HBL ASSET MANAGEMENT LTD.

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Provisioning Policy

1- Context

SECP Circular No. 13 of 2009 has made it mandatory for all Asset Management Companies to formulate a comprehensive provisioning policy for making any additional provision over and above the required provision as led out in the SECP Circular No. 1 of 2009 against debt securities or any other exposure held by managed funds.

2- Non Performing Exposure

Any exposure shall be classified as non-performing, if the principal and/or profit/interest is past or overdue by 15 calendar days from the due date. Whether secured or unsecured, exposure shall be provided for in accordance with the regulatory framework.

Management may exercise discretion with respect to the timing for creating the requisite provision such as immediately on the day of classification as non-performing or spreading it over the number of days, as deemed appropriate in the best interest of unit-holders.

Additional provision can be made if circumstances warrant subject to the approval of the Board of Directors and disclosure in periodical financial statements.

3- Performing Exposure

Provisioning against performing exposures shall be made after evaluation of the exposure and if circumstances indicate such provisioning, subject to the prior approval of the Board of Directors and disclosure in periodical financial statements.

The provisioning against performing exposure shall be proposed after thorough due diligence and considering factors including the following:

- Significant deterioration in the financial/operational conditions of the issuer/guarantor;
- Strong market news that the borrower can be bankrupt or go to financing institutions for restructuring;
- Deterioration of key financial ratios;
- Down grade in credit rating of the instrument/issuer/guarantor;
- Observable data that indicate that there is a measurable decrease in cash flows of the issuer/guarantor which can effect timely payment of profit/interest or principal;
- Crisis in the industry in which the issuer/guarantor operates; and
- Introduction of government policy which adversely affect the issuer/guarantor or the industry in which the issuer/guarantor operates.

4- Reclassification

The non-performing exposure shall only be reclassified as performing once all the arrears have been received in cash and regular payments (interest/profit as well as principal) for the next two installments have been received.

In case of non-performing debt securities which have been rescheduled/restructured, the debt security shall only be reclassified as performing if all the following conditions are met as specified. Reversals and Write-offs will also be adjusted or made accordingly as specified by the Commission.

5- Disclosure

The policy shall be disclosed in the quarterly, half yearly and annual financial statements of the Funds in accordance with the regulatory requirements.