

هَذَا مِنْ فَضْلِ رَبِّي



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CORPORATE INFORMATION

Board of Directors	Abbas D. Habib Ali Raza D. Habib Anwar Haji Karim Arshad Nasar Manzoor Ahmed* Murtaza H. Habib Qumail R. Habib Safar Ali Lakhani Syed Mazhar Abbas Syed Hasan Ali Bukhari	<i>Chairman</i> <i>Executive Director</i>
	<i>*Assumed office as a Director on October 20, 2017</i>	
	Mansoor Ali Khan	<i>Chief Executive</i>
Audit Committee	Syed Mazhar Abbas Anwar Haji Karim Arshad Nasar Safar Ali Lakhani Syed Hasan Ali Bukhari	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Human Resource & Remuneration Committee	Syed Mazhar Abbas Anwar Haji Karim Arshad Nasar Murtaza H. Habib Syed Hasan Ali Bukhari	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Company Secretary	Mohammad Taqi Lakhani	
Statutory Auditors	KPMG Taseer Hadi & Co. 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	Central Depository Company of Pakistan Ltd. CDC House 99-B, Block-B, S.M.C.H.S. Main Shahr-e-Faisal, Karachi-74400.	
Website	www.bankalhabib.com	



DIRECTORS' REVIEW

On behalf of the Board of Directors of the Bank, it is my pleasure to present the un-audited financial statements of Bank AL Habib Limited along with the un-audited consolidated financial statements of Bank AL Habib Limited and the Bank's Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Credit & Finance (Hong Kong) Limited for the nine months ended September 30, 2017.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 671.3 billion as compared to Rs. 584.2 billion on December 31, 2016. In the same period, advances increased to Rs. 301.8 billion from Rs. 261.4 billion, while investments increased to Rs. 465.0 billion from Rs. 405.0 billion. The profit before tax for the nine months period ended September 30, 2017 was Rs. 10,531.7 million as compared to Rs. 9,386.3 million during the corresponding period last year. The profit after tax for the period ended September 30, 2017 was Rs. 6,400.7 million compared with Rs. 5,426.9 million during 2016.

The Bank now has a network of 640 offices, comprising 590 branches, 47 sub-branches, and 3 Representative Offices. Our branch network includes 49 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2017.

Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term and short term entity ratings at **AA+** (Double A plus) and **A1+** (A One plus), respectively. The rating of our unsecured, subordinated TFC issue 2016 has also been maintained at **AA** (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

We wish to thank our customers for their continued support and confidence, the State Bank of Pakistan for their guidance, and local and foreign correspondents for their cooperation. We also thank all our staff members for their sincere and dedicated services.

On behalf of the Board of Directors

Karachi: October 24, 2017

Abbas D. Habib
Chairman



ڈائریکٹرز کا جائزہ

میرے لئے یہ باعث مسرت ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے ۳۰ ستمبر ۲۰۱۷ء کو ختم ہونے والی نو ماہ کے لئے بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مالی حسابات مع بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مجموعی مالیاتی حسابات بشمول بینک کی ذیلی کمپنیز الحیب کمپیٹل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب کریڈٹ اینڈ فنانس (ہانگ کانگ) لمیٹڈ پیش کروں۔

الحمد للہ، زیر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ اس مدت میں ڈپازٹس بڑھ کر ۳۷۱ بلین روپے ہو گئے، جو کہ ۳۱ دسمبر ۲۰۱۶ء کو ۵۸۴ بلین روپے تھے۔ اسی مدت کے دوران ایڈوانسز ۲۶۱ بلین روپے سے بڑھ کر ۳۰۱ بلین روپے ہو گئے اور سرمایہ کاری ۴۰۵ بلین روپے سے بڑھ کر ۴۶۵ بلین روپے ہو گئی۔ ۳۰ ستمبر ۲۰۱۷ء کو ختم ہونے والی نو ماہ کی مدت کے لئے بینک کا قبل از ٹیکس منافع ۵۳۱۰ بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ ۳۸۶۳ بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع ۳۰ ستمبر ۲۰۱۷ء کو ختم ہونے والی مدت کے لئے ۶۴۰۰ بلین روپے رہا، جبکہ گزشتہ سال یہ ۵۴۲۶ بلین روپے تھا۔

بینک کا نیٹ ورک اب ۶۴۰ دفاتر پر مشتمل ہے، جس میں ۵۹۰ برانچز، ۴۷ سب برانچز اور ۳ نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب ۴۹ اسلامی بینکاری برانچز اور ۳ بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کاربند رہتے ہوئے ہم سال ۲۰۱۷ء میں بھی مزید برانچز کھولنے کا ارادہ رکھتے ہیں۔

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے لمبی مدت کے لئے بینک کی AA+ (ڈبل اے پلس) اور مختصر مدت کے لئے A1+ (اے ون پلس) ریٹنگز برقرار رکھی ہیں۔ ہمارے انسکیورڈ، سبارڈینیٹیڈ ٹی ایف سی ایٹھ ۲۰۱۶ء کی ریٹنگ بھی AA (ڈبل اے) برقرار رکھی گئی ہیں۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براء ہونے کی بہت مضبوط صلاحیت ہے۔

ہم اپنے کسٹمرز کا ان کے مسلسل تعاون اور اعتماد کیلئے، اسٹیٹ بینک آف پاکستان کا ان کی رہنمائی کے لئے اور اپنے ملکی و غیر ملکی نمائندہ بینکوں کا ان کی معاونت کیلئے شکریہ ادا کرنا چاہتے ہیں۔ ہم اپنے تمام اسٹاف ممبران کا بھی ان کی لگن اور مخلصانہ خدمات کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز

عباس ڈی۔ حبیب
چیئر مین

کراچی: ۲۴ اکتوبر ۲۰۱۷ء



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

		(Un-audited) 30 September 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		59,803,979	50,600,041
Balances with other banks		4,135,909	2,866,455
Lendings to financial institutions		—	—
Investments - net	7	465,022,708	405,027,569
Advances - net	8	301,834,997	261,440,098
Operating fixed assets	9	22,298,933	18,894,031
Deferred tax assets - net		—	—
Other assets		10,499,517	12,567,622
		863,596,043	751,395,816
LIABILITIES			
Bills payable		15,687,601	13,872,057
Borrowings	10	112,809,040	93,717,345
Deposits and other accounts	11	671,303,793	584,171,954
Sub-ordinated loans	12	3,997,600	3,999,200
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		2,887,812	4,131,830
Other liabilities		12,588,923	8,989,686
		819,274,769	708,882,072
NET ASSETS			
		44,321,274	42,513,744
REPRESENTED BY:			
Share capital		11,114,254	11,114,254
Reserves		12,649,408	11,949,311
Unappropriated profit		14,737,195	12,858,807
		38,500,857	35,922,372
Surplus on revaluation of assets - net of tax	13	5,820,417	6,591,372
		44,321,274	42,513,744
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

		Nine months period ended		Quarter ended	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
	Note	(Rupees in '000)			
Mark-up / return / interest earned	15	37,216,704	36,277,449	12,564,330	11,440,775
Mark-up / return / interest expensed	16	(18,020,138)	(17,613,504)	(6,108,237)	(5,535,260)
Net mark-up / return / interest income		19,196,566	18,663,945	6,456,093	5,905,515
(Provision) / reversal against non-performing loans and advances - net		(140,436)	782,219	(11,693)	57,371
Provision for diminution in the value of investments		(25,892)	-	(25,892)	-
Bad debts written-off directly		-	-	-	-
		(166,328)	782,219	(37,585)	57,371
Net mark-up / return / interest income after provisions		19,030,238	19,446,164	6,418,508	5,962,886
NON MARK-UP / INTEREST INCOME					
Fees, commission and brokerage income		2,370,875	1,847,005	790,066	587,678
Dividend income		306,523	471,811	48,726	82,596
Income from dealing in foreign currencies		664,072	457,384	410,102	127,613
Gain on sale / redemption of securities - net		2,581,978	54,922	270,217	9,165
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(9,941)	(9,187)	680	(9,192)
Other income		691,998	517,266	179,833	159,296
Total non mark-up / interest income		6,605,505	3,339,201	1,699,624	957,156
		25,635,743	22,785,365	8,118,132	6,920,042
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(14,849,675)	(13,220,253)	(5,199,137)	(4,316,776)
Other (provisions) / reversals / write-offs		(3,115)	26,499	4,210	(4,550)
Other charges		(251,275)	(205,277)	(58,502)	(51,906)
Total non mark-up / interest expenses		(15,104,065)	(13,399,031)	(5,253,429)	(4,373,232)
		10,531,678	9,386,334	2,864,703	2,546,810
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		10,531,678	9,386,334	2,864,703	2,546,810
Taxation - Current		(3,933,004)	(3,498,639)	(1,047,088)	(921,104)
- Prior years		(503,224)	(502,993)	-	-
- Deferred		305,245	42,206	23,260	14,768
		(4,130,983)	(3,959,426)	(1,023,828)	(906,336)
PROFIT AFTER TAXATION		6,400,695	5,426,908	1,840,875	1,640,474
				(Rupees)	
Basic and diluted earnings per share	17	5.76	4.88	1.66	1.48

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

	<u>Nine months period ended</u>		<u>Quarter ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(Rupees in '000)			
Profit after taxation for the period	6,400,695	5,426,908	1,840,875	1,640,474
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit and loss account</i>				
Exchange differences on translation of net investment in foreign branches	21,640	(3,446)	16,290	(5,106)
<i>Items that will never be reclassified to profit and loss account subsequently</i>				
Remeasurement of defined benefit plan	-	-	-	-
Related tax charge	-	-	-	-
Comprehensive income transferred to equity	6,422,335	5,423,462	1,857,165	1,635,368
Components of comprehensive income not reflected in equity				
Surplus on revaluation of available for sale securities	(3,600,144)	1,978,774	(1,059,998)	(180,598)
Related tax charge	1,260,051	(692,572)	371,000	63,209
	(2,340,093)	1,286,202	(688,998)	(117,389)
Surplus on revaluation of operating fixed assets	1,951,466	-	-	-
Related tax charge	(321,328)	-	-	-
	1,630,138	-	-	-
Total comprehensive income	5,712,380	6,709,664	1,168,167	1,517,979

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

	30 September 2017	30 September 2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	10,531,678	9,386,334
Less: Dividend income	(306,523)	(471,811)
	10,225,155	8,914,523
Adjustments for:		
Depreciation	1,403,310	1,175,134
Amortisation	78,305	64,261
Provision / (reversal) against non-performing loans and advances - net	140,436	(782,219)
Provision for diminution in the value of investments	25,892	—
Gain on sale of operating fixed assets	(88,095)	(64,729)
Gain on sale / redemption of securities - net	(2,581,978)	(54,922)
Unrealised loss on held for trading securities	9,941	9,187
Charge for defined benefit plan	191,250	162,000
Charge for compensated absences	27,728	36,664
Provision / (reversal) against off-balance sheet items	569	(26,499)
	(792,642)	518,877
	9,432,513	9,433,400
(Increase) / decrease in operating assets		
Lendings to financial institutions	—	3,992,794
Advances - net	(40,535,336)	(29,416,854)
Other assets - (excluding advance taxation)	2,288,634	6,009,278
	(38,246,702)	(19,414,782)
Increase in operating liabilities		
Bills payable	1,815,544	3,005,871
Borrowings	20,136,761	17,620,936
Deposits and other accounts	87,131,839	57,830,085
Other liabilities - (excluding provision for taxation)	3,331,220	1,940,676
	112,415,364	80,397,568
	83,601,175	70,416,186
Income tax paid	(4,644,443)	(3,853,986)
Net cash generated from operating activities	78,956,732	66,562,200
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(61,024,481)	(47,806,594)
Net investments in associates	(24,656)	—
Dividend received	284,103	409,698
Investments in operating fixed assets	(2,967,104)	(3,553,252)
Sale proceeds from disposal of operating fixed assets	115,345	84,038
Net cash used in investing activities	(63,616,793)	(50,866,110)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayments) / receipts of sub-ordinated loans	(1,600)	1,004,600
Dividend paid	(3,841,521)	(3,828,502)
Net cash used in financing activities	(3,843,121)	(2,823,902)
Exchange differences on translation of net investment in foreign branches	21,640	(3,446)
Increase in cash and cash equivalents	11,518,458	12,868,742
Cash and cash equivalents at beginning of the period	52,321,784	41,758,103
Cash and cash equivalents at end of the period	63,840,242	54,626,845

