Rs. 5,000,000/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment.”			

Place: _____

Date: _____

Signature of Shareholder(s) / Authorized Person

Notes:

1. Duly filled postal ballot paper should be sent to Mr. Abbas. D. Habib, Chairman of the Bank AL Habib Limited, at Mackinnons Building, I. I. Chundrigar Road, Karachi or email at chairmanagm@bankalhabib.com.
2. Copy of NICOP/ Passport (in case of foreigner) / CNIC should be enclosed with the Postal Ballot Form.
3. Postal Ballot Form should reach chairman of the meeting on or before March 05, 2024. Any Postal Ballot received after this date, will not be considered for voting.
4. Signature on postal ballot paper should match with signature registered on CNIC.
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written Ballot Paper will be rejected.
6. BOD resolution / POA along with list of signatories and valid copy of CNIC of authorized signatory(ies).
7. The shareholders may download the Postal Ballot From the Bank’s website or use the original / photocopy as published in newspaper.



بینک الحیب لمیٹڈ پوسٹل بیلٹ پیپر

سالانہ اجلاس عام میں خصوصی امور کے لئے بذریعہ ڈاک ووٹنگ ۶ مارچ ۲۰۲۳ء بوقت ۳:۱۰ بجے ملتان میں کی جائے گی۔

پوسٹل بیلٹ پیپر بینک الحیب لمیٹڈ کی ویب سائٹ www.bankalhabib.com پر بھی ڈاؤن لوڈ کرنے کیلئے دستیاب ہے۔ مزید برآں اجلاس کے چیئرمین کا نامزد کردہ ای میل ایڈریس جس پر باقاعدہ پُر شدہ بیلٹ پیپر ارسال کیے جاسکتے ہیں chairmanagm@bankalhabib.com

فولیو/سی ڈی سی اکاؤنٹ نمبر
شیر ہولڈر/جوائنٹ شیر ہولڈر کا نام
رجسٹرڈ ایڈریس
موجودہ شیرز کی تعداد
این آئی سی او پی/ پاسپورٹ (غیر ملکی ہونے کی صورت میں) سی این آئی سی نمبر (کاپی منسلک کی جائے)
اضافی معلومات اور منسلک دستاویزات (ہاڈی کارپوریٹ، کارپوریشن اور وفاقی حکومت کے نمائندے کی صورت میں)
مجاز دستخط کنندہ کا نام
این آئی سی او پی/ پاسپورٹ (غیر ملکی ہونے کی صورت میں) مجاز دستخط کا سی این آئی سی نمبر (کاپی منسلک کریں)

میں/ ہم پوسٹل بیلٹ کے ذریعے درج ذیل قراردادوں کے سلسلے میں اپنا/ ہمارا ووٹ استعمال کرتے ہوئے درج ذیل مناسب خانے میں ٹک کے نشان (✓) لگا کر ان قراردادوں کیلئے اپنی/ ہماری رضامندی یا غیر رضامندی ظاہر کر رہے ہیں۔

نمبر شمار	قراردادوں کی نوعیت اور تفصیلات	عمومی شیرز کی مجموعی تعداد جن کیلئے ووٹ کا سٹ ہوئے	میں/ ہم قرارداد میں/ ہم قرارداد پر رضامند ہیں (FAVOR)	میں/ ہم قرارداد پر اختلاف کرتے ہیں (AGAINST)
۱	”قرار پایا کہ بینک کے شیر ہولڈرز کی بذریعہ بڈ اجازت حاصل کی گئی ہے اور بینک مجاز ہے کہ وہ ”سالانہ آڈٹ شدہ مالیاتی حسابات“ بشمول، تاہم اس تک محدود نہیں، سالانہ بیلنس شیٹ، نفع و نقصان کے اکاؤنٹس، آڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ وغیرہ اپنے شیر ہولڈرز کو فعال QR کوڈ اور ویب لنک کے ذریعے ارسال کرے جو کہ ایس ای سی پی کے ایس آر او (۱) ۳۸۹/۲۰۲۳ مورخہ ۲۱ مارچ ۲۰۲۳ء کی شرائط کے مطابق ہے۔			
۲	”قرار پایا کہ جناب کمیل آر حبیب، ایگزیکٹو ڈائریکٹر کا معاوضہ -/۵,۰۰۰,۰۰۰ روپے ماہانہ علاوہ مروجہ مراعات، فوئڈ اور دیگر الاؤنسز، جس کے وہ اپنی ملازمت کی شرائط کے تحت حقدار ہیں، سے زائد نہ ہوگا۔“			

مقام:

شیر ہولڈر (ز) کے دستخط/ مجاز فرد

تاریخ:

۱۔ باقاعدہ پُر شدہ پوسٹل بیلٹ پیپر جناب عباس ڈی۔ حبیب، چیئرمین، بینک الحیب لمیٹڈ، میکینز بلڈنگ، آئی آئی چندریگر روڈ، کراچی
یا ای میل chairmanagm@bankalhabib.com پر ارسال کریں۔

۲۔ این آئی سی او پی/ پاسپورٹ کی کاپی (غیر ملکی ہونے کی صورت میں) / سی این آئی سی پوسٹل بیلٹ فارم کے ساتھ منسلک کی جائے۔

۳۔ پوسٹل بیلٹ پیپر اجلاس کے چیئرمین کو ۵ مارچ ۲۰۲۳ء تک یا اس سے قبل موصول ہو جائیں۔ اس تاریخ کے بعد موصولہ کوئی بھی پوسٹل بیلٹ ووٹنگ کیلئے قابل غور نہ ہوگا۔

۴۔ پوسٹل بیلٹ پیپر پر دستخط سی این آئی سی پر موجود دستخط سے مماثل ہونے چاہئیں۔

۵۔ نامکمل، غیر دستخط شدہ، غیر واضح، کٹے پھٹے، اوور رائٹنگ کے حامل بیلٹ پیپر مسترد کر دیئے جائیں گے۔

۶۔ بی او ڈی کی قرارداد/ پی او اے بشمول مجاز دستخط کنندہ (کنندگان) کے دستخطوں کی فہرست اور سی این آئی سی کی کارآمد کاپی۔

۷۔ شیر ہولڈرز پوسٹل بیلٹ فارم کو بینک کی ویب سائٹ سے ڈاؤن لوڈ کر سکتے ہیں یا اخبار میں شائع شدہ اصل/ اس کی فوٹو کاپی کا استعمال کر سکتے ہیں۔



Pattern of Shareholding as at December 31, 2023

Number of Shareholders	Size of Shareholding				Total Shares Held
768	From	1	To	100	26,773
872	From	101	To	500	278,304
604	From	501	To	1,000	490,258
2,002	From	1,001	To	5,000	5,491,354
588	From	5,001	To	10,000	4,410,919
332	From	10,001	To	15,000	4,168,865
1,128	From	15,001	To	20,000	20,682,868
93	From	20,001	To	25,000	2,117,496
69	From	25,001	To	30,000	1,920,030
58	From	30,001	To	35,000	1,900,536
93	From	35,001	To	40,000	3,495,349
72	From	40,001	To	50,000	3,350,850
73	From	50,001	To	60,000	4,035,165
88	From	60,001	To	80,000	6,161,622
72	From	80,001	To	100,000	6,711,195
87	From	100,001	To	150,000	10,662,798
76	From	150,001	To	200,000	13,298,072
54	From	200,001	To	250,000	12,124,853
40	From	250,001	To	300,000	11,166,676
21	From	300,001	To	350,000	6,812,456
91	From	350,001	To	600,000	41,647,429
56	From	600,001	To	1,000,000	43,970,001
158	From	1,000,001	To	100,000,000	906,501,547
7,495					1,111,425,416

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	7,161	625,908,521	56.32%
Investment & Insurance Companies	12	94,635,996	8.52%
Joint Stock Companies	125	177,419,996	15.96%
Financial Institutions	13	17,403,833	1.57%
Modaraba & Mutual Funds	39	78,735,683	7.08%
Foreign Companies	16	27,713,530	2.49%
Pension Funds	25	23,172,432	2.08%
Others	104	66,435,425	5.98%
TOTAL	7,495	1,111,425,416	100.00%



Pattern of Shareholding as at December 31, 2023 Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
Habib Insurance Co. Ltd.	1	2,000,000
Habib Sugar Mills Limited	1	24,136,691
Mutual Funds		
CDC - TRUSTEE HBL INCOME FUND - MT	1	1,500
TRI-STAR MUTUAL FUND LIMITED	1	1,904
SAFEWAY FUND (PVT) LTD.	1	5,001
CDC - TRUSTEE ALFALAH GHP DEDICATED EQUITY FUND	1	15,915
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	18,000
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	21,000
CDC - TRUSTEE AL HABIB STOCK FUND	1	23,000
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	25,570
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	28,848
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	32,732
CDC-TRUSTEE NITPF EQUITY SUB-FUND	1	40,000
CDC - TRUSTEE JS LARGE CAP. FUND	1	47,000
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	58,000
CDC - TRUSTEE MCB PAKISTAN DIVIDEND YIELD PLAN	1	58,400
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	61,801
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	66,952
CDC - TRUSTEE NIT ASSET ALLOCATION FUND	1	85,000
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	102,000
CDC - TRUSTEE HBL - STOCK FUND	1	154,132
CDC - TRUSTEE JS GLOBAL BANKING SECTOR EXCHANGE TRADED FUND	1	166,257
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	170,159
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	206,190
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	216,832
CDC - TRUSTEE NBP BALANCED FUND	1	232,900
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	242,657
CDC - TRUSTEE NBP SARMAYA IZAFAT FUND	1	250,850
MC FSL - TRUSTEE JS GROWTH FUND	1	287,000
CDC - TRUSTEE ALLIED FINERGY FUND	1	350,679
CDC - TRUSTEE APF-EQUITY SUB FUND	1	361,000
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	369,346
CDC - TRUSTEE HBL INVESTMENT FUND	1	394,221
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	617,889
CDC - TRUSTEE HBL FINANCIAL SECTOR INCOME FUND PLAN I - MT	1	705,165
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,169,489
CDC - TRUSTEE ABL STOCK FUND	1	1,672,830
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	1,937,149
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	6,232,763
CDC - TRUSTEE NBP STOCK FUND	1	6,733,282
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	55,572,270



Shareholders' Category	Number of Shareholders	Number of Shares Held
Directors		
Abbas D. Habib	1	42,450,257
Qumail R. Habib	1	17,522,296
Anwar Haji Karim	1	6,349,159
Murtaza H. Habib	1	13,698,691
Syed Mazhar Abbas	1	18,474
Mohammad Rafiquddin Mehkari	1	1,000
Arshad Nasar	1	500
Chaudhry Javed Iqbal	1	500
Farhana Mowjee Khan	1	25,180
Chief Executive Officer		
Mansoor Ali Khan	-	NIL
Directors' Spouses		
Mrs. Niamet Fatima W/o. Mr. Abbas D. Habib	1	4,818,197
Executives	48	8,972,812
Joint Stock Companies and Corporations	124	153,283,305
Banks, Development Financial Institutions, Non - Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	48	59,777,107
Shareholders holding five percent or more voting rights State Life Insurance Corporation of Pakistan National Investment (Unit) Trust (included in the list above under Mutual Funds)	1	73,435,154
Individuals	7,103	532,051,455
Others (including foreign companies)	120	94,148,955
TOTAL	7,495	1,111,425,416



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



Bank AL Habib Limited and its Subsidiary Companies
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 Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Asset Management Limited for the year ended December 31, 2023.

	(Rupees in '000)
Profit for the year before tax	72,007,268
Taxation	<u>(36,076,946)</u>
Profit for the year after tax	35,930,322
Share of profit attributable to Non-controlling interest	<u>(2,274)</u>
Profit attributable to shareholders of Holding Company	35,928,048
Un-appropriated profit brought forward	59,229,669
Transfer from surplus on revaluation of fixed assets-net of tax	172,276
Other comprehensive income-net of tax	(419,872)
	<u>58,982,073</u>
Profit available for appropriation	94,910,121
Appropriations:	
Transfer to Statutory Reserve	(3,531,938)
Cash dividend – 2022	(7,779,978)
Cash dividend – 2023	(10,002,832)
	<u>(21,314,748)</u>
Un-appropriated profit carried forward	<u>73,595,373</u>
Earnings per share (after tax) – Holding Company	<u>Rs. 32.33</u>

Pattern of Shareholding

The pattern of shareholding as at December 31, 2023 is annexed with the financial statements of Bank AL Habib Limited.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 31, 2024



INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the members of Bank AL Habib Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Bank AL Habib Limited (the Bank), and its subsidiary companies, (the Group) which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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



Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
1.Provision against Non-Performing loans and advances	
<p>The Group's advances portfolio represents 31.69% of its total assets as of 31 December 2023. A substantial portion of the advances portfolio includes loans and advances to businesses operating in diverse sectors of the economy.</p> <p>As per the Group's accounting policy (refer note 4.5 to the consolidated financial statements), the Group determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case-to-case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non- performing advances are included in note 4.5 and 9 respectively to the consolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Group's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We have performed procedures on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected individually significant loans and a representative sample of borrowers from the advances portfolios, and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management and the regulatory approvals in place for such policy. - We also assessed adequacy of disclosures as included in note 9 to the consolidated financial statements regarding the non-performing advances and provisions made there against in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.



Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: 13 February 2024

UDIN: AR202310191gMBJtDPk9



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Note	2023 (Rupees in '000)	2022
ASSETS			
Cash and balances with treasury banks	5	141,816,023	94,163,589
Balances with other banks	6	6,662,922	15,105,449
Lendings to financial institutions	7	1,649,716	15,568,607
Investments	8	1,504,488,304	1,158,799,988
Advances	9	868,868,391	813,267,817
Fixed assets	10	79,584,255	62,087,777
Intangible assets	11	212,691	452,845
Deferred tax assets	12	1,790,812	9,702,816
Other assets	13	137,128,649	103,533,391
		2,742,201,763	2,272,682,279
LIABILITIES			
Bills payable	15	48,083,103	44,855,837
Borrowings	16	477,438,034	418,989,460
Deposits and other accounts	17	1,933,731,281	1,568,009,274
Liabilities against assets subject to finance lease		—	—
Subordinated debt	18	29,985,200	29,991,600
Deferred tax liabilities		—	—
Other liabilities	19	125,237,447	115,087,502
		2,614,475,065	2,176,933,673
NET ASSETS		127,726,698	95,748,606
REPRESENTED BY			
Share capital	20	11,114,254	11,114,254
Reserves		28,184,872	24,391,414
Surplus on revaluation of assets	21	14,706,663	899,575
Unappropriated profit		73,595,373	59,229,669
Equity attributable to the shareholders of the Holding Company		127,601,162	95,634,912
Non-controlling interest	22	125,536	113,694
Total equity		127,726,698	95,748,606
CONTINGENCIES AND COMMITMENTS	23		

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 (Rupees in '000)	2022
Mark-up / return / interest earned	25	373,887,686	200,910,552
Mark-up / return / interest expensed	26	(249,743,418)	(123,591,617)
Net mark-up / interest income		124,144,268	77,318,935
NON MARK - UP / INTEREST INCOME			
Fee and commission income	27	14,680,160	11,883,581
Dividend income		701,543	684,359
Foreign exchange income		6,841,341	7,241,088
Income / (loss) from derivatives		–	–
Gain on securities - net	28	30,922	138,857
Share of profit from associates		1,133,848	778,627
Other income	29	965,552	854,177
Total non mark-up / interest income		24,353,366	21,580,689
Total income		148,497,634	98,899,624
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	30	(70,525,264)	(51,985,620)
Workers welfare fund		(1,561,292)	(821,631)
Other charges	31	(228,401)	(156,435)
Total non mark-up / interest expenses		(72,314,957)	(52,963,686)
Profit before provisions		76,182,677	45,935,938
Provisions and write offs - net	32	(4,175,409)	(12,880,545)
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		72,007,268	33,055,393
Taxation	33	(36,076,946)	(16,369,089)
PROFIT AFTER TAXATION		35,930,322	16,686,304
Attributable to:			
Shareholders of the Holding Company		35,928,048	16,687,927
Non-controlling interest		2,274	(1,623)
		35,930,322	16,686,304
(Rupees)			
Basic and diluted earnings per share attributable to equity holders of the Holding Company	34	32.33	15.01

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023 (Rupees in '000)	2022
Profit after taxation for the year	35,930,322	16,686,304
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign branches	261,520	2,077,925
Movement in surplus / (deficit) on revaluation of investments - net of tax	6,759,900	(4,982,786)
	7,021,420	(2,904,861)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement loss on defined benefit obligations - net of tax	(419,872)	(205,271)
Movement in surplus on revaluation of operating fixed assets - net of tax	7,167,062	(460,864)
Movement in surplus on revaluation of non banking assets - net of tax	61,970	(6,009)
	6,809,160	(672,144)
Total comprehensive income	49,760,902	13,109,299
Attributable to:		
Shareholders of the Holding Company	49,749,060	13,118,745
Non-controlling interest	11,842	(9,446)
	49,760,902	13,109,299

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to shareholders of the Holding Company										
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves			Surplus / (deficit) on revaluation of			Non-controlling Interest	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets	Unappropriated Profit	Sub Total		
Balance as at 01 January 2022	11,114,254	17,511,051	2,478,915	126,500	540,000	(650,717)	7,104,700	52,071,442	90,296,145	123,140	90,419,285
Profit after taxation	-	-	-	-	-	-	-	16,687,927	16,687,927	(1,623)	16,686,304
Other comprehensive income - net of tax	-	-	2,077,925	-	-	(4,974,963)	(466,873)	(205,271)	(3,569,182)	(7,823)	(3,577,005)
Total comprehensive income for the year	-	-	2,077,925	-	-	(4,974,963)	(466,873)	16,482,656	13,118,745	(9,446)	13,109,299
Transfer to statutory reserve	-	1,657,023	-	-	-	-	-	(1,657,023)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(112,572)	112,572	-	-	-
Transaction with owners, recorded directly in equity											
Final cash dividend (Rs. 7.00 per share) - December 2021	-	-	-	-	-	-	-	(7,779,978)	(7,779,978)	-	(7,779,978)
Balance as at 31 December 2022	11,114,254	19,168,074	4,556,840	126,500	540,000	(5,625,680)	6,525,255	59,229,669	95,634,912	113,694	95,748,606
Profit after taxation	-	-	-	-	-	-	-	35,928,048	35,928,048	2,274	35,930,322
Other comprehensive income - net of tax	-	-	261,520	-	-	6,750,332	7,229,032	(419,872)	13,821,012	9,568	13,830,580
Total comprehensive income for the year	-	-	261,520	-	-	6,750,332	7,229,032	35,508,176	49,749,060	11,842	49,760,902
Transfer to statutory reserve	-	3,531,938	-	-	-	-	-	(3,531,938)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(172,276)	172,276	-	-	-
Transactions with owners, recorded directly in equity											
Final cash dividend (Rs. 7.00 per share) - December 2022	-	-	-	-	-	-	-	(7,779,978)	(7,779,978)	-	(7,779,978)
Interim cash dividend (Rs. 4.50 per share) - June 2023	-	-	-	-	-	-	-	(5,001,416)	(5,001,416)	-	(5,001,416)
Interim cash dividend (Rs. 4.50 per share) - September 2023	-	-	-	-	-	-	-	(5,001,416)	(5,001,416)	-	(5,001,416)
	-	-	-	-	-	-	-	(17,782,810)	(17,782,810)	-	(17,782,810)
Balance as at 31 December 2023	11,114,254	22,700,012	4,818,360	126,500	540,000	1,124,652	13,582,011	73,595,373	127,601,162	125,536	127,726,698

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation
Less: dividend income

Note 2023 2022
(Rupees in '000)

Adjustments:

Depreciation
Depreciation on right-of-use assets
Amortisation
Provisions and write-offs-net
Gain on sale of fixed assets-net
Share of profit from associates
Gain on sale / redemption of securities-net
Charge for compensated absences
Mark-up expense on lease liability against right-of-use assets

72,007,268	33,055,393
(701,543)	(684,359)
71,305,725	32,371,034
4,570,988	3,572,767
2,298,189	2,140,431
263,049	310,316
4,175,362	12,880,530
(453,662)	(452,292)
(1,133,848)	(778,627)
(30,922)	(138,857)
399,896	175,616
1,568,789	1,313,510
11,657,841	19,023,394
82,963,566	51,394,428

Decrease / (increase) in operating assets

Lendings to financial institutions
Held-for-trading securities
Advances
Other assets

13,918,891	4,495,221
95,554	30,908
(63,262,711)	(83,935,527)
(33,475,953)	(16,994,921)
(82,724,219)	(96,404,319)

Increase in operating liabilities

Bills payable
Borrowings from financial institutions
Deposits and other accounts
Other liabilities (excluding current taxation)

3,227,266	15,052,082
57,748,367	116,642,974
365,722,007	258,274,310
1,880,792	10,224,978
428,584,432	400,194,344
428,823,779	355,184,453

Income tax paid

(34,066,257) **(20,149,156)**

Net cash flow generated from operating activities

394,757,522 **335,035,297**

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities
Net investments in held-to-maturity securities
Net investments in associates
Dividends received
Investments in operating fixed assets
Proceeds from sale of fixed assets
Exchange differences on translation of net investment in foreign branches
Net cash flow used in investing activities

(145,231,384)	(353,253,928)
(184,284,570)	459,740
669,551	3,808,255
696,841	685,953
(8,012,716)	(9,094,341)
447,992	469,875
261,520	2,077,925
(335,452,766)	(354,846,521)

CASH FLOW FROM FINANCING ACTIVITIES

(Payments) / receipts of subordinated debt-net
Dividend paid
Payment against lease liabilities-net
Net cash flow (used in) / generated from financing activities

(6,400)	13,996,400
(17,493,572)	(7,693,475)
(3,295,084)	(2,759,611)
(20,795,056)	3,543,314

Increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the year

35 **108,774,793** **125,042,703**

Cash and cash equivalents at end of the year

35 **147,284,493** **108,774,793**

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding Company

- Bank AL Habib Limited

Subsidiaries

- AL Habib Capital Markets (Private) Limited
- AL Habib Asset Management 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 repealed Companies Ordinance, 1984 (now the Companies Act, 2017) having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 1,084 branches (2022: 1,050 branches), 29 sub-branches (2022: 29 sub-branches), 04 representative offices (2022: 04 representative offices) and 09 booths (2022: 09 booths). The branch network of the Bank includes 02 overseas branches (2022: 02 overseas branches) and 201 Islamic Banking branches (2022: 178 Islamic Banking branches).

1.3 The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The Company was incorporated in Pakistan on 23 August 2005 as a private limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The company is a corporate member of the Pakistan Stock Exchange Limited and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.

1.4 The Bank has invested in 100% shares of AL Habib Asset Management Limited. The Company was incorporated in Pakistan on 30 September 2005 as an unquoted public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company has been issued a license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services as a Non-Banking Finance Company. The principal business of the Company is to provide Investment Advisory Services and Asset Management Services.

The Company is managing following funds:

- AL Habib Money Market Fund
- AL Habib Islamic Cash Fund
- AL Habib Islamic Savings Fund
- AL Habib Income Fund
- AL Habib Stock Fund
- AL Habib Cash Fund
- AL Habib Islamic Stock Fund
- AL Habib Islamic Income Fund
- AL Habib Asset Allocation Fund
- AL Habib Pension Fund Equity Sub Fund
- AL Habib Pension Fund Debt Sub Fund
- AL Habib Pension Fund Money Market Sub Fund
- AL Habib Islamic Pension Fund Equity Sub Fund
- AL Habib Islamic Pension Fund Debt Sub Fund
- AL Habib Islamic Pension Fund Money Market Sub Fund
- AL Habib Fixed Return Fund Plan 9

1.5 During the year, the Bank paid Rs. 1,000 million towards subscription of 100% shares in AL Habib Exchange Company (Private) Limited (the Company). The Company is in process of obtaining license from SBP.



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 BPRD Circular No. 02, dated 25 January 2018.

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 include purchase of goods by banks from 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, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.

2.3 Key financial information of the Islamic Banking branches is disclosed in annexure II to these consolidated financial statements.

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

2.5 The Group believes that there is no significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

2.6 Statement of compliance

2.6.1 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- IFAS issued by ICAP, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by SBP and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.6.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular No. 07 of 2023 dated 23 April 2023 directed the Banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2024. SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirements are considered for recording, classification and valuation of investment.

2.6.3 SBP vide its BPRD Circular No. 04 dated 25 February 2015, has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in the preparation of these consolidated financial statements.



2.6.4 IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.

2.7 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to existing accounting and reporting standards that have become applicable to the Group for accounting periods beginning on or after January 01, 2023. These are either considered to not be relevant or do not have any significant impact and accordingly have not been detailed in these financial statements, except as disclosed below.

IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (Amendments)

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

2.8 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

2.8.1 IFRS 9 'Financial Instruments'

As per BPRD Circular Letter No. 07 of 2023 dated 23 April 2023, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2024. SBP has also extended the preparation of annual / interim financial statements on the revised formats to the first quarter of 2024. SBP has issued detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements.

The IFRS 9 application instructions and guidelines that have been issued as part of the circular include the following key components:

- a) Basis for classification and measurement of debt and equity securities;
- b) Framework for determination of "Expected Credit Losses (ECL)" under the requirements of IFRS 9, including required risk management policies;
- c) Credit exposures (in local currency) that have been guaranteed by the Government and Government Securities have been exempted from the application of the above ECL Framework;
- d) In respect of non-performing exposures (Stage 3 exposures) provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements;
- e) In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital and fully described in Annexure B to the aforementioned circular.



The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in the year 2024 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at 31 December 2023. The estimated ECL adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at 01 January 2024 is reduction in equity of approximately Rs. 4,386 million (without considering general provisions already held).

As at 31 December 2023, the management is carrying a general provision of Rs. 8,400 million (before tax) against loans / advances portfolio on prudent basis, which is above the requirement of Prudential Regulations and Stage 3 provision under IFRS 9.

2.8.2 Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

Standards and amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - (Amendments)	January 01, 2024
- IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements - (Amendments)	January 01, 2024
- IFRS 16 - Lease Liability in a Sale and Leaseback - (Amendments)	January 01, 2024
- IAS 21 - Lack of exchangeability – (Amendments)	January 01, 2025
- IFRS 17 - Insurance Contracts	January 01, 2026
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

The above standards, amendments and improvements are not expected to have any material impact on the consolidated financial statements of the Group for the future periods.

Further, following new standard has been issued by IASB which is yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (accounting periods beginning on or after)
- IFRS 1 – First-time Adoption of International Financial Reporting Standards	January 01, 2004

2.9 Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make estimates, judgments 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 and provisioning against investments	4.4, 4.13, 8 & 32
Classification and provisioning against loans and advances	4.5, 9 & 32
Revaluation of fixed assets	4.6 & 10
Determination of lease term and borrowing rate	4.6, 10 & 19
Non - banking assets acquired in satisfaction of claims	4.7 & 13
Defined benefit plan related assumptions	4.10, 19, 37 & 38
Provisions against off-balance sheet obligations	4.14, 19 & 32
Current and deferred taxation	4.16, 12, 19 & 33

3. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are carried at fair value, certain land and buildings, and non-banking assets acquired in satisfaction of claims are carried at revalued amount. Employee benefits and lease liability against right-of-use assets are carried at present value.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information related to preparation of these consolidated financial statements are consistent with those of the previous financial year, are as follows:

4.1 Basis of consolidation

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

The financial statements of the subsidiaries 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 subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant inter - company transactions have been eliminated.

Non - controlling interest are part of results of operations and net assets of the subsidiary companies attributable to interests which are not owned by the Holding Company. Interest in the equity of the subsidiaries 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.

4.2 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated cash flow statement comprise cash and non restricted balances with treasury and other banks less overdrawn nostros accounts. Restricted balances not available for use if any, are excluded from cash and cash equivalents.

4.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings and borrowings 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. These are initially recognised at amount of funds received and subsequently reported as payable under the contractual terms.



Purchase under resale obligation

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

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

4.4 Investment

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 Bank has the intention and ability to hold till maturity.

In Bai Muajjal, the Bank sells sukuk on credit to Government of Pakistan. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Available-for-sale

These are investments which do not fall under 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 Bank 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 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', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the 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.

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 profit and loss account.

Details of valuation techniques used in determination of fair value is included in note 40 of consolidated financial statements.

Investments in associates

Under the equity method, the investments in associates are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associates since the acquisition date. The profit and loss account reflects the Group's share of the results of operations of the associates. Any change in OCI of associates is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

4.5 Advances

Loans and advances

These are stated net of provisions for non - performing advances.



Receivables against lease finance where Bank is a lessor (other than Ijarah)

Leases where the Bank 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.

Islamic Financing and Related Assets

Ijarah finance

Assets leased out under ijarah arrangements are stated at cost less accumulated depreciation and impairment, if any. Such assets are depreciated over the terms of ijarah contracts.

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.

Inventory

The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale. Inventory against each contract is maintained on specific identification method.

Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount hence financed is paid back to the Bank.

Diminishing Musharaka

In Diminishing Musharaka financing, the Bank enters into Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic rental payment agreement for the utilisation of the Bank's Musharaka share by the customer. The customer purchases the Bank's share gradually as per his undertaking.

Running Musharaka

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half-yearly / annual accounts of the customer.

Musawama

In Musawama financing, the Bank purchases specific goods / commodities on cash basis from its customer for onward sale. Upon realisation of sale proceeds, the finance is adjusted.

Provision for non-performing advances

Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of respective central banks is followed in respect of overseas branches 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.