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Unapp- ropriated Profit	Total
				Special Reserve	General Reserve		
	(Rupees in '000)						
Balance as at 01 January 2016 (Audited)	11,114,254	9,413,632	249,527	126,500	540,000	10,253,920	31,697,833
Total comprehensive income for the nine months period ended 30 September 2016:							
Profit after tax	-	-	-	-	-	5,426,908	5,426,908
Other comprehensive income	-	-	(3,446)	-	-	-	(3,446)
	-	-	(3,446)	-	-	5,426,908	5,423,462
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	39,782	39,782
Transfer to statutory reserve	-	1,085,382	-	-	-	(1,085,382)	-
Transaction with owners of the bank							
Cash dividend - 31 December 2015 (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 30 September 2016 (Un-audited)	11,114,254	10,499,014	246,081	126,500	540,000	10,745,239	33,271,088
Total comprehensive income for the quarter ended 31 December 2016:							
Profit after tax	-	-	-	-	-	2,692,321	2,692,321
Other comprehensive income	-	-	(748)	-	-	(53,736)	(54,484)
	-	-	(748)	-	-	2,638,585	2,637,837
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	13,447	13,447
Transfer to statutory reserve	-	538,464	-	-	-	(538,464)	-
Balance as at 31 December 2016 (Audited)	11,114,254	11,037,478	245,333	126,500	540,000	12,858,807	35,922,372
Total comprehensive income for the nine months period ended 30 September 2017:							
Profit after tax	-	-	-	-	-	6,400,695	6,400,695
Other comprehensive income	-	-	21,640	-	-	-	21,640
	-	-	21,640	-	-	6,400,695	6,422,335
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	46,139	46,139
Transfer to statutory reserve	-	678,457	-	-	-	(678,457)	-
Transaction with owners of the bank							
Cash dividend - 31 December 2016 (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 30 September 2017 (Un-audited)	11,114,254	11,715,935	266,973	126,500	540,000	14,737,195	38,500,857

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

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 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 590 branches (31 December 2016: 518 branches), 47 sub-branches (31 December 2016: 87 sub-branches) and 03 representative offices (31 December 2016: 03 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2016: 03 overseas branches) and 49 Islamic Banking branches (31 December 2016: 41 Islamic Banking branches).

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing 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 condensed interim 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 Accountant of Pakistan and notified under the provisions of repealed Companies Ordinance 1984.

2.2 The financial results of the Islamic Banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches are disclosed in note 22.

3. STATEMENT OF COMPLIANCE

3.1 This unconsolidated condensed interim financial information of the Bank have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', the provisions of repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. In case where requirements differ, the provisions of repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on May 30, 2017. SECP vide its Circular No. 23 of 2017 has clarified that all those companies whose financial year closes on or before December 31, 2017 shall prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40,



"Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, International Financial Reporting Standard (IFRS) - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

3.3 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting". They do not include all the information required in the annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2016.

3.4 These are separate unconsolidated condensed interim financial statements of the Bank in which investments in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts, certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value and staff retirement benefits are carried at present value.

4.2 Functional and presentation currency

These unconsolidated condensed interim financial statements are presented in Pak Rupees which is the Bank's functional and presentation currency.

4.3 Accounting estimates and assumptions

The preparation of these unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas where assumptions and estimates are significant to these unconsolidated condensed interim financial statements are the same as those disclosed in the annual financial statements of the Bank for the year ended 31 December 2016.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for preparation of these unconsolidated condensed interim financial statements are same as those applied in the preparation of annual financial statements of the Bank for the year ended 31 December 2016 unless otherwise disclosed or specified.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December 2016.



	30 September 2017 (Un-audited)			31 December 2016 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
Note			(Rupees in '000)			
7. INVESTMENTS						
7.1 Investments by type						
Available for Sale Securities						
Market Treasury Bills	241,552,995	74,126,006	315,679,001	166,762,623	62,559,668	229,322,291
Pakistan Investment Bonds	38,739,422	-	38,739,422	50,282,495	-	50,282,495
Foreign Currency Bonds	3,089,711	-	3,089,711	5,254,192	-	5,254,192
Sukuk Bonds	13,294,679	-	13,294,679	10,794,106	-	10,794,106
Fully paid-up ordinary shares - Listed	4,596,077	-	4,596,077	3,162,708	-	3,162,708
Fully paid-up ordinary shares - Unlisted	46,759	-	46,759	45,529	-	45,529
Term finance certificates - Listed	702,489	-	702,489	702,771	-	702,771
Term finance certificates - Unlisted	2,008,414	-	2,008,414	2,227,524	-	2,227,524
Units of mutual funds	1,925,000	-	1,925,000	2,100,000	-	2,100,000
	305,955,546	74,126,006	380,081,552	241,331,948	62,559,668	303,891,616
Held to Maturity Securities	7.2					
Pakistan Investment Bonds	77,581,915	-	77,581,915	91,101,157	-	91,101,157
Foreign Currency Bonds	2,133,605	-	2,133,605	2,386,321	-	2,386,321
Sukuk Bonds	1,765,212	-	1,765,212	671,785	-	671,785
	81,480,732	-	81,480,732	94,159,263	-	94,159,263
Held for Trading Securities						
Fully paid-up ordinary shares - Listed	249,055	-	249,055	154,000	-	154,000
Associates						
Habib Sugar Mills Limited	182,690	-	182,690	182,690	-	182,690
Habib Asset Management Limited	60,000	-	60,000	60,000	-	60,000
First Habib Income Fund	150,000	-	150,000	150,000	-	150,000
First Habib Stock Fund	10,000	-	10,000	10,000	-	10,000
First Habib Cash Fund	150,000	-	150,000	150,000	-	150,000
First Habib Islamic Stock Fund (Formerly First Habib Islamic Balanced Fund)	10,000	-	10,000	10,000	-	10,000
First Habib Islamic Income Fund	24,656	-	24,656	-	-	-
	587,346	-	587,346	562,690	-	562,690
Subsidiaries						
AL Habib Capital Markets (Private) Limited	200,000	-	200,000	200,000	-	200,000
AL Habib Credit & Finance (Hong Kong) Limited	127	-	127	127	-	127
	200,127	-	200,127	200,127	-	200,127
Investments at cost	388,472,806	74,126,006	462,598,812	336,408,028	62,559,668	398,967,696
Less: Provision for diminution in the value of investments	(31,592)	-	(31,592)	(5,700)	-	(5,700)
Investments (net of provisions)	388,441,214	74,126,006	462,567,220	336,402,328	62,559,668	398,961,996
(Deficit) / surplus on revaluation of held for trading securities - net	(6,556)	-	(6,556)	3,385	-	3,385
Surplus / (deficit) on revaluation of available for sale securities - net	2,469,773	(7,729)	2,462,044	6,042,721	19,467	6,062,188
Total Investments	390,904,431	74,118,277	465,022,708	342,448,434	62,579,135	405,027,569

7.2 The aggregate market value of held to maturity securities as at 30 September 2017 amounted to Rs. 88,324 million (31 December 2016: Rs. 103,979 million).



		(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
8. ADVANCES	Note		
Loans, cash credits, running finances, etc.			
– In Pakistan		230,415,665	209,997,397
– Outside Pakistan		19,410,475	18,611,520
		<u>249,826,140</u>	<u>228,608,917</u>
Islamic financing and related assets - gross	22.1.1	27,961,588	18,134,258
Net investment in finance lease			
– In Pakistan		13,701,147	8,305,218
– Outside Pakistan		–	–
		<u>13,701,147</u>	<u>8,305,218</u>
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		2,839,664	1,635,915
– Payable outside Pakistan		15,481,334	12,582,959
		<u>18,320,998</u>	<u>14,218,874</u>
Advances - gross		<u>309,809,873</u>	<u>269,267,267</u>
Provision against non-performing loans and advances			
– Specific provision	8.1	(4,768,659)	(4,882,330)
– General provision against small enterprises and consumer advances (as per SBP regulations)	8.2	(206,217)	(194,839)
– General provision	8.3	(3,000,000)	(2,750,000)
		<u>(7,974,876)</u>	<u>(7,827,169)</u>
Advances - net of provisions		<u>301,834,997</u>	<u>261,440,098</u>

8.1 Advances include Rs. 5,780.849 million (31 December 2016: Rs. 5,715.466 million) which have been placed under non-performing status as detailed below:

30 September 2017 (Un-audited)									
Classified advances			Provision required			Provision held			
Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
(Rupees in '000)									
Category of classification									
Other assets especially mentioned									
	34,190	–	34,190	378	–	378	378	–	378
Substandard	160,790	–	160,790	39,185	–	39,185	39,185	–	39,185
Doubtful	1,626,448	–	1,626,448	787,031	–	787,031	787,031	–	787,031
Loss	3,018,498	940,923	3,959,421	3,001,112	940,923	3,942,035	3,001,142	940,923	3,942,065
	<u>4,839,926</u>	<u>940,923</u>	<u>5,780,849</u>	<u>3,827,706</u>	<u>940,923</u>	<u>4,768,629</u>	<u>3,827,736</u>	<u>940,923</u>	<u>4,768,659</u>



31 December 2016 (Audited)

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	18,908	-	18,908	530	-	530	530	-	530
Substandard	94,120	-	94,120	23,071	-	23,071	23,071	-	23,071
Doubtful	1,426,456	-	1,426,456	699,328	-	699,328	699,328	-	699,328
Loss	3,235,378	940,604	4,175,982	3,218,793	940,604	4,159,397	3,218,797	940,604	4,159,401
	<u>4,774,862</u>	<u>940,604</u>	<u>5,715,466</u>	<u>3,941,722</u>	<u>940,604</u>	<u>4,882,326</u>	<u>3,941,726</u>	<u>940,604</u>	<u>4,882,330</u>

8.2 General provision represents provision amounting to Rs. 140.556 million (31 December 2016: Rs. 134.178 million) against consumer finance portfolio and Rs. 65.661 million (31 December 2016: Rs. 60.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP.