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken in determining provisioning amount.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant / Prudential Regulations and SBP directives.



For overseas operations, the Bank records an allowance for Expected Credit Loss (ECL) for all loans and other debt financial assets not held at Fair Value through Profit and Loss (all referred to as 'financial instruments'). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the Lifetime Expected Credit Losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Losses (12mECL). The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Advances are written-off when there is no realistic prospects of recovery.

4.6 Operating fixed assets and depreciation

Capital work in progress

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

Property and equipment - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. 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 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 10.2. 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 valuations involve estimates / assumptions and various market factors and conditions. The Bank accounts for revaluation surplus / deficit in accordance with the requirements of IAS 16 "Property, Plant and Equipment".

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.

Leases

Group as a lessee

The Group enters into lease arrangements principally in respect of office space for its operations. The Group assesses at contract inception whether a contract is, or contains, a lease.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 10 fixed assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental lending rate to measure lease liabilities.

4.7 Non - banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net



carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalised.

4.8 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised on an accrual basis as an expense in the period in which it is incurred.

Deposits mobilized under Islamic Banking operations are generated under two modes i.e. "Qard" and "Modaraba". Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits'.

4.9 Subordinated debt

Subordinated debt is initially recorded at the amount of proceeds received and subsequently reported at outstanding amounts as a financial liability. Mark - up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.10 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 and are not reclassified to profit and loss in subsequent periods. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 37. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

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 Markets (Private) Limited provides provident fund benefits to all its permanent employees. Contributions are made by the Company and the employees at the rate of 10% of the basic salary in accordance with the terms of scheme.

AL Habib Asset Management Limited operates approved funded contributory provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of the basic 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.

4.11 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are derecognised 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 derecognised when obligation is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit and loss account of the current period.

4.12 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 profit and loss account.



4.13 Impairment of investments

Provision for diminution in the investments classified as available-for-sale and held-to-maturity (except for debt securities) is recognised after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities. This determination of what is significant or prolonged requires judgment.

Provision for impairment against debt securities (other than government securities) is made in accordance with the requirements of the Prudential Regulations of SBP. In case of unquoted equity securities, the breakup value of the security is considered to determine impairment amount.

4.14 Provisions against off - balance sheet obligations

The Bank in the ordinary course of business, issues letters of credit, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fees and commission income" over the period of contracts. The Bank's 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.

4.15 Revenue recognition

- (a) Mark-up / return / interest 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 / return / interest 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) Income from istisna and musawama is recognised on time proportionate basis commencing from the time of sale of goods till the realisation of sale proceeds.
- (f) Income from diminishing musharaka is recognised on time proportionate basis over the term of contract.
- (g) Income from running musharaka financing is recognised on time proportionate basis and is subject to adjustment upon declaration of profit by musharaka partners.
- (h) Income from Bai-Muajjal is recognised on time proportionate basis from the date of disbursement to the due date of payment.
- (i) Dividend income is recognised when the right to receive is established.
- (j) The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The Group recognises fees earned on transaction-based arrangements at a point in time when the Group has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

4.16 Taxation

Income tax expense comprises current and deferred tax. The Group recognizes income and deferred tax in accordance with the requirements of IAS 12 "Income Taxes".



Provision for current tax is based on the taxable income for the year computed in accordance with tax laws in Pakistan, using tax rates enacted or substantively enacted at the 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 tax assets and liabilities are recognised on all taxable / deductible temporary differences as of the statement of financial position date.

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

4.17 Dividend and reserves

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared by the Board of Directors.

4.18 Statutory / special reserve

Every Bank incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

Special reserve was created to meet regulatory requirements.

4.19 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.

4.20 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

4.21 Segment reporting

The Group's primary format of reporting is based on business segments.

4.22 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 small and medium enterprises.

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 small and medium enterprises 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.

Asset management

It includes asset management activities through the subsidiary AL Habib Asset Management Limited.

4.23 Geographical segments

The Group operates in three geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific



	Note	2023 (Rupees in '000)	2022
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		30,595,416	26,172,043
Foreign currencies		4,053,352	1,703,466
		34,648,768	27,875,509
In transit:			
Local currency		42,390	291,878
Foreign currency		27,017	–
		69,407	291,878
With State Bank of Pakistan in:			
Local currency current accounts	5.1	72,206,674	53,502,052
Local currency current accounts - Islamic Banking	5.1	10,539,360	6,348,266
Foreign currency deposit accounts			
Cash reserve account	5.1	5,341,260	4,641,833
Cash reserve / special cash reserve account - Islamic Banking	5.1 & 5.2	995,250	612,722
Special cash reserve account	5.1 & 5.2	10,682,521	–
Local collection account	5.3	441,796	552,306
		100,206,861	65,657,179
With National Bank of Pakistan in:			
Local currency current account		6,585,694	189,343
Prize bonds		305,293	149,680
		141,816,023	94,163,589

- 5.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements.
- 5.2 The special cash reserve carries interest rate of 3.39% to 4.34% (2022: 0.12% to 3.14%) per annum.
- 5.3 This represents foreign currencies collection account maintained with SBP.

	Note	2023 (Rupees in '000)	2022
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current accounts		211,983	92,616
In deposit accounts	6.1	82,211	636,181
		294,194	728,797
Outside Pakistan:			
In current accounts	6.2	6,246,313	2,692,451
In deposit accounts	6.3	122,483	11,684,220
		6,368,796	14,376,671
		6,662,990	15,105,468
Less: impairment against IFRS 9 in overseas branches		(68)	(19)
		6,662,922	15,105,449



- 6.1 These carry expected profit rates ranging from 7.80% to 20.50% (2022: 2.32% to 15.25%) per annum.
- 6.2 These carry interest rates ranging from 1.55% to 5.08% (2022: 1.55% to 4.08%) per annum.
- 6.3 These carry interest rates ranging from 4.58% to 5.08% (2022: 3.58% to 4.08%) per annum.

2023 **2022**
(Rupees in '000)

7. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency:

Repurchase agreement lendings (Reverse Repo) **1,649,716** **15,568,607**

7.1 Securities held as collateral against amounts due from financial institutions

	2023			2022		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	1,649,716	-	1,649,716	15,568,607	-	15,568,607

7.1.1 Repurchase agreement lendings carry mark-up rates at 22.95% (2022: 16.00% to 16.25%) per annum.

7.1.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 1,998.743 million (2022: 15,593.410 million).

8. INVESTMENTS

	Note	2023				2022			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)									
8.1 Investments by type:									
<i>Held-for-trading securities</i>									
Shares		-	-	-	-	99,950	-	419	100,369
<i>Available-for-sale securities</i> 8.3 & 8.4									
Federal Government Securities		1,114,061,865	(4,536,292)	(924,569)	1,108,601,004	966,916,336	(4,841,980)	(10,786,905)	951,287,451
Shares		4,472,175	(1,961,851)	1,687,355	4,197,679	4,675,318	(1,917,975)	410,910	3,168,253
Non Government Debt Securities		9,385,650	(99,920)	(108,947)	9,176,783	9,640,277	-	(85,174)	9,555,103
Foreign Securities		8,869,880	(2,996,506)	12,821	5,886,195	7,476,045	(3,314,354)	(43,536)	4,118,155
Units of Mutual Funds		3,076,021	(351,370)	1,539,421	4,264,072	3,257,238	(365,225)	615,580	3,507,593
		1,139,865,591	(9,945,939)	2,206,081	1,132,125,733	991,965,214	(10,439,534)	(9,889,125)	971,636,555
<i>Held-to-maturity securities</i> 8.3 & 8.5									
Federal Government Securities		366,531,501	(1,312,482)	-	365,219,019	182,266,360	(1,739,320)	-	180,527,040
Foreign Securities		1,832,291	(686,846)	-	1,145,445	1,812,862	(810,648)	-	1,002,214
Others		4,481	(4,481)	-	-	4,481	(4,481)	-	-
		368,368,273	(2,003,809)	-	366,364,464	184,083,703	(2,554,449)	-	181,529,254
Associates	8.6	5,998,107	-	-	5,998,107	5,533,810	-	-	5,533,810
Total Investments		1,514,231,971	(11,949,748)	2,206,081	1,504,488,304	1,181,682,677	(12,993,983)	(9,888,706)	1,158,799,988



	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.2 Investments by segments:								
Federal Government Securities								
Market Treasury Bills	19,882	-	(1)	19,881	123,110,001	-	(691,755)	122,418,246
Pakistan Investment Bonds	1,261,589,197	-	(1,639,302)	1,259,949,895	865,701,463	-	(4,573,902)	861,127,561
Foreign Currency Bonds	28,254,245	(5,056,062)	(1,121,479)	22,076,704	22,901,702	(5,835,022)	(4,751,087)	12,315,593
Ijarah Sukuks	158,975,260	-	1,783,890	160,759,150	106,895,687	-	(478,887)	106,416,800
Sukuks	25,369,909	(792,712)	52,323	24,629,520	25,392,851	(746,278)	(291,274)	24,355,299
Naya Pakistan Certificates	5,769,121	-	-	5,769,121	4,852,292	-	-	4,852,292
Term Finance Certificates - Unlisted	615,752	-	-	615,752	328,700	-	-	328,700
	1,480,593,366	(5,848,774)	(924,569)	1,473,820,023	1,149,182,696	(6,581,300)	(10,786,905)	1,131,814,491
Shares								
Listed Companies	4,279,708	(1,941,039)	1,687,355	4,026,024	4,582,801	(1,912,275)	411,329	3,081,855
Unlisted Companies	192,467	(20,812)	-	171,655	192,467	(5,700)	-	186,767
	4,472,175	(1,961,851)	1,687,355	4,197,679	4,775,268	(1,917,975)	411,329	3,268,622
Non Government Debt Securities								
Listed	5,072,105	-	(83,573)	4,988,532	4,500,377	-	(85,174)	4,415,203
Unlisted	4,313,545	(99,920)	(25,374)	4,188,251	5,139,900	-	-	5,139,900
	9,385,650	(99,920)	(108,947)	9,176,783	9,640,277	-	(85,174)	9,555,103
Units of Mutual Funds	3,076,021	(351,370)	1,539,421	4,264,072	3,257,238	(365,225)	615,580	3,507,593
Others								
Unlisted Company	4,481	(4,481)	-	-	4,481	(4,481)	-	-
Foreign Securities								
Government Securities	10,702,171	(3,683,352)	12,821	7,031,640	9,288,907	(4,125,002)	(43,536)	5,120,369
Associates								
AL Habib Money Market Fund	600,000	-	-	600,000	1,225,354	-	-	1,225,354
AL Habib Islamic Cash Fund	1,013,247	-	-	1,013,247	100,000	-	-	100,000
AL Habib Islamic Savings Fund	100,164	-	-	100,164	106,582	-	-	106,582
AL Habib Income Fund	392,670	-	-	392,670	389,676	-	-	389,676
AL Habib Stock Fund	16,507	-	-	16,507	10,151	-	-	10,151
AL Habib Cash Fund	3,419,078	-	-	3,419,078	3,405,213	-	-	3,405,213
AL Habib Islamic Stock Fund	41,623	-	-	41,623	7,321	-	-	7,321
AL Habib Islamic Income Fund	25,520	-	-	25,520	25,283	-	-	25,283
AL Habib Asset Allocation Fund	130,984	-	-	130,984	77,011	-	-	77,011
AL Habib Pension Fund Equity Sub Fund	46,711	-	-	46,711	29,682	-	-	29,682
AL Habib Pension Fund Debt Sub Fund	39,435	-	-	39,435	32,390	-	-	32,390
AL Habib Pension Fund Money Market Sub Fund	38,983	-	-	38,983	32,266	-	-	32,266
AL Habib Islamic Pension Fund Equity Sub Fund	47,224	-	-	47,224	30,164	-	-	30,164
AL Habib Islamic Pension Fund Debt Sub Fund	38,212	-	-	38,212	31,362	-	-	31,362
AL Habib Islamic Pension Fund Money Market Sub Fund	37,649	-	-	37,649	31,355	-	-	31,355
AL Habib Fixed Return Fund Plan 9	10,100	-	-	10,100	-	-	-	-
	5,998,107	-	-	5,998,107	5,533,810	-	-	5,533,810
Total Investments	1,514,231,971	(11,949,748)	2,206,081	1,504,488,304	1,181,682,677	(12,993,983)	(9,888,706)	1,158,799,988



	2023	2022
	(Rupees in '000)	
8.2.1 Investments given as collateral		
Market Treasury Bills	–	71,831,084
Pakistan Investment Bonds	294,417,591	154,644,300
	<u>294,417,591</u>	<u>226,475,384</u>
8.3 Provision for diminution in value of investments		
Opening balance	12,993,983	3,520,375
Exchange adjustments against IFRS 9 in overseas branches	2,633,674	512,063
(Reversal) / charge		
Charge for the year	240,502	158,469
(Reversal) / charge of impairment as per IFRS 9 in overseas branches	(3,807,847)	8,843,517
Reversal on disposal	(110,564)	(40,441)
	<u>(3,677,909)</u>	8,961,545
Closing balance	<u>11,949,748</u>	<u>12,993,983</u>
8.3.1	Provision against investments includes Expected Credit Losses (ECL) / impairment under IFRS 9 amounting to Rs. 9,532.126 million (2022: Rs. 10,706.302 million) on overseas branches.	
	The Bank has estimated ECL / impairment provisions based on the IFRS 9 requirements as applicable in the relevant overseas jurisdictions. Under the IFRS 9 model, credit impairment provisions, inter alia, takes into account the credit ratings of the relevant bonds provided by the International rating agencies and the observed Probability of Default information relevant for such credit ratings. In respect of the defaulted bonds, the Bank considers currently available market prices.	
8.3.2 Particulars of provision against debt securities		
	2023	2022
	Non Performing Investments	Non Performing Investments
	Provision	Provision
	(Rupees in '000)	
Domestic Loss	99,920	–
	<u>99,920</u>	<u>–</u>
8.4 Quality of Available-for-Sale Securities		
	Details regarding quality of available for sale securities are as follows:	
	Cost	
	2023	2022
	(Rupees in '000)	
8.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	19,882	123,110,001
Pakistan Investment Bonds	904,195,466	690,858,280
Foreign Currency Bonds	19,116,475	15,478,525
Ijarah Sukuks	158,975,260	106,895,687
Sukuks	25,369,909	25,392,851
Naya Pakistan Certificates	5,769,121	4,852,292
Term Finance Certificates-Unlisted	615,752	328,700
	<u>1,114,061,865</u>	<u>966,916,336</u>



	Cost	
	2023	2022
	(Rupees in '000)	
8.4.2 Shares		
8.4.2.1 Listed Companies		
Automobile Assembler	199,842	199,842
Cement	362,079	362,079
Commercial Banks	150,024	164,698
Fertiliser	668,530	678,605
Insurance	29,975	29,975
Oil and Gas Exploration Companies	175,366	203,079
Oil and Gas Marketing Companies	788,541	793,159
Paper and Board	38,264	38,264
Pharmaceuticals	21,775	21,775
Power Generation and Distribution	1,515,756	1,648,679
Securities Companies	106,222	106,222
Sugar and Allied Industries	182,690	182,690
Technology and Communication	-	13,140
Textile Composite	40,644	40,644
	4,279,708	4,482,851

		2023		2022	
		Cost	Breakup value	Cost	Breakup value
		(Rupees in '000)			
8.4.2.2 Unlisted Companies					
Khushhali Bank Limited	December 31, 2022	30,000	142,446	30,000	196,796
Pakistan Export Finance Guarantee Agency Limited	-	5,700	-	5,700	-
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	-	18,536	-	18,536	-
Pakistan Mortgage Refinance Company Limited	December 31, 2022	50,000	105,145	50,000	88,580
1LINK (Private) Limited	December 31, 2022	50,000	733,214	50,000	428,290
Pakistan Corporate Restructuring Company Limited	December 31, 2022	37,966	22,854	37,966	30,117
Mutual Funds Association of Pakistan (MUFAP)	-	265	-	265	-
		192,467	1,003,659	192,467	743,783

The above breakup values are based on the latest available audited financial statements of the unlisted companies.



	Cost		
	2023	2022	
	(Rupees in '000)		
8.4.3 Non Government Debt Securities			
8.4.3.1 Listed			
AA+	1,120,695	1,120,695	
AA	299,940	200,000	
AA-	2,496,470	2,029,682	
A+	755,000	750,000	
A	400,000	300,000	
A-	-	100,000	
	<u>5,072,105</u>	<u>4,500,377</u>	
8.4.3.2 Unlisted			
AAA	1,798,000	1,798,000	
AA+	1,200,000	1,450,000	
AA-	1,015,625	1,517,000	
A+	-	75,000	
A	100,000	100,000	
A-	-	100,000	
B+	199,920	99,900	
	<u>4,313,545</u>	<u>5,139,900</u>	
8.4.4 Foreign Securities	2023	2022	
	Cost	Cost	Rating
	(Rupees in '000)		
Government Securities			
Egypt	1,841,221	1,824,716	B+
Srilanka	5,659,177	4,563,909	D
Turkiye	1,369,482	1,087,420	B
	<u>8,869,880</u>	<u>7,476,045</u>	
		Cost	
		2023	2022
		(Rupees in '000)	
8.4.5 Units of Mutual Funds	<u>3,076,021</u>	<u>3,257,238</u>	
8.5 Particulars relating to Held-to-Maturity securities are as follows:			
Federal Government Securities-Government guaranteed			
Pakistan Investment Bonds	357,393,731	174,843,183	
Foreign Currency Bonds	9,137,770	7,423,177	
	<u>366,531,501</u>	<u>182,266,360</u>	



	Cost			
	2023	2022		
(Rupees in '000)				
Others				
Pakistan Corporate Restructuring Company Limited (PCRCL)	<u>4,481</u>	<u>4,481</u>		
Foreign Securities	2023	2022		
	Cost	Rating		
(Rupees in '000)		Cost	Rating	
Government Securities				
Egypt	<u>422,987</u>	<u>B-</u>	<u>680,707</u>	<u>B+</u>
Sri Lanka	<u>1,409,304</u>	<u>D</u>	<u>1,132,155</u>	<u>D</u>
	<u>1,832,291</u>		<u>1,812,862</u>	

8.5.1 The market value of securities classified as held to maturity at 31 December 2023 amounted to Rs. 360,288 million (2022: Rs. 170,599 million).

8.6 Associates

2023	2022	Name of funds	2023	2022
Number of units			(Rupees in '000)	
6,000,000	12,253,538	AL Habib Money Market Fund % of holding: 3.07% (2022: 13.03%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value Rs. 100 (2022: Rs. 100)	600,000	1,225,354
10,132,472	1,000,000	AL Habib Islamic Cash Fund % of holding: 4.91% (2022: 0.79%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value Rs. 100 (2022: Rs. 100)	1,013,247	100,000
1,000,000	1,057,305	AL Habib Islamic Saving Fund % of holding: 0.54% (2022: 2.87%) Average cost per unit: Rs. 100 (2022: Rs. 100.04) Net asset value Rs. 100.16 (2022: Rs. 100.81)	100,164	106,582
3,845,202	3,845,202	AL Habib Income Fund % of holding: 6.65% (2022: 13.76%) Average cost per unit: Rs. 104.03 (2022: Rs. 104.03) Net asset value: Rs. 102.12 (2022: Rs. 101.34)	392,670	389,676
144,104	135,725	AL Habib Stock Fund % of holding: 7.91% (2022: 9.73%) Average cost per unit: Rs. 104.09 (2022: Rs. 92.36) Net asset value: Rs. 114.55 (2022: Rs. 74.79)	16,507	10,151
33,307,275	33,307,275	AL Habib Cash Fund % of holding: 10.04% (2022: 8.72%) Average cost per unit: Rs. 100.58 (2022: Rs. 100.58) Net asset value: Rs. 102.65 (2022: Rs. 102.24)	3,419,078	3,405,213
377,515	100,929	AL Habib Islamic Stock Fund % of holding: 7.78% (2022: 2.70%) Average cost per unit: Rs. 105.96 (2022: Rs. 99.08) Net asset value: Rs. 110.26 (2022: Rs. 72.53)	41,623	7,321
250,421	250,421	AL Habib Islamic Income Fund % of holding: 0.57% (2022: 0.41%) Average cost per unit: Rs. 98.46 (2022: Rs. 98.46) Net asset value: Rs. 101.91 (2022: Rs. 100.96)	25,520	25,283



2023	2022	Name of funds	2023	2022
Number of units			(Rupees in '000)	
1,038,136	798,146	AL Habib Asset Allocation Fund % of holding: 99.58% (2022: 74.93%) Average cost per unit: Rs. 96.69 (2022: Rs. 96.39) Net asset value: Rs. 126.17 (2022: Rs. 96.49)	130,984	77,011
300,000	300,000	AL Habib Pension Fund Equity Sub Fund % of holding: 81.24% (2022: 87%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value: Rs. 155.70 (2022: Rs. 98.94)	46,711	29,682
300,000	300,000	AL Habib Pension Fund Debt Sub Fund % of holding: 39.49% (2022: 62.49%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value: Rs. 131.45 (2022: Rs. 107.97)	39,435	32,390
300,000	300,000	AL Habib Pension Fund Money Market Sub Fund % of holding: 25.68% (2022: 62.25%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value: Rs. 129.94 (2022: Rs. 107.55)	38,983	32,266
300,000	300,000	AL Habib Islamic Pension Fund Equity Sub Fund % of holding: 66.17% (2022: 92.43%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value: Rs. 157.41 (2022: Rs. 100.55)	47,224	30,164
300,000	300,000	AL Habib Islamic Pension Fund Debt Sub Fund % of holding: 43.03% (2022: 70.90%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value: Rs. 127.37 (2022: Rs. 104.54)	38,212	31,362
300,000	300,000	AL Habib Islamic Pension Fund Money Market Sub Fund % of holding: 38.30% (2022: 65.54%) Average cost per unit: Rs. 100 (2022: Rs. 100) Net asset value: Rs. 125.50 (2022: Rs. 104.52)	37,649	31,355
100,000	-	AL Habib Fixed Return Fund Plan 9 % of holding: 0.75% (2022: Nil) Average cost per unit: Rs. 100 (2022: Rs. Nil) Net asset value: Rs. 101 (2022: Rs. Nil)	10,100	-
			5,998,107	5,533,810

8.6.1 The place of incorporation and business of associates is Pakistan.

8.6.2 All of the above funds are managed by AL Habib Asset Management Limited (the subsidiary company). The Chief Executive of the Management Company is Mr. Kashif Rafi.

	2023	2022
	(Rupees in '000)	
8.6.3 Movement of investments in associates		
Opening balance	5,533,810	8,563,438
Share of profit	1,133,848	778,627
Investment - net	347,128	(3,001,111)
Dividend received	(937,399)	(738,485)
Capital gain	(79,280)	(69,042)
Adjustment	-	383
Closing balance	5,998,107	5,533,810



8.6.4 Associates - Key information
(Based on latest audited financial statements)

			2023				
			Assets	Liabilities	Equity	Revenue	Profit / (loss)
			(Rupees in '000)				
AL Habib Money Market Fund	June 30, 2023		8,257,216	19,802	8,237,414	842,551	787,087
AL Habib Islamic Cash Fund	June 30, 2023		13,845,361	39,327	13,806,034	1,654,346	1,565,491
AL Habib Islamic Savings Fund	June 30, 2023		4,521,913	114,553	4,407,360	557,864	521,969
AL Habib Income Fund	June 30, 2023		2,934,658	30,126	2,904,532	443,505	410,083
AL Habib Stock Fund	June 30, 2023		115,433	2,839	112,594	(776)	(3,776)
AL Habib Cash Fund	June 30, 2023		24,997,485	127,846	24,869,639	4,272,557	3,987,012
AL Habib Islamic Stock Fund	June 30, 2023		301,472	3,114	298,358	8,932	2,519
AL Habib Islamic Income Fund	June 30, 2023		5,187,209	38,675	5,148,534	932,923	890,043
AL Habib Asset Allocation Fund	June 30, 2023		109,824	3,786	106,038	11,972	9,258
AL Habib Pension Fund Equity Sub Fund*	June 30, 2023		37,062	178	36,884	1,360	1,019
AL Habib Pension Fund Debt Sub Fund*	June 30, 2023		77,862	683	77,179	9,370	8,631
AL Habib Pension Fund Money Market Sub Fund*	June 30, 2023		164,580	30,631	133,949	10,249	9,281
AL Habib Islamic Pension Fund Equity Sub Fund*	June 30, 2023		35,474	196	35,278	1,913	1,564
AL Habib Islamic Pension Fund Debt Sub Fund*	June 30, 2023		75,127	5,182	69,945	6,311	6,123
AL Habib Islamic Pension Fund Money Market Sub Fund*	June 30, 2023		86,875	182	86,693	5,881	5,692

AL Habib Fixed Return Fund Plan 9 was incorporated in the year 2023, and therefore, audited financial statements are not available.

			2022				
			Assets	Liabilities	Equity	Revenue	Profit / (loss)
			(Rupees in '000)				
AL Habib Money Market Fund	June 30, 2022		3,082,584	6,681	3,075,903	166,397	158,607
AL Habib Islamic Cash Fund	June 30, 2022		10,151,518	17,633	10,133,885	191,485	186,058
AL Habib Islamic Savings Fund	June 30, 2022		3,345,468	3,195	3,342,273	93,242	87,694
AL Habib Income Fund	June 30, 2022		1,643,997	25,180	1,618,817	173,097	164,028
AL Habib Stock Fund	June 30, 2022		123,763	3,305	120,458	(13,445)	(20,187)
AL Habib Cash Fund	June 30, 2022		22,993,326	81,753	22,911,573	2,129,102	2,006,247
AL Habib Islamic Stock Fund	June 30, 2022		306,418	3,673	302,745	(15,299)	(25,593)
AL Habib Islamic Income Fund	June 30, 2022		9,494,242	1,076,364	8,417,878	789,663	742,830
AL Habib Asset Allocation Fund	June 30, 2022		103,754	839	102,915	(2,504)	(6,408)

* These funds were incorporated in the year 2022, therefore, audited financial statement were not available at December 2022.



9. ADVANCES

	Note	Performing		Non-Performing		Total	
		2023	2022	2023	2022	2023	2022
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.1	694,586,199	673,293,270	23,670,518	13,102,322	718,256,717	686,395,592
Islamic financing and related assets		114,129,113	100,915,017	809,154	744,942	114,938,267	101,659,959
Bills discounted and purchased		61,542,273	42,148,012	707,670	874,021	62,249,943	43,022,033
Advances - gross		870,257,585	816,356,299	25,187,342	14,721,285	895,444,927	831,077,584
Provision against advances							
- Specific		-	-	17,830,419	11,606,594	17,830,419	11,606,594
- General as per regulations		264,544	410,890	-	-	264,544	410,890
- General		8,400,000	5,750,000	-	-	8,400,000	5,750,000
- As per IFRS 9 in overseas branches		81,573	42,283	-	-	81,573	42,283
		8,746,117	6,203,173	17,830,419	11,606,594	26,576,536	17,809,767
Advances-net of provision		861,511,468	810,153,126	7,356,923	3,114,691	868,868,391	813,267,817

9.1 Includes net investment in finance lease as disclosed below:

	2023			2022		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees in '000)					
Lease rentals receivable	11,064,215	13,280,877	24,345,092	11,441,881	15,575,991	27,017,872
Residual value	2,212,312	6,693,799	8,906,111	1,369,974	7,008,675	8,378,649
Minimum lease payments	13,276,527	19,974,676	33,251,203	12,811,855	22,584,666	35,396,521
Financial charges for future periods	(3,459,145)	(2,735,736)	(6,194,881)	(3,135,972)	(2,726,376)	(5,862,348)
Present value of minimum lease payments	9,817,382	17,238,940	27,056,322	9,675,883	19,858,290	29,534,173

9.2 Particulars of advances (Gross)

	2023	2022
	(Rupees in '000)	
In local currency	773,404,099	732,689,656
In foreign currencies	122,040,828	98,387,928
	895,444,927	831,077,584



9.3 Advances include Rs. 25,187.342 million (2022: Rs. 14,721.285 million) which have been placed under non-performing status as detailed below:

Category of classification	2023		2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	286,295	5,135	65,333	917
Substandard	2,235,618	524,859	887,349	211,101
Doubtful	8,725,151	4,305,429	926,869	463,175
Loss	5,063,316	4,971,436	4,618,496	4,552,653
	16,310,380	9,806,859	6,498,047	5,227,846
Overseas				
Overdue by:				
Upto 90 days	–	–	5,650,414	3,805,924
181 to 365 days	283,129	141,565	43,612	43,612
> 365 days	8,593,833	7,881,995	2,529,212	2,529,212
	8,876,962	8,023,560	8,223,238	6,378,748
Total	25,187,342	17,830,419	14,721,285	11,606,594

9.4 Particulars of provision against advances

	Note	2023			2022		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
Opening balance		11,606,594	6,203,173	17,809,767	6,494,129	6,596,182	13,090,311
Exchange adjustments		1,751,369	9,995	1,761,364	663,797	99,778	763,575
Charge / (reversals) for the year							
- Specific provision		6,774,544	–	6,774,544	7,771,780	–	7,771,780
- General provision as per regulations		–	(146,346)	(146,346)	–	41,500	41,500
- General provision - As per IFRS 9 in overseas branches		–	29,295	29,295	–	(534,287)	(534,287)
- Reversals		(1,645,356)	–	(1,645,356)	(3,275,830)	–	(3,275,830)
		5,129,188	2,532,949	7,662,137	4,495,950	(492,787)	4,003,163
Amounts written off	9.5	(656,732)	–	(656,732)	(47,282)	–	(47,282)
Closing balance		17,830,419	8,746,117	26,576,536	11,606,594	6,203,173	17,809,767



9.4.1 Particulars of provision against advances

	2023			2022		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
In local currency	9,366,384	8,664,544	18,030,928	4,353,826	6,160,890	10,514,716
In foreign currencies	8,464,035	81,573	8,545,608	7,252,768	42,283	7,295,051
	<u>17,830,419</u>	<u>8,746,117</u>	<u>26,576,536</u>	<u>11,606,594</u>	<u>6,203,173</u>	<u>17,809,767</u>

9.4.2 In line with its prudent policies, the Bank has also made general provision of Rs. 2,650 million (2022: Nil), bringing the total of such provision to Rs. 8,400 million (2022: Rs. 5,750 million). This general provision is in addition to the requirements of the Prudential Regulations.