8.3 In line with its prudent policies, the Bank also made general provision of Rs. 250 million during the period, bringing the total of such provision to Rs. 3,000 million (31 December 2016: Rs. 2,750 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

	(Un-audited) 30 September 2017	(Audited) 31 December 2016
	(Rupees in '000)	
9. OPERATING FIXED ASSETS		
Capital work-in-progress	1,418,149	650,415
Property and equipment	20,795,763	18,125,803
Intangible assets	85,021	117,813
	<u>22,298,933</u>	<u>18,894,031</u>

(Un-audited)
Nine months period ended
30 September 30 September
2017 2016
(Rupees in '000)

9.1 The following additions were made during the period:

Leasehold land	117,052	315,532
Buildings on leasehold land	352,819	1,191,703
Improvements to leasehold buildings	241,693	242,236
Furniture and fixtures	139,646	138,271
Electrical, office and computer equipments	996,690	949,051
Vehicles	301,139	413,940
Intangible assets	39,806	80,929
	<u>2,188,845</u>	<u>3,331,662</u>



(Un-audited)
Nine months period ended
30 September 2017 **30 September 2016**
(Rupees in '000)

9.2 The written down value of fixed assets disposed off during the period were as follows:

Leasehold land	7,944	—
Buildings on leasehold land	2,029	—
Improvements to leasehold buildings	8,337	8,221
Furniture and fixtures	1,809	631
Electrical, office and computer equipments	3,176	2,872
Vehicles	3,955	7,585
	<u>27,250</u>	<u>19,309</u>

9.3 During the period, the Bank's leasehold land and buildings on leasehold land were revalued by M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. As a result of revaluation the market value of leasehold land and buildings on leasehold land were determined at Rs. 15,095 million. The details of revalued amounts as at 30 September 2017 are as follows:

(Rupees in '000)

Total revalued amount of leasehold land 7,025,925

Total revalued amount of buildings on leasehold land 8,068,597

Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 30 September 2017 would have been as follows:

(Rupees in '000)

Leasehold land 4,788,144

Buildings on leasehold land 5,031,696

(Un-audited)	(Audited)
30 September 2017	31 December 2016
(Rupees in '000)	

10. BORROWINGS

Secured

Borrowings from SBP		
– Export refinance scheme	21,206,663	20,143,239
– Renewable energy	3,100,552	—
– Long term financing for imported and locally manufactured plant and machinery	9,830,722	5,632,293
– Financing facility for storage of agricultural produce	61,882	56,875
	<u>34,199,819</u>	<u>25,832,407</u>
Repurchase agreement borrowings	73,588,590	62,556,286
	<u>107,788,409</u>	<u>88,388,693</u>

Unsecured

Borrowings from financial institutions	4,920,985	4,183,940
Overdrawn nostros	99,646	1,144,712
	<u>5,020,631</u>	<u>5,328,652</u>
	<u>112,809,040</u>	<u>93,717,345</u>



		(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
	Note		
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		112,795,895	114,762,820
Savings deposits		188,387,471	170,130,029
Current accounts - Remunerative		102,308,349	72,737,910
Current accounts - Non-remunerative		248,846,592	210,377,190
		<u>652,338,307</u>	<u>568,007,949</u>
Financial institutions			
Remunerative deposits		16,936,673	14,150,564
Non-remunerative deposits		2,028,813	2,013,441
		<u>18,965,486</u>	<u>16,164,005</u>
		<u>671,303,793</u>	<u>584,171,954</u>
12. SUB-ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	12.1	<u>3,997,600</u>	<u>3,999,200</u>
12.1 Term Finance Certificates - V - (Unquoted)			
Total issue	Rupees 4,000 million		
Rating	AA		
Rate	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap		
Redemption	6th-108th month: 0.36%; 114th and 120th month: 49.82% each		
Tenor	10 years		
Maturity	March 2026		
		(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
	Note		
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Fixed assets / non-banking assets	13.1	4,220,088	2,650,950
Available for sale investments	13.2	1,600,329	3,940,422
		<u>5,820,417</u>	<u>6,591,372</u>



	(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
13.1 Fixed assets / non-banking assets		
Balance at beginning of the period / year	3,421,927	3,489,993
Surplus on revaluation of the Bank's fixed assets / non-banking assets during the period / year	1,951,466	13,825
Disposal / adjustments	(14,910)	–
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(70,983)	(81,891)
	<u>5,287,500</u>	<u>3,421,927</u>
Related deferred tax liability on:		
Balance at beginning of the period / year	770,977	797,630
Revaluation of the Bank's fixed assets / non-banking assets during the period / year	321,328	2,009
Disposal / adjustments	(49)	–
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(24,844)	(28,662)
	<u>(1,067,412)</u>	<u>(770,977)</u>
	<u>4,220,088</u>	<u>2,650,950</u>
13.2 Available for sale investments		
Federal Government Securities	2,610,630	4,457,817
Fully paid-up ordinary shares	(192,086)	1,177,059
Term finance certificates, sukuk bonds and foreign currency bonds	54,113	10,294
Units of mutual funds	(10,613)	417,018
	<u>2,462,044</u>	<u>6,062,188</u>
Related deferred tax liability	(861,715)	(2,121,766)
	<u>1,600,329</u>	<u>3,940,422</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Financial guarantees issued favouring:		
– Financial institutions	1,050,380	930,792
– Others	4,551,224	4,538,313
	<u>5,601,604</u>	<u>5,469,105</u>
14.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
– Government	35,533,661	34,649,327
– Financial institutions	553,277	594,401
– Others	17,548,350	11,682,502
	<u>53,635,288</u>	<u>46,926,230</u>



	(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
14.3 Trade-related contingent liabilities		
Letters of credit	92,084,416	103,691,663
Acceptances	23,955,386	16,622,601
Bankers liability rediscount	—	1,898,680
	<u>116,039,802</u>	<u>122,212,944</u>
14.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>10,981,363</u>	<u>10,967,104</u>
14.5 Commitments in respect of forward exchange contracts		
Purchase	<u>55,787,512</u>	<u>49,396,754</u>
Sale	<u>33,599,072</u>	<u>28,383,678</u>
The maturities of above contracts are spread over the period upto one year.		
14.6 Commitments for the acquisition of operating fixed assets	<u>551,306</u>	<u>328,351</u>
14.7 Claims against the Bank not acknowledged as debts	<u>4,775,920</u>	<u>4,459,758</u>
14.8 Other contingencies		

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2015. The income tax assessments of the Bank are complete upto tax year 2013.

For tax year 2012 and 2013, amended order was received from ACIR based on a rectification application filed by the Bank resulting in net aggregate tax impact of Rs. 797.233 million. After filing of appeal, Commissioner Inland Revenue (Appeals) has passed appellate orders by allowing Rs. 134.616 million. The Bank has filed an appeal before Income Tax Appellate Tribunal against the above referred orders.

For tax years 2009 and 2011, Commissioner Inland Revenue (Appeals) has passed appellate orders by 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 against the above referred orders.

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



(Un-audited)				
Nine months period ended		Quarter ended		
30 September 2017	30 September 2016	30 September 2017	30 September 2016	
(Rupees in '000)				
15. MARK-UP / RETURN / INTEREST EARNED				
On loans and advances to:				
Customers	13,194,058	10,590,880	4,537,185	3,562,059
Financial institutions	164,863	112,234	57,171	37,976
	<u>13,358,921</u>	<u>10,703,114</u>	<u>4,594,356</u>	<u>3,600,035</u>
On investments:				
Available for sale securities	15,725,404	14,495,885	5,394,068	4,770,672
Held to maturity securities	7,959,783	10,864,893	2,505,679	3,000,582
	<u>23,685,187</u>	<u>25,360,778</u>	<u>7,899,747</u>	<u>7,771,254</u>
On deposits with financial institutions	123,235	159,731	50,579	47,839
On securities purchased under resale agreements	49,258	52,322	19,569	21,311
On call money lendings	103	1,504	79	336
	<u>37,216,704</u>	<u>36,277,449</u>	<u>12,564,330</u>	<u>11,440,775</u>
16. MARK-UP / RETURN / INTEREST EXPENSED				
Deposits	14,323,629	12,949,628	4,954,434	4,284,139
Sub-ordinated loans	205,150	375,732	69,382	71,122
Repurchase agreement borrowings	2,483,553	3,227,864	700,877	847,657
Borrowings from SBP	488,765	462,820	167,888	129,326
Other borrowings	519,041	597,460	215,656	203,016
	<u>18,020,138</u>	<u>17,613,504</u>	<u>6,108,237</u>	<u>5,535,260</u>
17. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation	6,400,695	5,426,908	1,840,875	1,640,474
	(Number of shares in thousands)			
Weighted average number of ordinary shares	1,111,425	1,111,425	1,111,425	1,111,425
	(Rupees)			
Basic and diluted earnings per share	5.76	4.88	1.66	1.48
18. CASH AND CASH EQUIVALENTS				
Cash and balances with treasury banks		59,803,979		49,425,628
Balances with other banks		4,135,909		5,725,374
Overdrawn nostros		(99,646)		(524,157)
		<u>63,840,242</u>		<u>54,626,845</u>



19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		30 September 2017 (Un-audited)						Fair value				
		Carrying amount										
	Note	Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments												
Financial assets measured at fair value												
- Investments												
Federal Government Securities												
(TBills + PIBs + Sukuk Bonds + FC Bonds)		365,797,598	-	-	-	-	-	365,797,598	-	365,797,598	-	365,797,598
Foreign Currency Bonds - Others		1,414,615	-	-	-	-	-	1,414,615	-	1,414,615	-	1,414,615
Sukuk Bonds - Others		904,864	-	-	-	-	-	904,864	-	904,864	-	904,864
Fully paid-up ordinary shares - Listed		4,378,099	242,499	-	-	-	-	4,620,598	4,620,598	-	-	4,620,598
Units of mutual funds		1,914,387	-	-	-	-	-	1,914,387	1,914,387	-	-	1,914,387
Term Finance Certificates - Listed		704,774	-	-	-	-	-	704,774	704,774	-	-	704,774
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks		-	-	-	-	59,803,979	-	59,803,979	-	-	-	-
- Balances with other banks		-	-	-	-	4,135,909	-	4,135,909	-	-	-	-
- Investments												
Federal Government Securities												
(PIBs + Sukuk Bonds + FC Bonds + TFC)		4,717,857	-	81,090,850	-	-	-	85,808,707	-	87,935,574	-	87,935,574
Foreign Currency Bonds - Others	19.1	-	-	282,423	-	-	-	282,423	-	-	-	-
Sukuk Bonds - Others	19.1	1,773,195	-	127,459	-	-	-	1,900,654	-	-	-	-
Fully paid-up ordinary shares - Unlisted	19.1	41,058	-	-	-	-	-	41,058	-	-	-	-
Term Finance Certificates - Unlisted	19.1	865,557	-	-	-	-	-	865,557	-	-	-	-
Associates												
Listed shares		-	-	-	-	182,690	-	182,690	376,612	-	-	376,612
Mutual funds		-	-	-	-	344,656	-	344,656	325,337	-	-	325,337
Unlisted shares	19.1	-	-	-	-	60,000	-	60,000	-	-	-	-
Subsidiaries - Unlisted shares	19.1	-	-	-	-	200,127	-	200,127	-	-	-	-
- Advances	19.1	-	-	-	301,834,997	-	-	301,834,997	-	-	-	-
- Other assets	19.1	-	-	-	-	8,749,886	-	8,749,886	-	-	-	-
		382,512,004	242,499	81,480,732	301,834,997	73,477,247	-	839,547,479	7,941,708	456,052,651	-	463,994,359
Financial liabilities not measured at fair value												
- Bills payable	19.1	-	-	-	-	-	(15,687,601)	(15,687,601)	-	-	-	-
- Borrowings	19.1	-	-	-	-	-	(112,809,040)	(112,809,040)	-	-	-	-
- Deposits and other accounts	19.1	-	-	-	-	-	(671,303,793)	(671,303,793)	-	-	-	-
- Sub -ordinated loans	19.1	-	-	-	-	-	(3,997,600)	(3,997,600)	-	-	-	-
- Other liabilities	19.1	-	-	-	-	-	(10,145,702)	(10,145,702)	-	-	-	-
		-	-	-	-	-	(813,943,736)	(813,943,736)	-	-	-	-
		382,512,004	242,499	81,480,732	301,834,997	73,477,247	(813,943,736)	25,603,743	7,941,708	456,052,651	-	463,994,359
Off-balance sheet financial instruments measured at fair value												
Forward purchase of foreign exchange contracts		-	-	-	-	-	55,787,512	55,787,512	-	55,953,404	-	55,953,404
Forward sale of foreign exchange contracts		-	-	-	-	-	(33,599,072)	(33,599,072)	-	(33,534,932)	-	(33,534,932)
Off-balance sheet financial instruments not measured at fair value												
Commitment to extend credit	19.1	-	-	-	-	-	10,981,363	10,981,363	-	-	-	-