9.4.3 For the purposes of determining provision against domestic 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.

9.5 PARTICULARS OF WRITE OFFs

	Note	2023 (Rupees in '000)	2022
9.5.1 Against Provisions	9.4	656,732	47,282
Directly charged to Profit and Loss account		-	-
		<u>656,732</u>	<u>47,282</u>
9.5.2 Against Provisions			
Write Offs of below Rs. 500,000		284	409
Write Offs of Rs. 500,000 and above	9.6	656,448	46,873
		<u>656,732</u>	<u>47,282</u>

9.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

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 rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure I.

	Note	2023 (Rupees in '000)	2022
10. FIXED ASSETS			
Capital work-in-progress	10.1	4,293,549	3,175,654
Property and equipment	10.2	75,290,706	58,912,123
		<u>79,584,255</u>	<u>62,087,777</u>
10.1 Capital work-in-progress			
Civil works		1,756,006	1,173,278
Advance payment for purchase of equipments		613,294	228,417
Advance payment towards suppliers, contractors and property		1,879,756	1,752,554
Consultants' fee and other charges		44,493	21,405
		<u>4,293,549</u>	<u>3,175,654</u>



10.2 Property and Equipment

	2023							
	Leasehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold buildings	Right of use assets	Total
	(Rupees in '000)							
At 01 January 2023								
Cost / revalued amount	17,015,999	19,113,486	2,455,272	15,259,700	5,232,365	4,823,526	17,549,450	81,449,798
Accumulated depreciation	-	(1,584,461)	(1,003,506)	(8,944,883)	(2,546,012)	(2,980,981)	(5,477,832)	(22,537,675)
Net book value	<u>17,015,999</u>	<u>17,529,025</u>	<u>1,451,766</u>	<u>6,314,817</u>	<u>2,686,353</u>	<u>1,842,545</u>	<u>12,071,618</u>	<u>58,912,123</u>
Year ended 31 December 2023								
Opening net book value	17,015,999	17,529,025	1,451,766	6,314,817	2,686,353	1,842,545	12,071,618	58,912,123
Additions	247,265	959,593	385,617	2,384,600	2,128,840	766,011	-	6,871,926
Additions to ROUs	-	-	-	-	-	-	2,362,122	2,362,122
Movement in surplus on assets revalued during the year - net	6,725,313	7,491,203	-	-	-	-	-	14,216,516
Disposals	-	-	(3,214)	(6,114)	(21,749)	(13,136)	(185,932)	(230,145)
Depreciation charge	-	(751,396)	(233,202)	(1,853,497)	(1,090,529)	(635,128)	(2,298,189)	(6,861,941)
Other adjustments / transfers	(10,387)	16,173	-	-	-	(5,786)	20,105	20,105
Closing net book value	<u>23,978,190</u>	<u>25,244,598</u>	<u>1,600,967</u>	<u>6,839,806</u>	<u>3,702,915</u>	<u>1,954,506</u>	<u>11,969,724</u>	<u>75,290,706</u>
At 31 December 2023								
Cost / revalued amount	23,978,190	25,739,604	2,817,975	17,487,274	7,024,113	5,494,658	18,288,334	100,830,148
Accumulated depreciation	-	(495,006)	(1,217,008)	(10,647,468)	(3,321,198)	(3,540,152)	(6,318,610)	(25,539,442)
Net book value	<u>23,978,190</u>	<u>25,244,598</u>	<u>1,600,967</u>	<u>6,839,806</u>	<u>3,702,915</u>	<u>1,954,506</u>	<u>11,969,724</u>	<u>75,290,706</u>
Rate of depreciation (percentage)	-	2% - 25%	10%	20% - 33.33%	20%	20%	As per lease term	
	2022							
At 01 January 2022								
Cost / revalued amount	16,415,737	18,336,368	1,996,702	12,161,113	4,303,341	4,025,751	14,928,314	72,167,326
Accumulated depreciation	-	(927,830)	(837,394)	(7,633,457)	(2,124,247)	(2,519,751)	(4,161,554)	(18,204,233)
Net book value	<u>16,415,737</u>	<u>17,408,538</u>	<u>1,159,308</u>	<u>4,527,656</u>	<u>2,179,094</u>	<u>1,506,000</u>	<u>10,766,760</u>	<u>53,963,093</u>
Year ended 31 December 2022								
Opening net book value	16,415,737	17,408,538	1,159,308	4,527,656	2,179,094	1,506,000	10,766,760	53,963,093
Additions	600,262	777,117	480,698	3,212,186	1,325,629	852,326	-	7,248,218
Additions to ROUs	-	-	-	-	-	-	3,542,058	3,542,058
Movement in surplus on assets revalued during the year - net	-	-	-	-	-	-	-	-
Disposals	-	-	(3,533)	(6,353)	(11,465)	(17,148)	(138,416)	(176,915)
Depreciation charge	-	(656,630)	(184,707)	(1,418,672)	(806,905)	(498,633)	(2,140,431)	(5,705,978)
Other adjustments / transfers	-	-	-	-	-	-	41,647	41,647
Closing net book value	<u>17,015,999</u>	<u>17,529,025</u>	<u>1,451,766</u>	<u>6,314,817</u>	<u>2,686,353</u>	<u>1,842,545</u>	<u>12,071,618</u>	<u>58,912,123</u>
At 31 December 2022								
Cost / revalued amount	17,015,999	19,113,486	2,455,272	15,259,700	5,232,365	4,823,526	17,549,450	81,449,798
Accumulated depreciation	-	(1,584,461)	(1,003,506)	(8,944,883)	(2,546,012)	(2,980,981)	(5,477,832)	(22,537,675)
Net book value	<u>17,015,999</u>	<u>17,529,025</u>	<u>1,451,766</u>	<u>6,314,817</u>	<u>2,686,353</u>	<u>1,842,545</u>	<u>12,071,618</u>	<u>58,912,123</u>
Rate of depreciation (percentage)	-	2.08% - 20%	10%	20%-33.33%	20%	20%	As per lease term	



10.3 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2023. The revaluation was carried out by an independent valuer, M/s. Harvester Services (Pvt.) Limited on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in surplus of Rs. 14,216.516 million over the book value of the respective properties and also net deficit of Rs. 75.889 million on certain properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2023 would have been as follows:

	2023	2022
	(Rupees in '000)	
Leasehold land	<u>13,066,480</u>	<u>8,730,369</u>
Buildings on leasehold land	<u>13,141,824</u>	<u>6,399,816</u>

10.4 The cost of fully depreciated fixed assets that are still in use is as follows:

Furniture and fixture	317,517	278,567
Electrical, office and computer equipment	6,963,356	5,807,715
Vehicles	957,361	593,863
Improvements to leasehold buildings	2,255,124	1,960,799
	<u>10,493,358</u>	<u>8,640,944</u>

10.5 Details of disposal of fixed assets during the year:

Particulars	2023		
	Cost	Book value	Insurance claim
	(Rupees in '000)		
Habib Insurance Company Limited - (Related Party-Karachi)			
Furniture and fixture	<u>2,072</u>	<u>760</u>	<u>1,027</u>
Electrical, office and computer equipment	<u>11,887</u>	<u>4,615</u>	<u>12,284</u>
Vehicles	<u>9,005</u>	<u>4,780</u>	<u>11,193</u>



11.1 As at 31 December 2023, the cost of fully amortised intangible assets still in use amounted to Rs. 1,793.620 million (2022: Rs. 1,565.445 million).

12. DEFERRED TAX ASSETS

	2023			
	As at 01 January	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision against diminution in the value of investments	5,573,505	278,117	–	5,851,622
Provision against loans and advances, off-balance sheet, etc.	2,131,285	3,612,022	–	5,743,307
Workers' welfare fund	1,659,964	988,444	–	2,648,408
	9,364,754	4,878,583	–	14,243,337
Taxable Temporary Differences on				
Accelerated tax depreciation	(1,713,841)	(416,749)	–	(2,130,590)
Surplus on revaluation of available for sale investments	4,250,394	–	(5,336,106)	(1,085,712)
Surplus on revaluation of fixed assets / non-banking assets	(2,215,527)	165,520	(7,184,926)	(9,234,933)
Others	17,216	(18,506)	–	(1,290)
Surplus on revaluation of held-for-trading securities	(180)	180	–	–
	338,062	(269,555)	(12,521,032)	(12,452,525)
	9,702,816	4,609,028	(12,521,032)	1,790,812
	2022			
	As at 01 January	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision against diminution in the value of investments	1,364,207	4,209,298	–	5,573,505
Provision against loans and advances, off-balance sheet, etc.	2,083,606	47,679	–	2,131,285
Workers' welfare fund	1,186,908	473,056	–	1,659,964
Surplus on revaluation of available for sale investments	423,414	–	3,826,980	4,250,394
Others	26,284	(9,068)	–	17,216
	5,084,419	4,720,965	3,826,980	13,632,364
Taxable Temporary Differences on				
Accelerated tax depreciation	(1,146,810)	(567,031)	–	(1,713,841)
Surplus on revaluation of fixed assets / non-banking assets	(1,833,576)	84,922	(466,873)	(2,215,527)
Surplus on revaluation of held-for-trading securities	(640)	460	–	(180)
	(2,981,026)	(481,649)	(466,873)	(3,929,548)
	2,103,393	4,239,316	3,360,107	9,702,816



13. OTHER ASSETS	Note	2023	2022
(Rupees in '000)			
Income / mark-up accrued in local currency - net of provision		82,900,496	41,874,661
Income / mark-up accrued in foreign currencies - net of provision		1,213,568	1,221,831
Advances, deposits, advance rent and other prepayments		3,428,437	1,567,932
Non-banking assets acquired in satisfaction of claims	13.1	3,862,121	3,651,344
Mark to market gain on forward foreign exchange contracts		2,322,982	2,685,804
Acceptances		39,174,104	47,907,675
Stationery and stamps on hand		1,144,768	710,733
Others	13.2	2,836,805	3,785,904
		<u>136,883,281</u>	<u>103,405,884</u>
Less: Provision held against other assets	13.3	<u>(7,815)</u>	<u>(8,101)</u>
Other Assets (net of provision)		<u>136,875,466</u>	<u>103,397,783</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1	<u>253,183</u>	<u>135,608</u>
Other Assets-total		<u>137,128,649</u>	<u>103,533,391</u>
13.1 Market value of non-banking assets acquired in satisfaction of claims		<u>4,115,923</u>	<u>3,898,631</u>
<p>Market value of the non-banking assets acquired in satisfaction of claims has been carried out by independent valuers, M/s. K.G.Traders (Pvt.) Ltd., M/s. BFA (Pvt.) Ltd. and M/s. MYK Associates (Pvt.) Ltd. based on present physical condition and location of non-banking assets. Fair values were ascertained by the independent valuers under market approach through various enquiries conducted by them at site from real estate agents and brokers.</p>			
		2023	2022
(Rupees in '000)			
13.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		3,786,952	950,942
Revaluations		121,553	-
Additions		214,035	2,843,229
Depreciation		(7,236)	(7,219)
Closing balance		<u>4,115,304</u>	<u>3,786,952</u>
13.2	During the year, the Bank paid Rs. 1,000 million towards subscription of 100% shares in AL Habib Exchange Company (Private) Limited (the Company). The Company is in process of obtaining license from SBP.		
		2023	2022
(Rupees in '000)			
13.3 Provision held against other assets			
Receivable against consumer loans		<u>7,815</u>	<u>8,101</u>
13.3.1 Movement in provision held against other assets			
Opening balance		8,101	7,497
Charge for the year		3,664	2,620
Reversals		(3,664)	(1,672)
		-	948
Amount written off		<u>(286)</u>	<u>(344)</u>
Closing balance		<u>7,815</u>	<u>8,101</u>
14. CONTINGENT ASSETS			
There were no contingent assets of the Group as at 31 December 2023 (2022: Nil).			
15. BILLS PAYABLE			
In Pakistan		<u>48,083,103</u>	<u>44,855,837</u>



	Note	2023 (Rupees in '000)	2022
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	16.1	91,978,556	88,423,421
Under renewable energy	16.2	17,584,226	17,089,222
Under long term financing for imported and locally manufactured plant and machinery	16.3	30,917,513	35,641,679
Under modernisation of small and medium enterprises	16.4	820,084	771,687
Under women entrepreneurship	16.5	36,843	29,253
Under financing facility for storage of agricultural produce	16.6	878,318	1,009,305
Under refinance scheme for payment of wages and salaries		–	544,994
Under temporary economic refinance facility	16.7	36,625,315	39,132,557
Under refinance facility for combating COVID-19	16.8	155,920	188,889
		178,996,775	182,831,007
Repurchase agreement borrowings	16.9	297,246,807	230,164,208
Total secured		476,243,582	412,995,215
Unsecured			
Call borrowings		–	5,500,000
Overdrawn nostro accounts		1,194,452	494,245
Total unsecured		1,194,452	5,994,245
		477,438,034	418,989,460
16.1	These carry mark - up rates ranging from 1% to 18% (2022: 1% to 10%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.		
16.2	These carry mark - up rates of 2% to 3% (2022: 2% to 3%) per annum having maturity periods over ten years.		
16.3	These carry mark - up rates ranging from 2% to 15% (2022: 2% to 9%) per annum having maturity periods upto ten years.		
16.4	These carry mark - up rates of 2% (2022: 2%) per annum having maturity periods upto ten years.		
16.5	These carry mark - up rate of Nil (2022: Nil) per annum having maturity periods upto five years.		
16.6	These carry mark - up rates from 2% to 3.5% (2022: 2% to 3.5%) per annum having maturity periods upto seven years.		
16.7	These carry mark - up rates of 1% (2022: 1%) per annum having maturity periods over ten years.		
16.8	These carry mark - up rate of Nil (2022: Nil) per annum having maturity periods upto five years.		
16.9	These repurchase agreement borrowings are secured against Market Treasury Bills. These carry effective mark - up rates ranging from 21.75% to 22.98% (2022: 15.22% to 16.20%) per annum, having maturity periods upto one month.		
16.10	Particulars of borrowings with respect to currencies	2023	2022
		(Rupees in '000)	
	In local currency	476,243,582	418,495,215
	In foreign currencies	1,194,452	494,245
		477,438,034	418,989,460



17. DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	595,309,808	56,445,179	651,754,987	515,194,125	53,700,013	568,894,138
Savings deposits	640,708,283	50,248,962	690,957,245	402,129,430	51,436,347	453,565,777
Term deposits	215,403,093	70,650,094	286,053,187	225,036,480	48,657,036	273,693,516
Current deposits - remunerative	187,912,301	5,250,507	193,162,808	162,972,729	6,476,707	169,449,436
Others	29,720,340	18,887,944	48,608,284	36,607,996	12,203,992	48,811,988
	1,669,053,825	201,482,686	1,870,536,511	1,341,940,760	172,474,095	1,514,414,855
Financial institutions						
Current deposits	10,386,373	515,221	10,901,594	5,701,409	576,226	6,277,635
Savings deposits	14,166,873	29	14,166,902	21,757,779	22	21,757,801
Term deposits	1,483,491	449,568	1,933,059	727,223	293,228	1,020,451
Current deposits - remunerative	35,219,586	955,619	36,175,205	23,812,174	686,547	24,498,721
Others	18,010	-	18,010	39,811	-	39,811
	61,274,333	1,920,437	63,194,770	52,038,396	1,556,023	53,594,419
	1,730,328,158	203,403,123	1,933,731,281	1,393,979,156	174,030,118	1,568,009,274

2023 **2022**
(Rupees in '000)

17.1 Composition of deposits

- Individuals	1,234,830,302	973,642,209
- Government (Federal and Provincial)	65,896,212	47,765,573
- Public Sector Entities	10,503,831	57,457,148
- Banking Companies	346,095	463,478
- Non-Banking Financial Institutions	62,848,675	53,130,941
- Private Sector	559,306,166	435,549,925
	1,933,731,281	1,568,009,274

17.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 1,395,296.889 million (2022: Rs. 1,078,398.465 million).

Note **2023** **2022**
(Rupees in '000)

18. SUBORDINATED DEBT - Unsecured

Term Finance Certificates (TFCs) - VI	18.1	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII	18.2	3,992,000	3,993,600
Term Finance Certificates (TFCs) - VIII	18.3	4,996,000	4,998,000
Term Finance Certificates (TFCs) - IX	18.4	7,000,000	7,000,000
Term Finance Certificates (TFCs) - X	18.5	6,997,200	7,000,000
		29,985,200	29,991,600



18.1 Term Finance Certificates - VI

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA+
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.50% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.2 Term Finance Certificates - VII

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



18.3 Term Finance Certificates - VIII

Issue amount	Rupees 5,000 million
Issue date	September 2021
Maturity date	September 2031
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 0.75% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.4 Term Finance Certificates-IX

Issue amount	Rupees 7,000 million
Issue date	April 2022
Maturity date	Perpetual
Rating	AA+
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.65% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



18.5 Term Finance Certificates-X

Issue amount	Rupees 7,000 million
Issue date	December 2022
Maturity date	December 2032
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.35% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

	Note	2023	2022
		(Rupees in '000)	
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		7,172,666	7,727,842
Mark-up / return / interest payable in foreign currencies		1,064,432	380,651
Unearned commission income		1,706,124	692,150
Accrued expenses		4,957,186	3,290,260
Acceptances		39,174,104	47,907,675
Unclaimed / dividend payable		921,969	632,731
Mark to market loss on forward foreign exchange contracts		2,504,312	1,106,213
Branch adjustment account		3,625,247	1,343,949
Payable to defined benefit plan		2,200,083	1,376,805
Charity payable		59,665	23,820
Provision against off - balance sheet items	19.1	226,549	110,059
Security deposits against leases / ijarah		9,423,299	8,899,624
Provision for compensated absences	19.2	1,719,861	1,311,882
Other security deposits		1,245,904	878,993
Workers' welfare fund		5,424,142	3,870,375
Payable to SBP / NBP		10,851,474	4,581,075
Insurance payable		543,505	683,385
Lease liability against right-of-use assets		14,633,878	14,213,811
Payable against sale of marketable securities on behalf of customers		369,055	214,175
Current taxation (payments less provisions)		8,506,703	2,290,392
ATM switch settlement account		2,564,029	3,059,347
Clearing and settlement account		1,585,454	7,198,150
Others		4,757,806	3,294,138
		125,237,447	115,087,502



	2023	2022
	(Rupees in '000)	
19.1 Provision against off - balance sheet obligations		
Opening balance	110,059	173,319
Exchange adjustment against IFRS 9 in overseas branches	1,245	21,866
Charge for the year	107,390	27,330
As per IFRS 9 in overseas branches	7,905	(109,073)
Reversals	(50)	(3,383)
	115,245	(85,126)
Closing balance	<u>226,549</u>	<u>110,059</u>

19.1.1 The provision against off-balance sheet obligations includes provision in respect of letter of credit, letter of guarantees and shipping guarantee.

19.2 Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:

	2023	2022
	(% per annum)	
Discount rate	<u>15.50%</u>	<u>14.25%</u>
Expected rate of increase in salary in future years	<u>15.50%</u>	<u>13.25%</u>

20. SHARE CAPITAL

20.1 Authorised Capital

2023	2022		2023	2022
Number of shares			(Rupees in '000)	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>20,000,000</u>	<u>20,000,000</u>

20.2 Issued, subscribed and paid up capital

2023	2022		2023	2022
Number of shares				
30,000,000	30,000,000	Fully paid in cash	300,000	300,000
<u>1,081,425,416</u>	<u>1,081,425,416</u>	Issued as bonus shares	<u>10,814,254</u>	<u>10,814,254</u>
<u>1,111,425,416</u>	<u>1,111,425,416</u>		<u>11,114,254</u>	<u>11,114,254</u>

20.3 As of statement of financial position date 161,380,377 (2022: 161,380,377) ordinary shares of Rs. 10/- each were held by the related parties.



	Note	2023	2022
(Rupees in '000)			
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of:			
- Investments	21.1	2,210,364	(9,876,074)
- Fixed assets	21.2	22,634,109	8,675,522
- Non-banking assets acquired in satisfaction of claims	21.3	253,183	135,608
		25,097,656	(1,064,944)
Deferred tax on surplus / (deficit) on revaluation of:			
- Investments	21.1	1,085,712	(4,250,394)
- Fixed assets	21.2	9,188,502	2,226,730
- Non-banking assets acquired in satisfaction of claims	21.3	116,779	59,145
		10,390,993	(1,964,519)
		14,706,663	899,575
21.1 Investments			
Available for sale securities		2,206,081	(9,889,125)
Non-controlling interest		4,283	13,051
		2,210,364	(9,876,074)
Less: related deferred tax		1,085,712	(4,250,394)
		1,124,652	(5,625,680)
21.2 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at 01 January		8,675,522	8,869,136
Surplus on revaluation of the Bank's fixed assets during the year		14,292,405	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(333,818)	(193,614)
Surplus on revaluation of fixed assets as at 31 December		22,634,109	8,675,522
Less: related deferred tax liability on:			
- revaluation as at 01 January		2,226,730	1,849,120
- adjustment / revaluation recognised during the year		7,125,343	460,864
- incremental depreciation charged during the year		(163,571)	(83,254)
		9,188,502	2,226,730
		13,445,607	6,448,792
21.3 Surplus on revaluation of non - banking assets acquired in satisfaction of claims			
Surplus on revaluation of non-banking assets as at 01 January		135,608	139,488
Surplus on revaluation of non-banking assets during the year		121,553	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(3,978)	(3,880)
Surplus on revaluation of non-banking assets as at 31 December		253,183	135,608
Less: related deferred tax liability on:			
- revaluation as at 01 January		59,145	54,804
- adjustment / revaluation recognised during the year		59,583	6,009
- incremental depreciation charged during the year		(1,949)	(1,668)
		116,779	59,145
		136,404	76,463



	Note	2023 (Rupees in '000)	2022
22. NON - CONTROLLING INTEREST			
Opening balance		113,694	123,140
Profit / (loss) attributable to non - controlling interest		2,274	(1,623)
Profit / (loss) on equity attributable to non - controlling interest		9,568	(7,823)
Closing balance		<u>125,536</u>	<u>113,694</u>
23. CONTINGENCIES AND COMMITMENTS			
- Guarantees	23.1	185,470,538	164,254,110
- Commitments	23.2	497,808,811	347,436,086
- Other contingent liabilities	23.3	5,019,188	1,887,763
		<u>688,298,537</u>	<u>513,577,959</u>
23.1 Guarantees:			
Financial guarantees		28,634,285	24,753,930
Performance guarantees		156,836,253	139,500,180
		<u>185,470,538</u>	<u>164,254,110</u>
23.2 Commitments:			
Documentary credits and short term trade-related transactions - letters of credit		287,964,804	225,453,786
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	204,174,136	114,512,491
- forward lending	23.2.2	3,955,661	6,328,518
Commitments for acquisition of:			
- operating fixed assets		1,714,210	1,141,291
		<u>497,808,811</u>	<u>347,436,086</u>
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		123,771,146	78,111,679
Sale		80,402,990	36,400,812
		<u>204,174,136</u>	<u>114,512,491</u>
The maturities of above contracts are spread over the periods upto one year.			
23.2.2 Commitments in respect of forward lending		<u>3,955,661</u>	<u>6,328,518</u>
These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
		2023 (Rupees in '000)	2022
23.3 Claims against the Bank not acknowledged as debts		<u>5,019,188</u>	<u>1,887,763</u>



23.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2022 (Tax Year 2023) including Azad Kashmir and Gilgit Baltistan operations. The income tax assessments of the Bank (including Azad Kashmir operations) have been finalized upto and including tax year 2022.

Matters of disagreement exist between the Bank and tax authorities for various tax years and are pending with the Commissioner Inland Revenue (Appeals) and Income Tax Appellate Tribunal (ITAT). These issues mainly relate to addition of general provision (specific), reversal of provision for non-performing loans, charge for defined benefit plan and provision for compensated absences.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses resulting in an impact of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 154.201 million. The resulted aggregate net tax impact stands at Rs. 147.655 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 224.625 million. The resulted aggregate net tax impact stands at Rs. 80.557 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2018 (Accounting Year 2017) by allowing certain expenses resulting in an impact of Rs. 65.722 million. The resulted aggregate net tax impact stands at Rs. 194.376 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2019 (Accounting Year 2018) by disallowing certain expenses resulting in an impact of Rs. 173.799 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2020 (Accounting Year 2019) by disallowing certain expenses resulting in an impact of Rs. 873.437 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2021 (Accounting Year 2020) by disallowing certain expenses resulting in an impact of Rs. 1,734.859 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2022 (Accounting Year 2021) by disallowing certain expense resulting in an impact of Rs. 920.741 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.



Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

Deputy Commissioner Inland Revenue (DCIR) has passed order against Federal Excise Duty levy on certain items for the period from January 2018 to December 2019. The resulted aggregate net tax impact stands at Rs. 17.524 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. Appellate Tribunal – Punjab Revenue Authority has remanded back the order of Commissioner (HQ), Punjab Revenue Authority.

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals), Mirpur AJ&K has annulled the amendments made by Assistant Commissioner Inland Revenue, Mirpur AJ&K for Tax Year 2014 to 2018. This resulted in a favorable aggregate net tax impact of Rs. 93.443 million.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2019 by disallowing certain expenses resulting in an impact of Rs. 92.311 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2020 by disallowing certain expenses resulting in an impact of Rs. 6.608 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2021 by disallowing certain expenses resulting in an impact of Rs. 7.031 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2022 by disallowing certain expenses resulting in an impact of Rs. 12.804 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters.

24. DERIVATIVE INSTRUMENTS

The Bank 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 Bank's 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 Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter - bank foreign exchange market.



24.1 Product Analysis

Counter Parties	2023					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
	(Rupees in '000)					
Banks						
Hedging	33,947,415	587,431	67,117,360	775,893	101,064,775	1,363,324
Other Entities						
Hedging	103,109,361	(1,544,654)	-	-	103,109,361	(1,544,654)
Total						
Hedging	<u>137,056,776</u>	<u>(957,223)</u>	<u>67,117,360</u>	<u>775,893</u>	<u>204,174,136</u>	<u>(181,330)</u>

2022

Banks						
Hedging	6,657,489	(79,494)	57,727,922	472,630	64,385,411	393,136
Other Entities						
Hedging	50,127,080	1,186,455	-	-	50,127,080	1,186,455
Total						
Hedging	<u>56,784,569</u>	<u>1,106,961</u>	<u>57,727,922</u>	<u>472,630</u>	<u>114,512,491</u>	<u>1,579,591</u>

24.2 Maturity Analysis

	2023				
	Number of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
	(Rupees in '000)				
Upto 1 month	379	83,672,301	(648,268)	1,093,484	445,216
1 to 3 months	568	72,676,016	(1,330,312)	660,930	(669,382)
3 to 6 months	400	41,419,915	(379,053)	465,153	86,100
6 months to 1 year	340	6,405,904	(146,679)	103,415	(43,264)
	<u>1,687</u>	<u>204,174,136</u>	<u>(2,504,312)</u>	<u>2,322,982</u>	<u>(181,330)</u>

2022

Upto 1 month	309	44,674,521	(486,472)	1,246,699	760,227
1 to 3 months	469	50,246,423	(535,680)	904,348	368,668
3 to 6 months	318	16,445,297	(74,497)	420,589	346,092
6 months to 1 year	53	3,146,250	(9,564)	114,168	104,604
	<u>1,149</u>	<u>114,512,491</u>	<u>(1,106,213)</u>	<u>2,685,804</u>	<u>1,579,591</u>



	Note	2023 (Rupees in '000)	2022
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		137,284,002	80,429,269
On investments		232,955,671	117,575,548
On deposits with financial institutions		1,048,984	726,005
On securities purchased under resale agreements		2,508,387	2,113,709
On lending to financial institutions		90,326	66,021
On call money lendings		316	–
		<u>373,887,686</u>	<u>200,910,552</u>
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		187,306,040	89,407,460
Borrowings from SBP		11,095,058	7,013,123
Subordinated debt		6,380,172	3,161,147
Cost of foreign currency swaps		6,450,761	2,990,706
Repurchase agreement borrowings		36,336,008	18,461,522
Mark-up expense on lease liability against right-of-use assets		1,568,789	1,313,510
Other borrowings		606,590	1,244,149
		<u>249,743,418</u>	<u>123,591,617</u>
27. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,931,099	1,380,944
Investment banking fees		115,621	97,747
Consumer finance related fees		45,187	53,877
Card related fees (debit and credit cards)		3,686,735	2,858,630
Credit related fees		395,209	456,071
Commission on trade		5,962,923	5,480,866
Commission on guarantees		900,637	766,519
Commission on cash management		258,408	252,702
Commission on home remittances		523,426	186,047
Management fee		717,636	221,668
Others		143,279	128,510
		<u>14,680,160</u>	<u>11,883,581</u>
28. GAIN / (LOSS) ON SECURITIES-NET			
Realised	28.1	30,922	140,079
Unrealised-held-for-trading		–	(1,222)
		<u>30,922</u>	<u>138,857</u>
28.1 Realised gain / (loss) on:			
Federal Government Securities		1,784	4,565
Shares		44,947	135,514
Mutual Funds		(15,809)	–
		<u>30,922</u>	<u>140,079</u>
29. OTHER INCOME			
Gain on sale of fixed assets-net		453,662	452,292
Recovery of expenses from customers	29.1	466,718	348,436
Lockers rent		25,718	21,871
Income on margin financing		8,528	10,770
Profit on PSX exposure		6,680	7,093
Income from corporate briefing sessions		1,935	1,325
Others		2,311	12,390
		<u>965,552</u>	<u>854,177</u>
29.1	Includes courier, SWIFT, postage and other charges recovered from customers.		