31 December 2016 (Audited)

	Carrying amount						Fair value				
	Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3	Total
Note											
On-balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	291,880,945	-	-	-	-	-	291,880,945	-	291,880,945	-	291,880,945
Foreign Currency Bonds - Others	1,700,822	-	-	-	-	-	1,700,822	-	1,700,822	-	1,700,822
Sukuk Bonds - Others	-	-	-	-	-	-	-	-	-	-	-
Fully paid-up ordinary shares - Listed	4,339,767	157,385	-	-	-	-	4,497,152	4,497,152	-	-	4,497,152
Units of mutual funds	2,517,018	-	-	-	-	-	2,517,018	2,517,018	-	-	2,517,018
Term Finance Certificates - Listed	704,600	-	-	-	-	-	704,600	704,600	-	-	704,600
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	50,600,041	-	50,600,041	-	-	-	-
- Balances with other banks	-	-	-	-	2,866,455	-	2,866,455	-	-	-	-
- Investments											
Federal Government Securities (PIBs + Sukuk Bonds + FC Bonds + TFC)	5,128,571	-	93,489,701	-	-	-	98,618,272	-	103,305,566	-	103,305,566
Foreign Currency Bonds - Others	19.1	-	520,996	-	-	-	520,996	-	-	-	-
Sukuk Bonds - Others	19.1	2,837,799	148,566	-	-	-	2,986,365	-	-	-	-
Fully paid-up ordinary shares - Unlisted	19.1	39,829	-	-	-	-	39,829	-	-	-	-
Term Finance Certificates - Unlisted	19.1	798,953	-	-	-	-	798,953	-	-	-	-
Associates											
Listed shares	-	-	-	-	182,690	-	182,690	452,877	-	-	452,877
Mutual funds	-	-	-	-	320,000	-	320,000	306,010	-	-	306,010
Unlisted shares	19.1	-	-	-	60,000	-	60,000	-	-	-	-
Subsidiaries - Unlisted shares	19.1	-	-	-	200,127	-	200,127	-	-	-	-
- Advances	19.1	-	-	261,440,098	-	-	261,440,098	-	-	-	-
- Other assets	19.1	-	-	-	10,432,547	-	10,432,547	-	-	-	-
	309,948,104	157,385	94,159,263	261,440,098	64,661,860	-	730,366,710	8,477,657	396,887,133	-	405,364,790
Financial liabilities not measured at fair value											
- Bills payable	19.1	-	-	-	-	(13,872,057)	(13,872,057)	-	-	-	-
- Borrowings	19.1	-	-	-	-	(93,717,345)	(93,717,345)	-	-	-	-
- Deposits and other accounts	19.1	-	-	-	-	(584,171,954)	(584,171,954)	-	-	-	-
- Sub -ordinated loans	19.1	-	-	-	-	(3,999,200)	(3,999,200)	-	-	-	-
- Other liabilities	19.1	-	-	-	-	(7,633,100)	(7,633,100)	-	-	-	-
	-	-	-	-	-	(703,393,656)	(703,393,656)	-	-	-	-
	309,948,104	157,385	94,159,263	261,440,098	64,661,860	(703,393,656)	26,973,054	8,477,657	396,887,133	-	405,364,790
Off-balance sheet financial instruments measured at fair value											
Forward purchase of foreign exchange contracts	-	-	-	-	-	49,396,754	49,396,754	-	48,711,786	-	48,711,786
Forward sale of foreign exchange contracts	-	-	-	-	-	(28,383,678)	(28,383,678)	-	(28,563,379)	-	(28,563,379)
Off-balance sheet financial instruments not measured at fair value											
Commitment to extend credit	19.1	-	-	-	-	10,967,104	10,967,104	-	-	-	-

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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

19.1 The Bank has not disclosed the fair values for these financial assets and liabilities, as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

19.2 Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value as disclosed in note 9.



20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Nine months period ended 30 September 2017 (Un-audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	18,145,475	39,469,621	(13,792,887)	43,822,209
Total expenses	(15,089,320)	(31,994,098)	13,792,887	(33,290,531)
Net income	3,056,155	7,475,523	–	10,531,678
As at 30 September 2017 (Un-audited)				
Segment assets (net of provisions)	658,085,858	807,055,126	(601,544,941)	863,596,043
Segment non performing loans	57,639	5,723,210	–	5,780,849
Segment provision required	47,281	4,721,348	–	4,768,629
Segment liabilities	653,527,232	767,292,478	(601,544,941)	819,274,769
Segment return on assets (ROA) (%)*	2.76%	4.89%		
Segment cost of funds (%)*	2.31%	4.17%		
Nine months period ended 30 September 2016 (Un-audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	18,585,404	33,180,517	(12,149,271)	39,616,650
Total expenses	(13,137,658)	(29,241,929)	12,149,271	(30,230,316)
Net income	5,447,746	3,938,588	–	9,386,334
As at 30 September 2016 (Un-audited)				
Segment assets (net of provisions)	580,505,706	681,825,368	(536,832,422)	725,498,652
Segment non performing loans	96,888	5,710,904	–	5,807,792
Segment provision required	42,992	4,512,729	–	4,555,721
Segment liabilities	578,513,577	643,129,348	(536,832,422)	684,810,503
Segment return on assets (ROA) (%)*	3.20%	4.87%		
Segment cost of funds (%)*	2.27%	4.55%		

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



21. RELATED PARTY TRANSACTIONS

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

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

Transactions for the period / year end balances outstanding as at the period / year end with related parties are summarised as follows:

30 September 2017 (Un-audited)						
	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	Total
Deposits						
At beginning of the period	14,314	2,777,378	556,559	451,090	842,775	4,642,116
Placements during the period	256,450	58,508,288	2,804,249	1,563,103	10,287,755	73,419,845
Withdrawals during the period	(237,471)	(58,978,977)	(2,640,518)	(1,484,950)	(9,874,246)	(73,216,162)
At end of the period	33,293	2,306,689	720,290	529,243	1,256,284	4,845,799
Advances						
At beginning of the period	–	1,391,233	210	49,060	–	1,440,503
Given during the period	7,192,810	26,322,324	16,817	74,729	–	33,606,680
Repaid during the period	(7,192,810)	(26,285,672)	(16,056)	(44,819)	–	(33,539,357)
At end of the period	–	1,427,885	971	78,970	–	1,507,826
Investments						
At beginning of the period	200,127	562,690	–	–	–	762,817
Investments made during the period	–	26,230	–	–	–	26,230
Investments redeemed during the period	–	(344)	–	–	–	(344)
At end of the period	200,127	588,576	–	–	–	788,703
Contingencies and commitments	–	1,087,131	–	–	–	1,087,131
31 December 2016 (Audited)						
Deposits						
At beginning of the year	13,185	3,398,002	183,973	432,539	325,824	4,353,523
Placements during the year	414,980	116,514,517	2,811,177	2,212,391	4,772,953	126,726,018
Withdrawals during the year	(413,851)	(117,135,141)	(2,438,591)	(2,193,840)	(4,256,002)	(126,437,425)
At end of the year	14,314	2,777,378	556,559	451,090	842,775	4,642,116
Advances						
At beginning of the year	–	978,041	144	54,478	–	1,032,663
Given during the year	5,650,821	27,478,082	5,112	89,093	–	33,223,108
Repaid during the year	(5,650,821)	(27,064,890)	(5,046)	(94,511)	–	(32,815,268)
At end of the year	–	1,391,233	210	49,060	–	1,440,503
Investments						
At beginning of the year	200,127	562,690	–	–	–	762,817
Investments made during the year	–	–	–	–	–	–
Investments redeemed during the year	–	–	–	–	–	–
At end of the year	200,127	562,690	–	–	–	762,817
Contingencies and commitments	–	1,191,933	–	–	–	1,191,933



Nine months period ended 30 September 2017 (Un-audited)

	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	Total
Forward contracts	-	223,143	-	-	-	223,143
Other assets	23,230	-	-	-	-	23,230
Other liabilities	258	-	-	-	-	258
Unrealised loss on forward contracts	-	2,282	-	-	-	2,282
Purchase of securities	-	1,230	-	-	-	1,230
Purchase of mutual funds	-	25,000	-	-	-	25,000
Sale of securities	-	83,494	-	-	2,398,015	2,481,509
Redemption of mutual funds	-	344	-	-	-	344
Gain on sale of mutual funds	-	7	-	-	-	7
Mark-up earned	233	52,351	11	2,994	-	55,589
Mark-up expensed	1,505	110,254	25,954	16,475	53,538	207,726
Bank charges and commission	1	5,953	19	24	-	5,997
Salaries and allowances	-	-	-	265,445	-	265,445
Bonus	-	-	-	32,919	-	32,919
Contribution to defined contribution plan	-	-	-	9,817	-	9,817
Contribution to defined benefit plan	-	-	-	16,353	-	16,353
Staff provident fund	-	-	-	-	280,529	280,529
Staff gratuity fund	-	-	-	-	191,250	191,250
Directors' fee	-	-	24,450	-	-	24,450
Insurance claim received	-	12,176	-	-	-	12,176
Insurance premium paid	-	172,868	-	-	-	172,868
Dividend income	-	44,471	-	-	-	44,471
Rental income	1,575	-	-	-	-	1,575
Rental paid	-	7,258	-	-	-	7,258
Commission expensed	3,022	-	-	-	-	3,022
Donation	-	-	-	-	-	-
Other expensed	-	3,183	-	-	-	3,183
Other income	690	142	-	-	88	920

Nine months period ended 30 September 2016 (Un-audited)

Forward contracts	-	161,315	-	-	-	161,315
Other assets	13,907	-	-	-	-	13,907
Other liabilities	135	-	-	-	-	135
Unrealised loss on forward contracts	-	2,233	-	-	-	2,233
Purchase of securities	-	-	-	-	-	-
Purchase of mutual funds	-	-	-	-	-	-
Sale of securities	-	25,243	-	-	615,758	641,001
Redemption of mutual funds	-	-	-	-	-	-
Gain on sale of mutual funds	-	-	-	-	-	-
Mark-up earned	173	52,028	-	2,451	-	54,652
Mark-up expensed	344	137,807	10,480	21,088	25,105	194,824
Bank charges and commission	1	3,835	8	41	-	3,885
Salaries and allowances	-	-	-	278,742	-	278,742
Bonus	-	-	-	33,502	-	33,502
Contribution to defined contribution plan	-	-	-	10,847	-	10,847
Contribution to defined benefit plan	-	-	-	51,539	-	51,539
Staff provident fund	-	-	-	-	237,589	237,589
Staff gratuity fund	-	-	-	-	162,000	162,000
Directors' fee	-	-	6,600	-	-	6,600
Insurance claim received	-	12,175	-	-	-	12,175
Insurance premium paid	-	131,654	-	-	-	131,654
Dividend income	-	41,792	-	-	-	41,792
Rental income	1,575	-	-	-	-	1,575
Rental paid	-	-	-	-	-	-
Commission expensed	1,502	-	-	-	-	1,502
Donation	-	109,900	-	-	-	109,900
Other expensed	-	5,104	-	-	-	5,104
Other income	400	202	-	-	81	683



22. ISLAMIC BANKING BUSINESS

22.1 The Bank is operating 49 (31 December 2016: 41) Islamic Banking branches in Pakistan. The statement of financial position of these branches as at 30 September 2017 is as follows:

		(Un-audited) 30 September 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		2,180,907	1,552,162
Balances with and due from financial institutions		66,605	302,037
Investments		11,449,928	9,132,670
Islamic financing and related assets	22.1.1	27,949,627	18,128,914
Operating fixed assets		213,912	182,487
Other assets		526,530	252,443
		42,387,509	29,550,713
LIABILITIES			
Bills payable		29,440	22,514
Due to financial institutions		3,366,769	2,641,655
Deposits and other accounts		28,967,852	22,607,349
– Current accounts		10,915,360	8,044,145
– Saving accounts		8,700,231	6,533,321
– Term deposits		5,598,756	5,049,667
– Others		386,025	81,580
– Deposits from financial institutions-remunerative		3,360,222	2,897,919
– Deposits from financial institutions-non-remunerative		7,258	717
Due to Head office		3,640,022	513,406
Other liabilities		1,788,877	1,125,648
		(37,792,960)	(26,910,572)
NET ASSETS		4,594,549	2,640,141
REPRESENTED BY:			
Islamic banking fund		4,300,000	2,500,000
Unremitted profit		292,312	108,178
		4,592,312	2,608,178
Surplus on revaluation of assets		2,237	31,963
		4,594,549	2,640,141



	(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
22.1.1 Islamic financing and related assets		
Murabaha	4,753,546	3,153,222
Net book value of assets / investments in ijarah under IFAS 2	2,107,527	1,338,279
Diminishing musharakah	7,868,859	5,264,472
Running musharakah	2,174,000	—
Musawama	2,243,045	960,059
Export refinance murabaha	345,809	408,789
Export refinance istisna	3,408,600	2,052,048
Istisna	2,198,324	1,771,968
Gross financing	25,099,710	14,948,837
Advance against murabaha	176,269	668,142
Advance against ijarah	503,437	864,728
Advance against diminishing musharakah	1,914,054	1,563,383
Advance against istisna	268,118	89,168
Islamic financing and related assets - gross	27,961,588	18,134,258
Less: provision against consumer financing		
Specific provision	(239)	—
General provision	(11,722)	(5,344)
	(11,961)	(5,344)
	<u>27,949,627</u>	<u>18,128,914</u>
22.1.1.1 Islamic mode of financing		
Financings / inventory / receivables	25,099,710	14,948,837
Advances	2,861,878	3,185,421
Less: provision against consumer financing	(11,961)	(5,344)
	<u>27,949,627</u>	<u>18,128,914</u>
22.2 The profit and loss account of the Bank's Islamic Banking branches for the nine months period ended 30 September 2017 is as follows:		
	(Un-audited) Nine months period ended 30 September 2017 (Rupees in '000)	30 September 2016
Profit / return on financing and placements earned	1,536,528	954,859
Profit / return on deposits and other dues expensed	(668,004)	(483,999)
	868,524	470,860
Provision against non-performing loans and advances	(6,617)	(2,212)
Net spread earned	861,907	468,648
OTHER INCOME		
Fees, commission and brokerage income	75,632	50,734
Income from dealing in foreign currencies	21,789	13,755
Gain on sale of securities	537	—
Dividend income	11,051	1,654
Other income	19,619	14,818
	128,628	80,961
OTHER EXPENSES		
Administrative expenses	(698,223)	(488,937)
PROFIT BEFORE TAXATION	<u>292,312</u>	<u>60,672</u>
22.3 Remuneration to Shariah Board	<u>4,838</u>	<u>3,726</u>



	(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
22.4 CHARITY FUND		
Opening balance	2,738	2,686
Additions during the period / year	3,958	2,738
Payment / utilisation during the period / year		
Health	(500)	(630)
Social welfare	(400)	(2,056)
	(900)	(2,686)
Closing balance	5,796	2,738

The non-shariah compliant income identified during the period / year is transferred to the charity account.

23. GENERAL

23.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements, wherever necessary for the purpose of comparison.

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

24. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 24 October 2017.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

		(Un-audited) 30 September 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		59,804,029	50,600,061
Balances with other banks		4,191,255	2,910,200
Lendings to financial institutions		—	—
Investments - net	7	465,365,275	405,343,017
Advances - net	8	301,835,130	261,440,523
Operating fixed assets	9	22,311,403	18,914,506
Deferred tax assets - net		—	—
Other assets		10,539,359	12,611,227
		864,046,451	751,819,534
LIABILITIES			
Bills payable		15,687,601	13,872,057
Borrowings	10	112,809,040	93,717,345
Deposits and other accounts	11	671,275,185	584,165,978
Sub-ordinated loans	12	3,997,600	3,999,200
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		2,881,948	4,127,981
Other liabilities		12,644,510	9,041,670
		819,295,884	708,924,231
NET ASSETS			
		44,750,567	42,895,303
REPRESENTED BY:			
Share capital		11,114,254	11,114,254
Reserves		12,648,996	11,948,911
Unappropriated profit		14,929,941	13,043,606
		38,693,191	36,106,771
Equity attributable to the shareholders of the Holding company			
Non-controlling interest		116,736	114,215
Total equity			
Surplus on revaluation of assets - net of tax	13	5,940,640	6,674,317
		44,750,567	42,895,303
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

		Nine months period ended		Quarter ended	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
	Note	(Rupees in '000)			
Mark-up / return / interest earned	15	37,225,946	36,289,531	12,566,346	11,444,831
Mark-up / return / interest expensed	16	(18,018,639)	(17,613,149)	(6,107,275)	(5,535,140)
Net mark-up / return / interest income		19,207,307	18,676,382	6,459,071	5,909,691
(Provision) / reversal against non-performing loans and advances - net		(140,436)	782,219	(11,693)	57,371
Provision for diminution in the value of investments		(25,892)	—	(25,892)	—
Bad debts written-off directly		—	—	—	—
		(166,328)	782,219	(37,585)	57,371
Net mark-up / return / interest income after provisions		19,040,979	19,458,601	6,421,486	5,967,062
NON MARK-UP / INTEREST INCOME					
Fees, commission and brokerage income		2,393,453	1,866,742	794,551	594,912
Dividend income		265,992	433,641	50,450	82,152
Income from dealing in foreign currencies		664,072	457,384	410,102	127,613
Gain on sale / redemption of securities - net		2,638,342	58,229	270,450	9,204
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(9,941)	(9,187)	680	(9,192)
Share of profit from associates		31,046	53,627	5,312	19,259
Other income		690,132	515,912	179,253	158,478
Total non mark-up / interest income		6,673,096	3,376,348	1,710,798	982,426
		25,714,075	22,834,949	8,132,284	6,949,488
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(14,895,063)	(13,255,321)	(5,213,876)	(4,327,397)
Other (provisions) / reversals / write-offs		(17,993)	26,499	(10,668)	(4,550)
Other charges		(251,677)	(205,371)	(58,095)	(51,905)
Total non mark-up / interest expenses		(15,164,733)	(13,434,193)	(5,282,639)	(4,383,852)
		10,549,342	9,400,756	2,849,645	2,565,636
Extra-ordinary / unusual items		—	—	—	—
		10,549,342	9,400,756	2,849,645	2,565,636
PROFIT BEFORE TAXATION					
Taxation - Current		(3,937,839)	(3,500,818)	(1,038,154)	(921,203)
- Prior years		(503,224)	(502,993)	—	—
- Deferred		302,884	41,137	25,406	14,733
		(4,138,179)	(3,962,674)	(1,012,748)	(906,470)
		6,411,163	5,438,082	1,836,897	1,659,166
PROFIT AFTER TAXATION					
Attributable to:					
Shareholders of the Holding company		6,408,642	5,438,225	1,841,650	1,659,554
Non-controlling interest		2,521	(143)	(4,753)	(388)
		6,411,163	5,438,082	1,836,897	1,659,166
(Rupees)					
Basic and diluted earnings per share attributable to equity holders of the Holding company	17	5.77	4.89	1.66	1.49

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

	<u>Nine months period ended</u>		<u>Quarter ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(Rupees in '000)			
Profit after taxation for the period	6,411,163	5,438,082	1,836,897	1,659,166
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss account</i>				
Exchange differences on translation of net investment in foreign operations	21,628	(3,425)	16,189	(5,089)
<i>Items that will never be reclassified to profit or loss account subsequently</i>				
Remeasurement of defined benefit plan	-	-	-	-
Related tax charge	-	-	-	-
Comprehensive income transferred to equity	6,432,791	5,434,657	1,853,086	1,654,077
<i>Components of comprehensive income not reflected in equity</i>				
Surplus on revaluation of available for sale securities	(3,566,185)	1,985,710	(1,037,516)	(171,966)
Related tax charge	1,263,370	(692,606)	372,030	63,271
	(2,302,815)	1,293,104	(665,486)	(108,695)
Surplus on revaluation of operating fixed assets	1,951,466	-	-	-
Related tax charge	(321,328)	-	-	-
	1,630,138	-	-	-
Total comprehensive income	5,760,114	6,727,761	1,187,600	1,545,382
Attributable to:				
Shareholders of the Holding company	5,754,795	6,726,421	1,186,593	1,545,407
Non-controlling interest	5,319	1,340	1,007	(25)
	5,760,114	6,727,761	1,187,600	1,545,382

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

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Director

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**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

	30 September 2017	30 September 2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES	Note	
Profit before taxation	10,549,342	9,400,756
Less: Dividend income	(265,992)	(433,641)
	10,283,350	8,967,115
Adjustments for:		
Depreciation	1,404,420	1,176,132
Amortisation	79,146	64,301
Provision / (reversal) against non-performing loans and advances - net	140,436	(782,219)
Provision for diminution in the value of investments	25,892	-
Gain on sale of operating fixed assets	(88,095)	(65,097)
Gain on sale / redemption of securities - net	(2,638,342)	(58,229)
Unrealised loss on held for trading securities	9,941	9,187
Charge for defined benefit plan	191,250	162,000
Charge for compensated absences	27,728	36,664
Share of profit from associates	(31,046)	(53,627)
Provision / (reversal) against off-balance sheet items	569	(26,499)
	(878,101)	462,613
	9,405,249	9,429,728
(Increase) / decrease in operating assets		
Lendings to financial institutions	-	3,992,794
Advances - net	(40,535,044)	(29,417,007)
Other assets - (excluding advance taxation)	2,295,642	6,001,729
	(38,239,402)	(19,422,484)
Increase in operating liabilities		
Bills payable	1,815,544	3,005,871
Borrowings	20,136,761	17,620,936
Deposits and other accounts	87,109,208	57,828,516
Other liabilities - (excluding provision for taxation)	3,335,269	1,980,729
	112,396,782	80,436,052
	83,562,629	70,443,296
Income tax paid	(4,651,452)	(3,858,437)
Net cash generated from operating activities	78,911,177	66,584,859
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(60,969,246)	(47,803,315)
Net investments in associates	19,821	41,792
Dividend received	242,501	371,528
Investments in operating fixed assets	(2,968,016)	(3,557,348)
Sale proceeds from disposal of operating fixed assets	115,345	84,512
Net cash used in investing activities	(63,559,595)	(50,862,831)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayments) / receipts of sub-ordinated loans	(1,600)	1,004,600
Dividend paid	(3,841,521)	(3,828,502)
Net cash used in financing activities	(3,843,121)	(2,823,902)
Exchange differences on translation of net investment in foreign operations	21,628	(3,425)
Increase in cash and cash equivalents	11,530,089	12,894,701
Cash and cash equivalents at beginning of the period	52,365,549	41,776,740
Cash and cash equivalents at end of the period	63,895,638	54,671,441

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

	Attributable to the shareholders of the Holding Company							
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Special Reserve	General Reserve	Unappropriated Profit	Sub Total	Non-controlling Interest
	(Rupees in '000)							
Balance as at 01 January 2016 (Audited)	11,114,254	9,413,632	249,101	126,500	540,000	10,414,605	31,858,092	112,979
Total comprehensive income for the nine months period ended 30 September 2016:								
Profit after tax	-	-	-	-	-	5,438,225	5,438,225	(143)
Other comprehensive income	-	-	(3,425)	-	-	-	(3,425)	-
	-	-	(3,425)	-	-	5,438,225	5,434,800	(143)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	39,782	39,782	-
Transfer to statutory reserve	-	1,085,382	-	-	-	(1,085,382)	-	-
Transaction with owners of the bank								
Cash dividend - 31 December 2015 (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)	-
Balance as at 30 September 2016 (Un-audited)	11,114,254	10,499,014	245,676	126,500	540,000	10,917,241	33,442,685	112,836
Total comprehensive income for the quarter ended 31 December 2016:								
Profit after tax	-	-	-	-	-	2,705,118	2,705,118	1,379
Other comprehensive income	-	-	(743)	-	-	(53,736)	(54,479)	-
	-	-	(743)	-	-	2,651,382	2,650,639	1,379
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	13,447	13,447	-
Transfer to statutory reserve	-	538,464	-	-	-	(538,464)	-	-
Balance as at 31 December 2016 (Audited)	11,114,254	11,037,478	244,933	126,500	540,000	13,043,606	36,106,771	114,215
Total comprehensive income for the nine months period ended 30 September 2017:								
Profit after tax	-	-	-	-	-	6,408,642	6,408,642	2,521
Other comprehensive income	-	-	21,628	-	-	-	21,628	-
	-	-	21,628	-	-	6,408,642	6,430,270	2,521
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	46,139	46,139	-
Transfer to statutory reserve	-	678,457	-	-	-	(678,457)	-	-
Transaction with owners of the bank								
Cash dividend - 31 December 2016 (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)	-
Balance as at 30 September 2017 (Un-audited)	11,114,254	11,715,935	266,561	126,500	540,000	14,929,941	38,693,191	116,736

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

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Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

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Director

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Director

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Chairman



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

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 Credit & Finance (Hong Kong) 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 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 590 branches (31 December 2016: 518 branches), 47 sub-branches (31 December 2016: 87 sub-branches) and 03 representative offices (31 December 2016: 03 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2016: 03 overseas branches) and 49 Islamic Banking branches (31 December 2016: 41 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. 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 AL Habib Credit & Finance (Hong Kong) Limited is a wholly owned subsidiary of the Bank. It is a limited liability company incorporated and domiciled in Hong Kong. The Company has not commenced operations.