	Note	2023 (Rupees in '000)	2022
30. OPERATING EXPENSES			
Total compensation expenses	30.1	28,425,570	22,158,527
Property expenses			
Rent and taxes		197,218	293,603
Insurance		21,802	13,605
Utilities cost		3,385,552	2,538,119
Security (including guards)		1,944,255	1,473,270
Repair and maintenance (including janitorial charges)		711,766	512,219
Depreciation		3,691,949	3,302,914
		9,952,542	8,133,190
Information technology expenses			
Software maintenance		2,903,784	1,980,747
Hardware maintenance		1,049,614	684,240
Depreciation		1,000,621	518,916
Amortisation		263,049	310,316
Network charges		706,796	565,114
		5,923,864	4,059,333
Other operating expenses			
Directors' fees and allowances		46,116	44,195
Fees and allowances to Shariah Board		25,167	18,919
Insurance		903,626	759,375
Legal and professional charges		483,171	469,038
Outsourced services costs	30.2	3,528,424	2,173,515
Travelling and conveyance		508,462	441,906
NIFT and other clearing charges		226,861	206,390
Depreciation		2,176,607	1,891,368
Repair and maintenance		2,557,848	1,944,006
Training and development		136,939	67,010
Postage and courier charges		377,327	383,873
Communication		2,229,885	705,761
Stationery and printing		1,840,007	1,264,095
Marketing, advertisement and publicity		1,810,099	635,594
Donations	30.3	619,060	392,000
Auditors remuneration	30.4	18,910	16,890
Commission and brokerage		1,553,414	945,609
Entertainment and staff refreshment		684,340	528,863
Vehicle running expenses		4,437,149	2,825,760
Subscriptions and publications		343,209	272,119
CNIC verification charges		220,586	184,711
Security charges		757,476	645,805
Others		738,605	817,768
		26,223,288	17,634,570
		70,525,264	51,985,620
30.1 Total compensation expense			
Fees and allowances etc.		2,966,117	1,673,362
Managerial remuneration		17,028,564	13,418,897
Charge for defined benefit plan		832,728	628,504
Contribution to defined contribution plan		1,041,737	876,784
Rent and house maintenance		4,419,606	3,813,512
Utilities		1,105,677	954,843
Medical		597,857	591,750
Charge for employees compensated absences		399,896	175,616
Social security		4,495	3,258
Staff indemnity		28,893	22,001
		28,425,570	22,158,527



The compensation provided by the Bank to employees is composed of fixed pay structures and do not include any variable element that varies based on performance benchmarks or targets.

30.2 Total cost for the year included in other operating expenses relating to material outsourced activities is Rs. 73.861 million (2022: Rs. 49.465 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:

S.No.	Name of material outsourced activity	Name of service provider	Nature of service
1.	Point of Sale (POS) Acquiring	M/s. Wemsol (Private) Limited	Terminal Management & Merchant On Boarding
2.	Vision Plus-Credit Card System	M/s. Arab Financial Services (AFS)	Credit Card

30.3 The detail of donations is given below:

	2023	2022
	(Rupees in '000)	
Al-Sayyeda Benevolent Trust	6,000	12,000
Childlife Foundation	20,000	15,000
Ghulaman-e-Abbas Educational & Medical Trust*	12,000	6,000
Habib Education Trust**	12,000	12,000
Habib Medical Trust	12,000	12,000
Habib Poor Fund*	6,000	12,000
Lahore University of Management Sciences / National Management Foundation	-	50,000
Masoomen Hospital Trust	12,000	-
Memon Health & Education Foundation	125,000	75,000
Jinnah Foundation (Memorial) Trust	-	2,000
Patients' Aid Foundation	131,860	75,000
Rahmatbai Habib Food and Clothing Trust	12,000	12,000
Rahmatbai Habib Widows and Orphans Trust	12,000	12,000
The Citizens Foundation	8,400	6,800
The Health Foundation	-	1,000
The Indus Hospital	249,800	79,200
The Kidney Centre	-	10,000
	<u>619,060</u>	<u>392,000</u>

* Mr. Murtaza H. Habib, Director, is Trustee of Ghulaman-e-Abbas Educational & Medical Trust and Habib Poor Fund.

** Mr. Qumail R. Habib, Executive Director, is Managing Trustee of Habib Education Trust.

30.4 Auditors' remuneration

	2023	2022
	(Rupees in '000)	
Audit fee	8,057	6,553
Half yearly review	2,275	1,750
Other certifications	6,083	6,793
Gratuity fund	228	175
Out of pocket expenses	2,267	1,619
	<u>18,910</u>	<u>16,890</u>

31. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	<u>228,401</u>	<u>156,435</u>
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	Note	2023 (Rupees in '000)	2022
32. PROVISIONS AND WRITE OFFS-NET			
(Reversal) / provision for diminution in value of investments - net	8.3	(3,677,909)	8,961,545
Provision against loans and advances - net	9.4	7,662,137	4,003,163
Provision against other assets		-	948
Provision / (reversal) against off-balance sheet items	19.1	115,245	(85,126)
Provision against balance with other banks		47	15
Loss on revaluation of fixed assets - net	10.3	75,889	-
		<u>4,175,409</u>	<u>12,880,545</u>
33. TAXATION			
Current		37,742,900	20,607,846
Prior years		2,943,074	559
Deferred		(4,609,028)	(4,239,316)
		<u>36,076,946</u>	<u>16,369,089</u>
33.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>72,007,268</u>	<u>33,055,393</u>
Tax at the applicable rate of 39% (2022: 39%)		28,082,835	12,891,603
Tax effects of:			
Items that are not deductible in determining taxable income		(2,530,084)	(707,430)
Prior years		2,943,074	559
Tax effect of super tax		7,650,535	4,196,351
Others		(69,414)	(11,994)
		<u>36,076,946</u>	<u>16,369,089</u>
33.1.1			
The effective tax rate for the year is 50.10% (2022: 49.52%).			
33.1.2			
It includes additional tax amounting to Rs. 2,948,228 at the rate of 40 percent in relation to the foreign exchange income of the banking sector for the financial years 2021 and 2022 in terms of the provisions of Section 99D of the Income Tax Ordinance, 2001, imposed by the Federal Government through FBR's notification dated 21 November 2023. The Bank has challenged the imposition of such additional tax before Lahore High Court. The Honorable Lahore High Court has granted stay and petition is pending for final adjudication. However, the Bank has made full provision for this tax in the financial statements, on prudence basis.			
34. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY			
		2023 (Rupees in '000)	2022
Profit for the year - attributable to equity holders of the Holding Company		<u>35,928,048</u>	<u>16,687,927</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic and diluted earnings per share		<u>32.33</u>	<u>15.01</u>



	Note	2023 (Rupees in '000)	2022
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	141,816,023	94,163,589
Balances with other banks	6	6,662,922	15,105,449
Overdrawn nostros accounts	16	(1,194,452)	(494,245)
		<u>147,284,493</u>	<u>108,774,793</u>
35.1 Reconciliation of movement of liabilities to cash flows arising from financing activities			
		2023	
		Subordinated debt	Lease liability (Rupees in '000)
			Dividend payable
Balance as at 01 January 2023		29,991,600	14,213,811
Changes from financing cash flows			
Payment against subordinated debt		(6,400)	-
Payment against lease liability-net		-	(3,295,084)
Dividend paid		-	(17,493,572)
Total changes from financing cash flows		(6,400)	(3,295,084)
Other changes			
Addition to right-of-use-assets-net		-	2,146,362
Mark-up expense on lease liability against right-of-use assets		-	1,568,789
Final cash dividend (Rs. 7.00 per share) - December 2022		-	7,779,978
Interim cash dividend (Rs. 4.50 per share) - June 2023		-	5,001,416
Interim cash dividend (Rs. 4.50 per share) - September 2023		-	5,001,416
		<u>-</u>	<u>3,715,151</u>
Balance as at 31 December 2023		<u>29,985,200</u>	<u>14,633,878</u>
			2022
		Subordinated debt	Lease liability (Rupees in '000)
			Dividend payable
Balance as at 01 January 2022		15,995,200	12,235,539
Changes from financing cash flows			
Receipts against subordinated debt-net		13,996,400	-
Payment against lease liability-net		-	(2,759,611)
Dividend paid		-	(7,693,475)
Total changes from financing cash flows		13,996,400	(2,759,611)
Other changes			
Addition to right-of-use-assets-net		-	3,424,373
Mark-up expense on lease liability against right-of-use assets		-	1,313,510
Final cash dividend (Rs. 7.00 per share) - December 2021		-	7,779,978
		<u>-</u>	<u>4,737,883</u>
Balance as at 31 December 2022		<u>29,991,600</u>	<u>14,213,811</u>



	2023	2022
	(Number)	
36. STAFF STRENGTH		
Permanent	16,850	16,270
Temporary / on contractual basis	225	279
Group's own staff at end of the year	<u>17,075</u>	<u>16,549</u>
Outsourced	3,553	3,365
Total staff strength	<u>20,628</u>	<u>19,914</u>
36.1		
Domestic	20,582	19,868
Offshore	46	46
	<u>20,628</u>	<u>19,914</u>
37. DEFINED BENEFIT PLAN		
37.1 General description		
<p>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:</p>		
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	
<p>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 / losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss account in subsequent periods.</p>		
37.2 Number of employees under the scheme		
<p>The number of employees covered under the defined benefit scheme are 16,793 (2022: 16,180).</p>		
37.3 Principal actuarial assumptions		
<p>The latest actuarial valuation of the scheme was carried out on 31 December 2023 and the significant assumptions used for actuarial valuation were as follows:</p>		
	2023	2022
Discount rate	15.50%	14.50%
Expected rate of return on plan assets	15.50%	14.50%
Expected rate of salary increase : Year 1	15.50%	13.50%
Year 2	15.50%	13.50%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate
37.4 Reconciliation of payable to defined benefit plan		
	2023	2022
	(Rupees in '000)	
Present value of obligations	8,964,117	6,616,783
Fair value of plan assets	(6,764,034)	(5,239,978)
Payable	<u>2,200,083</u>	<u>1,376,805</u>



	Note	2023 (Rupees in '000)	2022
37.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		6,616,783	5,252,581
Current service cost		646,160	520,208
Interest cost		979,667	632,235
Benefits paid during the year		(283,344)	(129,371)
Remeasurement loss		1,004,851	341,130
Obligation at the end of the year		8,964,117	6,616,783
37.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		5,239,978	4,278,268
Interest income on plan assets		793,099	523,939
Contribution by the Bank-net		832,728	628,504
Actual benefits paid during the year		(283,344)	(129,371)
Remeasurement gain / (loss) on plan assets	37.8.2	181,573	(61,362)
Fair value at the end of the year		6,764,034	5,239,978
37.7 Movement in payable under defined benefit scheme			
Opening balance		1,376,805	974,313
Charge for the year		832,728	628,504
Contribution by the Bank		(832,728)	(628,504)
Remeasurement loss recognised in Other Comprehensive Income during the year	37.8.2	823,278	402,492
Closing balance		2,200,083	1,376,805
37.8 Charge for defined benefit plan			
37.8.1 Cost recognised in profit and loss			
Current service cost		646,160	520,208
Net interest on defined benefit liability		186,568	108,296
		832,728	628,504
37.8.2 Re-measurements recognised in OCI during the year			
Loss on obligation			
- Financial assumptions		887,465	95,997
- Experience assumptions		117,386	245,133
		1,004,851	341,130
Actuarial (gain) / loss on plan assets		(181,573)	61,362
Total remeasurement loss recognised in OCI		823,278	402,492
37.9 Components of plan assets			
Cash and cash equivalents-net		1,173,381	20,897
Government securities		5,590,653	5,219,081
Total fair value of plan assets		6,764,034	5,239,978



37.10 Sensitivity analysis

	2023 (Rupees in '000)
1% increase in discount rate	<u>8,160,615</u>
1% decrease in discount rate	<u>9,899,480</u>
1% increase in expected rate of salary increase	<u>9,933,541</u>
1% decrease in expected rate of salary increase	<u>8,118,733</u>

2024
(Rupees in '000)

37.11 Expected contributions to be paid to the funds in the next financial year 1,205,128

37.12 Expected charge for the next financial year 1,205,128

2023
(Rupees in '000)

37.13 Maturity profile

The weighted average duration of the obligation is 9.65 years.

Distribution of timing of benefit payments within the next 12 months (next annual reporting period)	737,810
between 1 and 5 years	3,376,529
between 6 and 10 years	9,614,670
	<u>13,729,009</u>

37.14 Funding Policy

The Bank will fund the yearly contribution to the defined benefit plan each year, as per the amount calculated by the valuer.

37.15 Significant Risk

Asset Volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly floating income bonds. Almost 82.65% of the total investments (Rs. 5.591 billion) is invested in PIBs. This gives rise to significant reinvestment risk.

The asset class is volatile with reference to the yield on PIBs. This risk should be viewed together with change in the bond yield risk.

Changes in Bond Yields

There are two dimensions to the changes in bond yields: first, as described above; second, the valuation of the gratuity liability is discounted with reference to these bond yields. So any increase in bond yields will lower the gratuity liability and vice versa, but, it will also lower the asset values.

Inflation Risk

The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that asset values will also decrease, the salary inflation does, as an overall affect, increases the net liability of the Bank.



Life Expectancy / Withdrawal Rate

The gratuity is paid off at the maximum of age 60. The life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the gratuity. Thus, the risk of life expectancy is almost negligible. However, had a post retirement benefit been given by the Bank like monthly pension, post retirement medical etc., this would have been a significant risk which would have been quite difficult to value even by using advance mortality improvement models.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions.

Other Risks

Though, not imminent and observable, over long term there are some risks that may crystallize. This includes:

Model Risk

The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the gratuity fund are also marked to market. This two-tier valuation gives rise to the model risk.

Retention Risk

The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.

Final Salary Risk

The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.

Operational Risk related to a Separate Entity

Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank.

Generally, the protocols, processes and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit funds. This gives rise to some specific operational risks.

Compliance Risk

The risk that retirement benefits offered by the Bank does not comply with minimum statutory requirements.

Legal / Political Risk

The risk that the legal / political environment changes and the Bank is required to offer additional or different retirement benefits than what the Bank projected.

38. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.10.

	2023
	(Rupees in '000)
Contributions made during the year :	
Employer's contribution	<u>1,041,957</u>
Employees' contribution	<u>1,041,957</u>

The number of employees covered under the defined contribution plan are 15,316 (2022: 14,347).



39. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

	2023						
	Chairman	Directors Executives (other than CE)	Non- Executives	Members Shariah Board	Chief Executive	Key Management Personnel	Other Risk Takers / Controllers
	(Rupees in '000)						
Fees and allowances etc.	11,595	–	33,750	–	225	–	–
Managerial remuneration	–	47,375	–	16,665	115,067	663,039	2,187,409
Charge for defined benefit plan	–	–	–	–	45,421	132,025	222,518
Contribution to defined contribution plan	–	–	–	220	8,107	41,343	152,692
Rent and house maintenance	–	13,350	–	6,298	32,427	191,268	626,639
Utilities	–	3,338	–	1,576	8,107	47,817	156,659
Medical	–	–	–	144	–	2,593	43,063
Others	–	–	–	264	–	4,894	322,132
Total	11,595	64,063	33,750	25,167	209,354	1,082,979	3,711,112
Number of persons	1	1	8	4	1	36	1,233
	2022						
Fees and allowances etc.	11,595	–	32,000	–	225	–	–
Managerial remuneration	–	38,873	–	12,373	87,733	459,692	1,843,317
Charge for defined benefit plan	–	–	–	–	39,161	99,627	257,513
Contribution to defined contribution plan	–	–	–	218	6,640	27,886	135,012
Rent and house maintenance	–	11,662	–	4,736	26,560	142,309	566,053
Utilities	–	2,916	–	1,184	6,640	35,577	141,513
Medical	–	–	–	144	–	2,162	41,164
Others	–	–	–	264	–	5,654	199,621
Total	11,595	53,451	32,000	18,919	166,959	772,907	3,184,193
Number of persons	1	1	10	4	1	35	1,189



Chief Executive, Executive Director, Members Shariah Board, Key Management Personnel and Other Risk Takers / Controllers are entitled to Group's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Group. In addition, the Chief Executive and Executive Director are also provided with drivers, security arrangements and payment of travel bills in accordance with their terms of employment.

Chairman of the Board is also entitled to Bank's maintained cars with fuel, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

39.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2023							
		Meeting Fees							
		For Board Committees							
S.No.	Name of Director	For Board Meetings	Audit Committee	Human	Risk	Credit Risk	IFRS 9 Committee	IT Committee	Total Amount Paid
				Resource & Remuneration Committee	Management Committee	Management Committee			
(Rupees in '000)									
1.	Mr. Abbas D. Habib	3,915	–	3,840	–	–	–	3,840	11,595
2.	Mr. Anwar Haji Karim	1,000	2,000	–	1,000	–	–	–	4,000
3.	Ms. Farhana Mowjee Khan	1,000	2,000	1,000	1,000	–	750	–	5,750
4.	Syed Mazhar Abbas	1,000	2,000	1,000	–	1,000	–	–	5,000
5.	Syed Hasan Ali Bukhari	–	–	–	–	–	–	–	–
6.	Mr. Safar Ali Lakhani	–	–	–	–	–	–	–	–
7.	Mr. Murtaza H. Habib	1,000	–	1,000	–	1,000	–	–	3,000
8.	Mr. Arshad Nasar	1,000	2,000	1,000	–	1,000	1,000	1,000	7,000
9.	Mr. Adnan Afridi	1,000	–	–	1,000	–	–	–	2,000
10.	Mr. Mohammad Rafiquddin Mehkari	1,000	2,000	–	1,000	1,000	–	–	5,000
11.	Mr. Javed Iqbal	1,000	–	–	–	–	–	1,000	2,000
		11,915	10,000	7,840	4,000	4,000	1,750	5,840	45,345



2022
Meeting Fees

S.No.	Name of Director	For Board Committees							Total Amount Paid
		For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	
(Rupees in '000)									
1.	Mr. Abbas D. Habib	3,915	–	3,840	–	–	–	3,840	11,595
2.	Mr. Anwar Haji Karim	1,000	1,750	–	1,000	–	–	–	3,750
3.	Ms. Farhana Mowjee Khan	1,000	1,000	1,000	1,000	–	–	–	4,000
4.	Syed Mazhar Abbas	1,000	1,750	1,000	–	1,500	–	500	5,750
5.	Syed Hasan Ali Bukhari	250	500	250	–	250	250	–	1,500
6.	Mr. Safar Ali Lakhani	250	500	–	250	250	–	–	1,250
7.	Mr. Murtaza H. Habib	1,000	–	500	–	1,500	–	–	3,000
8.	Mr. Arshad Nasar	1,000	1,750	1,000	–	1,000	1,000	1,000	6,750
9.	Mr. Adnan Afridi	1,000	–	–	1,000	–	–	–	2,000
10.	Mr. Mohammad Rafiquddin Mehkari	500	1,000	–	500	1,000	–	–	3,000
11.	Mr. Javed Iqbal	500	–	–	–	–	–	500	1,000
		11,415	8,250	7,590	3,750	5,500	1,250	5,840	43,595

39.3 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non-Resident Members	Chairman	Resident Member	Non-Resident Members
(Rupees in '000)						
Managerial remuneration	7,996	3,117	5,552	6,000	2,133	4,240
Contribution to defined contribution plan	–	220	–	–	218	–
Rent and house maintenance	3,198	880	2,220	2,400	640	1,696
Utilities	800	220	556	600	160	424
Medical	36	36	72	36	36	72
Others	–	264	–	–	264	–
Total	12,030	4,737	8,400	9,036	3,451	6,432
Number of persons	1	1	2	1	1	2



40. FAIR VALUE MEASUREMENTS

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)
Foreign securities	Market prices / Mashreqbank PSC
Listed securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual funds	Net asset values declared by respective funds
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 debt securities and loans and advances has been calculated in accordance with the Group's accounting policies as stated in notes 4.13 and 4.5.

40.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

There were no transfers between levels 1 and 2 during the year.

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2023			Total
	Level 1	Level 2	Level 3	
On balance sheet financial instruments				
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	1,108,601,004	–	1,108,601,004
Shares	4,026,024	–	–	4,026,024
Non-Government Debt Securities	4,988,532	4,188,251	–	9,176,783
Foreign Securities	–	5,886,195	–	5,886,195
Units of Mutual Funds	–	4,264,072	–	4,264,072
Financial assets-disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	358,464,148	–	358,464,148
Non-Government Debt Securities	–	1,823,596	–	1,823,596
Associates				
Mutual Funds	–	5,998,107	–	5,998,107
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	122,491,971	–	122,491,971
Forward sale of foreign exchange contracts	–	81,500,835	–	81,500,835



2022

	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
		(Rupees in '000)		
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	951,287,451	–	951,287,451
Shares	3,081,855	–	–	3,081,855
Non-Government Debt Securities	4,415,203	5,139,900	–	9,555,103
Foreign Securities	–	4,118,155	–	4,118,155
Units of Mutual Funds	–	3,507,593	–	3,507,593
Financial assets-disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	169,562,245	–	169,562,245
Non-Government Debt Securities	–	1,037,110	–	1,037,110
Associates				
Mutual Funds	–	5,533,810	–	5,533,810
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	80,387,622	–	80,387,622
Forward sale of foreign exchange contracts	–	35,704,460	–	35,704,460

40.2 Certain fixed assets and non banking assets acquired in satisfaction of claims have been carried at revalued amounts determined by professional valuer (level 3 measurement) based on their assessment of the market value.

40.3 Foreign exchange contracts are valued using exchange rates declared by the State Bank of Pakistan.

41. TRUST ACTIVITIES

The Group is not engaged in any trust activities other than holding investments of individuals and entities in its IPS account maintained with the State Bank of Pakistan.



42. SEGMENT INFORMATION

42.1 Segment details with respect to business activities

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

	2023				Total
	Commercial banking	Retail banking	Retail brokerage	Asset management	
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	321,759,954	52,072,610	49,204	5,918	373,887,686
Inter segment revenue-net	83,705	90,307,947	–	–	90,391,652
Non mark-up / return / interest income	5,997,294	17,485,089	152,383	718,600	24,353,366
Total income	327,840,953	159,865,646	201,587	724,518	488,632,704
Segment direct expenses	(199,579,301)	(122,137,609)	(192,078)	(149,387)	(322,058,375)
Inter segment expense allocation	(90,307,947)	–	(15,797)	(67,908)	(90,391,652)
Total expenses	(289,887,248)	(122,137,609)	(207,875)	(217,295)	(412,450,027)
Provisions	(4,170,992)	(4,417)	–	–	(4,175,409)
Profit before tax	33,782,713	37,723,620	(6,288)	507,223	72,007,268
Statement of financial position					
Cash and bank balances	139,454,299	8,637,141	379,007	8,498	148,478,945
Investments	1,503,074,490	–	100,709	1,313,105	1,504,488,304
Net inter segment lending	924,465	1,277,340,122	–	–	1,278,264,587
Lendings to financial institutions	1,649,716	–	–	–	1,649,716
Advances-performing	810,972,436	50,538,983	49	–	861,511,468
-non-performing-net of provision	7,290,737	66,186	–	–	7,356,923
Others	205,289,267	12,388,736	851,750	186,654	218,716,407
Total assets	2,668,655,410	1,348,971,168	1,331,515	1,508,257	4,020,466,350
Borrowings	476,847,568	–	590,466	–	477,438,034
Subordinated debt	29,985,200	–	–	–	29,985,200
Deposits and other accounts	698,900,979	1,234,830,302	–	–	1,933,731,281
Net inter segment borrowing	1,277,340,122	–	174,465	750,000	1,278,264,587
Others	62,505,299	110,426,207	364,440	24,604	173,320,550
Total liabilities	2,545,579,168	1,345,256,509	1,129,371	774,604	3,892,739,652
Equity	123,076,242	3,714,659	202,144	733,653	127,726,698
Total equity and liabilities	2,668,655,410	1,348,971,168	1,331,515	1,508,257	4,020,466,350
Contingencies and commitments	473,348,064	87,278	–	–	473,435,342



	2022				
	Commercial banking	Retail banking	Retail brokerage	Asset management	Total
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	178,844,119	22,003,727	61,756	950	200,910,552
Inter segment revenue - net	53,768	54,017,823	–	–	54,071,591
Non mark-up / return / interest income	10,836,048	10,310,181	119,323	315,137	21,580,689
Total income	189,733,935	86,331,731	181,079	316,087	276,562,832
Segment direct expenses	(114,338,922)	(61,939,689)	(180,749)	(95,943)	(176,555,303)
Inter segment expense allocation	(54,017,823)	–	(10,699)	(43,069)	(54,071,591)
Total expenses	(168,356,745)	(61,939,689)	(191,448)	(139,012)	(230,626,894)
Provisions	(12,814,611)	(65,934)	–	–	(12,880,545)
Profit / (loss) before tax	8,562,579	24,326,108	(10,369)	177,075	33,055,393
Statement of financial position					
Cash and bank balances	95,317,276	13,784,788	157,002	9,972	109,269,038
Investments	1,157,669,660	–	251,342	878,986	1,158,799,988
Net inter segment lending	936,306	940,663,885	–	–	941,600,191
Lending to financial institutions	15,568,607	–	–	–	15,568,607
Advances-performing	707,531,498	102,621,595	33	–	810,153,126
-non-performing-net of provision	3,069,270	45,421	–	–	3,114,691
Others	152,631,172	22,647,382	409,217	89,058	175,776,829
Total assets	2,132,723,789	1,079,763,071	817,594	978,016	3,214,282,470
Borrowings	418,722,454	–	267,006	–	418,989,460
Subordinated debt	29,991,600	–	–	–	29,991,600
Deposits and other accounts	594,367,065	973,642,209	–	–	1,568,009,274
Net inter segment borrowing	940,663,885	–	186,306	750,000	941,600,191
Others	60,532,353	99,160,373	207,097	43,516	159,943,339
Total liabilities	2,044,277,357	1,072,802,582	660,409	793,516	3,118,533,864
Equity	88,446,432	6,960,489	157,185	184,500	95,748,606
Total equity and liabilities	2,132,723,789	1,079,763,071	817,594	978,016	3,214,282,470
Contingencies and commitments	389,420,252	287,644	–	–	389,707,896



42.2 Segment details with respect to geographical locations

Geographical Segment Analysis

	2023			
	Pakistan	Middle East	Asia Pacific	Total
	(Rupees in '000)			
Profit and loss account				
Mark-up / return / profit	366,564,612	4,008,839	3,314,235	373,887,686
Non mark-up / return / interest income	23,611,607	410,425	331,334	24,353,366
Total income	390,176,219	4,419,264	3,645,569	398,241,052
Segment direct expenses	(316,387,386)	(3,192,146)	(2,478,843)	(322,058,375)
(Provisions) / reversals	(7,974,535)	2,088,613	1,710,513	(4,175,409)
Profit before tax	65,814,298	3,315,731	2,877,239	72,007,268
Statement of financial position				
Cash and bank balances	148,293,447	111,350	74,148	148,478,945
Investments	1,473,281,731	18,039,187	13,167,386	1,504,488,304
Net inter segment lending	9,865,125	32,365,720	1,099,850	43,330,695
Lendings to financial institutions	1,649,716	–	–	1,649,716
Advances - performing	837,064,002	12,067,767	12,379,699	861,511,468
- non - performing net of provision	6,645,086	–	711,837	7,356,923
Others	211,526,124	6,641,539	548,744	218,716,407
Total assets	2,688,325,231	69,225,563	27,981,664	2,785,532,458
Borrowings	477,438,034	–	–	477,438,034
Subordinated debt	29,985,200	–	–	29,985,200
Deposits and other accounts	1,871,143,093	45,390,647	17,197,541	1,933,731,281
Net inter segment borrowing	22,303,294	10,964,974	10,062,427	43,330,695
Others	166,183,715	6,751,803	385,032	173,320,550
Total liabilities	2,567,053,336	63,107,424	27,645,000	2,657,805,760
Equity	121,271,895	6,118,139	336,664	127,726,698
Total equity and liabilities	2,688,325,231	69,225,563	27,981,664	2,785,532,458
Contingencies and commitments	453,245,382	19,339,604	850,356	473,435,342



	2022			
	Pakistan	Middle East	Asia Pacific	Total
	(Rupees in '000)			
Profit and loss account				
Mark-up / return / profit	195,457,102	2,267,133	3,186,317	200,910,552
Non mark-up / return / interest income	20,519,578	438,013	623,098	21,580,689
Total income	215,976,680	2,705,146	3,809,415	222,491,241
Segment direct expenses	(173,578,157)	(1,391,275)	(1,585,871)	(176,555,303)
Provisions	(936,409)	(5,177,887)	(6,766,249)	(12,880,545)
Profit / (loss) before tax	41,462,114	(3,864,016)	(4,542,705)	33,055,393
Statement of financial position				
Cash and bank balances	108,058,042	1,153,020	57,976	109,269,038
Investments	1,140,069,719	10,712,788	8,017,481	1,158,799,988
Net inter segment lending	7,359,004	22,085,705	2,027,263	31,471,972
Lendings to financial institutions	15,568,607	–	–	15,568,607
Advances-performing	777,556,908	12,885,227	19,710,991	810,153,126
-non-performing-net of provision	1,270,203	113,215	1,731,273	3,114,691
Others	160,177,466	2,045,003	13,554,360	175,776,829
Total assets	2,210,059,949	48,994,958	45,099,344	2,304,154,251
Borrowings	418,989,460	–	–	418,989,460
Subordinated debt	29,991,600	–	–	29,991,600
Deposits and other accounts	1,507,456,913	37,610,725	22,941,636	1,568,009,274
Net inter segment borrowing	8,907,427	9,386,267	13,178,278	31,471,972
Others	144,950,620	1,986,726	13,005,993	159,943,339
Total liabilities	2,110,296,020	48,983,718	49,125,907	2,208,405,645
Equity	99,763,929	11,240	(4,026,563)	95,748,606
Total equity and liabilities	2,210,059,949	48,994,958	45,099,344	2,304,154,251
Contingencies and commitments	382,493,331	5,722,879	1,491,686	389,707,896

43. RELATED PARTY TRANSACTIONS

Related parties of the Group comprises of associates, directors, key management personnel and other related parties.

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



Transactions with related parties, other than those disclosed in note 10.5, 20.3 and 39 are summarised as follows:

	2023				2022			
	Directors	Key management personnel	Associates	Other related parties (Rupees in '000)	Directors	Key management personnel	Associates	Other related parties
Investments								
Opening balance	-	-	5,533,810	386,597	-	-	8,563,438	305,998
Investment made during the year	-	-	5,426,104	-	-	-	9,077,662	50,000
Investment adjusted / redeemed / disposed off during the year	-	-	(4,961,807)	-	-	-	(12,107,290)	-
Surplus on revaluation	-	-	-	267,489	-	-	-	30,599
Closing balance	-	-	5,998,107	654,086	-	-	5,533,810	386,597
Advances								
Opening balance	1,310	320,774	-	1,023,207	1,620	195,482	-	2,417,285
Addition during the year	26,499	277,173	-	31,872,765	90,890	328,735	-	40,985,490
Repaid during the year	(23,761)	(252,912)	-	(31,215,190)	(91,200)	(203,443)	-	(42,379,568)
Closing balance	4,048	345,035	-	1,680,782	1,310	320,774	-	1,023,207
Operating fixed assets								
Right of use	-	-	-	5,111	-	-	-	9,199
Other assets								
Interest / mark - up accrued	-	451	-	47,832	-	177	-	25,879
L/C acceptance	-	-	-	207,281	-	-	-	323,894
Remuneration receivable from funds	-	-	169,807	-	-	-	58,248	-
Other receivable	-	-	1,905	15	-	-	6,581	74
Subordinated debt								
Opening balance	-	-	-	44,000	-	-	-	44,000
Issued / purchased during the year	-	-	-	150,000	-	-	-	-
Closing balance	-	-	-	194,000	-	-	-	44,000
Deposits and other accounts								
Opening balance	569,762	691,575	1,770,411	5,223,723	769,918	774,436	59,383	6,936,252
Received during the year	5,549,523	6,766,311	653,642,242	169,329,325	4,487,172	5,939,373	582,767,296	174,705,011
Withdrawn during the year	(5,347,792)	(6,663,537)	(636,063,529)	(165,143,846)	(4,687,328)	(6,022,234)	(581,056,268)	(176,417,540)
Closing balance	771,493	794,349	19,349,124	9,409,202	569,762	691,575	1,770,411	5,223,723
Other liabilities								
Interest / mark - up payable	921	2,456	-	12,008	73	1,598	-	24,737
Payable to staff retirement fund	-	-	-	2,200,083	-	-	-	1,376,805
Other liabilities	-	540	-	-	-	113	-	71,960
Contingencies and commitments								
	-	-	-	1,193,643	-	-	-	1,004,215
Other transactions - Investor Portfolio Securities								
Opening balance	-	-	-	16,314,700	-	-	-	4,791,800
Increased during the year	-	-	-	20,732,500	-	-	-	25,764,700
Decreased during the year	-	-	-	(18,183,700)	-	-	-	(14,241,800)
Closing balance	-	-	-	18,863,500	-	-	-	16,314,700



43.1 RELATED PARTY TRANSACTIONS

	2023				2022			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key Management personnel	Associates	Other related parties
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	-	20,145	-	162,955	4	14,941	-	139,329
Fee and commission income	147	824	718,768	16,337	116	522	222,493	8,189
Dividend income	-	-	-	82,614	-	-	-	53,996
Net gain on sale / redemption of securities and units of mutual funds	-	-	-	-	-	-	-	332
Share of profit from associates	-	-	1,133,848	-	-	-	778,627	-
Other income	-	-	-	540	-	-	-	587
Expense								
Mark-up / return / interest expensed	108,392	111,547	953,239	1,464,684	60,358	86,439	667,018	714,419
Operating expenses	-	-	-	5,238	-	-	-	36,888
Salaries and allowances	-	1,123,905	-	-	-	903,826	-	-
Bonus	-	263,513	-	-	-	189,286	-	-
Contribution to defined contribution plan	-	49,450	-	-	-	37,964	-	-
Contribution to defined benefit plan	-	193,585	-	-	-	155,512	-	-
Staff provident fund	-	-	-	1,041,957	-	-	-	877,002
Staff gratuity fund	-	-	-	832,728	-	-	-	628,504
Directors' fees	43,345	-	-	-	41,595	-	-	-
Donation	-	-	-	30,000	-	-	-	30,000
Insurance premium paid	-	-	-	342,790	-	-	-	244,353
Insurance claims settled	-	-	-	47,446	-	-	-	54,545



44. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	2023	2022
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	11,114,254	11,114,254
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	107,694,949	88,846,766
Eligible Additional Tier 1 (ADT 1) Capital	13,064,657	13,284,854
Total Eligible Tier 1 Capital	120,759,606	102,131,620
Eligible Tier 2 Capital	38,633,723	30,118,520
Total Eligible Capital (Tier 1 + Tier 2)	159,393,329	132,250,140
Risk Weighted Assets (RWAs):		
Credit Risk	776,751,725	734,076,775
Market Risk	23,201,297	12,072,245
Operational Risk	198,314,614	148,012,019
Total	998,267,636	894,161,039
	2023	2022
	(Percentage)	
Common Equity Tier 1 Capital Adequacy Ratio	10.788%	9.936%
Tier 1 Capital Adequacy Ratio	12.097%	11.422%
Total Capital Adequacy Ratio	15.967%	14.790%

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. 11.114 billion as against the required MCR of Rs. 10 billion.

Minimum Capital Adequacy Ratio (CAR)

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

	2023	2022
	(Percentage)	
Required CAR	11.500%	11.500%
CAR on Bank level	15.842%	14.739%
CAR on Group level	15.967%	14.790%

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



	2023	2022
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier 1 Capital	120,759,606	102,131,620
Total Exposures	<u>3,216,546,903</u>	<u>2,743,357,594</u>
Leverage Ratio	<u>3.754%</u>	<u>3.723%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	955,708,404	741,344,389
Total Net Cash Outflow	<u>354,045,468</u>	<u>309,814,044</u>
Liquidity Coverage Ratio	<u>269.939%</u>	<u>239.287%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	2,004,560,176	1,651,921,923
Total Required Stable Funding	<u>1,226,713,919</u>	<u>922,325,376</u>
Net Stable Funding Ratio	<u>163.409%</u>	<u>179.104%</u>

44.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the Bank's website. The link to the full disclosure is available at <https://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-grouplevel2023>.

45. RISK MANAGEMENT

The Group 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 Group.

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

45.1 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.

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

Credit risk of the Group 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 Group's credit risk.

Counterparty exposure limits are approved in line with the Prudential Regulations and the Group'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 Group 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 Group has concentration of credit in textiles which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub - sectors like spinning, weaving and composites etc.

Credit Administration Department (CAD) is primarily responsible for custody, monitoring, and maintenance of security that underlies the Group's credit portfolio. CAD is also responsible for ensuring that all required terms and conditions as per approvals are properly reflected in customer documentation.

The Group 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.

Generally, the Group primarily lends against cash flows, which is considered the primary source of repayment. However, if cash flows of a borrower deteriorate and are insufficient to service debt obligations, collateral serves as the secondary recourse of repayment.

Specific and general provisions on the credit portfolio are determined in accordance with Prudential Regulations. The Group maintains additional general provision in line with its prudent policies and as per IFRS 9 for overseas branches. Particulars of provisions against advances are given in note 9.4.

The Group 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.

45.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Public / Government	1,649,716	10,625,937	-	-	-	-
Private	-	4,942,670	-	-	-	-
	<u>1,649,716</u>	<u>15,568,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

45.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Power (electricity), gas, water, sanitary	27,432,171	26,886,304	-	-	1,363,759	1,227,405
Financial	1,471,553,391	1,139,225,576	99,920	-	8,268,287	9,478,897
Iron and steel	680,000	750,000	-	-	-	-
Oil refinery / marketing	1,015,625	1,250,000	-	-	-	-
	<u>1,500,681,187</u>	<u>1,168,111,880</u>	<u>99,920</u>	<u>-</u>	<u>9,632,046</u>	<u>10,706,302</u>
Credit risk by public / private sector						
Public / Government	1,480,593,366	1,149,182,696	-	-	5,848,774	6,581,300
Private	20,087,821	18,929,184	99,920	-	3,783,272	4,125,002
	<u>1,500,681,187</u>	<u>1,168,111,880</u>	<u>99,920</u>	<u>-</u>	<u>9,632,046</u>	<u>10,706,302</u>



45.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Agriculture, forestry, hunting and fishing	33,310,814	23,514,781	626,914	352,700	325,919	267,683
Mining and quarrying	97,172	106,774	-	-	-	-
Textile	290,239,332	273,539,211	9,508,611	1,884,270	5,465,443	1,868,519
Chemical and pharmaceuticals	19,980,060	25,761,490	553,848	194,020	368,285	51,455
Cement	5,635,348	5,556,190	43,966	43,966	43,966	10,991
Sugar	16,306,134	12,343,776	-	-	-	-
Footwear and leather garments	6,702,380	6,351,960	-	-	-	-
Automobile and transportation equipment	6,976,411	12,160,382	80,112	5,081	41,977	4,668
Electronics and electrical appliances	5,690,751	5,537,804	767,362	287,273	767,362	267,544
Construction	23,451,007	26,490,762	1,353,292	218,475	474,736	175,341
Power (electricity), gas, water, sanitary	46,273,435	43,860,601	6,562	-	1,640	-
Wholesale and retail trade	115,064,264	103,054,861	7,635,680	7,224,386	6,558,119	5,270,277
Transport, storage and communication	10,088,976	12,347,247	718,335	154,861	247,245	49,731
Financial	11,889,849	12,833,762	101,949	101,949	81,441	86,126
Insurance	210,066	430,285	61,180	61,180	61,180	61,180
Services (other than financial services)	17,462,523	15,353,568	140,617	46,038	19,849	552
Individuals	36,233,486	43,595,784	128,915	133,285	68,783	87,666
Food and allied	177,852,672	137,407,489	429,884	293,846	302,099	91,982
Iron and steel	38,567,142	34,140,947	108,436	1,282,991	108,436	1,282,991
Oil refinery / marketing	3,691,753	4,480,822	-	-	-	-
Paper and board	4,859,951	5,556,645	7,431	7,431	7,431	7,431
Plastic products	11,542,098	11,295,807	272,896	272,892	272,896	272,892
Others	13,319,303	15,356,636	2,641,352	2,156,641	2,613,612	1,749,565
	895,444,927	831,077,584	25,187,342	14,721,285	17,830,419	11,606,594
Credit risk by public / private sector						
Public / Government	138,443,582	103,892,455	-	-	-	-
Private	757,001,345	727,185,129	25,187,342	14,721,285	17,830,419	11,606,594
	895,444,927	831,077,584	25,187,342	14,721,285	17,830,419	11,606,594



45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2023	2022
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	2,070,747	2,225,472
Mining and quarrying	197,370	5,653
Textile	79,723,105	77,312,880
Chemical and pharmaceuticals	23,956,367	15,646,369
Cement	1,563,089	2,202,641
Sugar	3,713,849	3,496,947
Footwear and leather garments	2,879,709	3,212,850
Automobile and transportation equipment	14,410,670	12,239,124
Electronics and electrical appliances	11,276,541	8,684,913
Construction	15,951,659	14,067,954
Power (electricity), gas, water, sanitary	18,970,038	20,020,893
Wholesale and retail trade	70,676,910	71,215,367
Transport, storage and communication	22,123,448	1,239,116
Financial	49,636,749	24,308,270
Insurance	67,265	122,075
Services (other than financial services)	37,231,781	32,378,759
Individuals	87,278	287,644
Food and allied	53,150,036	42,486,330
Iron and steel	26,545,873	17,282,540
Oil refinery / marketing	1,388,549	3,028,209
Paper and board	4,664,576	7,884,785
Plastic products	18,340,141	20,037,103
Others	14,809,592	10,322,002
	473,435,342	389,707,896
Credit risk by public / private sector		
Public / Government	43,717,123	34,294,985
Private	429,718,219	355,412,911
	473,435,342	389,707,896

45.1.5 Concentration of Advances

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 264,653 million (2022: Rs. 209,186 million) are as following:

	2023	2022
	(Rupees in '000)	
Funded	166,019,310	143,042,074
Non Funded	98,633,284	66,144,123
Total Exposure	264,652,594	209,186,197

The sanctioned limits against these top 10 exposures aggregated to Rs. 300,722 million (2022: Rs. 310,186 million). Provision against top 10 exposures amounts to be Nil (2022: Nil).



45.1.6 Advances - Province / Region-wise Disbursement and Utilization

Province / Region	2023						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	406,213,996	390,936,993	9,476,571	270,030	22,264	5,467,304	40,834
Sindh	333,973,967	2,073,168	323,405,262	5,708,197	2,668,625	7,641	111,074
KPK including FATA	7,050,048	19,963	27,957	6,221,667	7,344	773,117	-
Balochistan	1,225,549	-	213,253	22,714	989,582	-	-
Islamabad	41,268,835	896,586	11,198	960,115	-	39,400,936	-
AJK including Gilgit-Baltistan	645,533	-	-	4,510	-	63,845	577,178
Total	790,377,928	393,926,710	333,134,241	13,187,233	3,687,815	45,712,843	729,086

Province / Region	2022						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	354,268,365	348,282,224	3,494,948	316,125	27,595	2,101,300	46,173
Sindh	342,804,256	1,589,733	337,507,367	2,431,025	1,168,194	6,467	101,470
KPK including FATA	7,162,365	13,890	9,400	6,578,647	3,303	557,125	-
Balochistan	1,339,462	-	445,937	32,806	860,719	-	-
Islamabad	33,112,606	116,453	18,562	291,778	-	32,685,813	-
AJK including Gilgit-Baltistan	754,661	-	-	3,972	-	59,286	691,403
Total	739,441,715	350,002,300	341,476,214	9,654,353	2,059,811	35,409,991	839,046

45.2 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 Group takes positions in securities for the purpose of investment and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities. As regards foreign exchange positions, the purpose is to serve the needs of clients. Except as aforesaid, the Group does not engage in trading or market making activities.

Market risk is managed through the Market Risk Policy and Treasury and Investment 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 Group'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 and Equity Market Department, which undertake dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deals, 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 Group's market risk.

Dealing activities of the Group 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 Group's internal policy. Portfolio risks arising in banking book are also measured through Value at Risk (VAR).



45.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	141,816,023	-	141,816,023	94,163,589	-	94,163,589
Balances with other banks	6,662,922	-	6,662,922	15,105,449	-	15,105,449
Lendings to financial institutions	1,649,716	-	1,649,716	15,568,607	-	15,568,607
Investments	1,504,488,304	-	1,504,488,304	1,158,699,619	100,369	1,158,799,988
Advances	868,868,391	-	868,868,391	813,267,817	-	813,267,817
Fixed assets	79,584,255	-	79,584,255	62,087,777	-	62,087,777
Intangible assets	212,691	-	212,691	452,845	-	452,845
Deferred tax assets	1,790,812	-	1,790,812	9,702,816	-	9,702,816
Other assets	137,128,649	-	137,128,649	103,533,391	-	103,533,391
	<u>2,742,201,763</u>	<u>-</u>	<u>2,742,201,763</u>	<u>2,272,581,910</u>	<u>100,369</u>	<u>2,272,682,279</u>

45.2.2 Foreign Exchange Risk

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Group'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 Group'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 Group are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Group 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 Group itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impact of adverse changes in foreign exchange rates.

	2023			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
United States Dollar	176,151,123	192,464,281	31,261,319	14,948,161
Great Britain Pound	2,519,099	17,207,175	10,382,601	(4,305,475)
Japanese Yen	13,790	3,114	(13,641)	(2,965)
Euro	5,773,972	11,623,351	3,461,895	(2,387,484)
Other currencies	2,069,513	1,233,214	(1,724,018)	(887,719)
	<u>186,527,497</u>	<u>222,531,135</u>	<u>43,368,156</u>	<u>7,364,518</u>



	2022			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
United States Dollar	146,641,673	172,981,664	30,162,171	3,822,180
Great Britain Pound	1,763,990	14,039,992	8,222,028	(4,053,974)
Japanese Yen	6,461	2,347	(1,563)	2,551
Euro	2,593,379	9,688,629	3,963,967	(3,131,283)
Other currencies	1,082,588	1,585,257	(635,736)	(1,138,405)
	<u>152,088,091</u>	<u>198,297,889</u>	<u>41,710,867</u>	<u>(4,498,931)</u>

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	15,584	–	1,848	–

45.2.3 Equity Position Risk

Equity position risk is the risk of loss from adverse movements in equity prices. The Group's policy is to take equity positions for investment purposes and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities.

Equity position risk of the Group is controlled through equity portfolio limits, sector limits, scrip 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 Group itself. Stress testing for equity price risk is carried out regularly to estimate the impact of decline in stock prices. The Group invests mainly in blue chip securities.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
– Profit and loss account	–	6	–	8,144
– Other comprehensive income	263,564	–	193,684	–

45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

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 Group 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 Group's interest rate exposure is calculated by categorising 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 Group are controlled through dealer limits, counter - party exposure limits and (when necessary) type-of-instrument limits. Outright purchase and sale of securities are also approved by ALCO. 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 Group 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 Group.

Repricing gap analysis presents the Group'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 Group reviews the repricing gap analysis periodically to monitor and manage interest rate risk in the banking book.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	6,196,190	–	6,631,528	–



45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2023

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On - balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	4.18%	141,816,023	11,667,181	-	-	-	-	-	-	-	-	130,148,842
Balances with other banks	4.77%	6,662,922	3,165,206	-	-	-	-	-	-	-	-	3,497,716
Lendings to financial institutions	22.95%	1,649,716	1,649,716	-	-	-	-	-	-	-	-	-
Investments	21.59%	1,504,488,304	272,797,142	241,218,544	835,578,605	39,002,445	15,711,782	2,866,895	69,111,621	13,741,409	-	14,459,861
Advances	16.14%	868,868,391	453,381,311	157,352,683	111,011,134	37,018,916	22,909,440	18,886,401	28,291,634	25,015,685	14,973,519	27,668
Other assets	-	128,440,140	-	-	-	-	-	-	-	-	-	128,440,140
		2,651,925,496	742,660,556	398,571,227	946,589,739	76,021,361	38,621,222	21,753,296	97,403,255	38,757,094	14,973,519	276,574,227
Liabilities												
Bills payable	-	48,083,103	-	-	-	-	-	-	-	-	-	48,083,103
Borrowings	16.50%	477,438,034	356,239,633	21,043,360	19,186,630	7,067,504	13,456,946	12,696,585	22,046,569	25,423,306	277,501	-
Deposits and other accounts	18.21%	1,933,731,281	1,002,640,787	48,659,935	79,457,142	83,987,101	2,878,724	715,085	4,103,122	8,039	6,951	711,274,395
Subordinated debt	23.16%	29,985,200	-	4,996,000	24,989,200	-	-	-	-	-	-	-
Other liabilities	-	87,809,489	-	-	-	-	-	-	-	-	-	87,809,489
		2,577,047,107	1,358,880,420	74,699,295	123,632,972	91,054,605	16,335,670	13,411,670	26,149,691	25,431,345	284,452	847,166,987
On - balance sheet gap		74,878,389	(616,219,864)	323,871,932	822,956,767	(15,033,244)	22,285,552	8,341,626	71,253,564	13,325,749	14,689,067	(570,592,760)
Off - balance sheet financial instruments												
Documentary credits and short term trade related transactions		287,964,804	112,140,419	134,858,122	21,834,584	8,267,215	10,652,488	211,976	-	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		123,771,146	28,648,989	50,171,504	40,306,633	4,644,020	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(80,402,990)	(55,023,309)	(22,504,512)	(1,113,283)	(1,761,886)	-	-	-	-	-	-
Forward commitments to extend credit		3,955,661	1,643,615	1,353,628	302,978	655,440	-	-	-	-	-	-
Off - balance sheet gap		47,323,817	(24,730,705)	29,020,620	39,496,328	3,537,574	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(528,810,150)	487,750,674	884,287,679	(3,228,455)	32,938,040	8,553,602	71,253,564	13,325,749	14,689,067	(570,592,760)
Cumulative Yield / Interest Risk Sensitivity Gap			(528,810,150)	(41,059,476)	843,228,203	839,999,748	872,937,788	881,491,390	952,744,954	966,070,703	980,759,770	410,167,010



2022

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
On - balance sheet financial instruments												
(Rupees in '000)												
Assets												
Cash and balances with treasury banks	1.18%	94,163,589	886,519	-	-	-	-	-	-	-	-	93,277,070
Balances with other banks	3.13%	15,105,449	12,683,257	-	-	-	-	-	-	-	-	2,422,192
Lendings to financial institutions	16.10%	15,568,607	15,568,607	-	-	-	-	-	-	-	-	-
Investments	15.43%	1,158,799,988	150,575,882	131,844,192	543,994,415	184,634,881	42,642,799	12,721,670	61,151,574	18,920,069	-	12,314,506
Advances	12.66%	813,267,817	465,748,441	116,369,051	79,122,656	24,434,538	29,247,959	24,182,893	30,758,637	32,237,144	11,155,120	11,378
Other assets	-	97,467,774	-	-	-	-	-	-	-	-	-	97,467,774
		2,194,373,224	645,462,706	248,213,243	623,117,071	209,069,419	71,890,758	36,904,563	91,910,211	51,157,213	11,155,120	205,492,920
Liabilities												
Bills payable	-	44,855,837	-	-	-	-	-	-	-	-	-	44,855,837
Borrowings	10.60%	418,989,460	269,314,226	42,346,647	18,147,398	6,309,037	13,327,930	13,416,475	23,924,663	32,069,437	133,647	-
Deposits and other accounts	12.91%	1,568,009,274	740,078,036	49,687,388	39,689,825	85,510,483	12,114,259	5,456,859	11,428,481	12,157	8,214	624,023,572
Subordinated debt	17.84%	29,991,600	-	4,998,000	24,993,600	-	-	-	-	-	-	-
Other liabilities	-	84,056,734	-	-	-	-	-	-	-	-	-	84,056,734
		2,145,902,905	1,009,392,262	97,032,035	82,830,823	91,819,520	25,442,189	18,873,334	35,353,144	32,081,594	141,861	752,936,143
On - balance sheet gap		48,470,319	(363,929,556)	151,181,208	540,286,248	117,249,899	46,448,569	18,031,229	56,557,067	19,075,619	11,013,259	(547,443,223)
Off - balance sheet financial instruments												
Documentary credits and short term trade related transactions		225,453,786	76,729,551	96,015,817	22,455,246	20,527,556	9,725,616	-	-	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		78,111,679	27,229,530	31,766,931	15,926,999	3,188,219	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(36,400,812)	(15,955,646)	(19,520,505)	(860,781)	(63,880)	-	-	-	-	-	-
Forward commitments to extend credit		6,328,518	1,822,615	1,358,281	466,120	2,279,952	271,750	53,800	76,000	-	-	-
Off - balance sheet gap		48,039,385	13,096,499	13,604,707	15,532,338	5,404,291	271,750	53,800	76,000	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(274,103,506)	260,801,732	578,273,832	143,181,746	56,445,935	18,085,029	56,633,067	19,075,619	11,013,259	(547,443,223)
Cumulative Yield / Interest Risk Sensitivity Gap			(274,103,506)	(13,301,774)	564,972,058	708,153,804	764,599,739	782,684,768	839,317,835	858,393,454	869,406,713	321,963,490



45.2.5.1 Reconciliation of Financial Assets and Liabilities

	2023	2022
	(Rupees in '000)	
Assets as per statement of financial position	2,742,201,763	2,272,682,279
Less:		
Fixed assets	79,584,255	62,087,777
Intangible assets	212,691	452,845
Deferred tax assets	1,790,812	9,702,816
Advances, deposits, advance rent and other prepayments	3,428,437	1,567,932
Non-banking assets acquired against claims	4,115,304	3,786,952
Stationery and stamps on hand	1,144,768	710,733
	8,688,509	6,065,617
Interest Rate Sensitive Assets	2,651,925,496	2,194,373,224
Liabilities as per statement of financial position	2,614,475,065	2,176,933,673
Less:		
Unearned commission income	1,706,124	692,150
Branch adjustment account	3,625,247	1,343,949
Clearing and settlement	1,585,454	7,198,150
Provisions against off balance sheet obligations	226,549	110,059
Provision for compensated absences	1,719,861	1,311,882
Workers' welfare fund	5,424,142	3,870,375
Lease liability against right-of-use assets	14,633,878	14,213,811
Current taxation (payments less provisions)	8,506,703	2,290,392
	37,427,958	31,030,768
Interest Rate Sensitive Liabilities	2,577,047,107	2,145,902,905

45.3 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 risk but excludes strategic and reputational risks. Group classifies operational loss / near miss incidents into seven loss incidents types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Internal Control System and Internal Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance and Risk Management Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT and CPF Policy, Fraud Prevention Policy, Service Quality and Consumer Grievance Handling Policy, Business Continuity and Disaster Recovery Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and I.T. steering committee. Audit Committee of the Board provides overall guidance in managing the Group's operational risk.

The Group'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 Group.



The Group 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 Group continues to improve its internal controls.

Business Continuity Planning (BCP) of the Group pays special attention to identify potential threats and associated risks by carrying out Business Impact Analysis and Risk Assessment processes to minimise financial losses, serve customers with minimal disruptions, and mitigate negative effects on business operations, including those that are dependent on third parties. It also identifies alternate mechanisms for timely resumption of services, with a special focus on critical business processes, location of off-site backup and regular review and testing of the BCP plan.

BankAL Habib's internet banking platform, both web and mobile based applications offer various digital products and services to the customers and are being regularly enhanced with new features to provide better customer experience and security.

The Group has zero tolerance for Cybersecurity risks and non-compliance to regulations. Monitoring controls and processes have been implemented to identify and appropriately address Cybersecurity risks. Long term measures are defined in Cyber Security Strategy that is supported by a complementing Action Plan. While Information Security Risk Management plan covers measures for identifying the risks posed to Information Systems in alignment with Group's strategy. The Group has developed a cyber secure environment by implementing various technical and administrative controls to ensure security and privacy of customers' data residing with the Group. In this regard, Group has also implemented industrial standards and best practices for Information Security assurance.

45.3.1 Operational Risk-Disclosures Basel II Specific

The Group 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 Group which relies on an extensive network of branches to offer one - stop, full – service banking to its clients. The Group 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. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Group.

45.4 Liquidity Risk

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

Key elements of the Group'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 Group's funding requirements at any time.
- To keep a strong focus on mobilization of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing cost 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.

45.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 08 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Banks High Quality Liquid Assets (HQL As) into cash to meet immediate liquidity requirements over a 30 days horizon.



The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2023, the Bank's LCR stood at 233% against the SBP's minimum requirement of 100%.

45.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Group has "zero tolerance" for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division and Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Group's liquidity risks are being managed prudently. The Risk Management Committee of the Board provides overall guidance in managing the Group's liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

45.4.3 Funding Strategy

The Group's prime source of liquidity is the customers' deposit base. Within deposits, the Group strives to maintain core deposit base in form of current and saving deposits and avoids concentration in particular products, tenors and dependence on large fund providers. As a general rule, the Group will not depend on borrowings in the inter-bank market, including repos, to be a part of its permanent pool of funds for financing of loans, but will use these as a source for obtaining moderate amounts of additional funds to meet temporary liquidity needs in the normal course of business or for money market operations.

45.4.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like core deposits to total deposits, advances to deposits, liquid assets to total deposits, interbank borrowing to total deposits, which are monitored on regular basis against limits. Further, the Group also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. For maturity analysis, behavioral study is carried out to determine the behavior of non - contractual assets and liabilities. The Group also ensures that statutory cash and liquidity requirements are maintained at all times.