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing 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 consolidated condensed interim 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 Accountant of Pakistan and notified under the provisions of repealed Companies Ordinance, 1984.

2.2 The financial results of the Islamic Banking branches have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches are disclosed in note 22.

3. STATEMENT OF COMPLIANCE

3.1 This consolidated condensed interim financial information of the Group have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', the provisions of repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. In case where requirements differ, the provisions of repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.



The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on May 30, 2017. SECP vide its Circular No. 23 of 2017 has clarified that all those companies whose financial year closes on or before December 31, 2017 shall prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

- 3.2** SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, International Financial Reporting Standard (IFRS) - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 3.3** The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting". They do not include all the information required in the annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts, certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value and staff retirement benefits are carried at present value.

4.2 Functional and presentation currency

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

4.3 Accounting estimates and assumptions

The preparation of these consolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas where assumptions and estimates are significant to these consolidated condensed interim financial statements are the same as those disclosed in the annual financial statements of the Group for the year ended 31 December 2016.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for preparation of these consolidated condensed interim financial statements are same as those applied in the preparation of annual financial statements of the Group for the year ended 31 December 2016 unless otherwise disclosed or specified.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December 2016.



	30 September 2017 (Un-audited)			31 December 2016 (Audited)		
	Held by Group	Given as Collateral	Total	Held by Group	Given as Collateral	Total
Note	(Rupees in '000)					
7. INVESTMENTS						
7.1 Investments by type						
Available for Sale Securities						
Market Treasury Bills	241,552,995	74,126,006	315,679,001	166,762,623	62,559,668	229,322,291
Pakistan Investment Bonds	38,739,422	–	38,739,422	50,428,524	–	50,428,524
Foreign Currency Bonds	3,089,711	–	3,089,711	5,254,192	–	5,254,192
Sukuk Bonds	13,294,679	–	13,294,679	10,794,106	–	10,794,106
Fully paid-up ordinary shares - Listed	4,698,208	–	4,698,208	3,219,544	–	3,219,544
Fully paid-up ordinary shares - Unlisted	46,759	–	46,759	70,814	–	70,814
Term finance certificates - Listed	702,489	–	702,489	702,771	–	702,771
Term finance certificates - Unlisted	2,008,414	–	2,008,414	2,227,524	–	2,227,524
Units of mutual funds	1,925,000	–	1,925,000	2,100,000	–	2,100,000
	306,057,677	74,126,006	380,183,683	241,560,098	62,559,668	304,119,766
Held to Maturity Securities	7.2					
Market Treasury Bills	127,147	–	127,147	–	–	–
Pakistan Investment Bonds	77,581,915	–	77,581,915	91,101,157	–	91,101,157
Foreign Currency Bonds	2,133,605	–	2,133,605	2,386,321	–	2,386,321
Sukuk Bonds	1,765,212	–	1,765,212	671,785	–	671,785
	81,607,879	–	81,607,879	94,159,263	–	94,159,263
Held for Trading Securities						
Fully paid-up ordinary shares - Listed	249,055	–	249,055	154,000	–	154,000
Associates						
Habib Sugar Mills Limited	474,976	–	474,976	438,756	–	438,756
Habib Asset Management Limited	70,188	–	70,188	83,788	–	83,788
First Habib Income Fund	140,568	–	140,568	140,172	–	140,172
First Habib Stock Fund	9,016	–	9,016	12,428	–	12,428
First Habib Cash Fund	141,655	–	141,655	143,409	–	143,409
First Habib Islamic Stock Fund (Formerly First Habib Islamic Balanced Fund)	8,913	–	8,913	11,840	–	11,840
First Habib Islamic Income Fund	25,185	–	25,185	–	–	–
	870,501	–	870,501	830,393	–	830,393
Investments at cost	388,785,112	74,126,006	462,911,118	336,703,754	62,559,668	399,263,422
Less: Provision for diminution in the value of investments	(31,592)	–	(31,592)	(16,193)	–	(16,193)
Investments (net of provisions)	388,753,520	74,126,006	462,879,526	336,687,561	62,559,668	399,247,229
(Deficit) / surplus on revaluation of held for trading securities - net	(6,556)	–	(6,556)	3,385	–	3,385
Surplus / (deficit) on revaluation of available for sale securities - net	2,500,034	(7,729)	2,492,305	6,072,936	19,467	6,092,403
Total Investments	391,246,998	74,118,277	465,365,275	342,763,882	62,579,135	405,343,017

7.2 The aggregate market value of held to maturity securities as at 30 September 2017 amounted to Rs. 88,451 million (31 December 2016: Rs. 103,979 million).



	Note	(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
8. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		230,415,798	209,997,822
– Outside Pakistan		19,410,475	18,611,520
		249,826,273	228,609,342
Islamic financing and related assets - gross	22.1.1	27,961,588	18,134,258
Net investment in finance lease			
– In Pakistan		13,701,147	8,305,218
– Outside Pakistan		–	–
		13,701,147	8,305,218
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		2,839,664	1,635,915
– Payable outside Pakistan		15,481,334	12,582,959
		18,320,998	14,218,874
Advances - gross		309,810,006	269,267,692
Provision against non-performing loans and advances			
– Specific provision	8.1	(4,768,659)	(4,882,330)
– General provision against small enterprises and consumer advances (as per SBP regulations)	8.2	(206,217)	(194,839)
– General provision	8.3	(3,000,000)	(2,750,000)
		(7,974,876)	(7,827,169)
Advances - net of provisions		301,835,130	261,440,523
8.1 Advances include Rs. 5,780.849 million (31 December 2016: Rs. 5,715.466 million) which have been placed under non-performing status as detailed below:			

30 September 2017 (Un-audited)									
Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other assets especially mentioned	34,190	–	34,190	378	–	378	378	–	378
Substandard	160,790	–	160,790	39,185	–	39,185	39,185	–	39,185
Doubtful	1,626,448	–	1,626,448	787,031	–	787,031	787,031	–	787,031
Loss	3,018,498	940,923	3,959,421	3,001,112	940,923	3,942,035	3,001,142	940,923	3,942,065
	4,839,926	940,923	5,780,849	3,827,706	940,923	4,768,629	3,827,736	940,923	4,768,659



31 December 2016 (Audited)

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
				(Rupees in '000)					
Other assets especially mentioned	18,908	-	18,908	530	-	530	530	-	530
Substandard	94,120	-	94,120	23,071	-	23,071	23,071	-	23,071
Doubtful	1,426,456	-	1,426,456	699,328	-	699,328	699,328	-	699,328
Loss	3,235,378	940,604	4,175,982	3,218,793	940,604	4,159,397	3,218,797	940,604	4,159,401
	<u>4,774,862</u>	<u>940,604</u>	<u>5,715,466</u>	<u>3,941,722</u>	<u>940,604</u>	<u>4,882,326</u>	<u>3,941,726</u>	<u>940,604</u>	<u>4,882,330</u>

8.2 General provision represents provision amounting to Rs. 140.556 million (31 December 2016: Rs. 134.178 million) against consumer finance portfolio and Rs. 65.661 million (31 December 2016: Rs. 60.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP.

8.3 In line with its prudent policies, the Bank also made general provision of Rs. 250 million during the period, bringing the total of such provision to Rs. 3,000 million (31 December 2016: Rs. 2,750 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

(Un-audited) (Audited)
30 September 2017 **31 December 2016**
 (Rupees in '000)

9. OPERATING FIXED ASSETS

Capital work-in-progress	1,418,149	650,415
Property and equipment	20,804,724	18,134,963
Intangible assets	88,530	129,128
	<u>22,311,403</u>	<u>18,914,506</u>

(Un-audited)
Nine months period ended
30 September 2017 **30 September 2016**
 (Rupees in '000)

9.1 The following additions were made during the period:

Leasehold land	117,052	315,532
Buildings on leasehold land	352,819	1,191,703
Improvements to leasehold buildings	241,693	242,236
Furniture and fixtures	139,995	138,944
Electrical, office and computer equipments	997,253	949,051
Vehicles	301,139	415,074
Intangible assets	39,806	81,070
	<u>2,189,757</u>	<u>3,333,610</u>



(Un-audited)
Nine months period ended
30 September 2017 **30 September 2016**
(Rupees in '000)

9.2 The written down value of fixed assets disposed off during the period were as follows:

Leasehold land	7,944	—
Buildings on leasehold land	2,029	—
Improvements to leasehold buildings	8,337	8,221
Furniture and fixtures	1,809	737
Electrical, office and computer equipments	3,176	2,872
Vehicles	3,955	7,585
	<u>27,250</u>	<u>19,415</u>

9.3 During the period, the Bank's leasehold land and buildings on leasehold land were revalued by M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. As a result of revaluation the market value of leasehold land and buildings on leasehold land were determined at Rs. 15,095 million. The details of revalued amounts as at 30 September 2017 are as follows:

(Rupees in '000)

Total revalued amount of leasehold land 7,025,925

Total revalued amount of buildings on leasehold land 8,068,597

Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 30 September 2017 would have been as follows:

(Rupees in '000)

Leasehold land 4,788,144

Buildings on leasehold land 5,031,696

(Un-audited) (Audited)
30 September 2017 31 December 2016
(Rupees in '000)

10. BORROWINGS

Secured

Borrowings from SBP		
– Export refinance scheme	21,206,663	20,143,239
– Renewable energy	3,100,552	—
– Long term financing for imported and locally manufactured plant and machinery	9,830,722	5,632,293
– Financing facility for storage of agricultural produce	61,882	56,875
	<u>34,199,819</u>	<u>25,832,407</u>
Repurchase agreement borrowings	73,588,590	62,556,286
	<u>107,788,409</u>	<u>88,388,693</u>

Unsecured

Borrowings from financial institutions	4,920,985	4,183,940
Overdrawn nostros	99,646	1,144,712
	<u>5,020,631</u>	<u>5,328,652</u>
	<u>112,809,040</u>	<u>93,717,345</u>



		(Un-audited) 30 September 2017 Note	(Audited) 31 December 2016 (Rupees in '000)
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		112,795,895	114,762,820
Savings deposits		188,387,471	170,130,029
Current accounts - Remunerative		102,308,349	72,737,910
Current accounts - Non-remunerative		248,846,592	210,377,190
		<u>652,338,307</u>	<u>568,007,949</u>
Financial institutions			
Remunerative deposits		16,908,122	14,144,649
Non-remunerative deposits		2,028,756	2,013,380
		<u>18,936,878</u>	<u>16,158,029</u>
		<u>671,275,185</u>	<u>584,165,978</u>
12. SUB-ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	12.1	<u>3,997,600</u>	<u>3,999,200</u>
12.1 Term Finance Certificates - V - (Unquoted)			
Total issue	Rupees 4,000 million		
Rating	AA		
Rate	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap		
Redemption	6th-108th month: 0.36%; 114th and 120th month: 49.82% each		
Tenor	10 years		
Maturity	March 2026		
		(Un-audited) 30 September 2017 Note	(Audited) 31 December 2016 (Rupees in '000)
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Fixed assets / non-banking assets	13.1	4,220,088	2,650,950
Available for sale investments	13.2	1,720,552	4,023,367
		<u>5,940,640</u>	<u>6,674,317</u>