In addition, LCR, NSFR and Monitoring Tools of Basel III framework further strengthen liquidity risk management of the Group.

45.4.5 Liquidity Stress Testing

As per SBP FSD Circular No. 01 of 2020, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits and interbank borrowing, withdrawal of top deposits, etc. Results of stress testing are presented to ALCO and Risk Management Committee. The Group'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 as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.



45.4.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Group which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. Responsibilities and response levels are also incorporated in order to tackle the contingency. Moreover, CFP highlights possible funding sources, in case of a liquidity contingency.

45.4.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD Circular No. 08 dated 23 June 2016.

45.4.8 Composition of High Quality Liquid Assets (HQLAs)

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash and Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks and Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.

45.4.9 Concentration of Funding Sources

The Group relies on customers' deposits as its key source of funding, especially current and saving deposits and time deposits of small / medium denominations, and avoids concentration of large deposits. Share of core deposits in total deposits and of large deposits in total deposits are regularly monitored. In particular the Group does not depend on large depositors or borrowings from SBP and financial institutions to meet its funding requirements.

45.4.10 Currency Mismatch in the LCR

About 90% of the Group's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

45.4.11 Centralisation of Liquidity Management

Overall liquidity management of the Group is centralised in Treasury Division at Principal Office. The Group mobilises deposits through its branch network. It also uses the branch network to grant loans to customers. Branches that have more deposits than loans, transfer ("lend") their excess deposits to the Principal Office. Branches that do not have enough deposits to fund their loans, acquire ("borrow") additional funds from the Principal Office.

45.4.12 Other Inflows and Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

45.4.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a Group must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and rollover risk. The Bank's NSFR stood at 163% as on 31 December 2023.



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

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.

	Total	2023												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	141,816,023	141,816,023	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,662,922	6,662,922	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,649,716	-	1,649,716	-	-	-	-	-	-	-	-	-	-	-
Investments	1,504,488,304	10,646,798	(59,058)	13,631	(167,148)	(1,018,399)	1,377,192	16,968,325	26,722,107	19,666,639	419,319,585	302,069,871	365,435,602	343,513,159
Advances	868,868,391	77,577,119	16,558,762	14,013,455	63,521,868	94,643,494	217,374,750	133,116,382	24,207,548	14,971,223	56,502,148	47,847,935	49,789,867	58,743,840
Fixed assets	79,584,255	39,587,751	-	-	681,428	588,273	592,377	1,686,943	1,613,417	1,563,744	5,744,238	4,818,883	6,181,761	16,525,440
Intangible assets	212,691	-	-	-	17,947	17,710	16,172	48,437	18,856	3,162	7,237	-	-	83,170
Deferred tax assets	1,790,812	3,922,691	-	-	(118,159)	(76,048)	(76,048)	(199,301)	(181,761)	(183,060)	(614,412)	(451,378)	41,289	(273,001)
Other assets	137,128,649	43,784,769	12,833,348	4,489,033	12,550,982	15,677,121	10,037,987	35,515,224	978,699	1,036,711	159,821	31,674	21,586	11,694
	2,742,201,763	323,998,073	30,982,768	18,516,119	76,486,918	109,832,151	229,322,430	187,136,010	53,358,866	37,058,419	481,118,617	354,316,985	421,470,105	418,604,302
Liabilities														
Bills payable	48,083,103	48,083,103	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	477,438,034	2,679,821	156,749,882	93,937,615	56,905,266	18,528,835	41,788,166	25,880,038	3,458,519	3,608,985	13,456,946	12,696,585	22,046,569	25,700,807
Deposits and other accounts	1,933,731,281	1,650,840,331	14,933,595	11,031,584	37,109,670	20,467,845	28,192,090	79,457,142	46,298,024	37,689,077	2,878,724	715,085	4,103,122	14,992
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,985,200	-	-	-	-	-	1,000	2,200	1,000	2,200	6,400	6,400	3,996,800	25,969,200
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	125,237,447	50,019,876	3,794,965	2,887,615	8,906,814	10,169,241	7,723,748	7,447,856	10,115,664	1,765,510	4,009,436	3,979,936	4,747,117	9,669,669
	2,614,475,065	1,751,623,131	175,478,442	107,856,814	102,921,750	49,165,921	77,705,004	112,787,236	59,873,207	43,065,772	20,351,506	17,398,006	34,893,608	61,354,668
Net assets	127,726,698	(1,427,625,058)	(144,495,674)	(89,340,695)	(26,434,832)	60,666,230	151,617,426	74,348,774	(6,514,341)	(6,007,353)	460,767,111	336,918,979	386,576,497	357,249,634
Share capital	11,114,254													
Reserves	28,184,872													
Surplus on revaluation of assets	14,706,663													
Unappropriated profit	73,595,373													
Non - controlling interest	125,536													
	127,726,698													



	Total	2022												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	94,163,589	94,098,041	-	65,548	-	-	-	-	-	-	-	-	-	-
Balances with other banks	15,105,449	14,086,510	-	-	1,018,939	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,568,607	-	15,568,607	-	-	-	-	-	-	-	-	-	-	-
Investments	1,158,799,988	(3,512,255)	(390,446)	(393,020)	(1,108,639)	(1,399,962)	21,061,297	91,796,573	151,728,290	65,933,381	45,896,201	296,353,878	285,533,350	207,301,340
Advances	813,267,817	70,593,237	21,403,306	15,154,441	60,467,493	78,900,895	173,786,316	118,537,227	35,638,379	24,809,221	59,436,268	45,911,325	48,441,561	60,188,148
Fixed assets	62,087,777	24,350,283	-	-	532,101	519,444	688,316	1,351,815	1,466,908	1,417,557	5,160,131	4,493,905	6,374,279	15,733,038
Intangible assets	452,845	-	-	-	32,054	25,648	24,627	66,659	55,184	50,660	114,843	-	-	83,170
Deferred tax assets	9,702,816	11,394,401	-	-	(49,959)	(45,769)	(45,769)	(135,675)	(100,272)	(122,248)	(439,555)	(387,403)	(206,340)	(158,595)
Other assets	103,533,391	30,369,509	4,804,567	7,023,967	16,373,074	18,656,168	11,355,738	13,843,551	375,522	588,006	116,719	8,880	7,540	10,150
	2,272,682,279	241,379,726	41,386,034	21,850,936	77,265,063	96,656,424	206,870,525	225,460,150	189,164,011	92,676,577	110,284,607	346,380,585	340,150,390	283,157,251
Liabilities														
Bills payable	44,855,837	44,855,837	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	418,989,460	2,180,743	106,665,961	1,174,294	106,008,103	49,698,689	26,932,426	37,148,055	2,772,462	3,536,575	13,327,930	13,416,475	23,924,663	32,203,084
Deposits and other accounts	1,568,009,274	1,295,056,950	18,057,827	15,269,912	35,716,918	14,641,167	35,046,221	39,689,825	42,875,595	42,634,888	12,114,259	5,456,859	11,428,481	20,372
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,991,600	-	-	-	-	-	1,000	2,200	1,000	2,200	6,400	6,400	12,800	29,959,600
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	115,087,502	40,874,673	3,217,800	5,639,004	12,638,249	15,616,694	9,175,373	3,798,335	3,098,468	813,941	3,347,893	3,814,653	5,430,669	7,621,750
	2,176,933,673	1,382,968,203	127,941,588	22,083,210	154,363,270	79,956,550	71,155,020	80,638,415	48,747,525	46,987,604	28,796,482	22,694,387	40,796,613	69,804,806
Net assets	95,748,606	(1,141,588,477)	(86,555,554)	(232,274)	(77,098,207)	16,699,874	135,715,505	144,821,735	140,416,486	45,688,973	81,488,125	323,686,198	299,353,777	213,352,445
Share capital	11,114,254													
Reserves	24,391,414													
Surplus on revaluation of assets	899,575													
Unappropriated profit	59,229,669													
Non - controlling interest	113,694													
	95,748,606													



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

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.

	Total	2023								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	141,816,023	141,816,023	-	-	-	-	-	-	-	-
Balances with other banks	6,662,922	6,662,922	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,649,716	1,649,716	-	-	-	-	-	-	-	-
Investments	1,504,488,304	6,347,704	(365,911)	16,626,178	57,918,127	416,356,735	301,830,914	366,019,559	336,372,822	3,382,176
Advances	868,868,391	171,671,204	312,018,244	133,116,382	39,178,771	56,502,148	47,847,935	49,789,867	38,998,948	19,744,892
Fixed assets	79,584,255	717,590	1,349,227	3,855,256	5,531,620	6,178,202	25,933,869	6,181,761	5,884,587	23,952,143
Intangible assets	212,691	17,947	33,882	48,437	22,018	7,237	-	-	-	83,170
Deferred tax assets	1,790,812	8,643,152	172,621	(77,232)	(247,795)	655,184	(9,203,514)	(244,850)	3,905,444	(1,812,198)
Other assets	137,128,649	69,149,221	25,906,745	35,802,679	2,592,724	164,601	272,437	21,586	11,694	3,206,962
	2,742,201,763	406,675,479	339,114,808	189,371,700	104,995,465	479,864,107	366,681,641	421,767,923	385,173,495	48,557,145
Liabilities										
Bills payable	48,083,103	48,083,103	-	-	-	-	-	-	-	-
Borrowings	477,438,034	310,272,584	60,317,001	25,880,038	7,067,504	13,456,946	12,696,585	22,046,569	25,423,306	277,501
Deposits and other accounts	1,933,731,281	232,469,944	213,264,961	244,062,168	248,592,127	249,786,263	247,622,624	250,010,662	246,915,579	6,953
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,985,200	-	1,000	2,200	3,200	6,400	6,400	3,996,800	11,969,200	14,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	125,237,447	64,363,367	17,892,989	7,447,856	11,881,174	4,009,436	3,979,936	4,747,117	6,057,096	4,858,476
	2,614,475,065	655,188,998	291,475,951	277,392,262	267,544,005	267,259,045	264,305,545	281,801,148	290,365,181	19,142,930
Net assets	127,726,698	(248,513,519)	47,638,857	(88,020,562)	(162,548,540)	212,605,062	102,376,096	139,966,775	94,808,314	29,414,215
Share capital	11,114,254									
Reserves	28,184,872									
Surplus on revaluation of assets	14,706,663									
Unappropriated profit	73,595,373									
Non - controlling interest	125,536									
	<u>127,726,698</u>									



	Total	2022								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	94,163,589	94,163,589	-	-	-	-	-	-	-	-
Balances with other banks	15,105,449	15,105,449	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,568,607	15,568,607	-	-	-	-	-	-	-	-
Investments	1,158,799,988	3,260,475	19,692,890	91,534,512	227,821,191	41,262,652	292,058,598	279,679,382	200,035,991	3,454,297
Advances	813,267,817	167,618,477	252,687,211	118,537,227	60,447,600	59,436,268	45,911,325	48,441,561	42,772,238	17,415,910
Fixed assets	62,087,777	548,237	1,369,535	10,826,983	3,334,189	6,333,409	4,493,905	6,374,279	6,235,387	22,571,853
Intangible assets	452,845	32,053	50,275	66,659	105,844	114,844	-	-	-	83,170
Deferred tax assets	9,702,816	4,083,642	(113,979)	(2,167,800)	623,346	1,551,204	1,459,567	2,301,487	3,207,025	(1,241,676)
Other assets	103,533,391	54,530,388	30,182,278	14,022,204	1,446,126	120,572	8,880	7,540	10,150	3,205,253
	2,272,682,279	354,910,917	303,868,210	232,819,785	293,778,296	108,818,949	343,932,275	336,804,249	252,260,791	45,488,807
Liabilities										
Bills payable	44,855,837	44,855,837	-	-	-	-	-	-	-	-
Borrowings	418,989,460	216,029,101	76,631,115	37,148,055	6,309,037	13,327,930	13,416,475	23,924,663	32,069,437	133,647
Deposits and other accounts	1,568,009,274	200,135,831	179,016,918	169,019,356	214,840,014	206,104,691	199,447,291	205,417,626	194,019,333	8,214
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	29,991,600	-	1,000	2,200	3,200	6,400	6,400	12,800	15,959,600	14,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	115,087,502	60,008,861	24,792,067	3,798,335	3,911,438	3,347,893	3,814,653	5,430,669	6,018,118	3,965,468
	2,176,933,673	521,029,630	280,441,100	209,967,946	225,063,689	222,786,914	216,684,819	234,785,758	248,066,488	18,107,329
Net assets	95,748,606	(166,118,713)	23,427,110	22,851,839	68,714,607	(113,967,965)	127,247,456	102,018,491	4,194,303	27,381,478
Share capital	11,114,254									
Reserves	24,391,414									
Surplus on revaluation of assets	899,575									
Unappropriated profit	59,229,669									
Non - controlling interest	113,694									
	95,748,606									



46. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 5 (2022: Rs. 7) per share. This is in addition to Rs. 9 already paid during the year, bringing the total dividend for the year to Rs. 14 (2022: Rs. 7).

47. GENERAL

47.1 Captions, as prescribed by BPRD Circular No. 02 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the statement of financial position and profit and loss account.

47.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

47.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements wherever necessary to facilitate comparison and better presentation.

48. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on 31 January 2024.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



Annexure I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE
DURING THE YEAR ENDED 31 DECEMBER 2023**

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors with CNIC Nos.	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other Charges written off	Total (9+10+11)
				Principal	Interest / Mark-up	Other Charges	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Wateen Telecom Limited Main Walton Road Opposite, Bab-e-Pakistan Walton Cantt, Lahore.	Mr. Adil Rashid (CNIC: 37405-0223625-3)	Mr. Azmat Rashid	971,578	767,566	-	1,739,144	654,682	796,879	-	1,451,561
		Mr. Mathew William Hollis (Passport: 707533167)	Mr. Peter Leslie Seymour Hollis								
		Mr. Edward Philip Hurt (Passport: 510759964)	Mr. Wayne Paul Hurt								
2	Wateen Wimax (Pvt) Limited Main Walton Road Opposite, Bab-e-Pakistan Walton Cantt, Lahore.	Mr. Rizwan Ali Tiwana (CNIC: 38201-5422846-5)	Mr. Malik Bashir Ali Khan Tiwana	-	57,393	-	57,393	-	57,393	-	57,393
		Mr. Muhammad Aqib Zulfiquar (CNIC: 35200-1512775-9)	Mr. Zulfiquar Ahmed Abid								
		Mr. Zafar Masood (CNIC: 35202-3014940-7)	Mr. Masood Alam								
3	Syed Shariq Hasan House No. 89/1, Street-24, Khayaban-e-Sehar, Phase-VI, DHA, Karachi.	Syed Shariq Hasan (CNIC: 42301-3281333-9)	Syed Ali Hasan	1,788	664	256	2,708	1,766	664	256	2,686
4	Ch. Muhammad Ali & Sons Shop 39-Grain Market, Mian Channu.	Muhammad Ali (CNIC: 36104-0450766-3)	Roshan Din	7,990	3,571	93	11,654	-	1,654	-	1,654
			Total	981,356	829,194	349	1,810,899	656,448	856,590	256	1,513,294



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 201 (2022: 178) Islamic banking branches and 138 (2022: 150) Islamic banking windows at the end of the year.

	Note	2023 (Rupees in '000)	2022
ASSETS			
Cash and balances with treasury banks		15,978,853	10,129,656
Balances with other banks		8,166	7,087
Due from financial institutions		—	—
Investments	1	194,105,585	139,707,651
Islamic financing and related assets-net	2	114,115,766	101,266,517
Fixed assets		1,306,410	960,714
Intangible assets		—	—
Due from Head Office		—	—
Other assets		17,590,335	9,004,260
Total Assets		343,105,115	261,075,885
LIABILITIES			
Bills payable		500,279	429,262
Due to financial institutions		34,472,018	38,932,611
Deposits and other accounts	3	255,291,936	177,775,602
Due to Head Office		2,456,894	7,016,160
Subordinated debt		—	—
Other liabilities		8,562,932	15,579,661
		301,284,059	239,733,296
NET ASSETS		41,821,056	21,342,589
REPRESENTED BY			
Islamic Banking Fund		7,600,000	7,600,000
Reserves		—	—
Surplus / (deficit) on revaluation of assets		1,825,669	(463,276)
Unappropriated profit	5	32,395,387	14,205,865
		41,821,056	21,342,589
CONTINGENCIES AND COMMITMENTS	6		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2023 is as follows:

	Note	2023 (Rupees in '000)	2022
Profit / return earned	7	47,491,919	25,214,470
Profit / return expensed	8	(23,857,169)	(14,002,001)
Net Profit / return		23,634,750	11,212,469
Other income			
Fee and commission income		1,181,217	879,793
Dividend income		79,244	78,529
Foreign exchange income		206,936	155,791
Income / (loss) from derivatives		-	-
Loss on securities		(7,172)	(29,526)
Other income		88,066	63,276
Total other income		1,548,291	1,147,863
Total income		25,183,041	12,360,332
Other expenses			
Operating expenses		(6,572,156)	(4,569,909)
Other charges		(22)	(225)
Total other expenses		(6,572,178)	(4,570,134)
Profit before provisions		18,610,863	7,790,198
Provisions and write offs-net		(421,341)	(192,055)
Profit for the year		18,189,522	7,598,143

	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
1. Investments by segments	(Rupees in '000)							
Federal Government Securities								
- Ijarah Sukuks	180,077,410	-	1,781,739	181,859,149	127,997,953	-	(481,153)	127,516,800
- Neelum Jhelum Hydropower Co Ltd. Sukuk	1,443,750	-	13,811	1,457,561	2,021,250	-	-	2,021,250
- Islamic Naya Pakistan Certificates	5,769,121	-	-	5,769,121	4,852,292	-	-	4,852,292
	187,290,281	-	1,795,550	189,085,831	134,871,495	-	(481,153)	134,390,342
Shares								
- Listed Companies	17,389	(11,535)	3,938	9,792	30,529	(19,253)	56	11,332
Non Government Debt Securities								
- Listed	1,122,000	-	1,602	1,123,602	850,000	-	-	850,000
- Unlisted	3,363,625	-	(25,374)	3,338,251	3,940,000	-	-	3,940,000
	4,485,625	-	(23,772)	4,461,853	4,790,000	-	-	4,790,000
Units of Mutual Funds	351,022	(52,866)	49,953	348,109	351,022	(52,866)	17,821	315,977
Associates								
- AL Habib Islamic Cash Fund	100,000	-	-	100,000	100,000	-	-	100,000
- AL Habib Islamic Savings Fund	100,000	-	-	100,000	100,000	-	-	100,000
	200,000	-	-	200,000	200,000	-	-	200,000
Total Investments	192,344,317	(64,401)	1,825,669	194,105,585	140,243,046	(72,119)	(463,276)	139,707,651



	Note	2023	2022
(Rupees in '000)			
2. Islamic financing and related assets			
Ijarah	2.1	3,079,001	2,452,842
Murabaha	2.2	17,586,364	10,598,735
Diminishing Musharaka		16,779,105	15,741,969
Istisna		10,282,784	5,766,719
Islamic Long Term Financing Facility (ILTFF)		5,241,800	3,835,813
Islamic Refinance for Renewable Energy (IFRE)		2,224,625	2,157,740
Islamic Refinance for Wages and Salaries (IRWS)		–	41,082
Islamic Refinance for Temporary Economic Refinance Facility (ITERF)		6,830,099	5,498,680
Islamic Refinance Facility for Modernization of SMEs (IRFSME)		52,588	49,186
Islamic Financing Facility for Storage of Agricultural Product (IFFSAP)		157,403	142,438
Islamic Export Refinance - Istisna (IERF)		2,160,467	2,303,561
Musawamah		4,605,689	3,532,923
Islamic Export Refinance-Musawamah		6,000	303,750
Running Musharaka		2,479,691	2,073,941
Islamic Export Refinance-Running Musharaka		7,166,641	6,075,426
Financing against Bills-Musawamah		5,083,273	3,916,970
Export Finance Scheme (EFS) - Discounting		7,235,359	5,110,945
Staff Financing		2,013,176	1,438,084
Musawamah Inventory		3,076,506	3,947,033
Advance against Istisna		13,554,721	9,761,928
Advance against Istisna - IERF		2,249,152	7,922,393
Advance against Ijarah		138,636	444,846
Advance against Diminishing Musharaka		1,303,776	3,102,235
Advance against ILTFF		–	2,100,278
Advance against IFRE		666,683	451,733
Advance against ITERF		951,795	2,888,709
Advance against IRFSME		12,933	–
Gross Islamic financing and related assets		114,938,267	101,659,959
Less: provision against Islamic financings			
- Specific		(772,444)	(343,385)
- General		(50,057)	(50,057)
		(822,501)	(393,442)
Islamic financing and related assets-net of provision		114,115,766	101,266,517

2.1 Ijarah

	2023						Book value as at 31 December
	Cost			Accumulated depreciation			
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge for the year / (deletions)	As at 31 December	
	(Rupees in '000)						
Plant and machinery	523,792	– (452,409)	71,383	407,366	45,173 (388,609)	63,930	7,453
Vehicles	3,357,645	1,968,663 (1,056,513)	4,269,795	1,039,847	772,274 (613,052)	1,199,069	3,070,726
Equipment	110,066	– (105,948)	4,118	91,448	– (88,152)	3,296	822
Total	3,991,503	1,968,663 (1,614,870)	4,345,296	1,538,661	817,447 (1,089,813)	1,266,295	3,079,001



	2022						Book value as at 31 December
	Cost			Accumulated depreciation			
	As at 01 January	Additions / (deletions)	As at 31 December	As at 01 January	Charge for the year / (deletions)	As at 31 December	
	(Rupees in '000)						
Plant and machinery	583,404	– (59,612)	523,792	294,330	160,128 (47,092)	407,366	116,426
Vehicles	2,137,519	1,958,855 (738,729)	3,357,645	972,561	571,270 (503,984)	1,039,847	2,317,798
Equipment	203,408	– (93,342)	110,066	146,681	15,624 (70,857)	91,448	18,618
Total	2,924,331	1,958,855 (891,683)	3,991,503	1,413,572	747,022 (621,933)	1,538,661	2,452,842

2.1.1 Future ijarah payments receivable

	2023			2022		
	Not later than 1 year	Later than 1 year and less than 5 years	Total (Rupees in '000)	Not later than 1 year	Later than 1 year and less than 5 years	Total
Ijarah rental receivables	1,323,741	2,575,478	3,899,219	976,345	1,707,662	2,684,007

Note

2023
(Rupees in '000)

2022

2.2 Murabaha

Murabaha financing	2.2.1	10,098,518	7,323,675
Advances for Murabaha		7,487,846	3,275,060
		17,586,364	10,598,735
2.2.1 Murabaha receivable-gross			
Less: Deferred murabaha income	2.2.2	11,140,005	7,853,739
Profit receivable shown in other assets	2.2.4	(559,242)	(222,743)
Murabaha financings		(482,245)	(307,321)
		10,098,518	7,323,675
2.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		7,853,739	7,929,218
Sales during the year		38,800,845	28,763,308
Adjusted during the year		(35,514,579)	(28,838,787)
Closing balance		11,140,005	7,853,739
2.2.3 Murabaha sale price		11,140,005	7,853,740
Murabaha purchase price		(10,098,518)	(7,323,675)
		1,041,487	530,065
2.2.4 Deferred murabaha income			
Opening balance		222,743	130,922
Arising during the year		2,453,949	984,087
Less: recognised during the year		(2,117,450)	(892,266)
Closing balance		559,242	222,743



3. Deposits and other accounts

	2023			2022		
	In local currency	In foreign currencies	Total (Rupees in '000)	In local currency	In foreign currencies	Total
Customers						
Current deposits	88,013,287	3,380,920	91,394,207	62,687,584	2,234,196	64,921,780
Savings deposits	119,870,552	5,445,480	125,316,032	61,608,252	2,872,384	64,480,636
Term deposits	24,830,685	-	24,830,685	27,105,947	-	27,105,947
	<u>232,714,524</u>	<u>8,826,400</u>	<u>241,540,924</u>	<u>151,401,783</u>	<u>5,106,580</u>	<u>156,508,363</u>
Financial institutions						
Current deposits	35,468	-	35,468	16,506	-	16,506
Savings deposits	13,715,544	-	13,715,544	21,250,733	-	21,250,733
	<u>13,751,012</u>	<u>-</u>	<u>13,751,012</u>	<u>21,267,239</u>	<u>-</u>	<u>21,267,239</u>
	<u>246,465,536</u>	<u>8,826,400</u>	<u>255,291,936</u>	<u>172,669,022</u>	<u>5,106,580</u>	<u>177,775,602</u>

	2023 (Rupees in '000)	2022
3.1 Composition of deposits		
- Individuals	136,907,220	101,053,976
- Government / Public Sector Entities	8,698,958	1,152,775
- Banking Companies	52	46
- Non-Banking Financial Institutions	13,750,960	21,267,193
- Private Sector	95,934,746	54,301,612
	<u>255,291,936</u>	<u>177,775,602</u>

3.1.1 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 197,393.808 million (2022: Rs. 132,980.916 million).

	2023 (Rupees in '000)	2022
4. Charity Fund		
Opening balance	23,820	12,978
Additions during the year		
Received from customers on account of delayed payment	58,471	16,942
Charity accrued but not yet received	11,563	7,287
Dividend purification amount	268	-
Other Non - Shariah compliant income	1,589	409
Profit on charity saving account	4,354	1,203
	<u>76,245</u>	<u>25,841</u>
Payments / utilization during the year		
Health	(20,000)	(7,849)
Social welfare	(15,400)	(5,650)
Education	(5,000)	(1,500)
	<u>(40,400)</u>	<u>(14,999)</u>
Closing balance	<u>59,665</u>	<u>23,820</u>



	2023	2022
	(Rupees in '000)	
4.1		
Detail of charity is as follows:		
Afzaal Memorial Thalassemia Foundation	2,000	849
Agha Welfare Trust	1,000	-
Al Mustafa Trust	2,000	1,000
ASF Foundation	1,400	1,400
Bait-ul-Sukoon	2,000	1,000
Child Aid Association	2,000	1,000
Dar-ul-Sukun	2,000	1,000
Green Crescent Trust	2,000	1,250
IDA RIEU Welfare Association	2,000	1,000
Indus Hospital	2,000	500
Jinnah Foundation	-	1,000
Karachi Down Syndrome Program	2,000	-
Karachi Institute of Kidney Diseases Association	2,000	-
Markaz-e-Umeed	2,000	-
NOWPDP	2,000	1,000
Orange Tree Foundation	1,000	500
Osmania Hospital	2,000	1,000
Pakistan Children's Heart Foundation	2,000	1,000
Pakistan Foundation Fighting Blindness	2,000	-
Sahil Welfare Association	1,000	-
SIUT	2,000	1,000
SOS Children's Village	2,000	-
The Cancer Foundation	2,000	-
The Kidney Centre	-	500
	<u>40,400</u>	<u>14,999</u>
5. Islamic Banking Business Unappropriated Profit		
Opening balance	14,205,865	6,607,722
Add: Islamic Banking profit for the year	18,189,522	7,598,143
Closing balance	<u>32,395,387</u>	<u>14,205,865</u>
6. Contingencies and Commitments		
- Guarantees	14,463,377	10,385,298
- Commitments	28,717,529	24,096,223
	<u>43,180,906</u>	<u>34,481,521</u>
7. Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	15,289,918	8,973,841
Investments	32,110,595	16,150,941
Placement	91,406	89,688
	<u>47,491,919</u>	<u>25,214,470</u>
8. Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	19,827,836	8,335,432
Due to Financial Institutions	2,556,552	3,222,733
Due to Head Office	1,472,781	2,443,836
	<u>23,857,169</u>	<u>14,002,001</u>



9. Profit and Loss Distribution and Pool Management

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

General Pool PKR (Mudaraba)

Deposits which assume minimal risk of loss due to diversified assets being tagged thereto are parked in the general pool. In case of loss in general pool, the loss will be borne by the general pool members.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and investments are parked to share the return among the FCY deposit holders. In case of loss in a FCY general pool, the loss will be borne by the FCY general pool members.

Special Pool(s) FCY (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Equity Pool

Investments with relatively higher risks such as investment in shares and mutual funds are tagged to the equity pool in order to safeguard the interest of depositors. The Bank as Mudarib in the general pool is responsible for administrative costs and cost of operating fixed assets, which are financed from equity. Furthermore, subsidised financing to employees are also financed from equity as per SBP guidelines.

Special Mudaraba Financing Facility (SMFF) Pool - Open Market Operations (OMO) Injections

Special Mudaraba Financing Facility (SMFF) Pool for OMO Injection is created to invest the funds exclusively raised from SBP through Islamic Open Market Operations (OMO) in High Quality Assets including securities that are eligible as approved securities for maintaining Statutory Liquidity Requirement (SLR).

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 organizations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules and Shariah clearance.

9.2 Avenues / sectors of economy / businesses where Mudaraba based deposits have been deployed

The Mudaraba based funds have been deployed in the following avenues / sectors / businesses:

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuk
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)



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

The Banks Islamic Banking Division (IBD) is accepting Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-ul-Maal. The Bank with the prior approval of depositors also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharaka, Running Musharaka, Musawamah, Shares, Mutual Funds and Sukuks etc.

The Bank calculates the profit of the pool at every month. Profit is distributed at the Net Income level. Net Income is calculated after deducting direct costs such as cost of Murabaha, Cost of Takaful, Depreciation on Ijarah Assets, and Amortization of Premium on Sukuks and Loss of Investments directly incurred in deriving that Income.

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

The Banks profit sharing ratio during the quarter was 50% (2022: 50%) of Net Income and the depositors' profit sharing ratio was 50% (2022: 50%) 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 month based on their respective category / tiers. In case of loss, Rab-ul-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.

9.4 Mudarib share and HIBA distributed to depositor's pool and specific pool

	2023				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	27,063,141	10,004,896	36.97%	4,159,293	41.57%
FCY Pool	296,126	222,545	75.15%	28,104	12.63%
	2022				
LCY Pool	15,344,469	4,305,910	28.06%	1,881,570	43.70%
FCY Pool	158,391	146,756	92.65%	15,999	10.90%
			2023 (Percentage)		2022

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

Profit rate earned	17.75%	11.09%
Profit rate distributed	9.97%	6.03%



Disclosure on Complaint Handling in Annual Accounts-2023

Under the umbrella of Customer Service Division, Complaint Management is primarily in control of upholding high FTC (Fair Treatment to Customers) standards by promptly resolving complaints and providing fair resolutions to customers.

To promote customer centricity in the culture and dynamics of BAHL, we have developed a comprehensive policy for handling customer complaints that is established on the values of fairness, transparency, promptness, visibility, and accessibility. BAHL take complaints as an effective measure to improve its services instead of considering complaints as root cause for customer dissatisfaction. Additionally, Fair Treatment to Consumers Committee (FTCC) is established to anticipate customer problems and recommend resolution that can give our customers a better experience.

In order to ensure that customer concerns are quickly resolved, Bank's customer complaint unit has been enhanced further during 2023. Additionally, training sessions have been conducted to emphasize complaint management procedures and guidelines throughout the bank.

Customers can register complaints through a variety of channels, including a call center, the bank's website, direct emails, social media, and letters delivered directly or through drop box to the customer services division. These complaints are swiftly recorded in the complaint management system. From the time a complaint is acknowledged until it is resolved, bank has a defined escalation matrix to resolve complaints, where if any complaint is not resolved within the allotted turnaround time, it is escalated to the next senior level of management to ensure resolution of the complaints on priority.

As a post resolution activity, the complaint trends and analysis are shared with Board Members, Senior Management and Business Segments. Based on the findings, root cause analysis is conducted and communicated timely with the relevant departments for reduction of customer grievance.

Key Highlight: In 2023, the Bank received 293,919 complaints, about 23% lower than the previous year. The complaints were investigated and closed within an average turnaround time of 4 working days.



Report of Shari'ah Board for the year ending December 31, 2023

In the name of Allah, the Beneficent, the Merciful

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank AL Habib – Islamic Banking Division (BAHL-IBD) are conducted in a manner that comply with Shari'ah principles and guidelines issued by the Shari'ah Board of the BAHL-IBD at all times. The Shari'ah Governance Framework issued by the State Bank of Pakistan, required from the Shari'ah Board (SB) to submit a report on the overall Shari'ah compliance environment of BAHL-IBD.
2. To form the opinion as expressed in this report, the Shari'ah Compliance Department carried out Shari'ah Reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shari'ah Board reviewed the Internal Shari'ah Audit and External Shari'ah Audit Reports. Based on above, we are of the view that:
 - I. BAHL-IBD has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
 - II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
 - III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management. On recommendations of Shari'ah Board measures are being taken to further strengthen the Pool Management system.
 - IV. BAHL-IBD has a comprehensive mechanism in place to ensure Shari'ah Compliance in its overall operations.
 - V. The Shari'ah Board appreciates the view and commitment of BOD towards ensuring the Shari'ah Compliance in the products, processes and operations of the BAHL-IBD. Improvement is required in level of awareness of Islamic Banking staff as well Executive Management in order to improve their understanding on the importance of Shari'ah Compliance in their respective areas, particularly in Foreign Trade Department.
 - VI. The Management has committed to provide further human resources to Shari'ah Compliance Department enabling them to discharge their duties effectively.
 - VII. The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings identified from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. In year 2023, charity amount of Rs. 64.683 Million has been realized, out of which an income of Rs. 1.589 Million was credited to charity due to Shari'ah non-compliance as per instructions of Shari'ah Board. An amount of Rs. 40.4 Million has been granted to various charitable institutions from available charity fund.

Mufti Sher Ali
Resident Shari'ah Board Member

Mufti Muhammad Hamza
Member Shari'ah Board

Mufti Mohib ul Haq Siddiqui
Member Shari'ah Board

Mufti Ismatullah
Chairman Shari'ah Board



شریعی بورڈ رپورٹ بمطابق ۳۱ دسمبر ۲۰۲۳ء

بورڈ آف ڈائریکٹرز اور انتظامیہ ہی کی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائے کہ بینک الحیب اسلامک بینکنگ ڈویژن کی سرگرمیاں ہمیشہ شریعت کے اصولوں اور شریعی ہدایت کی ہدایات کے مطابق ہوں۔ بینک دولت پاکستان کی جانب سے جاری کردہ شریعی گورننس فریم ورک کے تحت بینک الحیب اسلامک بینکنگ ڈویژن کا شریعی بورڈ اس بات کا پابند ہے کہ وہ مجموعی شریعی کمپلائنس ماحول پر ایک رپورٹ جمع کروائے۔

رائے تشکیل دینے کیلئے جیسا کہ اس رپورٹ میں بیان کیا گیا ہے، شریعی کمپلائنس ڈپارٹمنٹ نے ہر قسم کے معاملے سے متعلقہ دستاویزات اور ترتیب عمل کے کاغذات کے آزمائشی بنیادوں پر جائزے لیے۔ شریعی بورڈ نے پچھلے سال کے دوران شریعی کمپلائنس اور اندرونی و بیرونی شریعی آڈٹ کی رپورٹس کا جائزہ لیا اور ان کی بنیاد پر ہماری رائے یہ ہے کہ:

- ۱- بینک الحیب اسلامک بینکنگ ڈویژن نے شریعی بورڈ کے فتاویٰ، احکامات اور ہدایات کی روشنی میں شرعی اصول و ضوابط کو پورا کیا۔
- ۲- بینک الحیب اسلامک بینکنگ ڈویژن نے بینک دولت پاکستان اور اس کے شریعی بورڈ کے شریعی کمپلائنس کے حوالے سے جاری کردہ قوانین اور ہدایات و احکامات کی پاسداری کی۔
- ۳- بینک الحیب اسلامک بینکنگ ڈویژن نے نفع نقصان کی تقسیم اور پول مینجمنٹ سے متعلق بینک دولت پاکستان کے احکامات پر عمل کیا۔ شریعی بورڈ کی تجویز پر پول مینجمنٹ کو مزید مضبوط بنانے کے لئے اقدامات کیے جا رہے ہیں۔
- ۴- بینک الحیب اسلامک بینکنگ ڈویژن میں تمام معاملات میں شرعی اصولوں کی پاسداری کو یقینی بنانے کے لئے جامع لائحہ عمل موجود ہے۔
- ۵- شریعی بورڈ پراڈکٹس طریقہ ہائے کار اور تعامل میں شریعت کی پاسداری کے حوالے سے بورڈ آف ڈائریکٹرز کے نظریے اور عزم کو سراہتا ہے۔ اسلامک بینکنگ کے عملی اور اعلیٰ انتظامیہ کی آگاہی کا معیار بہتر کرنے کی ضرورت ہے تاکہ متعلقہ شعبوں میں شریعت کی پاسداری کی فہم بہتر ہو سکے۔ خصوصاً بیرونی تجارت کے شعبے میں۔
- ۶- بینک کی انتظامیہ نے یہ عزم کیا ہے کہ شریعی کمپلائنس ڈپارٹمنٹ کو اپنی ذمہ داریوں سے بہتر طریقے سے عہدہ برآ ہونے کیلئے مزید عملد فراہم کریں گے۔
- ۷- بینک میں ایک مناسب وضع شدہ نظام ہے جو اس قابل ہے کہ کسی بھی غیر شرعی ذریعے یا طریقے سے حاصل کیے گئے منافع کی نشاندہی کی صورت میں اس کو صدقہ کے اکاؤنٹ میں ڈالنے اور بطریق احسن صدقہ کی مد میں لگانے کو یقینی بنائے۔ ۲۰۲۳ء میں صدقہ کی مد میں 64.683 ملین روپے جمع ہوئے، جن میں سے 1.589 ملین روپے کی آمدنی خیراتی اکاؤنٹ میں شریعی عدم پاسداری کی وجہ سے شریعی بورڈ کے احکام سے جمع کئے گئے۔ تقریباً 40.4 ملین روپے موجودہ خیرات فنڈ سے مختلف خیراتی اداروں کو ادا کئے گئے۔

مفتی عصمت اللہ حمد اللہ
چیئر مین شریعی بورڈ

مفتی محب الحق صدیقی
ممبر شریعی بورڈ

مفتی محمد حمزہ
ممبر شریعی بورڈ

مفتی شیر علی
ریزیڈنٹ شریعی بورڈ ممبر

کراچی: ۳۱ جنوری ۲۰۲۳ء



بینک الحیب اور اس کی ذیلی کمپنیاں آڈٹ شدہ مجموعی مالیاتی حسابات پر ڈائریکٹرز کی رپورٹ

بینک الحیب کے ڈائریکٹرز کیلئے اس کی ذیلی کمپنیوں الحیب کنسپٹل مارکیٹس (پرائیوٹ) لمیٹڈ اور الحیب ایسٹ منجمنٹ لمیٹڈ کے آڈٹ شدہ مجموعی مالیاتی حسابات برائے ۳۱ دسمبر ۲۰۲۳ء کو ختم ہونے والے سال کیلئے پیش کرنا باعثِ مسرت ہے:

('000 روپے میں)	
72,007,268	سالانہ منافع قبل از ٹیکس
(36,076,946)	ٹیکسیشن
35,930,322	سالانہ منافع بعد از ٹیکس
(2,274)	غیر اختیاری مفاد سے منسوب شدہ منافع
35,928,048	ہولڈنگ کمپنی کے شیئر ہولڈرز سے منسوب شدہ منافع
59,229,669	گزشتہ غیر مختص شدہ منافع
172,276	فکسڈ اثاثہ جات کی ریویلویشن کے اضافہ میں سے منتقلی۔ بعد از ٹیکس
(419,872)	دیگر جامع آمدنی۔ بعد از ٹیکس
58,982,073	تخصیص کیلئے دستیاب منافع
94,910,121	تخصیص:
(3,531,938)	اسٹیپنڈی ریزرو میں منتقلی
(7,779,978)	نقد منافع منقسمہ - ۲۰۲۲ء
(10,002,832)	نقد منافع منقسمہ - ۲۰۲۳ء
(21,314,748)	
73,595,373	غیر مختص شدہ منافع
روپے 32.33	فی شیئر آمدنی (بعد از ٹیکس)۔ ہولڈنگ کمپنی

شیئر ہولڈنگ کی ساخت

شیئر ہولڈنگ کی ساخت بمطابق ۳۱ دسمبر ۲۰۲۳ء بینک الحیب لمیٹڈ کے مالیاتی حسابات کے ساتھ منسلک ہے۔

عباس ڈی۔ حبیب
چیئر مین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۳۱ جنوری ۲۰۲۳ء



۱۱۔ ڈائریکٹرز، سی ای او، سی ایف او، انٹرنل آڈٹ کے سربراہ، کمپنی سیکریٹری اور ایگزیکٹوز اور ان کے شریک حیات اور نابالغ بچوں کی جانب سے بینک کے شیئرز میں سال کے دوران کوئی تجارت نہیں کی گئی، سوائے درج ذیل کے:

• 40,000 شیئرز چار ایگزیکٹوز کی جانب سے خریدے گئے۔

• 10,000 شیئرز ایک ایگزیکٹو کی جانب سے فروخت کئے گئے۔

اس ضمن میں ’ایگزیکٹو‘ کی تعریف میں پاکستان اسٹاک ایکسچینج کی رول بک میں درج شدہ افسران کے علاوہ بینک کے اسٹینٹ جنرل مینجرا اور اس سے بالا عہدیداران کو بھی شامل کیا گیا ہے۔

عمومی

ہم اپنے کسٹمرز کے مسلسل اعتماد اور تائید، مقامی و غیر ملکی مالیاتی اداروں کے بھروسے اور تعاون، اور اسٹیٹ بینک آف پاکستان کے ان کی رہنمائی پر، بے حد مشکور ہیں۔ ہم اپنے تمام اسٹاف ممبران کا بھی ان کے خلوص، لگن اور انتھک محنت پر ان کا شکریہ ادا کرتے ہیں۔

عباس ڈی۔ حبیب

چیئرمین

بورڈ آف ڈائریکٹرز

منصور علی خان

چیف ایگزیکٹو

کراچی: ۳۱ جنوری ۲۰۲۳ء



- ۵۔ انٹرنل کنٹرولز کا جامع نظام تیار کیا گیا ہے اور یہ موثر طور پر نافذ العمل ہے اور اس کی نگرانی بھی کی جاتی ہے۔ بورڈ کی جانب سے فنانشل رپورٹنگ پر انٹرنل کنٹرولز سے متعلق انتظامیہ کی جانچ بشمول مجموعی انٹرنل کنٹرولز کی توثیق صفحہ 31 پر درج ہے۔
- ۶۔ بینک کے لئے ”چلتے ہوئے کاروباری ادارے“ کا تصور مناسب ہے۔ اس ضمن میں بے یقینی کا کوئی امکان موجود نہیں ہے جو بینک کے ”چلتے ہوئے کاروباری ادارے“ کے تصور پر شکوک پیدا کرے۔
- ۷۔ گزشتہ 6 سالوں کے اہم آپرٹنگ اور مالیاتی اعداد و شمار کا خلاصہ درج ذیل ہے:

(ملین روپے میں)

2018	2019	2020	2021	2022	2023	
796,901	903,703	1,099,686	1,309,823	1,568,138	1,934,037	صارفین کے مجموعی ڈپازٹس
478,215	488,669	510,252	733,799	813,535	869,459	مجموعی ایڈوانسز
14,264	19,011	28,581	30,273	32,884	71,128	منافع قبل از ٹیکس
8,418	11,169	17,812	18,702	16,570	35,319	منافع بعد از ٹیکس
46,283	55,489	69,570	83,569	94,344	111,895	شیر ہولڈرز کی ایکویٹی (بغیر ری ویلیویشن)
7.57	10.05	16.03	16.83	14.91	31.78	فی شیر آمدنی (روپے)
25	35	45	70	70	140	نقد منافع منقسمہ (%)

۸۔ پروویڈنٹ فنڈ اور گریجویٹ فنڈ کے آڈٹ شدہ مالیاتی حسابات کی بنیاد پر ان اسکیموں کی سرمایہ کاریوں کی مالیت بمطابق ۳۱ دسمبر ۲۰۲۲ء درج ذیل ہیں:

(روپے میں '000)

12,009,112	پروویڈنٹ فنڈ
5,125,598	گریجویٹ فنڈ

۹۔ شیر ہولڈنگ کی ساخت اور اس سے متعلق اضافی معلومات صفحات 135، 136 اور 137 پر درج ہیں۔

۱۰۔ بورڈ نے اپنی کارکردگی کی جانچ کیلئے ایک باقاعدہ طریقہ کار منظور کیا ہے۔ بینک نے بورڈ کی جانچ کیلئے اندرون خانہ طریقہ کار اور اعدادی تیکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔ بورڈ کی جانچ کے دائرہ کار میں مکمل بورڈ، انفرادی ڈائریکٹرز، بورڈ کی کمیٹیاں، چیئرمین اور چیف ایگزیکٹو شامل ہیں۔ مجموعی نتائج / حاصل شدہ معلومات سے متعلقہ پارٹیوں کو آگاہ کیا جائے گا۔ جانچ کے دوران اگر کسی شعبے میں بہتری کی گنجائش نظر آئی تو اس کیلئے مناسب اقدامات کئے جائیں گے۔ ہر تقویمی سال کے لئے جانچ کا عمل آئندہ سال ۳۱ مارچ تک مکمل کیا جائے گا۔ مزید برآں بورڈ کی کارکردگی کا جائزہ کم از کم ہر تیسرے سال ایک ایسٹرنل انڈیپنڈنٹ جائزہ کار کے ذریعے لیا جائے گا۔ ہم نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کو بورڈ کی کارکردگی کی ایکسٹرنل انڈیپنڈنٹ جائزہ کے لئے نامزد کیا ہے۔

بینک کی جانب سے منتخب کئے گئے ماہرین اور کسی بورڈ ممبر یا کلیدی ایگزیکٹو کے درمیان مفادات کا کوئی تضاد نہیں ہے۔



اثاثہ جات اور مالی ذمہ داریوں کی شرح حساسیت کا جائزہ، فارورڈ فارن ایچینج گریپ پوزیشنز کا تجزیہ، ٹی ایف سیز/اسکوک اور شیئرز پورٹ فولیو کی مزید مفصل رپورٹنگ؛ ایکویٹیٹیز میں ڈیلنگ اور سیٹلمنٹس کو بہتر بنانے کے طریقہ کار کی تشکیل؛ آف مارکیٹ فارن ایچینج ریٹس اور غیر ملکی زرمبادلہ کی آمدنی کی نگرانی، آپریشنل نقصانات کے اعداد و شمار کا حصول اور اہم رسک انڈیکسز کی نشاندہی، بینک کے دس بڑے رسک کی شناخت، تمام پروڈکٹس اور پروسیسز کے لئے رسک کی جانچ اور بڑے کریڈٹ رسک کے پوسٹ ڈسبرمنٹ جائزہ کیلئے خود مختار طریقہ کار کا قیام شامل ہیں۔ بینک کے انٹرپرائز وائیڈ مربوط رسک پروفائل کی جانچ، بازل فریم ورک، رسک کا جائزہ، اہم رسک انڈیکسز، انٹرنل کنٹریپٹل ایڈیکویٹیٹی اسسمنٹ پروسس اور اسٹریٹجی ٹیسٹنگ، اورری کوری پلان استعمال کرتے ہوئے انجام دی جاتی ہے۔

ادارتی سماجی ذمہ داری

آپ کا بینک مکمل طور پر ادارتی سماجی ذمہ داری کے تصور پر کاربند ہے اور اس ضمن میں وسیع تر سرگرمیوں کے ذریعے اپنی اس ذمہ داری کو پورا کر رہا ہے جس میں درج ذیل شامل ہیں:

- سال کے دوران صحت، سماجی اور تعلیمی ترقی اور عوام کی فلاح و بہبود کے لئے عطیات اور خیرات کی صورت میں 790.86 ملین روپے کی فراہمی۔
- توانائی کا بہتر استعمال، غیر ضروری بجلی جلانے پر پابندی اور ماحول کو محفوظ اور صحت مند بنانے کے لئے انسدادِ تمباکو نوشی کے قانون پر عملدرآمد اور ’نواسموکنگ زون‘ کا قیام۔
- کاروباری ضابطہ اخلاق اور انسدادِ بدعنوانی کے اقدامات کے تحت تمام اسٹاف ممبران کے لئے بینک کے ضابطہ اخلاق ’کوڈ آف کنڈکٹ‘ اور ’اینٹی۔برابری اینڈ کرپشن پالیسی‘ پر لازمی عملدرآمد۔
- صارفین کے تحفظ کے اقدامات اور اس ضمن میں بینک کی پروڈکٹس اور خدمات پر لاگو شیڈول آف چارجز اور شرائط و ضوابط کی تشہیر۔
- اسٹاف کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کا اعتراف، دورانِ ملازمت اور باقاعدہ تربیتی پروگراموں کے ذریعے اسٹاف کیلئے سیکھنے اور ترقی کے مواقع۔
- مذہب، ذات پات اور لسانی امتیاز کے بغیر ایک شفاف طریقہ کار کے ذریعے روزگار کی فراہمی، بشمول برائے خصوصی افراد۔
- دیہی علاقوں کیلئے بینک کے برانچ نیٹ ورک میں توسیع جس سے دیہی ترقی میں مدد ملے۔
- بینک کی جانب سے براہ راست ٹیکسز کے ذریعے سال کے دوران قومی خزانے میں 33.77 بلین روپے جمع کرائے گئے۔ مزید برآں 49.73 بلین روپے سے زیادہ کی اضافی رقم وہولڈنگ ٹیکسز، فیڈرل ایکسائز ڈیوٹی اور سروسز پر سیلز ٹیکس کی مد میں بینک کے ذریعے منہا/ وصول کی گئی اور حکومت پاکستان/ صوبائی حکومتوں کو ادا کی گئی۔

کارپوریٹ اور فنانشل رپورٹنگ پرائیسیٹمنٹ

- 1- بینک کی جانب سے تیار کئے گئے مالیاتی حسابات، اس کے تمام کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹیٹی میں تبدیلیوں کے معاملات کو شفاف انداز میں واضح کرتے ہیں۔
- 2- بینک کی جانب سے باقاعدہ حساب کتاب رکھا گیا ہے۔
- 3- مالیاتی حسابات کی تیاری میں موزوں اور درست اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئی ہیں۔ اگر اس میں کوئی تبدیلی کی گئی تو اس کو واضح انداز میں بیان کیا گیا اور اکاؤنٹنگ کے تخمینہ جات موزوں ترین اور محتاط فیصلوں پر مبنی ہیں۔
- 4- مالیاتی حسابات کی تیاری میں انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرز، جو کہ پاکستان میں رائج ہیں، ان پر عمل کیا گیا اور ان سے اگر کسی حد تک روگردانی کی گئی تو اس کو واضح انداز میں بیان کیا گیا ہے۔



آڈیٹرز

لسٹڈ کمپنی (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، ۲۰۱۹ کے تحت فنانشل سیکٹر میں موجود تمام لسٹڈ کمپنیوں کیلئے یہ ضروری ہے کہ ہر 5 سال بعد اپنے بیرونی آڈیٹرز کو تبدیل کریں۔ کوڈ کے ضوابط کی روشنی میں موجودہ آڈیٹرز کی وائی فورڈ رٹرن ہوڈیز، چارٹرڈ اکاؤنٹینٹس، سبڈوش ہو رہے ہیں اور آڈیٹرز کی حیثیت سے اپنے 5 سال مکمل کر لینے کے سبب دوبارہ تقرری کے اہل نہیں رہے۔

آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے ۳۱ دسمبر ۲۰۲۳ء کو ختم ہونے والے سال کے لئے کے پی ایم جی تاخیر بادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کو باہمی طور پر طے کیے جانے والے معاوضے پر ان کی بحیثیت بینک کے آڈیٹرز تقرری کے لئے شیئر ہولڈرز کو سفارش کی ہے۔

رسک مینجمنٹ فریم ورک

بینک ہمیشہ اپنے حجم اور اس کے کاروبار کی نوعیت کے مطابق رسک مینجمنٹ فریم ورک کا حامل رہا ہے۔ یہ فریم ورک کئی سالوں میں تشکیل دیا گیا اور اس میں مزید بہتری لانے کا سلسلہ جاری ہے۔ بینک کا ایک اہم رہنما اصول، ڈپازٹرز کی رقوم کو بطور امانت تحفظ فراہم کرنا ہے۔ یہی وجہ ہے کہ بینک بزنس رسک سے نمٹنے کے لئے معتدل اور محتاط رویہ اپناتا ہے۔ بینک کے رسک مینجمنٹ فریم ورک کی نمایاں خصوصیات درج ذیل ہیں:

- کریڈٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ کریڈٹ پالیسی؛ بہتر کریڈٹ منظوری کا طریقہ کار؛ انٹرنل رسک ریٹنگز کا استعمال؛ مقرر کردہ دستاویزی ضروریات؛ پوسٹ ڈسبرسمنٹ کریڈٹ ایڈمنسٹریشن پروسیس؛ کریڈٹ سہولتوں کا جائزہ و نگرانی، اور کسٹمرز کی کریڈٹ اہلیت کی مستقل جانچ پر مشتمل ہے۔ بینک نے بڑے کریڈٹ رسک کے پیش نظر خود مختار پوسٹ ڈسبرسمنٹ جائزے کے لئے بھی طریقہ کار تشکیل دیا ہے۔ کریڈٹ پورٹ فولیو سے متعلق فیصلے بنیادی طور پر سینٹرل کریڈٹ کمیٹی کرتی ہے۔ بورڈ کی کریڈٹ رسک مینجمنٹ کمیٹی مجموعی طور پر بینک کے کریڈٹ رسک کے انتظام کی رہنمائی کرتی ہے۔
- مارکیٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ مارکیٹ رسک پالیسی اور ٹریڈری اینڈ انویسٹمنٹ پالیسی، کسٹمرز اور ڈیلرز کی لمٹس کی منظوری، سرمایہ کاریوں کیلئے سینئر انتظامیہ کی منظوری اور بینک کی ایسیٹ لائبرٹی مینجمنٹ کمیٹی (ALCO) کی جانب سے سرمایہ کاری کے پورٹ فولیو کے باقاعدہ جائزے اور نگرانی کے ذریعے کیا جاتا ہے۔ علاوہ ازیں لیکویڈٹی رسک پالیسی بینک کی لیکویڈٹی پوزیشن کے انتظام میں رہنمائی فراہم کرتی ہے جس کی نگرانی ٹریڈری اور ڈیل آفس کے ذریعے روزانہ کی بنیاد پر کی جاتی ہے۔ انویسٹمنٹ پورٹ فولیو سے متعلق فیصلے زیادہ تر (ALCO) کی جانب سے لیے جاتے ہیں۔ بورڈ کی رسک مینجمنٹ کمیٹی بینک کے مارکیٹ اور لیکویڈٹی رسک، کپٹل ایڈیکویسی اور مر بوط رسک مینجمنٹ (جسے انٹر پرائز رسک مینجمنٹ بھی کہا جاتا ہے) کے انتظام کی رہنمائی کرتی ہے۔
- آپریشنل رسک کا انتظام بورڈ کی جانب سے منظور کردہ آڈٹ پالیسی، آپریشنل رسک پالیسی، کمپلائنس پالیسی اینڈ پروگرام، آئی ٹی اور آئی ٹی سیکورٹی پالیسی، ہیومن ریسورس پالیسی، کنزرویٹو پروٹیکشن فریم ورک اور بورڈ کی جانب سے منظور شدہ آؤٹ سورسنگ پالیسی کے ذریعے کیا جاتا ہے اور اس کے ساتھ فراڈ سے تحفظ کی پالیسی، اور کنزرویٹو شریکات سے نمٹنے کی پالیسی، کو بھی مد نظر رکھا جاتا ہے۔ آپریشنل مینونلڈ و طریقہ کار، انٹرنل کنٹرولز اور اہم ٹرانزیکشن کی حفاظت داری کے لئے دوہرے اختیارات کا نظام؛ کاروبار جاری رکھنے کا پلان بشمول آئی ٹی کیلئے ڈیزاسٹر ریکوری پلان اور برانچوں اور ڈویژنز کے آڈٹ کے ذریعے کیا جاتا ہے۔ بورڈ کی آڈٹ کمیٹی بینک کے آپریشنل رسک کے انتظام کے سلسلے میں رہنمائی فراہم کرتی ہے۔

اس کے علاوہ رسک مینجمنٹ پالیسی، رسک ٹالرنس اسٹیمینٹ اور کنٹری رسک مینجمنٹ پالیسی بینک کو درپیش ممکنہ رسک کا بندوبست کرنے میں مزید رہنمائی فراہم کرتی ہیں۔

رسک مینجمنٹ پرائیٹ بینک آف پاکستان کی رہنما ہدایات پر عملدرآمد کرنے کی غرض سے بینک نے ایک علیحدہ سے رسک مینجمنٹ ڈویژن بشمول ایک ڈیل آفس قائم کیا ہے جو کہ آزادانہ طور پر ٹریڈری آپریشنز میں موجود خدشات کی نگرانی اور جائزے کی ذمہ داری سنبھالتا ہے۔ ڈویژن کی جانب سے کئے جانے والے اقدامات میں گورنمنٹ سیکورٹیز کے پورٹ فولیو کی حساسیت کی جانچ؛ پورٹ فولیو کی مدت اور ترمیم شدہ دورانیے کا حساب رکھنا، میچورٹی کی عدم موافقت،



- کل وقتی ڈائریکٹروں کو معاوضہ حاصل کریں گے جو کہ ممبران (شیئرز ہولڈرز) نے ان کیلئے طے کیا ہے۔
- اگر ڈائریکٹر/چیئر مین کی مجموعی کارکردگی مسلسل 2 سالوں کے لئے بورڈ ممبران کی سالانہ کارکردگی کی جانچ پڑتال رپورٹ کے مطابق ”بہتری کی ضرورت“ کی کیٹیگری میں رہی ہو تو (انفرادی ڈائریکٹرز کی صورت میں) بورڈ کے چیئر مین اور (بورڈ کے چیئر مین کی صورت میں) انڈیپنڈنٹ ڈائریکٹرز و دیگر ڈائریکٹرز کم کارکردگی کے حامل ڈائریکٹر/چیئر مین کے ری میوزیشن پرازسز نوغور کریں گے۔

کریڈٹ ریٹنگ

الحمد للہ، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے طویل مدت کے لئے بینک کی ریٹنگ AAA (ٹرپل اے) اور مختصر مدت کے لئے A1+ (اے ون پلس) برقرار رکھی ہیں۔ یہ طویل مدتی کریڈٹ ریٹنگ AAA (ٹرپل اے) بینک کے بہترین کریڈٹ کے معیار، کم ترین کریڈٹ رسک کی توقع اور بروقت مالی ذمہ داریوں سے عہدہ براء ہونے کی غیر معمولی صلاحیت کو ظاہر کرتی ہے۔