	(Un-audited) 30 September 2017	(Audited) 31 December 2016
	(Rupees in '000)	
13.1 Fixed assets / non-banking assets		
Balance at beginning of the period / year	3,421,927	3,489,993
Surplus on revaluation of the Bank's fixed assets / non-banking assets during the period / year	1,951,466	13,825
Disposal / adjustments	(14,910)	—
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(70,983)	(81,891)
	<u>5,287,500</u>	<u>3,421,927</u>
Related deferred tax liability on:		
Balance at beginning of the period / year	770,977	797,630
Revaluation of the Bank's fixed assets / non-banking assets during the period / year	321,328	2,009
Disposal / adjustments	(49)	—
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(24,844)	(28,662)
	<u>(1,067,412)</u>	<u>(770,977)</u>
	<u>4,220,088</u>	<u>2,650,950</u>
13.2 Available for sale investments		
Federal Government Securities	2,610,630	4,460,781
Fully paid-up ordinary shares	(161,825)	1,199,280
Term finance certificates, sukuk bonds, foreign currency bonds and others	144,670	71,968
Units of mutual funds	(10,613)	417,018
	<u>2,582,862</u>	<u>6,149,047</u>
Related deferred tax liability	(862,310)	(2,125,680)
	<u>1,720,552</u>	<u>4,023,367</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Financial guarantees issued favouring:		
– Financial institutions	1,050,380	930,792
– Others	4,551,224	4,538,313
	<u>5,601,604</u>	<u>5,469,105</u>
14.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
– Government	35,533,661	34,649,327
– Financial institutions	553,277	594,401
– Others	17,548,350	11,682,502
	<u>53,635,288</u>	<u>46,926,230</u>



	(Un-audited) 30 September 2017	(Audited) 31 December 2016
	(Rupees in '000)	
14.3 Trade-related contingent liabilities		
Letters of credit	92,084,416	103,691,663
Acceptances	23,955,386	16,622,601
Bankers liability rediscount	—	1,898,680
	<u>116,039,802</u>	<u>122,212,944</u>
14.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>10,981,363</u>	<u>10,967,104</u>
14.5 Commitments in respect of forward exchange contracts		
Purchase	<u>55,787,512</u>	<u>49,396,754</u>
Sale	<u>33,599,072</u>	<u>28,383,678</u>
The maturities of above contracts are spread over the period upto one year.		
14.6 Commitments for the acquisition of operating fixed assets	<u>552,282</u>	<u>329,766</u>
14.7 Claims against the Bank not acknowledged as debts	<u>4,775,920</u>	<u>4,459,758</u>
14.8 Other contingencies		

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2015. The income tax assessments of the Bank are complete upto tax year 2013.

For tax year 2012 and 2013, amended order was received from ACIR based on a rectification application filed by the Bank resulting in net aggregate tax impact of Rs. 797.233 million. After filing of appeal, Commissioner Inland Revenue (Appeals) has passed appellate orders by allowing Rs. 134.616 million. The Bank has filed an appeal before Income Tax Appellate Tribunal against the above referred orders.

For tax years 2009 and 2011, Commissioner Inland Revenue (Appeals) has passed appellate orders by 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 against the above referred orders.

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



	(Un-audited)			
	Nine months period ended		Quarter ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	(Rupees in '000)			
15. MARK-UP / RETURN / INTEREST EARNED				
On loans and advances to:				
Customers	13,194,074	10,590,897	4,537,201	3,562,066
Financial institutions	164,637	112,061	57,140	37,953
	13,358,711	10,702,958	4,594,341	3,600,019
On investments:				
Available for sale securities	15,731,918	14,507,906	5,393,455	4,774,669
Held to maturity securities	7,960,713	10,864,893	2,506,609	3,000,582
	23,692,631	25,372,799	7,900,064	7,775,251
On deposits with financial institutions	125,243	159,948	52,293	47,914
On securities purchased under resale agreements	49,258	52,322	19,569	21,311
On call money lendings	103	1,504	79	336
	37,225,946	36,289,531	12,566,346	11,444,831
16. MARK-UP / RETURN / INTEREST EXPENSED				
Deposits	14,322,130	12,949,273	4,953,472	4,284,019
Sub-ordinated loans	205,150	375,732	69,382	71,122
Repurchase agreement borrowings	2,483,553	3,227,864	700,877	847,657
Borrowings from SBP	488,765	462,820	167,888	129,326
Other borrowings	519,041	597,460	215,656	203,016
	18,018,639	17,613,149	6,107,275	5,535,140
17. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY				
Profit after taxation - attributable to equity holders of the Holding company	6,408,642	5,438,225	1,841,650	1,659,554
	(Number of shares in thousands)			
Weighted average number of ordinary shares	1,111,425	1,111,425	1,111,425	1,111,425
	(Rupees)			
Basic and diluted earnings per share	5.77	4.89	1.66	1.49
18. CASH AND CASH EQUIVALENTS				
Cash and balances with treasury banks		59,804,029		49,425,631
Balances with other banks		4,191,255		5,769,967
Overdrawn nostros		(99,646)		(524,157)
		63,895,638		54,671,441



19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

30 September 2017 (Un-audited)

	Note	Carrying amount					Fair value					
		Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments												
Financial assets measured at fair value												
- Investments												
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)		365,797,598	-	-	-	-	365,797,598	-	365,797,598	-	-	365,797,598
Foreign Currency Bonds - Others		1,414,615	-	-	-	-	1,414,615	-	1,414,615	-	-	1,414,615
Sukuk Bonds - Others		904,864	-	-	-	-	904,864	-	904,864	-	-	904,864
Fully paid-up ordinary shares - Listed		4,510,491	242,499	-	-	-	4,752,990	4,752,990	-	-	-	4,752,990
Units of mutual funds		1,914,387	-	-	-	-	1,914,387	1,914,387	-	-	-	1,914,387
Term Finance Certificates - Listed		704,774	-	-	-	-	704,774	704,774	-	-	-	704,774
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks		-	-	-	-	59,804,029	-	59,804,029	-	-	-	-
- Balances with other banks		-	-	-	-	4,191,255	-	4,191,255	-	-	-	-
- Investments												
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)		4,717,857	-	81,217,997	-	-	85,935,854	-	88,062,685	-	-	88,062,685
Foreign Currency Bonds - Others	19.1	-	-	262,423	-	-	262,423	-	-	-	-	-
Sukuk Bonds - Others	19.1	1,773,195	-	127,459	-	-	1,900,654	-	-	-	-	-
Fully paid-up ordinary shares - Unlisted	19.1	41,058	-	-	-	-	41,058	-	-	-	-	-
Term Finance Certificates - Unlisted	19.1	865,557	-	-	-	-	865,557	-	-	-	-	-
Associates												
Listed shares		-	-	-	-	474,976	-	474,976	474,976	-	-	474,976
Mutual funds		-	-	-	-	325,337	-	325,337	325,337	-	-	325,337
Unlisted shares	19.1	-	-	-	-	70,188	-	-	-	-	-	-
- Advances	19.1	-	-	-	301,835,130	-	301,835,130	-	-	-	-	-
- Other assets	19.1	-	-	-	-	8,765,370	-	8,765,370	-	-	-	-
		382,644,396	242,499	81,607,879	301,835,130	73,631,155	-	839,961,059	8,172,464	456,179,762	-	464,352,226
Financial liabilities not measured at fair value												
- Bills payable	19.1	-	-	-	-	-	(15,687,601)	(15,687,601)	-	-	-	-
- Borrowings	19.1	-	-	-	-	-	(112,809,040)	(112,809,040)	-	-	-	-
- Deposits and other accounts	19.1	-	-	-	-	-	(671,275,185)	(671,275,185)	-	-	-	-
- Sub -ordinated loans	19.1	-	-	-	-	-	(3,997,600)	(3,997,600)	-	-	-	-
- Other liabilities	19.1	-	-	-	-	-	(10,200,742)	(10,200,742)	-	-	-	-
		-	-	-	-	-	(813,970,168)	(813,970,168)	-	-	-	-
		382,644,396	242,499	81,607,879	301,835,130	73,631,155	(813,970,168)	25,990,891	8,172,464	456,179,762	-	464,352,226
Off-balance sheet financial instruments measured at fair value												
Forward purchase of foreign exchange contracts		-	-	-	-	-	55,787,512	55,787,512	-	55,953,404	-	55,953,404
Forward sale of foreign exchange contracts		-	-	-	-	-	(33,599,072)	(33,599,072)	-	(33,534,932)	-	(33,534,932)
Off-balance sheet financial instruments not measured at fair value												
Commitment to extend credit	19.1	-	-	-	-	-	10,981,363	10,981,363	-	-	-	-



31 December 2016 (Audited)

Note	Carrying amount					Fair value					
	Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
- Federal Government Securities											
(TBills + PIBs + Sukuk Bonds + FC Bonds)	292,029,937	-	-	-	-	-	292,029,937	-	292,029,937	-	292,029,937
- Foreign Currency Bonds - Others	1,700,622	-	-	-	-	-	1,700,622	-	1,700,622	-	1,700,622
- Sukuk Bonds - Others	-	-	-	-	-	-	-	-	-	-	-
- Fully paid-up ordinary shares - Listed	4,418,825	157,385	-	-	-	-	4,576,210	4,576,210	-	-	4,576,210
- Units of mutual funds	2,517,018	-	-	-	-	-	2,517,018	2,517,018	-	-	2,517,018
- Term Finance Certificates - Listed	704,600	-	-	-	-	-	704,600	704,600	-	-	704,600
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	50,600,061	-	50,600,061	-	-	-	-
- Balances with other banks	-	-	-	-	2,910,200	-	2,910,200	-	-	-	-
- Investments											
- Federal Government Securities											
(TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)	5,128,571	-	93,488,701	-	-	-	98,618,272	-	103,305,566	-	103,305,566
- Foreign Currency Bonds - Others	19.1	-	520,996	-	-	-	520,996	-	-	-	-
- Sukuk Bonds - Others	19.1	2,837,799	148,566	-	-	-	2,986,365	-	-	-	-
- Fully paid-up ordinary shares - Unlisted	19.1	59,651	-	-	-	-	59,651	-	-	-	-
- Term Finance Certificates - Unlisted	19.1	798,953	-	-	-	-	798,953	-	-	-	-
- Associates											
Listed shares	-	-	-	-	438,756	-	438,756	438,756	-	-	438,756
Mutual funds	-	-	-	-	307,849	-	307,849	307,849	-	-	307,849
Unlisted shares	19.1	-	-	-	83,788	-	83,788	-	-	-	-
- Advances	19.1	-	-	261,440,523	-	-	261,440,523	-	-	-	-
- Other assets	19.1	-	-	-	10,454,636	-	10,454,636	-	-	-	-
	310,195,976	157,385	94,159,263	261,440,523	64,795,290	-	730,748,437	8,544,433	397,036,125	-	405,580,558
Financial liabilities not measured at fair value											
- Bills payable	19.1	-	-	-	-	(13,872,057)	(13,872,057)	-	-	-	-
- Borrowings	19.1	-	-	-	-	(93,717,345)	(93,717,345)	-	-	-	-
- Deposits and other accounts	19.1	-	-	-	-	(584,165,978)	(584,165,978)	-	-	-	-
- Sub-ordinated loans	19.1	-	-	-	-	(3,999,200)	(3,999,200)	-	-	-	-
- Other liabilities	19.1	-	-	-	-	(7,684,940)	(7,684,940)	-	-	-	-
	-	-	-	-	-	(703,439,520)	(703,439,520)	-	-	-	-
	310,195,976	157,385	94,159,263	261,440,523	64,795,290	(703,439,520)	27,308,917	8,544,433	397,036,125	-	405,580,558
Off-balance sheet financial instruments measured at fair value											
Forward purchase of foreign exchange contracts	-	-	-	-	-	49,396,754	49,396,754	-	48,711,786	-	48,711,786
Forward sale of foreign exchange contracts	-	-	-	-	-	(28,383,678)	(28,383,678)	-	(28,563,379)	-	(28,563,379)
Off-balance sheet financial instruments not measured at fair value											
Commitment to extend credit	19.1	-	-	-	-	10,967,104	10,967,104	-	-	-	-

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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

19.1 The Group has not disclosed the fair values for these financial assets and liabilities, as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

19.2 Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value as disclosed in note 9.