ہمارے انسٹیٹیوٹ، سبارڈ اینڈ ٹرم فنانس سٹریٹجی کی ریٹنگ AAA (ٹرپل اے) برائے TFC-2018، TFC-2021 اور TFC-2022 اور AA+ (ڈبل اے پلس) برائے TFC-2017 (پریچول) اور TFC-2022 (پریچول) ہیں۔ یہ ریٹنگ کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براء ہونے کی بہت مضبوط صلاحیت ہے۔ مزید برآں TFC-2022 اور TFC-2022 (پریچول) جو کہ 2022 میں الیشو ہوئے پی ایس ایکس رول بک کے باب 5C کے مطابق پاکستان اسٹاک ایکسچینج لمیٹڈ پر لسٹڈ کئے گئے۔

مستقبل کا جائزہ

مالی سال ۲۰۲۳ء میں پاکستان کی جی ڈی پی میں 0.2% کی کمی ریکارڈ کی گئی۔ جو پچھلے دو سالوں میں تقریباً 6% کی شرح نمو تھی۔ ادائیگیوں کے توازن اور افراط زر کو کنٹرول کرنے کے ضمن میں اختیار کی گئی سخت پالیسیوں نے صنعتی شعبے کو بہت زیادہ متاثر کیا اور اس شعبے نے گزشتہ سال تقریباً 7% کی گروتھ حاصل کرنے کے بعد اس سال 3.8% کی کمی ظاہر کی۔ سیلاب کی وجہ سے ہونے والے بھاری نقصانات نے زرعی شعبے کی گروتھ کو 2.3% تک محدود کر دیا، جبکہ گزشتہ سال یہ شرح 4.3% تھی۔ مالیاتی خسارہ بھی 7.7% تک رہا۔ سال کے دوران، روپیہ نمایاں دباؤ کا شکار رہا اور زرمبادلہ کے کل ذخائر 15.5 بلین امریکی ڈالر سے کم ہو کر 9.2 بلین امریکی ڈالر رہ گئے۔ تاہم، کرنٹ اکاؤنٹ خسارہ 17.5 بلین امریکی ڈالر سے کم ہو کر 2.2 بلین امریکی ڈالر رہ گیا۔ ۳۰ جون ۲۰۲۳ء پر افراط زر 29.4% تھا۔

مالیاتی سال ۲۰۲۳ء میں معیشت کی بحالی کے چند آثار نمایاں ہونا شروع ہوئے۔ جولائی ۲۰۲۳ء میں پاکستان نے آئی ایم ایف کے ساتھ اسٹینڈ بائی آرینجمنٹ معاہدہ کیا جس نے آئی ایم ایف سے مالیاتی سپورٹ کیلئے ایک فریم ورک فراہم کیا اور اس کے باہمی اشتراک اور دیگر وسائل سے ان فلو ز میں بھی معاونت فراہم کی۔ بعد ازاں غیر ملکی زرمبادلہ کے ذخائر میں بہتری آئی ہے، اور زرعی و صنعتی شعبوں میں قدرے بہتر شرح سے ترقی ظاہر ہوئی، روپیہ مستحکم ہوتا دکھائی دے رہا ہے، اور تجارتی خسارے میں بھی نمایاں کمی آئی ہے۔ افراط زر بدستور قدر بلند تر رہا اور اس میں آنے والے مہینوں میں کمی متوقع ہے۔

ماضی کی طرح بینک محتاط اور دیکھ بھال کے اصولوں کی رہنمائی پر کاربند رہتے ہوئے اپنی سرگرمیاں جاری رکھے گا اور ہم سال کے دوران پائیدار ترقی اور نشوونما کے حصول کی امید رکھتے ہیں۔ انشا اللہ



رسک مینجمنٹ کمیٹی			کریڈٹ رسک مینجمنٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
4	4	جناب عدنان آفریدی، چیئر مین	4	4	سید مظہر عباس، چیئر مین
4	4	جناب انور حاجی کریم	4	4	جناب ارشد ناصر
4	4	محترمہ فرحانہ ماؤجی خان	4	4	جناب محمد رفیق الدین ہکمری
4	4	جناب محمد رفیق الدین ہکمری	4	4	جناب مرتضیٰ ایچ۔ حبیب
4	4	جناب تمیز گل آر۔ حبیب	4	4	جناب تمیز گل آر۔ حبیب

آئی ایف آر ایس-9 کمیٹی			آئی ٹی کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
4	4	جناب ارشد ناصر، چیئر مین	4	4	جناب عباس ڈی۔ حبیب، چیئر مین
3	4	محترمہ فرحانہ ماؤجی خان*	4	4	جناب ارشد ناصر
4	4	جناب تمیز گل آر۔ حبیب	4	4	جناب جاوید اقبال
			4	4	جناب تمیز گل آر۔ حبیب
			4	4	جناب منصور علی خان

* محترمہ فرحانہ ماؤجی خان نے منتخب ہونے کے بعد آئی ایف آر ایس-9 کمیٹی کے تمام اجلاسوں میں شرکت کی۔

ڈائریکٹرز کا ٹریننگ پروگرام

ڈائریکٹرز نے گزشتہ سالوں میں یا تو مطلوبہ ٹریننگ حاصل کر لی ہے یا وہ لسٹڈ کمپنیز (کوڈ آف کارپورٹ گورننس) ریگولیشنز 2019، میں درج مطلوبہ اہلیت کے تحت اس سے مستثنیٰ ہیں۔

ڈائریکٹرز کی ری میونریشن پالیسی

بینک کے شیئر ہولڈرز نے ”ڈائریکٹرز کی ری میونریشن کو متعین کرنے کے لئے پالیسی اور طریقہ کار“ کی منظوری دی ہے جس میں واضح کیا گیا ہے کہ:

- بورڈ اور کمیٹی کے اجلاسوں میں شرکت کیلئے نان۔ ایگزیکٹو ڈائریکٹرز کی ری میونریشن کا فیصلہ بورڈ کی جانب سے اسٹیٹ بینک کی طرف سے وقتاً فوقتاً مقرر کردہ زیادہ سے زیادہ حد کے اندر کیا جائے گا۔
- بورڈ کے چیئر مین، بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کیلئے مقرر کردہ ری میونریشن کے علاوہ 20 فیصد اضافی فیس کے حقدار ہوں گے جو چیئر مین کی وسیع تر قابلیت، تجربے، ہاشور فیصلوں کی اہلیت اور مارکیٹ روابط کو مد نظر رکھتے ہوئے طے کیا گیا ہے۔ بورڈ کی جانب سے چیئر مین، بینک کے کاروباری پلان پر عملدرآمد اور بینک کی انتظامیہ کی کارکردگی پر نگاہ رکھیں گے۔



بورڈ کے اجلاس

سال کے دوران بورڈ کے 4 اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز کی شرکت درج ذیل رہی:

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عباس ڈی۔ حبیب	4	4
جناب عدنان آفریدی	4	4
جناب انور حاجی کریم	4	4
جناب ارشد ناصر	4	4
محترمہ فرحانہ ماؤجی خان	4	4
جناب جاوید اقبال	4	4
جناب محمد رفیق الدین ہکری	4	4
جناب مرتضیٰ ایچ۔ حبیب	4	4
جناب گمیل آر۔ حبیب	4	4
سید مظہر عباس	4	4
جناب منصور علی خان، چیف ایگزیکٹو	4	4

کمیٹی کے اجلاس

لٹھ کمینیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت یہ ضروری ہے کہ بورڈ کی تمام کمیٹیوں یعنی آڈٹ کمیٹی، ہیومن ریسورس اینڈ ری میونریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی، آئی ٹی کمیٹی، اور آئی ایف آر ایس-9 کمیٹی کی تشکیل کا اظہار کیا جائے۔

سال کے دوران آڈٹ کمیٹی کے 8 اجلاس اور ہیومن ریسورس اینڈ ری میونریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی، آئی ٹی کمیٹی، اور آئی ایف آر ایس-9 کمیٹی کے 14 اجلاس منعقد ہوئے اور ان میں ممبران کی حاضری درج ذیل رہی:

آڈٹ کمیٹی			ہیومن ریسورس اینڈ ری میونریشن کمیٹی		
ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس	ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب محمد رفیق الدین ہکری، چیئر مین	8	8	جناب ارشد ناصر، چیئر مین	4	4
جناب انور حاجی کریم	8	8	جناب عباس ڈی۔ حبیب	4	4
جناب ارشد ناصر	8	8	محترمہ فرحانہ ماؤجی خان	4	4
محترمہ فرحانہ ماؤجی خان	8	8	جناب مرتضیٰ ایچ۔ حبیب	4	4
سید مظہر عباس	8	8	سید مظہر عباس	4	4



الحمد للہ، اسٹیٹ بینک آف پاکستان کی ہدایت کے مطابق، آپ کے بینک نے الحیب ایکسچینج کمپنی (پرائیویٹ) لمیٹڈ قائم کی ہے، جو کہ 1,000,000,000 (ایک بلین روپے) کے ادا شدہ سرمائے کے ساتھ بینک الحیب لمیٹڈ کا ایک گل ملکیتی ذیلی ادارہ ہے۔ اس ایکسچینج کمپنی نے ۲۴ نومبر ۲۰۲۳ء کو سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سے سرٹیفکیٹ آف ان کارپوریشن حاصل کر لیا ہے۔ اور اب اسٹیٹ بینک آف پاکستان سے آپریشن شروع کرنے کیلئے لائسنس کا انتظار ہے۔ ابتدائی طور پر، یہ ایکسچینج کمپنی دس (10) برانچیں قائم کرے گی اور رواں سال کے دوران ملک بھر میں مزید برانچیں قائم کرنے کا ارادہ رکھتی ہے۔

اپوارڈز اور اعزازات

اللہ کے فضل سے، بینک کو سال کے دوران درج ذیل اپوارڈز ملے:

- ۱- بینک نے ایشیائی ترقیاتی بینک کی جانب سے پاکستان میں سرکردہ شراکتی بینک (لیڈنگ پارٹنر بینک) کی حیثیت سے ”ٹریڈ اینڈ سپلائی چین فنانشل پروگرام (ٹی ایس سی ایف پی) اپوارڈ 2023“ حاصل کیا۔ یہ ٹی ایس سی ایف پی ایوارڈ، ایشیا اور پسیفک ریجن میں بینک کی تجارتی معاونت کے کردار کو تسلیم کرتا ہے۔ اس کیبکری میں یہ ایوارڈ بینک نے چوتھی مرتبہ حاصل کیا ہے۔
- ۲- بینک نے سال 2023 کے لئے ”لیڈنگ ریٹیننس موبلائزنگ بینک آف پاکستان“ کیٹیگری میں پاکستان ریٹیننس اینی شیٹو (پی آر آئی) سے ایوارڈ حاصل کیا۔ یہ ایوارڈ لیگل چینلز کے ذریعے سرحد پار ادا کیوں کو فروغ دینے میں بینک کے عزم کا واضح ثبوت ہے۔
- ۳- بینک نے سال 2022 اور 2023 کے لئے جے۔ پی۔ مورگن بینک سے ”یو ایس ڈالر ایلٹی کوالٹی ریگولیشن ایوارڈ“ اور ”یورڈ کلیئرنگ ایلٹی کوالٹی ریگولیشن ایوارڈ“ بیسٹ ان کلاس STP MT202 (اسٹریٹجھ پروسیڈنگ) ریٹ کے غیر معمولی حصول کے اعتراف میں حاصل کیا۔

بورڈ آف ڈائریکٹرز کی تشکیل

ڈائریکٹرز کی مجموعی تعداد درج ذیل ہے:

- مرد 09
 - خاتون 01
-
- 10

بورڈ کی تشکیل درج ذیل ہے:

جناب ارشد ناصر جناب جاوید اقبال جناب محمد رفیق الدین مہکری	انڈیپنڈنٹ ڈائریکٹرز
جناب عباس ڈی۔ حبیب جناب عدنان آفریدی جناب انور حاجی کریم جناب مرتضیٰ ایچ۔ حبیب سید مظہر عباس	نان۔ ایگزیکٹو ڈائریکٹرز
جناب گمیل آر۔ حبیب	ایگزیکٹو ڈائریکٹر
محترمہ مفرحانہ ماؤجی خان	خاتون ڈائریکٹر۔ نان۔ ایگزیکٹو

جناب منصور علی خان بینک کے چیف ایگزیکٹو ہیں۔ بحیثیت بینک کے سی ای او، وہ بینک کے ڈائریکٹر تصور کئے جاتے ہیں۔



ڈائریکٹرز کی رپورٹ

الحمد للہ بینک الحیب کے ڈائریکٹرز کیلئے 33 ویں سالانہ رپورٹ بشمول ۳۱ دسمبر ۲۰۲۳ء کو ختم ہونے والے سال کیلئے بینک کے آڈٹ شدہ مالیاتی حسابات پیش کرنا باعث مسرت ہے۔

آپریٹنگ نتائج اور ان کی تخصیص کے لئے بورڈ کی سفارشات درج ذیل ہیں:

(000 روپے میں)

71,127,957

(35,808,582)

35,319,375

58,838,598

172,276

(419,872)

58,591,002

93,910,377

(3,531,938)

(7,779,978)

(10,002,832)

(21,314,748)

72,595,629

31.78 روپے

سالانہ منافع قبل از ٹیکس

ٹیکسیشن

سالانہ منافع بعد از ٹیکس

گزشتہ غیر مختص شدہ منافع

فلکسڈ اثاثہ جات کی ری ویلیویشن کے اضافے میں سے منتقلی۔ بعد از ٹیکس

دیگر جامع آمدنی۔ بعد از ٹیکس

تخصیص کیلئے دستیاب منافع

تخصیص:

اسٹیٹوٹری ریزرو میں منتقلی

نقد منافع منقسمہ - ۲۰۲۲ء

نقد منافع منقسمہ - ۲۰۲۳ء

غیر مختص شدہ منافع

بنیادی/معتدل فی شیئر آمدنی۔ بعد از ٹیکس

۳۱ دسمبر ۲۰۲۳ء کو ختم ہونے والے سال کے لئے بورڈ آف ڈائریکٹرز نے 50% نقد حتمی منافع منقسمہ یعنی 5.00 روپے فی شیئر تجویز کیا ہے۔ جو کہ پہلے سے ادا کئے جانے والے 90% یعنی 9.00 روپے فی شیئر عبوری نقد منافع منقسمہ کے علاوہ ہے، اس طرح مجموعی نقد منافع منقسمہ 140% یعنی 14.00 روپے فی شیئر کی ادائیگی تجویز کی گئی ہے۔

کارکردگی کا جائزہ

الحمد للہ آپ کے بینک کی کارکردگی سال کے دوران اطمینان بخش رہی۔ ڈپازٹس ایک سال قبل کے 1,568.1 بلین روپے کے مقابلے میں بڑھ کر 1,934 بلین روپے ہو گئے جبکہ ایڈوانسز 813.5 بلین روپے سے بڑھ کر 869.5 بلین روپے ہو گئے۔ سال کے دوران بینک کا غیر ملکی تجارتی کاروباری حجم 2,906 بلین روپے رہا۔ سالانہ منافع قبل از ٹیکس 71.1 بلین روپے رہا جبکہ گزشتہ سال یہ منافع 32.9 بلین روپے تھا، جبکہ سالانہ منافع بعد از ٹیکس گزشتہ سال کے 16.6 بلین روپے کے مقابلے میں 35.3 بلین روپے رہا۔

سال کے دوران بینک نے 34 نئی برانچیں قائم کیں۔ بینک کا موجودہ نیٹ ورک 1,117 دفاتر پر مشتمل ہے جس میں 1,084 برانچیں ہیں۔ (بشمول 201 اسلامک بینکنگ برانچیں اور 2 اور ریزرو برانچیں، بحرین اور ملائیشیا) 29 ذیلی برانچیں اور 4 نمائندہ دفاتر، دبئی، استنبول، بیجنگ اور نیروبی شامل ہیں۔ بینک کی جانب سے نیٹ ورک میں توسیع کا سلسلہ جاری رہے گا۔



بورڈ کی مجموعی کارکردگی پر چیئرمین کی جانب سے جائزہ رپورٹ

الحمد للہ، میں بمسرت بورڈ کی مجموعی کارکردگی اور بینک کے اغراض و مقاصد کے حصول کے سلسلے میں بورڈ کی جانب سے ادا کیے جانے والے موثر کردار پر رپورٹ پیش کر رہا ہوں۔

بورڈ نے اپنی اور ذیلی کمیٹیوں کی کارکردگی کی جانچ کے لئے ایک باقاعدہ طریقہ کار منظور کیا ہے۔ بینک نے بورڈ کی جانچ کے لئے اندرون خانہ طریقہ کار اور اعدادی ٹیکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔

اس حوالے سے بورڈ کی کارکردگی کی جانچ بورڈ کے منظور کردہ طریقہ کار کے مطابق 2023 میں کی گئی جس کے تحت یہ نتیجہ اخذ کیا گیا کہ بورڈ کی مجموعی کارکردگی بشمول بینک کے مقاصد کے حصول کیلئے بورڈ کا موثر کردار بالعموم باعث اطمینان ہے۔

بورڈ کی اس کارکردگی کی جانچ کا مجموعی مقصد درج ذیل شعبوں پر توجہ مرکوز کرتے ہوئے بینک کی دیرپا توسیع و ترقی کو یقینی بنانا ہے۔

اے۔ بورڈ کی تشکیل اور اس کے امور

بی۔ کارپوریٹ اسٹریٹیجی اور بزنس پلان

سی۔ بینک کی کارکردگی کی نگرانی

ڈی۔ انٹرنل آڈٹ اور انٹرنل کنٹرول

ای۔ رسک مینجمنٹ اور کمپلائنس

ایف۔ ضروری معلومات کی تشہیر

جی۔ بہتری کے لئے تجاویز

عباس ڈی۔ حبیب

چیئرمین

بورڈ آف ڈائریکٹرز

کراچی: ۳۱ جنوری ۲۰۲۳ء



Branch Network

The Bank has a network of 1084 branches including 29 sub-branches, 02 overseas branches and 201 Islamic Banking branches. The Bank also has 04 representative offices and 09 booths. The Bank has branches / sub-branches / representative offices in the following cities:

- Aadha
- Abbotabad
- Abdul Hakeem
- Adda Ghulam Hussain
- Adda Mirza Tahir
- Adda Pahrianwali
- Ahmed Nagar
- Ahmed Pur East
- Ajnala
- Akbarpura
- Ali Pur Chatta
- Ali Pur, Islamabad
- Alipur
- Amin Pur Bangla
- Arif Wala
- Athara Hazari
- Attock
- Badin
- Bagh (A.K.)
- Bagh-o-Bahar
- Bahawalnagar
- Bahawalpur
- Balakot
- Bampokha
- Bannu
- Bara
- Barikot
- Basti Malook
- Batkhela
- Battagram
- Bela
- Besham
- Bhagowal Kalan
- Bhagwal
- Bhakkar
- Bhalwal
- Bhan Saeedabad
- Bhaun
- Bhawana
- Bhera
- Bhiria Road
- Bucheki
- Burewala
- Chahan
- Chakdara
- Chaksawari (A.K.)
- Chakwal
- Chaman
- Chamber
- Charbagh
- Charsadda
- Chenab Nagar
- Chichawatni
- Chillas
- Chiniot
- Chishtian
- Chitral
- Chiwanda
- Choa Saiden Shah
- Chota Sahiwal
- Chowk Bahadurpur
- Chowk Bhatta
- Chowk Sarwar Shaheed
- Chowk Sureli
- Chunian
- Dadu
- Dadyal (A.K.)
- Daharki
- Dalbandin
- Dalowali
- Danyour
- Dara Adam Khel
- Daragai Malakand
- Dari Dholay Wali
- Darman
- Darora
- Darya Khan
- Darya Khan Mari
- Daska
- Daulat Nagar
- Deh 75 Nusrat
- Deh Gad
- Deh Noonari
- Deh Taib
- Dehira
- Deolai
- Depalpur
- Dera Ghazi Khan
- Dera Ismail Khan
- Dera Murad Jamali
- Derianwala
- Dhamtal
- Dhudhial
- Digri
- Dina
- Dinga
- Dir
- Domala
- Dunyapur
- Dureji
- Ellahabad
- Eshanpur
- Faisalabad
- Faqirwali
- Farid Nagar
- Farooqabad
- Fateh Jang
- Fatehpur
- Fazil Pur
- Feroza
- Ferozewatoan
- Fort Abbas
- Gaddai
- Gaggo Mandi
- Gamba
- Gambat
- Garha Mor
- Gawadar
- Ghakhar
- Gharo
- Ghotki
- Ghulmat
- Gilgit
- Gohadpur
- Gojra
- Golarchi
- Gujar Khan
- Gujranwala
- Gujrat
- Gulyana
- Hafizabad
- Haidra
- Hala
- Halla Village
- Hangu
- Harapa
- Haripur
- Haroonabad
- Hasan Abdal
- Hasilpur
- Hattar
- Havellian
- Hazro
- Head Bakaini
- Head Rajkan
- Hingorja
- Hub
- Hyderabad
- Inayat Kalay
- Islamabad
- Jacobabad
- Jahanian
- Jalalpur Jattan
- Jalalpur Pirwala
- Jalalpur Sobtian
- Jaloza
- Jampur
- Jamshoro
- Jand
- Jandanwala
- Jaranwala
- Jatlan
- Jatoi
- Jaurah
- Jehangira
- Jehlum
- Jhang
- Joharabad
- Kabal
- Kabirwala
- Kacha Pakka
- Kahrur Pacca
- Kahuta
- Kala Shah Kaku
- Kalakot
- Kalam
- Kalat
- Kalaya
- Kallar Syedan
- Kallur Kot
- Kamalia
- Kamar Mushani
- Kamoke
- Kamra
- Kandhkot
- Kandiaro
- Kankowai
- Karachi
- Karak
- Karianwala
- Karkhana Bazar Vehari
- Karor Lal Essan
- Kashmore
- Kassowal
- Kasur
- Katlang
- Khairpur
- Khairpur Natanshah
- Khairpur Tamewali
- Khanbela
- Khanewal
- Khanpur
- Khaplu
- Khar, Bajaur Agency
- Kharan
- Kharian
- Khichiwala
- Khipro
- Khoi Ratta (A.K.)
- Khudian Khas
- Khurrianwala
- Khushab
- Khuzdar
- Khwazakhela
- Killa Saifullah
- Kingra More
- Kohat
- Kohlu
- Kot Abdul Malik
- Kot Addu
- Kot Chutta
- Kot Ghulam Muhammad
- Kot Radha Kishan
- Kot Samaba
- Kotla Arab Ali Khan
- Kotli (A.K.)
- Kotri
- Kumb



Branch Network

- Kumber
- Kunjah
- Kunri
- Kuza Bandai
- Ladhaywala
- Lahore
- Lala Musa
- Laliyan
- Landi Kotal
- Larkana
- Latifabad
- Layyah
- Liaquatpur
- Liaquatabad Thal
- Lodhran
- Loralai
- Mailsi
- Malakwal
- Malka
- Manawala
- Mandi Bahauddin
- Mandi Faizabad
- Mandiala Tegah
- Mandra
- Manga Mandi
- Mangochar
- Mangowal
- Mankera
- Mansehra
- Mardan
- Maroot
- Mastung
- Mathanichangan Swabi
- Matiari
- Matli
- Mattani
- Mehar
- Mehrabpur
- Mian Channu
- Miani Adda
- Mianwali
- Minchanabad
- Mingora
- Mirpur (A.K.)
- Mirpur Mathelo
- Mirpur Sakro
- Mirpurkhas
- Mithi
- More Eminabad
- More Khunda
- Moro
- Mulhal Mughlan
- Multan
- Multan, Khurd
- Muradabad
- Muridke
- Murree
- Muslim Bagh
- Mustafabad
- Muzaffarabad (A.K.)
- Muzaffargarh
- Naal
- Naar (A.K.)
- Naguman
- Nankhana Sahib
- Narang Mandi
- Narowal
- Naseerabad
- Nassarpur
- Naukot
- Naushehra
- Naushero Feroze
- Nawabshah
- Nawan Kot
- Noonawali
- Nooriabad
- Noushki
- Nowshera
- Nowshera Virkan
- Oghi
- Okara
- Ormara
- Pabbi
- Painsera
- Pakpattan
- Panjgur
- Panu Aqil
- Parachinar
- Pasni
- Pasrur
- Pattoki
- Peshawar
- Phalia, Mandi Bahauddin
- Phool Nagar
- Pind Dadan Khan
- Pindi Bhattian
- Pindi Bohri
- Pindi Gheb
- Pir Baba
- Pir Mahal
- Pishin
- Pull Kharan
- Pull Manda (A.K.)
- Pull Sunny
- Qaboola
- Qambar Ali Khan
- Qambar Bypass
- Qasba Gujrat
- Qazi Ahmed
- Qila Didar Singh
- Quaidabad
- Quetta
- Radhan
- Raghagan
- Rahim Yar Khan
- Rahwali
- Raiwand
- Raja Ram
- Raja Wala
- Rajanpur
- Rajoya Sadat
- Rakhni
- Rangpur Adda
- Ranipur
- Rawalakot (A.K.)
- Rawalpindi
- Renala Khurd
- Rohaillan Wali
- Rohri
- Sadda
- Sadiqabad
- Sahib Nagar
- Sahiwal
- Sakhakot
- Sakrand
- Saleh Khana
- Samar Bagh
- Sambrial
- Samote
- Sanghar
- Sanghoi
- Sangla Hill
- Sanjarpur
- Sara e Alamgir
- Sardar Garh
- Sargodha
- Satyana Bangla
- Sawabi
- Sehwan
- Shabqadar
- Shahdadkot
- Shahdadpur
- Shaher Sultan
- Shahi Wala
- Shahkas
- Shahkot
- Shahpur Chakar
- Shakargarh
- Shakriala
- Shamozi
- Sharaqpur
- Sheikh Wahan
- Sheikhupura
- Shewa Adda
- Shikarpur
- Shorkot
- Shujabad
- Sialkot
- Sibi
- Skardu
- Sorab
- Sowari
- Sujawal
- Sukkur
- Sultan Colony
- Sumandari
- Takhtbhai
- Talagang
- Talash
- Talbani
- Tanda
- Tandlianwala
- Tando Adam
- Tando Allahyar
- Tando Bagho
- Tando Jam
- Tando Muhammad Khan
- Tangi
- Tank
- Taranada Muhammad
- Pannah
- Tarnol
- Tausna Sharif
- Taxila
- Thari Mirwah
- Tharu Shah
- Thatta
- Thikriyan More
- Thull
- Tibba Sultanpur
- Timergara
- Toba Tek Singh
- Tootkay
- Turbat
- Ubauro
- Uch Sharif
- Ugoki
- Umerkot
- Usman Shah Huri
- Usta Muhammad
- Uthal
- Wah Cantt
- Warri
- Watkay
- Wazirabad
- Winder, Lasbela
- Yazman
- Zafarwal
- Zahir Pir
- Zhob

Overseas Branches

- Manama (Bahrain)
- Labuan (Malaysia)

Representative Offices

- Beijing, China
- Dubai, U.A.E
- Istanbul, Turkey
- Nairobi, Kenya

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 _____

being 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. _____

do hereby appoint _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

or failing him/her _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

another member of the Bank as my/our proxy to vote for me/us and on my/our behalf at the Thirty-third Annual General Meeting of the Bank to be held on Wednesday, March 6, 2024 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2024.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

(The signature of the shareholder should agree with the specimen signature registered with the Bank or as per CNIC / Passport in case the share(s) is / are registered in CDC account).

Witnesses:

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
CNIC/Passport No. _____	CNIC/Passport No. _____

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend, speak 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 / 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 along with 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, together with the power of attorney (if any), under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting (no account shall be taken of any part of the day that is not a working day).



مختار نامہ (پراکسی فارم)

میں / ہم _____ ساکن _____ بحیثیت ممبر (رکن) بینک الحیب لمیٹڈ اور حامل
عام حصص، بمطابق شیئر رجسٹر فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____
ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____ کو
یا ان کی غیر حاضری میں ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____
کو اپنے / ہمارے ایماء پر بروز بدھ ۶ مارچ ۲۰۲۳ء کو بینک الحیب لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے بینک کے تینتیسویں سالانہ اجلاس عام میں
حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا کرتی ہوں کرتے ہیں۔
آج بروز _____ بتاریخ _____ ۲۰۲۳ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

ممبر (رکن) کے دستخط بینک میں رجسٹرڈ شدہ دستخط سے مماثلت رکھتے ہوں اور سی ڈی سی اکاؤنٹ ہولڈرز کے دستخط ان کے کمپیوٹرائزڈ قومی شناختی کارڈ
یا پاسپورٹ کے نمونہ دستخط سے مماثل ہونا ضروری ہے۔

گواہان:

۱۔ دستخط _____ ۲۔ دستخط _____

نام _____ نام _____

پتہ _____ پتہ _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراکسی) شرکت کرنے، بولنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔

سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی۔
مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)،
بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختار نامہ (پراکسی فارم) جمع کرانا ہونگے۔

مختار نامہ (پراکسی فارم) پر ممبر (رکن) یا ان کے اٹارنی کے دستخط ہونا لازمی ہے۔ کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراکسی فارم) پر کمپنی کی مہر ہونا
بھی ضروری ہے۔

مختار نامہ (پراکسی فارم) بمعہ نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) بینک کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم
۲۸ گھنٹے قبل جمع کرنا ضروری ہے (اس دن کا کوئی بھی حصہ اس میں شامل نہ ہوگا اگر وہ ایام کار نہ ہو)۔

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