20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Nine months period ended 30 September 2017 (Un-audited)				
	Retail Banking	Commercial Banking	Retail Brokerage	Inter Segment Elimination	Total
	(Rupees in '000)				
Total income	18,145,475	39,468,859	81,797	(13,797,089)	43,899,042
Total expenses	(15,089,320)	(31,986,232)	(71,237)	13,797,089	(33,349,700)
Net income	3,056,155	7,482,627	10,560	–	10,549,342
	As at 30 September 2017 (Un-audited)				
Segment assets (net of provisions)	658,085,858	807,261,890	426,908	(601,728,205)	864,046,451
Segment non performing loans	57,639	5,723,210	–	–	5,780,849
Segment provision required	47,281	4,721,348	–	–	4,768,629
Segment liabilities	653,527,232	767,264,680	232,177	(601,728,205)	819,295,884
Segment return on assets (ROA) (%)*	2.76%	4.89%	19.16%		
Segment cost of funds (%)*	2.31%	4.17%	30.68%		

AL Habib Credit & Finance (Hong Kong) Limited has not commenced operations.

	Nine months period ended 30 September 2016 (Un-audited)				
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	Total
Total income	18,585,404	33,194,081	39,900	(12,153,506)	39,665,879
Total expenses	(13,137,658)	(29,239,913)	(41,058)	12,153,506	(30,265,123)
Net income	5,447,746	3,954,168	(1,158)	–	9,400,756
	As at 30 September 2016 (Un-audited)				
Segment assets (net of provisions)	580,505,706	681,993,241	386,480	(537,019,587)	725,865,840
Segment non performing loans	96,888	5,710,904	–	–	5,807,792
Segment provision required	42,992	4,512,729	–	–	4,555,721
Segment liabilities	578,513,577	643,112,022	218,706	(537,019,587)	684,824,718
Segment return on assets (ROA) (%)*	3.20%	4.87%	10.32%		
Segment cost of funds (%)*	2.27%	4.55%	18.77%		

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



21. RELATED PARTY TRANSACTIONS

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

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

Transactions for the period / year and balances outstanding as at the period / year end with related parties are summarised as follows:

	30 September 2017 (Un-audited)				
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Deposits					
At beginning of the period	2,777,378	556,559	451,090	842,775	4,627,802
Placements during the period	58,508,288	2,804,249	1,563,103	10,287,755	73,163,395
Withdrawals during the period	(58,978,977)	(2,640,518)	(1,484,950)	(9,874,246)	(72,978,691)
At end of the period	2,306,689	720,290	529,243	1,256,284	4,812,506
Advances					
At beginning of the period	1,391,233	210	49,060	-	1,440,503
Given during the period	26,322,324	16,817	74,729	-	26,413,870
Repaid during the period	(26,285,672)	(16,056)	(44,819)	-	(26,346,547)
At end of the period	1,427,885	971	78,970	-	1,507,826
Investments					
At beginning of the period	830,393	-	-	-	830,393
Investments made during the period	26,230	-	-	-	26,230
Investments redeemed / adjusted during the period	15,108	-	-	-	15,108
At end of the period	871,731	-	-	-	871,731
Contingencies and commitments	1,087,131	-	-	-	1,087,131
	31 December 2016 (Audited)				
Deposits					
At beginning of the year	3,398,002	183,973	432,539	325,824	4,340,338
Placements during the year	116,514,517	2,811,177	2,212,391	4,772,953	126,311,038
Withdrawals during the year	(117,135,141)	(2,438,591)	(2,193,840)	(4,256,002)	(126,023,574)
At end of the year	2,777,378	556,559	451,090	842,775	4,627,802
Advances					
At beginning of the year	978,041	144	54,478	-	1,032,663
Given during the year	27,478,082	5,112	89,093	-	27,572,287
Repaid during the year	(27,064,890)	(5,046)	(94,511)	-	(27,164,447)
At end of the year	1,391,233	210	49,060	-	1,440,503
Investments					
At beginning of the year	787,022	-	-	-	787,022
Investments made during the year	-	-	-	-	-
Investments redeemed / adjusted during the year	43,371	-	-	-	43,371
At end of the year	830,393	-	-	-	830,393
Contingencies and commitments	1,191,933	-	-	-	1,191,933



Nine months period ended 30 September 2017 (Un-audited)

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Forward contracts	223,143	—	—	—	223,143
Other assets	107	—	—	—	107
Other liabilities	—	—	—	—	—
Unrealised loss on forward contracts	2,282	—	—	—	2,282
Purchase of securities	1,230	—	—	—	1,230
Purchase of mutual funds	25,000	—	—	—	25,000
Sale of securities	83,494	—	—	2,398,015	2,481,509
Redemption of mutual funds	344	—	—	—	344
Gain on sale of mutual funds	7	—	—	—	7
Mark-up earned	52,351	11	2,994	—	55,356
Mark-up expensed	110,254	25,954	16,475	53,538	206,221
Bank charges and commission	5,953	19	24	—	5,996
Salaries and allowances	—	—	275,139	—	275,139
Bonus	—	—	32,919	—	32,919
Contribution to defined contribution plan	—	—	10,462	—	10,462
Contribution to defined benefit plan	—	—	16,353	—	16,353
Staff provident fund	—	—	—	282,198	282,198
Staff gratuity fund	—	—	—	191,250	191,250
Directors' fee	—	24,450	—	—	24,450
Insurance claim received	12,176	—	—	—	12,176
Insurance premium paid	174,595	—	—	—	174,595
Dividend income	44,471	—	—	—	44,471
Rental paid	7,258	—	—	—	7,258
Brokerage and advisory income	651	—	—	—	651
Donation	—	—	—	—	—
Other expensed	3,183	—	—	—	3,183
Other income	142	—	—	88	230

Nine months period ended 30 September 2016 (Un-audited)

Forward contracts	161,315	—	—	—	161,315
Other assets	—	—	712	—	712
Other liabilities	—	—	8,116	—	8,116
Unrealised loss on forward contracts	2,233	—	—	—	2,233
Purchase of securities	—	—	—	—	—
Purchase of mutual funds	—	—	—	—	—
Sale of securities	25,243	—	—	615,758	641,001
Redemption of mutual funds	—	—	—	—	—
Gain on sale of mutual funds	—	—	—	—	—
Mark-up earned	52,028	—	2,451	—	54,479
Mark-up expensed	137,807	10,480	21,088	25,105	194,480
Bank charges and commission	3,835	8	41	—	3,884
Salaries and allowances	—	—	287,760	—	287,760
Bonus	—	—	34,002	—	34,002
Contribution to defined contribution plan	—	—	11,447	—	11,447
Contribution to defined benefit plan	—	—	51,539	—	51,539
Staff provident fund	—	—	—	239,072	239,072
Staff gratuity fund	—	—	—	162,000	162,000
Directors' fee	—	6,600	—	—	6,600
Insurance claim received	12,175	—	—	—	12,175
Insurance premium paid	132,053	—	—	—	132,053
Dividend income	41,792	—	—	—	41,792
Rental paid	—	—	—	—	—
Brokerage and advisory income	695	—	22	—	717
Donation	109,900	—	—	—	109,900
Other expensed	5,104	—	—	—	5,104
Other income	202	—	—	88	290



22. ISLAMIC BANKING BUSINESS

22.1 The Bank is operating 49 (31 December 2016: 41) Islamic Banking branches in Pakistan. The statement of financial position of these branches as at 30 September 2017 is as follows:

		(Un-audited) 30 September 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		2,180,907	1,552,162
Balances with and due from financial institutions		66,605	302,037
Investments		11,449,928	9,132,670
Islamic financing and related assets	22.1.1	27,949,627	18,128,914
Operating fixed assets		213,912	182,487
Other assets		526,530	252,443
		42,387,509	29,550,713
LIABILITIES			
Bills payable		29,440	22,514
Due to financial institutions		3,366,769	2,641,655
Deposits and other accounts		28,967,852	22,607,349
– Current accounts		10,915,360	8,044,145
– Saving accounts		8,700,231	6,533,321
– Term deposits		5,598,756	5,049,667
– Others		386,025	81,580
– Deposits from financial institutions-remunerative		3,360,222	2,897,919
– Deposits from financial institutions-non-remunerative		7,258	717
Due to Head office		3,640,022	513,406
Other liabilities		1,788,877	1,125,648
		(37,792,960)	(26,910,572)
NET ASSETS		4,594,549	2,640,141
REPRESENTED BY:			
Islamic banking fund		4,300,000	2,500,000
Unremitted profit		292,312	108,178
		4,592,312	2,608,178
Surplus on revaluation of assets		2,237	31,963
		4,594,549	2,640,141



	(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
22.1.1 Islamic financing and related assets		
Murabaha	4,753,546	3,153,222
Net book value of assets / investments in ijarah under IFAS 2	2,107,527	1,338,279
Diminishing musharakah	7,868,859	5,264,472
Running musharakah	2,174,000	—
Musawama	2,243,045	960,059
Export refinance murabaha	345,809	408,789
Export refinance istisna	3,408,600	2,052,048
Istisna	2,198,324	1,771,968
Gross financing	25,099,710	14,948,837
Advance against murabaha	176,269	668,142
Advance against ijarah	503,437	864,728
Advance against diminishing musharakah	1,914,054	1,563,383
Advance against istisna	268,118	89,168
Islamic financing and related assets - gross	27,961,588	18,134,258
Less: provision against consumer financing		
Specific provision	(239)	—
General provision	(11,722)	(5,344)
	(11,961)	(5,344)
	27,949,627	18,128,914
22.1.1.1 Islamic mode of financing		
Financings / inventory / receivables	25,099,710	14,948,837
Advances	2,861,878	3,185,421
Less: provision against consumer financing	(11,961)	(5,344)
	27,949,627	18,128,914
22.2 The profit and loss account of the Bank's Islamic Banking branches for the nine months ended 30 September 2017 is as follows:		
	(Un-audited) Nine months period ended 30 September 2017 (Rupees in '000)	30 September 2016
Profit / return on financing and placements earned	1,536,528	954,859
Profit / return on deposits and other dues expensed	(668,004)	(483,999)
	868,524	470,860
Provision against non-performing loans and advances	(6,617)	(2,212)
Net spread earned	861,907	468,648
OTHER INCOME		
Fees, commission and brokerage income	75,632	50,734
Income from dealing in foreign currencies	21,789	13,755
Gain on sale of securities	537	—
Dividend income	11,051	1,654
Other income	19,619	14,818
	128,628	80,961
OTHER EXPENSES		
Administrative expenses	(698,223)	(488,937)
PROFIT BEFORE TAXATION	292,312	60,672
22.3 Remuneration to Shariah Board	4,838	3,726



	(Un-audited) 30 September 2017 (Rupees in '000)	(Audited) 31 December 2016
22.4 CHARITY FUND		
Opening balance	2,738	2,686
Additions during the period / year	3,958	2,738
Payment / utilisation during the period / year		
Health	(500)	(630)
Social welfare	(400)	(2,056)
	(900)	(2,686)
Closing balance	5,796	2,738

The non-shariah compliant income identified during the period / year is transferred to the charity account.

23. GENERAL

23.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated condensed interim financial statements, wherever necessary for the purpose of comparison.

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

24. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 24 October 2017.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman