



هَذَا مِنْ فَضْلِ رَبِّي

Bank AL Habib
25 YEARS SILVER JUBILEE
1991-2016

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CORPORATE INFORMATION

Board of Directors	Ali Raza D. Habib	<i>Chairman</i>
	Abbas D. Habib	<i>Chief Executive & Managing Director</i>
	Anwar Haji Karim	
	Arshad Nasar	
	Murtaza H. Habib	
	Qumail R. Habib	<i>Executive Director</i>
	Safar Ali Lakhani	
	Shahid Ghaffar	
	Syed Mazhar Abbas	
	Syed Hasan Ali Bukhari	
Audit Committee	Syed Mazhar Abbas	<i>Chairman</i>
	Anwar Haji Karim	<i>Member</i>
	Arshad Nasar	<i>Member</i>
	Safar Ali Lakhani	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
Human Resource & Remuneration Committee	Syed Mazhar Abbas	<i>Chairman</i>
	Anwar Haji Karim	<i>Member</i>
	Arshad Nasar	<i>Member</i>
	Murtaza H. Habib	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
Company Secretary	Mohammad Taqi Lakhani	
Statutory Auditors	KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisor	Liaquat Merchant Associates Advocates and 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, 2016.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 574.0 billion as compared to Rs. 516.2 billion on December 31, 2015. In the same period, advances increased to Rs. 237.5 billion from Rs. 207.3 billion, while investments increased to Rs. 406.5 billion from Rs. 356.6 billion. The pre-tax profit of the Bank for the nine months period ended September 30, 2016 was Rs. 9,386.3 million as compared to Rs. 9,053.2 million during the corresponding period last year.

Your Bank now has a network of 590 offices, comprising 500 branches, 87 sub-branches, and 3 Representative Offices. Our branch network includes 37 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2016.

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 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 20, 2016

Ali Raza D. Habib
Chairman



ڈائریکٹرز کا جائزہ

میرے لئے یہ باعث مسرت ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے ۳۰ ستمبر ۲۰۱۶ء کو ختم ہونے والی ۹ ماہ کے لئے بینک الحبیب لمیٹڈ کے غیر آڈٹ شدہ مالی حسابات مع بینک الحبیب لمیٹڈ کے غیر آڈٹ شدہ مجموعی مالیاتی حسابات بشمول بینک کی ذیلی کمپنیز الحبیب کمپیوٹل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحبیب 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 ۵۷۴ بلین روپے ہو گئے، جو کہ ۳۱ دسمبر ۲۰۱۵ء کو ۵۱۶ بلین روپے تھے۔ اسی مدت کے دوران ایڈوانسز ۲۰۷ بلین روپے سے بڑھ کر ۲۳۷ بلین روپے ہو گئے اور سرمایہ کاری ۳۵۶ بلین روپے سے بڑھ کر ۴۰۶ بلین روپے ہو گئی۔ ۳۰ ستمبر ۲۰۱۶ء کو ختم ہونے والی ۹ ماہ کی مدت کے لئے آپ کے بینک کا قبل از ٹیکس منافع ۹۳۸۶۳ ملین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ ۹۰۵۳۲ ملین روپے تھا۔

آپ کے بینک کا نیٹ ورک اب ۵۹۰ دفاتر پر مشتمل ہے، جس میں ۵۰۰ برانچز، ۸۷ سب برانچز اور ۳ نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب ۱۳ اسلامی بینکاری برانچز اور ۳ بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کاربند رہتے ہوئے ہم سال ۲۰۱۶ء 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، سہارڈ اینڈ ٹی ایف سی 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

علی رضا ڈی۔ حبیب
چیئرمین

کراچی: ۲۰ اکتوبر ۲۰۱۶ء



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

		(Un-audited) 30 September 2016	(Audited) 31 December 2015
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		49,425,628	38,577,738
Balances with other banks	7	5,725,374	3,185,669
Lendings to financial institutions		—	3,992,794
Investments - net	8	406,480,106	356,649,003
Advances - net	9	237,487,681	207,288,608
Operating fixed assets	10	18,066,686	15,764,284
Deferred tax assets - net		—	—
Other assets		8,313,177	14,254,372
		725,498,652	639,712,468
LIABILITIES			
Bills payable		11,671,333	8,665,462
Borrowings	11	80,732,088	62,592,299
Deposits and other accounts	12	574,043,263	516,213,178
Sub-ordinated loans	13	3,999,200	2,994,600
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		4,284,972	3,632,598
Other liabilities		10,079,647	7,757,673
		684,810,503	601,855,810
NET ASSETS		40,688,149	37,856,658
REPRESENTED BY:			
Share capital		11,114,254	11,114,254
Reserves		11,411,595	10,329,659
Unappropriated profit		10,745,239	10,253,920
		33,271,088	31,697,833
Surplus on revaluation of assets - net of tax	14	7,417,061	6,158,825
		40,688,149	37,856,658
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

		Nine months period ended		Quarter ended	
		30 September 2016	30 September 2015	30 September 2016	30 September 2015
	Note	(Rupees in '000)			
Mark-up / return / interest earned	16	36,277,449	37,716,805	11,440,775	12,284,207
Mark-up / return / interest expensed	17	(17,613,504)	(19,436,734)	(5,535,260)	(5,991,736)
Net mark-up / return / interest income		18,663,945	18,280,071	5,905,515	6,292,471
Reversal / (provision) against non-performing loans and advances - net		782,219	(1,359,297)	57,371	(227,974)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written-off directly		-	(34)	-	(34)
Net mark-up / return / interest income after provisions		19,446,164	16,920,740	5,962,886	6,064,463
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income	18	1,847,005	1,669,088	587,678	523,793
Dividend income		471,811	518,412	82,596	132,023
Income from dealing in foreign currencies		457,384	575,864	127,613	105,196
Gain on sale / redemption of securities - net		54,922	228,500	9,165	(103,897)
Unrealised loss on revaluation of investments classified as held for trading		(9,187)	(11,398)	(9,192)	(2,015)
Other income		517,266	475,902	159,296	153,163
Total non mark-up / interest income		3,339,201	3,456,368	957,156	808,263
		22,785,365	20,377,108	6,920,042	6,872,726
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(13,220,253)	(11,083,314)	(4,316,776)	(3,781,236)
Other reversals / (provisions) / write-offs		26,499	(23,892)	(4,550)	-
Other charges		(205,277)	(216,749)	(51,906)	(63,682)
Total non mark-up / interest expenses		(13,399,031)	(11,323,955)	(4,373,232)	(3,844,918)
		9,386,334	9,053,153	2,546,810	3,027,808
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		9,386,334	9,053,153	2,546,810	3,027,808
Taxation - Current		(3,498,639)	(3,402,312)	(921,104)	(1,099,037)
- Prior years		(502,993)	(500,484)	-	-
- Deferred		42,206	151,718	14,768	17,719
		(3,959,426)	(3,751,078)	(906,336)	(1,081,318)
PROFIT AFTER TAXATION		5,426,908	5,302,075	1,640,474	1,946,490
(Rupees)					
Basic and diluted earnings per share	19	4.88	4.77	1.48	1.75

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
 Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

	<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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>(Rupees in '000)</u>			
Profit after taxation for the period	5,426,908	5,302,075	1,640,474	1,946,490
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	(3,446)	86,779	(5,106)	61,104
<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	5,423,462	5,388,854	1,635,368	2,007,594
<i>Components of comprehensive income not reflected in equity</i>				
Surplus / (deficit) on revaluation of available for sale securities	1,978,774	2,664,683	(180,598)	67,427
Related tax charge	(692,572)	(1,137,198)	63,209	(23,599)
	1,286,202	1,527,485	(117,389)	43,828
Total comprehensive income	6,709,664	6,916,339	1,517,979	2,051,422

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
Chief Executive and
Managing Director

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

	Note	30 September 2016	30 September 2015
CASH FLOW FROM OPERATING ACTIVITIES		(Rupees in '000)	
Profit before taxation		9,386,334	9,053,153
Less: Dividend income		(471,811)	(518,412)
		8,914,523	8,534,741
Adjustments for:			
Depreciation		1,175,134	835,764
Amortisation		64,261	62,596
(Reversal) / provision against non-performing loans and advances - net		(782,219)	1,359,297
Gain on sale of operating fixed assets		(64,729)	(15,920)
Gain on sale / redemption of securities - net		(54,922)	(228,500)
Unrealised loss on held for trading securities		9,187	11,398
Charge for defined benefit plan		162,000	126,000
Charge for compensated absences		36,664	41,346
(Reversals) / provisions against off-balance sheet items		(26,499)	23,892
		518,877	2,215,873
		9,433,400	10,750,614
Decrease / (increase) in operating assets			
Lendings to financial institutions		3,992,794	-
Advances - net		(29,416,854)	(20,608,721)
Other assets		6,009,278	3,107,955
		(19,414,782)	(17,500,766)
Increase in operating liabilities			
Bills payable		3,005,871	275,944
Borrowings		17,620,936	29,329,792
Deposits and other accounts		57,830,085	35,260,540
Other liabilities - (excluding provision for taxation)		1,940,676	750,665
		80,397,568	65,616,941
		70,416,186	58,866,789
Income tax paid		(3,853,986)	(3,778,035)
Net cash generated from operating activities		66,562,200	55,088,754
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(47,806,594)	(43,978,151)
Net investments in associates		-	388,069
Dividend received		409,698	425,879
Investments in operating fixed assets		(3,553,252)	(2,467,511)
Sale proceeds from disposal of operating fixed assets		84,038	68,804
Net cash used in investing activities		(50,866,110)	(45,562,910)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts / (repayments) of sub-ordinated loans		1,004,600	(748,500)
Dividend paid		(3,828,502)	(3,282,275)
Net cash used in financing activities		(2,823,902)	(4,030,775)
Exchange differences on translation of net investment in foreign branches		(3,446)	86,779
Increase in cash and cash equivalents		12,868,742	5,581,848
Cash and cash equivalents at beginning of the period		41,758,103	37,879,971
Cash and cash equivalents at end of the period	20	54,626,845	43,461,819

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves Special Reserve	General Reserve	Unapp- ropriated Profit	Total
	(Rupees in '000)						
Balance as at 01 January 2015	11,114,254	7,932,650	161,761	126,500	540,000	7,679,490	27,554,655
Total comprehensive income for the nine months period ended 30 September 2015:							
Profit after tax	-	-	-	-	-	5,302,075	5,302,075
Other comprehensive income	-	-	86,779	-	-	-	86,779
	-	-	86,779	-	-	5,302,075	5,388,854
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	39,642	39,642
Transfer to statutory reserve	-	1,060,415	-	-	-	(1,060,415)	-
Transaction with owners, recorded directly in equity:							
Cash dividend (Rs. 3 per share)	-	-	-	-	-	(3,334,276)	(3,334,276)
Balance as at 30 September 2015	11,114,254	8,993,065	248,540	126,500	540,000	8,626,516	29,648,875
Total comprehensive income for the quarter ended 31 December 2015:							
Profit after tax	-	-	-	-	-	2,102,837	2,102,837
Other comprehensive income	-	-	987	-	-	(68,080)	(67,093)
	-	-	987	-	-	2,034,757	2,035,744
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	13,214	13,214
Transfer to statutory reserve	-	420,567	-	-	-	(420,567)	-
Balance as at 31 December 2015	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, recorded directly in equity:							
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 30 September 2016	11,114,254	10,499,014	246,081	126,500	540,000	10,745,239	33,271,088

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

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 the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 500 branches (31 December 2015: 423 branches), 87 sub-branches (31 December 2015: 105 sub-branches) and 03 representative offices (31 December 2015: 03 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2015: 03 overseas branches) and 37 Islamic Banking branches (31 December 2015: 29 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).
- 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 informations of the Islamic Banking branches are disclosed in note 24.

3. STATEMENT OF COMPLIANCE

- 3.1** These unconsolidated condensed interim financial statements of the Bank have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', IFAS issued by the Institute of Chartered Accountants of Pakistan, the requirements of the 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 the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 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 2015.

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 assumptions and estimates that 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 2015.



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 2015 except for the reclassification as required by SBP vide its BPRD Circular No. 1 of 2016, BPRD Circular Letter No. 05 of 2016 and additional disclosures in respect of Islamic Index Screening as required by Circular No. 14 of 2016 issued by SECP.

Non-banking assets acquired in satisfaction of claims:

Effective 1 January 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. In line with the guidance provided in the Regulations, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, non-banking assets (included in Other Assets in the statement of financial position), surplus on revaluation of assets and deferred tax liability - net would have been lower by Rs. 11.678 million, Rs. 11.676 million and Rs. 1.258 million respectively while profit after tax would have been higher by Rs. 1.396 million.

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 2015.



7. BALANCES WITH OTHER BANKS

These include Rs. 1,673.794 million (31 December 2015: Rs. 744.861 million) placed under Shariah permissible mode.

Note	30 September 2016 (Un-audited)			31 December 2015 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000)					

8. INVESTMENTS

8.1 Investments by type

Available for Sale Securities

Market Treasury Bills	169,094,771	59,077,940	228,172,711	96,543,319	39,361,572	135,904,891
Pakistan Investment Bonds	50,359,287	—	50,359,287	60,095,104	—	60,095,104
Foreign Currency Bonds	5,264,960	—	5,264,960	4,043,886	—	4,043,886
Sukuk Bonds	8,899,209	—	8,899,209	6,983,848	—	6,983,848
Fully paid-up ordinary shares - Listed	5,053,320	—	5,053,320	4,018,649	—	4,018,649
Fully paid-up ordinary shares - Unlisted	45,529	—	45,529	45,529	—	45,529
Term finance certificates - Listed	702,771	—	702,771	302,972	—	302,972
Term finance certificates - Unlisted	2,260,801	—	2,260,801	2,946,686	—	2,946,686
Units of mutual funds	1,600,000	—	1,600,000	1,550,000	—	1,550,000
	243,280,648	59,077,940	302,358,588	176,529,993	39,361,572	215,891,565

Held to Maturity Securities 8.2

Pakistan Investment Bonds	90,984,462	—	90,984,462	130,462,425	—	130,462,425
Foreign Currency Bonds	2,389,557	—	2,389,557	1,879,702	—	1,879,702
Other Federal Government Securities	1,906,739	—	1,906,739	1,825,278	—	1,825,278
Sukuk Bonds	678,335	—	678,335	696,890	—	696,890
	95,959,093	—	95,959,093	134,864,295	—	134,864,295

Held for Trading Securities

Fully paid-up ordinary shares - Listed	299,695	—	299,695	—	—	—
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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 Balanced Fund	10,000	—	10,000	10,000	—	10,000
	562,690	—	562,690	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

Less: Provision for diminution in the value of investments	(202,692)	—	(202,692)	(202,692)	—	(202,692)
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Investments (net of provisions)	340,099,561	59,077,940	399,177,501	311,954,413	39,361,572	351,315,985
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Surplus on revaluation of available for sale securities - net	14.2	7,268,367	43,425	7,311,792	5,213,270	119,748	5,333,018
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Deficit on revaluation of held for trading securities - net		(9,187)	—	(9,187)	—	—	—
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Total Investments	347,358,741	59,121,365	406,480,106	317,167,683	39,481,320	356,649,003
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8.2 The aggregate market value of held to maturity securities as at 30 September 2016 amounted to Rs. 107,774 million (31 December 2015: Rs. 146,376 million).



	Note	(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
9. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		195,426,754	171,210,373
– Outside Pakistan		16,396,958	14,648,449
		<u>211,823,712</u>	<u>185,858,822</u>
Islamic financing and related assets - gross	9.4 & 24.2	13,133,766	11,982,735
Net investment in finance lease			
– In Pakistan		7,275,255	4,297,187
– Outside Pakistan		–	–
		<u>7,275,255</u>	<u>4,297,187</u>
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		1,603,049	3,222,616
– Payable outside Pakistan		11,138,110	10,340,898
		<u>12,741,159</u>	<u>13,563,514</u>
Advances - gross		<u>244,973,892</u>	<u>215,702,258</u>
Provision against non-performing loans and advances			
– Specific provision	9.1	(4,555,721)	(5,537,371)
– General provision against small enterprises and consumer advances (as per SBP regulations)	9.2	(180,490)	(126,279)
– General provision	9.3	(2,750,000)	(2,750,000)
		<u>(7,486,211)</u>	<u>(8,413,650)</u>
Advances - net of provisions		<u>237,487,681</u>	<u>207,288,608</u>

9.1 Advances include Rs. 5,807.792 million (31 December 2015: Rs. 5,874.374 million) which have been placed under non-performing status as detailed below:

30 September 2016 (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	49,313	–	49,313	2,324	–	2,324	2,324	–	2,324
Substandard	1,523,268	–	1,523,268	380,162	–	380,162	380,162	–	380,162
Doubtful	61,370	–	61,370	16,800	–	16,800	16,800	–	16,800
Loss	3,231,292	942,549	4,173,841	3,213,886	942,549	4,156,435	3,213,886	942,549	4,156,435
	<u>4,865,243</u>	<u>942,549</u>	<u>5,807,792</u>	<u>3,613,172</u>	<u>942,549</u>	<u>4,555,721</u>	<u>3,613,172</u>	<u>942,549</u>	<u>4,555,721</u>



31 December 2015 (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	3,335	-	3,335	40	-	40	40	-	40
Substandard	43,810	-	43,810	10,940	-	10,940	10,940	-	10,940
Doubtful	599,534	-	599,534	299,767	-	299,767	309,485	-	309,485
Loss	4,280,034	947,661	5,227,695	4,269,245	947,661	5,216,906	4,269,245	947,661	5,216,906
	<u>4,926,713</u>	<u>947,661</u>	<u>5,874,374</u>	<u>4,579,992</u>	<u>947,661</u>	<u>5,527,653</u>	<u>4,589,710</u>	<u>947,661</u>	<u>5,537,371</u>

9.2 General provision represents provision amounting to Rs. 132.829 million (31 December 2015: Rs. 100.618 million) against consumer finance portfolio and Rs. 47.661 million (31 December 2015: Rs. 25.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP. General provision against consumer finance portfolio includes Rs. 3.996 million (31 December 2015: Rs. 1.784 million) permissible under Shariah.

9.3 In line with its prudent policies, the Bank also made general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 30 September 2016 amounts to Rs. 2,750 million (31 December 2015: Rs. 2,750 million).

9.4 These represents financing and related assets placed under Shariah permissible modes.

	(Un-audited) 30 September 2016	(Audited) 31 December 2015
(Rupees in '000)		
10. OPERATING FIXED ASSETS		
Capital work-in-progress	925,532	703,896
Property and equipment	17,059,389	15,000,956
Intangible assets	81,765	59,432
	<u>18,066,686</u>	<u>15,764,284</u>

(Un-audited) Nine months period ended	
30 September 2016	30 September 2015
(Rupees in '000)	

10.1 The following additions were made during the period:

Leasehold land	315,532	219,840
Buildings on leasehold land	1,191,703	28,746
Improvements to leasehold buildings	242,236	166,059
Furniture and fixtures	138,271	98,422
Electrical, office and computer equipments	949,051	904,271
Vehicles	413,940	272,312
Intangible assets	80,929	26,355
	<u>3,331,662</u>	<u>1,716,005</u>



(Un-audited)
Nine months period ended
30 September 2016 30 September 2015
(Rupees in '000)

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

Improvements to leasehold buildings	8,221	35,224
Furniture and fixtures	631	2,128
Electrical, office and computer equipments	2,872	6,224
Vehicles	7,585	9,308
	<u>19,309</u>	<u>52,884</u>

(Un-audited) (Audited)
30 September 2016 31 December 2015
(Rupees in '000)

11. BORROWINGS

Secured

Borrowings from SBP

– Export refinance scheme	16,369,828	19,118,954
– Long term financing for export oriented projects	–	4,246
– Long term financing for imported and locally manufactured plant and machinery	4,714,503	3,953,374
– Financing facility for storage of agricultural produce	12,240	36,861

	<u>21,096,571</u>	<u>23,113,435</u>
Repurchase agreement borrowings	<u>59,111,360</u>	<u>39,473,560</u>
	<u>80,207,931</u>	<u>62,586,995</u>

Unsecured

Overdrawn nostros

	<u>524,157</u>	<u>5,304</u>
	<u>80,732,088</u>	<u>62,592,299</u>

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	124,662,914	120,268,519
Savings deposits	165,765,299	150,427,540
Current accounts - Remunerative	67,454,905	57,094,573
Current accounts - Non-remunerative	201,141,963	175,902,813
	<u>559,025,081</u>	<u>503,693,445</u>

Financial institutions

Remunerative deposits	12,839,053	11,462,606
Non-remunerative deposits	2,179,129	1,057,127
	<u>15,018,182</u>	<u>12,519,733</u>
	<u>574,043,263</u>	<u>516,213,178</u>



12.1 Deposits include Rs. 18,856.513 million (31 December 2015: Rs. 14,718.557 million) placed under permissible Shariah modes.

		(Un-audited) 30 September 2016	(Audited) 31 December 2015
	Note	(Rupees in '000)	
13. SUB-ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - IV - (Unquoted)	13.1	–	2,994,600
Term Finance Certificates (TFCs) - V - (Unquoted)	13.2	3,999,200	–
		<u>3,999,200</u>	<u>2,994,600</u>

13.1 During the period, the Bank exercised the Call Option of Term Finance Certificates-IV in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on 30 June 2016.

13.2 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 2016	(Audited) 31 December 2015
	Note	(Rupees in '000)	
14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Fixed assets / non-banking assets	14.1	2,664,397	2,692,363
Available for sale investments	14.2	4,752,664	3,466,462
		<u>7,417,061</u>	<u>6,158,825</u>



	(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
14.1 Fixed assets / non-banking assets		
Balance at beginning of the period / year	3,489,993	3,575,215
Surplus / (adjustment) on revaluation of the Bank's fixed assets / non-banking assets during the period / year	13,825	(3,905)
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(61,203)	(81,317)
	<u>3,442,615</u>	<u>3,489,993</u>
Related deferred tax liability on:		
Balance at beginning of the period / year	797,630	826,092
Revaluation of the Bank's fixed assets / non-banking assets during the period / year	2,009	—
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(21,421)	(28,462)
	<u>(778,218)</u>	<u>(797,630)</u>
	<u>2,664,397</u>	<u>2,692,363</u>
14.2 Available for sale investments		
Federal Government Securities	5,787,570	4,534,035
Fully paid-up ordinary shares	1,330,334	708,837
Term finance certificates, sukuk bonds and foreign currency bonds	(3,774)	1,388
Units of mutual funds	197,662	88,758
	<u>7,311,792</u>	<u>5,333,018</u>
Related deferred tax liability	(2,559,128)	(1,866,556)
	<u>4,752,664</u>	<u>3,466,462</u>
14.2.1 This includes deficit of Rs. 1.486 million (31 December 2015 surplus: Rs. 11.300 million) on revaluation of available for sale securities placed as per arrangements permissible under Shariah.		



	(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Financial guarantees issued favouring:		
– Financial institutions	723,241	462,800
– Others	3,854,207	5,086,805
	<u>4,577,448</u>	<u>5,549,605</u>
15.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
– Government	32,812,676	29,798,948
– Financial institutions	580,888	668,750
– Others	10,518,483	6,743,423
	<u>43,912,047</u>	<u>37,211,121</u>
15.3 Trade-related contingent liabilities		
Letters of credit	88,635,361	77,847,579
Acceptances	14,533,323	13,547,110
	<u>103,168,684</u>	<u>91,394,689</u>
15.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>12,901,446</u>	<u>10,748,236</u>
15.5 Commitments in respect of forward exchange contracts		
Purchase	<u>48,399,628</u>	<u>46,760,182</u>
Sale	<u>29,476,967</u>	<u>28,769,804</u>
The maturities of above contracts are spread over the period upto one year.		
15.6 Commitments for the acquisition of operating fixed assets	<u>661,819</u>	<u>635,075</u>



15.7 Other contingencies

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2014. The income tax assessments of the Bank are complete upto tax year 2013.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 by disallowing certain expenses. Subsequently, 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. The Bank has filed an appeal before the Commissioner Inland Revenue (Appeals) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) has passed appellate orders for tax years 2009 and 2011 by confirming disallowance of provision for non-performing loans, other provisions and amortisation 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 2016	30 September 2015	30 September 2016	30 September 2015
(Rupees in '000)			

16. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:				
Customers	10,590,880	11,071,353	3,562,059	3,534,502
Financial institutions	112,234	90,225	37,976	32,614
	10,703,114	11,161,578	3,600,035	3,567,116
On investments:				
Available for sale securities	14,495,885	15,647,359	4,770,672	4,805,595
Held to maturity securities	10,864,893	10,751,809	3,000,582	3,856,647
	25,360,778	26,399,168	7,771,254	8,662,242
On deposits with financial institutions	159,731	122,603	47,839	41,968
On securities purchased under resale agreements	52,322	32,936	21,311	12,584
On call money lendings	1,504	520	336	297
	36,277,449	37,716,805	11,440,775	12,284,207

16.1 These include Rs. 954.859 million (30 September 2015: Rs. 878.801 million) pertaining to Islamic banking out of which Rs. 72.245 million (30 September 2015: Rs. 62.944 million) represents profit from placements permissible under Shariah.



	(Un-audited)			
	Nine months period ended		Quarter ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	(Rupees in '000)			
17. MARK-UP / RETURN / INTEREST EXPENSED				
Deposits	12,949,628	14,304,665	4,284,139	4,381,137
Sub-ordinated loans	375,732	345,270	71,122	113,243
Repurchase agreement borrowings	3,227,864	3,668,085	847,657	1,147,418
Borrowings from SBP	462,820	774,600	129,326	209,751
Other borrowings	597,460	344,114	203,016	140,187
	<u>17,613,504</u>	<u>19,436,734</u>	<u>5,535,260</u>	<u>5,991,736</u>
18. DIVIDEND INCOME				
Available for sale				
Allied Bank Limited	3,963	4,096	1,321	1,322
Attock Petroleum Limited	7,866	6,166	4,916	4,326
Attock Refinery Limited	500	—	500	—
Engro Corporation Limited	1,400	—	1,400	—
Engro Fertilizer Limited	800	—	800	—
Fatima Fertilizer Company Limited	312	—	312	—
Fauji Fertilizer Bin Qasim Limited	—	10,439	—	3,341
Fauji Fertilizer Company Limited	30,553	29,636	7,207	5,643
First Habib Modaraba	—	647	—	647
Habib Bank Limited	12,596	8,396	4,198	4,198
Habib Metropolitan Bank Limited	30,055	55,311	—	30,055
Hub Power Company Limited	61,020	72,461	—	41,951
Indus Motor Company Limited	836	—	836	—
International Industries Limited	238	211	185	132
International Steels Limited	7,029	—	7,029	—
Kot Addu Power Company Limited	27,287	15,840	—	—
Lalpir Power Limited	4,844	2,094	2,750	—
MCB Bank Limited	12,000	4,753	4,000	1,584
Meezan Bank Limited	—	357	—	208
National Investment (Unit) Trust	49,647	46,889	—	—
Nishat Chunian Power Limited	17,927	15,753	8,366	—
NIT Government Bond Fund	36,461	67,089	—	—
NIT Government Treasury Fund	998	—	—	—
NIT Income Fund	13,241	21,081	—	—
NIT Islamic Equity Fund	10,520	—	—	—
Packages Limited	263	158	—	—
Pakgen Power Limited	9,473	4,407	5,066	—
Pakistan Oilfields Limited	33,218	32,533	18,982	23,727
Pakistan Petroleum Limited	3,699	12,907	—	6,576
Pakistan State Oil Company Limited	4,573	5,487	—	—
Pakistan Telecommunication Company Limited	6,033	—	6,033	—
PIML Income Fund	—	308	—	—
Rafhan Maize Products Company Limited	120	—	120	—
Shell Pakistan Limited	360	180	135	—
Soneri Bank Limited	20,677	11,580	—	—
Standard Chartered Bank (Pakistan) Limited	6,366	7,162	2,387	2,387
United Bank Limited	10,550	8,630	3,165	3,165
	<u>425,425</u>	<u>444,571</u>	<u>79,708</u>	<u>129,262</u>



	(Un-audited)			
	Nine months period ended		Quarter ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	(Rupees in '000)			
Held for trading				
Adamjee Insurance Company Limited	–	150	–	150
Askari Bank Limited	–	150	–	150
Dawood Hercules Corporation Limited	450	–	450	–
Engro Corporation Limited	1,500	400	525	200
Engro Fertilizer Limited	400	135	400	135
Fauji Cement Company Limited	–	750	–	750
Fauji Fertilizer Bin Qasim Limited	305	–	–	–
Faysal Bank Limited	100	–	–	–
Indus Motor Company Limited	180	–	180	–
Lalpir Power Limited	100	–	–	–
MCB Bank Limited	–	140	–	–
Pak Electron Limited	313	125	313	125
Pakgen Power Limited	175	–	–	–
Pakistan Telecommunication Company Limited	1,000	949	200	949
Rafhan Maize Products Company Limited	72	–	72	–
United Bank Limited	–	302	–	302
	4,595	3,101	2,140	2,761
Associates				
First Habib Cash Fund	8,005	21,579	–	–
First Habib Income Fund	9,500	20,357	–	–
First Habib Islamic Balanced Fund	338	1,388	338	–
First Habib Stock Fund	410	4,000	410	–
Habib Sugar Mills Limited	23,538	23,416	–	–
	41,791	70,740	748	–
	471,811	518,412	82,596	132,023

19. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	5,426,908	5,302,075	1,640,474	1,946,490
	(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	4.88	4.77	1.48	1.75

(Un-audited)
Nine months period ended
30 September 2016 30 September 2015
(Rupees in '000)

20. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	49,425,628	39,414,248
Balances with other banks	5,725,374	4,782,001
Overdrawn nostros	(524,157)	(734,430)
	54,626,845	43,461,819



21. 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 2016 (Un-audited)

	Carrying amount						Fair value				
	Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
						(Rupees in '000)					
On-balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	292,143,773	-	-	-	-	-	292,143,773	-	292,143,773	-	292,143,773
Foreign Currency Bonds	1,695,662	-	-	-	-	-	1,695,662	-	1,695,662	-	1,695,662
Fully paid-up ordinary shares - Listed	6,186,662	290,508	-	-	-	-	6,477,170	6,674,162	-	-	6,674,162
Units of mutual funds	1,797,662	-	-	-	-	-	1,797,662	1,797,662	-	-	1,797,662
Term Finance Certificates - Listed	701,639	-	-	-	-	-	701,639	701,639	-	-	701,639
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	49,425,628	-	49,425,628	-	-	-	-
- Balances with other banks	-	-	-	-	5,725,374	-	5,725,374	-	-	-	-
- Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC + Others)	3,203,571	-	95,282,960	-	-	-	98,486,531	-	107,096,101	-	107,096,101
Foreign Currency Bonds	-	-	521,149	-	-	-	521,149	-	522,793	-	522,793
Sukuk Bonds	2,866,660	-	154,984	-	-	-	3,021,644	-	-	-	-
Fully paid-up ordinary shares - Un-listed	39,829	-	-	-	-	-	39,829	-	-	-	-
Term Finance Certificates - Un-listed	832,230	-	-	-	-	-	832,230	-	-	-	-
Associates											
Listed shares	-	-	-	-	182,690	-	182,690	392,242	-	-	392,242
Mutual funds	-	-	-	-	320,000	-	320,000	301,152	-	-	301,152
Unlisted shares	-	-	-	-	60,000	-	60,000	-	-	-	-
Subsidiaries - Un-listed shares	-	-	-	-	200,127	-	200,127	-	-	-	-
- Advances	-	-	-	237,487,681	-	-	237,487,681	-	-	-	-
- Other assets	-	-	-	-	6,776,455	-	6,776,455	-	-	-	-
	309,467,688	290,508	95,959,093	237,487,681	62,690,274	-	705,895,244	9,866,857	401,458,329	-	411,325,186
Financial liabilities not measured at fair value											
- Deposits and other accounts	-	-	-	-	-	(574,043,263)	(574,043,263)	-	-	-	-
- Bills payable	-	-	-	-	-	(11,671,333)	(11,671,333)	-	-	-	-
- Borrowings	-	-	-	-	-	(80,732,088)	(80,732,088)	-	-	-	-
- Sub -ordinated loans	-	-	-	-	-	(3,999,200)	(3,999,200)	-	-	-	-
- Other liabilities	-	-	-	-	-	(7,120,151)	(7,120,151)	-	-	-	-
	-	-	-	-	-	(677,566,035)	(677,566,035)	-	-	-	-
	309,467,688	290,508	95,959,093	237,487,681	62,690,274	(677,566,035)	28,329,209	9,866,857	401,458,329	-	411,325,186



31 December 2015 (Audited)											
	Carrying amount						Fair value				Total
	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	
On-balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	208,210,577	-	-	-	-	-	208,210,577	-	208,210,579	-	208,210,579
Foreign Currency Bonds	627,606	-	-	-	-	-	627,606	-	627,606	-	627,606
Fully paid-up ordinary shares - Listed	4,530,493	-	-	-	-	-	4,530,493	4,727,485	-	-	4,727,485
Units of mutual funds	1,638,758	-	-	-	-	-	1,638,758	1,638,758	-	-	1,638,758
Term Finance Certificates - Listed	705,764	-	-	-	-	-	705,764	705,764	-	-	705,764
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	38,577,738	-	38,577,738	-	-	-	-
- Balances with other banks	-	-	-	-	3,185,669	-	3,185,669	-	-	-	-
- Lendings to financial institutions	-	-	-	-	3,992,794	-	3,992,794	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC + Others)	1,964,286	-	134,691,407	-	-	-	136,655,693	-	146,203,123	-	146,203,123
Foreign Currency Bonds	-	-	-	-	-	-	-	-	-	-	-
Sukuk Bonds	2,472,178	-	172,888	-	-	-	2,645,066	-	-	-	-
Fully paid-up ordinary shares - Un-listed	39,829	-	-	-	-	-	39,829	-	-	-	-
Term Finance Certificates - Un-listed	832,400	-	-	-	-	-	832,400	-	-	-	-
Associates											
Listed shares	-	-	-	-	182,690	-	182,690	357,876	-	-	357,876
Mutual funds	-	-	-	-	320,000	-	320,000	306,171	-	-	306,171
Unlisted shares	-	-	-	-	60,000	-	60,000	-	-	-	-
Subsidiaries - Un-listed shares	-	-	-	-	200,127	-	200,127	-	-	-	-
- Advances	-	-	-	207,288,608	-	-	207,288,608	-	-	-	-
- Other assets	-	-	-	-	13,128,891	-	13,128,891	-	-	-	-
	221,021,891	-	134,864,295	207,288,608	59,647,909	-	622,822,703	7,736,054	355,041,308	-	362,777,362
Financial liabilities not measured at fair value											
- Deposits and other accounts	-	-	-	-	-	(516,213,178)	(516,213,178)	-	-	-	-
- Bills payable	-	-	-	-	-	(8,665,462)	(8,665,462)	-	-	-	-
- Borrowings	-	-	-	-	-	(62,592,299)	(62,592,299)	-	-	-	-
- Sub-ordinated loans	-	-	-	-	-	(2,994,600)	(2,994,600)	-	-	-	-
- Other liabilities	-	-	-	-	-	(5,711,244)	(5,711,244)	-	-	-	-
	-	-	-	-	-	(596,176,783)	(596,176,783)	-	-	-	-
	221,021,891	-	134,864,295	207,288,608	59,647,909	(596,176,783)	26,645,920	7,736,054	355,041,308	-	362,777,362

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).



22. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

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
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%		
Nine months period ended 30 September 2015 (Un-audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	17,718,210	36,230,125	(12,775,162)	41,173,173
Total expenses	(13,578,944)	(31,316,238)	12,775,162	(32,120,020)
Net income	4,139,266	4,913,887	—	9,053,153
Segment assets (net of provisions)	461,885,278	621,449,877	(434,544,795)	648,790,360
Segment non performing loans	43,403	5,845,281	—	5,888,684
Segment provision required	38,468	5,108,970	—	5,147,438
Segment liabilities	460,376,178	586,748,562	(434,544,795)	612,579,945
Segment return on assets (ROA) (%)*	3.84%	5.83%		
Segment cost of funds (%)*	2.95%	5.34%		

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



23. 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 2016 (Un-audited)					
	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	Total
Deposits						
At beginning of the period	13,185	3,398,002	183,973	432,539	325,824	4,353,523
Placements during the period	405,177	86,660,504	1,948,629	1,852,249	2,458,128	93,324,687
Withdrawals during the period	(390,754)	(85,907,195)	(1,830,272)	(1,658,114)	(2,155,098)	(91,941,433)
At end of the period	27,608	4,151,311	302,330	626,674	628,854	5,736,777
Advances						
At beginning of the period	–	978,041	144	54,478	–	1,032,663
Given during the period	3,766,426	20,692,324	4,019	72,685	–	24,535,454
Repaid during the period	(3,766,426)	(20,315,613)	(2,688)	(61,681)	–	(24,146,408)
At end of the period	–	1,354,752	1,475	65,482	–	1,421,709
Investments						
At beginning of the period	200,127	562,690	–	–	–	762,817
Investments made during the period	–	–	–	–	–	–
Investments redeemed during the period	–	–	–	–	–	–
At end of the period	200,127	562,690	–	–	–	762,817
Contingencies and commitments	–	743,362	–	–	–	743,362
	31 December 2015 (Audited)					
Deposits						
At beginning of the year	98,058	3,037,277	185,609	401,895	49,441	3,772,280
Placements during the year	687,051	157,951,585	2,932,874	2,817,436	2,922,398	167,311,344
Withdrawals during the year	(771,924)	(157,590,860)	(2,934,510)	(2,786,792)	(2,646,015)	(166,730,101)
At end of the year	13,185	3,398,002	183,973	432,539	325,824	4,353,523
Advances						
At beginning of the year	–	1,517,483	294	52,960	–	1,570,737
Given during the year	10,948,669	22,453,719	2,790	72,596	–	33,477,774
Repaid during the year	(10,948,669)	(22,993,161)	(2,940)	(71,078)	–	(34,015,848)
At end of the year	–	978,041	144	54,478	–	1,032,663
Investments						
At beginning of the year	200,127	865,977	–	–	–	1,066,104
Investments made during the year	–	548,287	–	–	–	548,287
Investments redeemed during the year	–	(851,574)	–	–	–	(851,574)
At end of the year	200,127	562,690	–	–	–	762,817
Contingencies and commitments	–	749,299	–	–	–	749,299



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

	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	Total
Forward purchase contracts	-	161,315	-	-	-	161,315
Other receivable	13,907	-	-	-	-	13,907
Other payable	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 securities & 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

Nine months period ended 30 September 2015 (Un-audited)

Forward purchase contracts	-	-	-	-	-	-
Other receivable	11,825	-	-	-	-	11,825
Other payable	135	-	-	-	-	135
Unrealised loss on forward contracts	-	-	-	-	-	-
Purchase of securities	-	1,713	-	-	-	1,713
Purchase of mutual funds	-	546,574	-	-	-	546,574
Sale of securities	-	8,023	-	-	36,936	44,959
Redemption of mutual funds	-	936,356	-	-	-	936,356
Gain on sale of securities & mutual funds	-	84,782	-	-	-	84,782
Mark-up earned	583	82,857	3	2,336	-	85,779
Mark-up expensed	714	128,616	11,180	22,632	3,481	166,623
Bank charges and commission	1	2,603	9	696	-	3,309
Salaries and allowances	-	-	-	234,910	-	234,910
Bonus	-	-	-	43,984	-	43,984
Contribution to defined contribution plan	-	-	-	10,722	-	10,722
Contribution to defined benefit plan	-	-	-	21,492	-	21,492
Staff provident fund	-	-	-	-	195,412	195,412
Staff gratuity fund	-	-	-	-	126,000	126,000
Directors' fee	-	-	5,675	-	-	5,675
Insurance claim received	-	11,681	-	-	-	11,681
Insurance premium paid	-	129,468	-	-	-	129,468
Dividend income	-	70,740	-	-	-	70,740
Rental income	1,575	-	-	-	-	1,575
Rental paid	-	1,538	-	-	-	1,538
Commission expensed	830	-	-	-	-	830
Donation	-	100	-	-	-	100
Other expensed	-	3,213	-	-	-	3,213
Other income	401	120	-	-	80	601



24. ISLAMIC BANKING BUSINESS

24.1 The Bank is operating 37 (31 December 2015: 29) Islamic Banking branches in Pakistan. The statement of financial position of these branches as at 30 September 2016 is as follows:

	(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
Note		
ASSETS		
Cash and balances with treasury banks	1,449,826	882,606
Balances with and due from financial institutions	1,673,794	744,861
Investments	8,090,531	5,594,911
Islamic financing and related assets	24.2 13,129,770	11,980,951
Operating fixed assets	161,268	134,795
Other assets	243,020	244,172
	24,748,209	19,582,296
LIABILITIES		
Bills payable	72,087	8,452
Due to financial institutions	1,687,928	2,734,239
Deposits and other accounts	18,856,513	14,718,557
– Current accounts	6,703,703	4,797,701
– Saving accounts	5,698,658	3,675,740
– Term deposits	5,041,369	5,152,092
– Others	66,859	71,726
– Deposits from financial institutions-remunerative	1,345,211	1,019,316
– Deposits from financial institutions-non-remunerative	713	1,982
Due to Head office	311,432	1,490
Other liabilities	1,561,063	427,968
	(22,489,023)	(17,890,706)
NET ASSETS	2,259,186	1,691,590
REPRESENTED BY:		
Islamic banking fund	2,200,000	1,500,000
Unremitted profit	60,672	180,290
	2,260,672	1,680,290
(Deficit) / surplus on revaluation of assets	(1,486)	11,300
	2,259,186	1,691,590



	(Un-audited) 30 September 2016	(Audited) 31 December 2015
	(Rupees in '000)	
24.2 Islamic financing and related assets		
Murabaha	2,104,673	2,850,625
Net book value of assets / investments in ijarah under IFAS 2	1,321,469	695,688
Diminishing musharika	5,494,490	3,639,528
Musawama	646,313	274,033
Export refinance murabaha	—	32,351
Export refinance istisna	1,998,167	2,491,638
Istisna	618,821	568,922
Gross financing	12,183,933	10,552,785
Advance against murabaha	352,875	1,176,821
Advance against ijarah	596,958	253,129
Islamic financing and related assets - gross	13,133,766	11,982,735
Less: general provisioning against consumer financing	(3,996)	(1,784)
Islamic financing and related assets - net of provision	13,129,770	11,980,951
24.3 Islamic mode of financing		
Financings / inventory / receivables	12,183,933	10,552,785
Advances	949,833	1,429,950
Less: general provisioning against consumer financing	(3,996)	(1,784)
	13,129,770	11,980,951
24.4 The profit and loss account of the Bank's Islamic Banking branches for the nine months period ended 30 September 2016 is as follows:		
	(Un-audited) Nine months period ended	
	30 September 2016	30 September 2015
	(Rupees in '000)	
Profit / return on financing and placements earned	954,859	878,801
Profit / return on deposits and other dues expensed	(483,999)	(477,134)
	470,860	401,667
Provision against non-performing loans and advances	(2,212)	(532)
Net spread earned	468,648	401,135
OTHER INCOME		
Fee, commission and brokerage income	50,734	30,404
Dividend income	1,654	—
Income from dealing in foreign currencies	13,755	7,309
Other income	14,818	10,617
	80,961	48,330
OTHER EXPENSES		
Administrative expenses	(488,937)	(296,611)
PROFIT BEFORE TAXATION	60,672	152,854
24.5 Remuneration to Shariah Board / Advisor	3,726	1,800



	(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
24.6 CHARITY FUND		
Opening balance	2,686	2,621
Additions during the period / year	2,115	2,686
Payment / utilisation during the period / year		
Health	-	(1,021)
Social welfare	(1,556)	(1,600)
	(1,556)	(2,621)
Closing balance	3,245	2,686

25. GENERAL

25.1 SBP has issued BPRD Circular Letter No. 5 dated February 29, 2016 regarding the classification of Islamic financing and related assets. Accordingly, prior year numbers have been reclassified as follows:

- Bai Muajjal of Rs. 1,825.278 million has been reclassified from Lendings to Financial Institutions to Investments.
- Islamic receivables carried in Other assets of Rs. 1,429.950 million have been reclassified to Advances.

No other major reclassifications were made during the period.

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

26. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 20 October 2016.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



Bank AL Habib
25 YEARS SILVER JUBILEE
1991-2016

Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

		(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
	Note		
ASSETS			
Cash and balances with treasury banks		49,425,631	38,577,760
Balances with other banks	7	5,769,967	3,204,284
Lendings to financial institutions		—	3,992,794
Investments - net	8	406,759,244	356,906,766
Advances - net	9	237,488,033	207,288,807
Operating fixed assets	10	18,085,601	15,782,394
Deferred tax assets - net		—	—
Other assets		8,337,364	14,271,009
		725,865,840	640,023,814
LIABILITIES			
Bills payable		11,671,333	8,665,462
Borrowings	11	80,732,088	62,592,299
Deposits and other accounts	12	574,026,063	516,197,547
Sub-ordinated loans	13	3,999,200	2,994,600
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		4,281,090	3,627,612
Other liabilities		10,114,944	7,754,760
		684,824,718	601,832,280
NET ASSETS		41,041,122	38,191,534
REPRESENTED BY:			
Share capital		11,114,254	11,114,254
Reserves		11,411,190	10,329,233
Unappropriated profit		10,917,241	10,414,605
Equity attributable to the shareholders of the Holding company		33,442,685	31,858,092
Non-controlling interest		112,836	112,979
Total equity		33,555,521	31,971,071
Surplus on revaluation of assets - net of tax	14	7,485,601	6,220,463
		41,041,122	38,191,534
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
Chief Executive and
Managing Director

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



	Nine months period ended		Quarter ended	
Note	30 September 2016	30 September 2015 (Rupees in '000)	30 September 2016	30 September 2015
16	36,289,531	37,730,030	11,444,831	12,288,663
17	(17,613,149)	(19,436,613)	(5,535,140)	(5,991,529)
	18,676,382	18,293,417	5,909,691	6,297,134
	782,219	(1,359,297)	57,371	(227,974)
	-	(34)	-	(34)
	782,219	(1,359,331)	57,371	(228,008)
	19,458,601	16,934,086	5,967,062	6,069,126
18	1,866,742	1,699,164	594,912	530,855
	433,641	452,189	82,152	134,229
	457,384	575,864	127,613	105,196
	58,229	146,497	9,204	(103,770)
	(9,187)	(11,398)	(9,192)	(2,015)
	53,627	78,494	19,259	20,776
	515,912	474,430	158,478	152,663
	3,376,348	3,415,240	982,426	837,934
	22,834,949	20,349,326	6,949,488	6,907,060
	(13,255,321)	(11,123,329)	(4,327,397)	(3,791,800)
	26,499	(23,892)	(4,550)	-
	(205,371)	(216,888)	(51,905)	(63,659)
	(13,434,193)	(11,364,109)	(4,383,852)	(3,855,459)
	9,400,756	8,985,217	2,565,636	3,051,601
	-	-	-	-
	9,400,756	8,985,217	2,565,636	3,051,601
	(3,500,818)	(3,406,252)	(921,203)	(1,099,691)
	(502,993)	(500,484)	-	-
	41,137	151,156	14,733	17,896
	(3,962,674)	(3,755,580)	(906,470)	(1,081,795)
	5,438,082	5,229,637	1,659,166	1,969,806
	5,438,225	5,227,485	1,659,554	1,968,922
	(143)	2,152	(388)	884
	5,438,082	5,229,637	1,659,166	1,969,806
	(Rupees)			
19	4.89	4.70	1.49	1.77

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED MAZHAR ABBAS	ANWAR HAJI KARIM
<i>Chairman</i>	<i>Chief Executive and Managing Director</i>	<i>Director</i>	<i>Director</i>



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

	Nine months period ended		Quarter ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	(Rupees in '000)			
Profit after taxation for the period	5,438,082	5,229,637	1,659,166	1,969,806
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 operations	(3,425)	86,376	(5,089)	60,831
<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	5,434,657	5,316,013	1,654,077	2,030,637
Components of comprehensive income not reflected in equity				
Surplus / (deficit) on revaluation of available for sale securities	1,985,710	2,676,290	(171,966)	71,024
Related tax charge	(692,606)	(1,140,596)	63,271	(26,997)
	1,293,104	1,535,694	(108,695)	44,027
Total comprehensive income	6,727,761	6,851,707	1,545,382	2,074,664
Attributable to:				
Shareholders of the Holding company	6,726,421	6,847,545	1,545,407	2,073,352
Non-controlling interest	1,340	4,162	(25)	1,312
	6,727,761	6,851,707	1,545,382	2,074,664

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
Chief Executive and
Managing Director

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

	Note	30 September 2016	30 September 2015
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		9,400,756	8,985,217
Less: Dividend income		(433,641)	(452,189)
		8,967,115	8,533,028
Adjustments for:			
Depreciation		1,176,132	836,795
Amortisation		64,301	62,892
(Reversal) / provision against non-performing loans and advances - net		(782,219)	1,359,297
Gain on sale of operating fixed assets		(65,097)	(15,935)
Gain on sale / redemption of securities - net		(58,229)	(146,497)
Unrealised loss on held for trading securities		9,187	11,398
Charge for defined benefit plan		162,000	126,000
Charge for compensated absences		36,664	41,346
Share of profit from associates		(53,627)	(78,494)
(Reversals) / provisions against off-balance sheet items		(26,499)	23,892
		462,613	2,220,694
		9,429,728	10,753,722
Decrease / (increase) in operating assets			
Lendings to financial institutions		3,992,794	—
Advances - net		(29,417,007)	(20,608,695)
Other assets		6,001,729	3,133,248
		(19,422,484)	(17,475,447)
Increase in operating liabilities			
Bills payable		3,005,871	275,944
Borrowings		17,620,936	29,329,792
Deposits and other accounts		57,828,516	35,334,857
Other liabilities - (excluding provision for taxation)		1,980,729	659,626
		80,436,052	65,600,219
		70,443,296	58,878,494
Income tax paid		(3,858,437)	(3,782,944)
Net cash generated from operating activities		66,584,859	55,095,550
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(47,803,315)	(43,983,508)
Net investments in associates		41,792	458,811
Dividend received		371,528	359,656
Investments in operating fixed assets		(3,557,348)	(2,468,184)
Sale proceeds from disposal of operating fixed assets		84,512	68,892
Net cash used in investing activities		(50,862,831)	(45,564,333)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts / (repayments) of sub-ordinated loans		1,004,600	(748,500)
Dividend paid		(3,828,502)	(3,282,275)
Net cash used in financing activities		(2,823,902)	(4,030,775)
Exchange differences on translation of net investment in foreign operations		(3,425)	86,376
Increase in cash and cash equivalents		12,894,701	5,586,818
Cash and cash equivalents at beginning of the period		41,776,740	37,887,729
Cash and cash equivalents at end of the period	20	54,671,441	43,474,547

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

	Attributable to the shareholders of the Holding Company								Total
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Unappropriated Profit	Sub Total	Non-controlling Interest	
				Special Reserve	General Reserve				
	(Rupees in '000)								
Balance as at 01 January 2015	11,114,254	7,932,650	161,761	126,500	540,000	7,912,345	27,787,510	113,969	27,901,479
Total comprehensive income for the nine months period ended 30 September 2015:									
Profit after tax	-	-	-	-	-	5,227,485	5,227,485	2,152	5,229,637
Other comprehensive income	-	-	86,376	-	-	-	86,376	-	86,376
	-	-	86,376	-	-	5,227,485	5,313,861	2,152	5,316,013
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	39,642	39,642	-	39,642
Transfer to statutory reserve	-	1,060,415	-	-	-	(1,060,415)	-	-	-
Transaction with owners, recorded directly in equity:									
Cash dividend (Rs. 3 per share)	-	-	-	-	-	(3,334,276)	(3,334,276)	-	(3,334,276)
Balance as at 30 September 2015	11,114,254	8,993,065	248,137	126,500	540,000	8,784,781	29,806,737	116,121	29,922,858
Total comprehensive income for the quarter ended 31 December 2015:									
Profit after tax	-	-	-	-	-	2,105,257	2,105,257	(3,142)	2,102,115
Other comprehensive income	-	-	964	-	-	(68,080)	(67,116)	-	(67,116)
	-	-	964	-	-	2,037,177	2,038,141	(3,142)	2,034,999
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	13,214	13,214	-	13,214
Transfer to statutory reserve	-	420,567	-	-	-	(420,567)	-	-	-
Balance as at 31 December 2015	11,114,254	9,413,632	249,101	126,500	540,000	10,414,605	31,858,092	112,979	31,971,071
Total comprehensive income for the nine months period ended 30 September 2016:									
Profit after tax	-	-	-	-	-	5,438,225	5,438,225	(143)	5,438,082
Other comprehensive income	-	-	(3,425)	-	-	-	(3,425)	-	(3,425)
	-	-	(3,425)	-	-	5,438,225	5,434,800	(143)	5,434,657
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	39,782	39,782	-	39,782
Transfer to statutory reserve	-	1,085,382	-	-	-	(1,085,382)	-	-	-
Transaction with owners, recorded directly in equity:									
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)	-	(3,889,989)
Balance as at 30 September 2016	11,114,254	10,499,014	245,676	126,500	540,000	10,917,241	33,442,685	112,836	33,555,521

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

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 the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 500 branches (31 December 2015: 423 branches), 87 sub-branches (31 December 2015: 105 sub-branches) and 03 representative offices (31 December 2015: 03 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2015: 03 overseas branches) and 37 Islamic Banking branches (31 December 2015: 29 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 the 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 and is in the process of obtaining a Deposit Taking Companies license from the Hong Kong Monetary Authority.

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).



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 24.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated condensed interim financial statements of the Group have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', IFAS issued by the Institute of Chartered Accountants of Pakistan, the requirements of the 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 the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

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 2015.

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 assumptions and estimates that 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 2015.

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 2015 except for the reclassification as required by SBP vide its BPRD Circular No. 1 of 2016, BPRD Circular Letter No. 05 of 2016 and additional disclosures in respect of Islamic Index Screening as required by Circular No. 14 of 2016 issued by SECP.

Non-banking assets acquired in satisfaction of claims:

Effective 1 January 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. In line with the guidance provided in the Regulations, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, non-banking assets (included in Other Assets in the statement of financial position), surplus on revaluation of assets and deferred tax liability - net would have been lower by Rs. 11.678 million, Rs. 11.676 million and Rs. 1.258 million respectively while profit after tax would have been higher by Rs. 1.396 million.

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 2015.



7. BALANCES WITH OTHER BANKS

These include Rs. 1,673.794 million (31 December 2015: Rs. 744.861 million) placed under Shariah permissible mode.

Note	30 September 2016 (Un-audited)			31 December 2015 (Audited)		
	Held by Group	Given as Collateral	Total	Held by Group	Given as Collateral	Total
	(Rupees in '000)					

8. INVESTMENTS

8.1 Investments by type

Available for Sale Securities

Market Treasury Bills	169,094,771	59,077,940	228,172,711	96,543,319	39,361,572	135,904,891
Pakistan Investment Bonds	50,504,214	-	50,504,214	60,240,211	-	60,240,211
Foreign Currency Bonds	5,264,960	-	5,264,960	4,043,886	-	4,043,886
Sukuk Bonds	8,899,209	-	8,899,209	6,983,848	-	6,983,848
Fully paid-up ordinary shares - Listed	5,106,890	-	5,106,890	4,074,462	-	4,074,462
Fully paid-up ordinary shares - Unlisted	70,814	-	70,814	70,814	-	70,814
Term finance certificates - Listed	702,771	-	702,771	302,972	-	302,972
Term finance certificates - Unlisted	2,260,801	-	2,260,801	2,946,686	-	2,946,686
Units of mutual funds	1,600,000	-	1,600,000	1,550,000	-	1,550,000
	243,504,430	59,077,940	302,582,370	176,756,198	39,361,572	216,117,770

Held to Maturity Securities 8.2

Pakistan Investment Bonds	90,984,462	-	90,984,462	130,462,425	-	130,462,425
Foreign Currency Bonds	2,389,557	-	2,389,557	1,879,702	-	1,879,702
Other Federal Government Securities	1,906,739	-	1,906,739	1,825,278	-	1,825,278
Sukuk Bonds	678,335	-	678,335	696,890	-	696,890
	95,959,093	-	95,959,093	134,864,295	-	134,864,295

Held for Trading Securities

Fully paid-up ordinary shares - Listed	299,695	-	299,695	-	-	-
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Associates

Habib Sugar Mills Limited	416,191	-	416,191	396,615	-	396,615
Habib Asset Management Limited	83,965	-	83,965	84,236	-	84,236
First Habib Income Fund	138,553	-	138,553	142,719	-	142,719
First Habib Stock Fund	10,659	-	10,659	9,534	-	9,534
First Habib Cash Fund	141,516	-	141,516	144,106	-	144,106
First Habib Islamic Balanced Fund	10,424	-	10,424	9,812	-	9,812
	801,308	-	801,308	787,022	-	787,022

Investments at cost	340,564,526	59,077,940	399,642,466	312,407,515	39,361,572	351,769,087
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Less: Provision for diminution in the value of investments	(213,185)	-	(213,185)	(213,185)	-	(213,185)
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Investments (net of provisions)	340,351,341	59,077,940	399,429,281	312,194,330	39,361,572	351,555,902
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Surplus on revaluation of available for sale securities - net	7,295,725	43,425	7,339,150	5,231,116	119,748	5,350,864
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Deficit on revaluation of held for trading securities - net	(9,187)	-	(9,187)	-	-	-
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Total Investments	347,637,879	59,121,365	406,759,244	317,425,446	39,481,320	356,906,766
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8.2 The aggregate market value of held to maturity securities as at 30 September 2016 amounted to Rs. 107,774 million (31 December 2015: Rs. 146,376 million).



	Note	(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
9. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		195,427,106	171,210,572
– Outside Pakistan		16,396,958	14,648,449
		<u>211,824,064</u>	<u>185,859,021</u>
Islamic financing and related assets - gross	9.4 & 24.2	13,133,766	11,982,735
Net investment in finance lease			
– In Pakistan		7,275,255	4,297,187
– Outside Pakistan		–	–
		<u>7,275,255</u>	<u>4,297,187</u>
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		1,603,049	3,222,616
– Payable outside Pakistan		11,138,110	10,340,898
		<u>12,741,159</u>	<u>13,563,514</u>
Advances - gross		244,974,244	215,702,457
Provision against non-performing loans and advances			
– Specific provision	9.1	(4,555,721)	(5,537,371)
– General provision against small enterprises and consumer advances (as per SBP regulations)	9.2	(180,490)	(126,279)
– General provision	9.3	(2,750,000)	(2,750,000)
		<u>(7,486,211)</u>	<u>(8,413,650)</u>
Advances - net of provisions		<u>237,488,033</u>	<u>207,288,807</u>
9.1 Advances include Rs. 5,807.792 million (31 December 2015: Rs. 5,874.374 million) which have been placed under non-performing status as detailed below:			

30 September 2016 (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	49,313	–	49,313	2,324	–	2,324	2,324	–	2,324
Substandard	1,523,268	–	1,523,268	380,162	–	380,162	380,162	–	380,162
Doubtful	61,370	–	61,370	16,800	–	16,800	16,800	–	16,800
Loss	3,231,292	942,549	4,173,841	3,213,886	942,549	4,156,435	3,213,886	942,549	4,156,435
	<u>4,865,243</u>	<u>942,549</u>	<u>5,807,792</u>	<u>3,613,172</u>	<u>942,549</u>	<u>4,555,721</u>	<u>3,613,172</u>	<u>942,549</u>	<u>4,555,721</u>



Category of classification	31 December 2015 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	3,335	-	3,335	40	-	40	40	-	40
Substandard	43,810	-	43,810	10,940	-	10,940	10,940	-	10,940
Doubtful	599,534	-	599,534	299,767	-	299,767	309,485	-	309,485
Loss	4,280,034	947,661	5,227,695	4,269,245	947,661	5,216,906	4,269,245	947,661	5,216,906
	<u>4,926,713</u>	<u>947,661</u>	<u>5,874,374</u>	<u>4,579,992</u>	<u>947,661</u>	<u>5,527,653</u>	<u>4,589,710</u>	<u>947,661</u>	<u>5,537,371</u>

9.2 General provision represents provision amounting to Rs. 132.829 million (31 December 2015: Rs. 100.618 million) against consumer finance portfolio and Rs. 47.661 million (31 December 2015: Rs. 25.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP. General provision against consumer finance portfolio includes Rs. 3.996 million (31 December 2015: Rs. 1.784 million) permissible under Shariah.

9.3 In line with its prudent policies, the Bank also made general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 30 September 2016 amounts to Rs. 2,750 million (31 December 2015: Rs. 2,750 million).

9.4 These represents financing and related assets placed under Shariah permissible modes.

	(Un-audited) 30 September 2016	(Audited) 31 December 2015
	(Rupees in '000)	
10. OPERATING FIXED ASSETS		
Capital work-in-progress	925,532	703,896
Property and equipment	17,068,722	15,009,585
Intangible assets	91,347	68,913
	<u>18,085,601</u>	<u>15,782,394</u>

(Un-audited) Nine months period ended	
30 September 2016	30 September 2015
(Rupees in '000)	

10.1 The following additions were made during the period:

Leasehold land	315,532	219,840
Buildings on leasehold land	1,191,703	28,746
Improvements to leasehold buildings	242,236	166,059
Furniture and fixtures	138,944	98,464
Electrical, office and computer equipments	949,051	904,530
Vehicles	415,074	272,488
Intangible assets	81,070	26,551
	<u>3,333,610</u>	<u>1,716,678</u>



	(Un-audited) Nine months period ended	
	30 September 2016	30 September 2015
	(Rupees in '000)	
10.2 The written down value of fixed assets disposed off during the period were as follows:		
Improvements to leasehold buildings	8,221	35,224
Furniture and fixtures	737	2,128
Electrical, office and computer equipments	2,872	6,255
Vehicles	7,585	9,350
	19,415	52,957
	(Un-audited)	(Audited)
	30 September 2016	31 December 2015
	(Rupees in '000)	
11. BORROWINGS		
Secured		
Borrowings from SBP		
– Export refinance scheme	16,369,828	19,118,954
– Long term financing for export oriented projects	–	4,246
– Long term financing for imported and locally manufactured plant and machinery	4,714,503	3,953,374
– Financing facility for storage of agricultural produce	12,240	36,861
	21,096,571	23,113,435
Repurchase agreement borrowings	59,111,360	39,473,560
	80,207,931	62,586,995
Unsecured		
Overdrawn nostros	524,157	5,304
	80,732,088	62,592,299
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	124,662,914	120,268,519
Savings deposits	165,765,299	150,427,540
Current accounts - Remunerative	67,454,905	57,094,573
Current accounts - Non-remunerative	201,141,963	175,902,813
	559,025,081	503,693,445
Financial institutions		
Remunerative deposits	12,823,364	11,451,951
Non-remunerative deposits	2,177,618	1,052,151
	15,000,982	12,504,102
	574,026,063	516,197,547



12.1 Deposits include Rs. 18,856.513 million (31 December 2015: Rs. 14,718.557 million) placed under permissible Shariah modes.

		(Un-audited) 30 September 2016	(Audited) 31 December 2015
	Note	(Rupees in '000)	
13. SUB-ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - IV - (Unquoted)	13.1	–	2,994,600
Term Finance Certificates (TFCs) - V - (Unquoted)	13.2	3,999,200	–
		<u>3,999,200</u>	<u>2,994,600</u>

13.1 During the period, the Bank exercised the Call Option of Term Finance Certificates-IV in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on 30 June 2016.

13.2 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 2016	(Audited) 31 December 2015
	Note	(Rupees in '000)	
14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Fixed assets / non-banking assets	14.1	2,664,397	2,692,363
Available for sale investments	14.2	4,821,204	3,528,100
		7,485,601	6,220,463



	(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
14.1 Fixed assets / non-banking assets		
Balance at beginning of the period / year	3,489,993	3,575,215
Surplus / (adjustment) on revaluation of the Bank's fixed assets / non-banking assets during the period / year	13,825	(3,905)
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(61,203)	(81,317)
	<u>3,442,615</u>	<u>3,489,993</u>
Related deferred tax liability on:		
Balance at beginning of the period / year	797,630	826,092
Revaluation of the Bank's fixed assets / non-banking assets during the period / year	2,009	—
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(21,421)	(28,462)
	<u>(778,218)</u>	<u>(797,630)</u>
	<u>2,664,397</u>	<u>2,692,363</u>
14.2 Available for sale investments		
Federal Government Securities	5,793,446	4,543,743
Fully paid-up ordinary shares	1,346,786	716,974
Term finance certificates, sukuk bonds, foreign currency bonds and others	46,454	49,163
Units of mutual funds	197,662	88,758
	<u>7,384,348</u>	<u>5,398,638</u>
Related deferred tax liability	(2,563,144)	(1,870,538)
	<u>4,821,204</u>	<u>3,528,100</u>
14.2.1 This includes deficit of Rs. 1.486 million (31 December 2015 surplus: Rs. 11.300 million) on revaluation of available for sale securities placed as per arrangements permissible under Shariah.		



	(Un-audited) 30 September 2016	(Audited) 31 December 2015
(Rupees in '000)		
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Financial guarantees issued favouring:		
– Financial institutions	723,241	462,800
– Others	3,854,207	5,086,805
	<u>4,577,448</u>	<u>5,549,605</u>
15.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
– Government	32,812,676	29,798,948
– Financial institutions	580,888	668,750
– Others	10,518,483	6,743,423
	<u>43,912,047</u>	<u>37,211,121</u>
15.3 Trade-related contingent liabilities		
Letters of credit	88,635,361	77,847,579
Acceptances	14,533,323	13,547,110
	<u>103,168,684</u>	<u>91,394,689</u>
15.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>12,901,446</u>	<u>10,748,236</u>
15.5 Commitments in respect of forward exchange contracts		
Purchase	<u>48,399,628</u>	<u>46,760,182</u>
Sale	<u>29,476,967</u>	<u>28,769,804</u>
The maturities of above contracts are spread over the period upto one year.		
15.6 Commitments for the acquisition of operating fixed assets	<u>663,381</u>	<u>636,406</u>



15.7 Other contingencies

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2014. The income tax assessments of the Bank are complete upto tax year 2013.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 by disallowing certain expenses. Subsequently, 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. The Bank has filed an appeal before the Commissioner Inland Revenue (Appeals) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) has passed appellate orders for tax years 2009 and 2011 by confirming disallowance of provision for non-performing loans, other provisions and amortisation 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 2016	30 September 2015	30 September 2016	30 September 2015
(Rupees in '000)			

16. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

Customers	10,590,897	11,071,370	3,562,066	3,534,505
Financial institutions	112,061	90,225	37,953	32,614
	10,702,958	11,161,595	3,600,019	3,567,119

On investments:

Available for sale securities	14,507,906	15,660,472	4,774,669	4,818,708
Held to maturity securities	10,864,893	10,751,809	3,000,582	3,847,962
	25,372,799	26,412,281	7,775,251	8,666,670

On deposits with financial institutions

159,948	122,697	47,914	41,992
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On securities purchased under resale agreements

52,322	32,936	21,311	12,584
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On call money lendings

1,504	521	336	298
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36,289,531	37,730,030	11,444,831	12,288,663
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16.1 These include Rs. 954.859 million (30 September 2015: Rs. 878.801 million) pertaining to Islamic banking out of which Rs. 72.245 million (30 September 2015: Rs. 62.944 million) represents profit from placements permissible under Shariah.



	(Un-audited)			
	Nine months period ended		Quarter ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	(Rupees in '000)			
17. MARK-UP / RETURN / INTEREST EXPENSED				
Deposits	12,949,273	14,303,965	4,284,019	4,380,899
Sub-ordinated loans	375,732	345,270	71,122	113,243
Repurchase agreement borrowings	3,227,864	3,668,085	847,657	1,147,418
Borrowings from SBP	462,820	774,600	129,326	209,751
Other borrowings	597,460	344,693	203,016	140,218
	<u>17,613,149</u>	<u>19,436,613</u>	<u>5,535,140</u>	<u>5,991,529</u>
18. DIVIDEND INCOME				
Available for sale				
Allied Bank Limited	3,963	4,096	1,321	1,322
Attock Petroleum Limited	7,866	6,166	4,916	4,326
Attock Refinery Limited	500	—	500	—
Engro Corporation Limited	1,400	—	1,400	—
Engro Fertilizer Limited	800	—	800	—
Fatima Fertilizer Company Limited	312	—	312	—
Fauji Fertilizer Bin Qasim Limited	—	10,439	—	3,341
Fauji Fertilizer Company Limited	30,553	29,636	7,207	5,643
First Habib Modaraba	—	647	—	647
Habib Bank Limited	13,509	8,700	4,502	4,501
Habib Metropolitan Bank Limited	30,055	55,311	—	30,055
Hub Power Company Limited	63,040	74,851	—	43,342
Indus Motor Company Limited	836	—	836	—
International Industries Limited	238	211	185	132
International Steels Limited	7,029	—	7,029	—
Kot Addu Power Company Limited	27,287	15,840	—	—
Lalpir Power Limited	4,844	2,094	2,750	—
MCB Bank Limited	12,000	4,753	4,000	1,584
Meezan Bank Limited	—	357	—	208
National Investment (Unit) Trust	49,647	46,889	—	—
Nishat Chunian Power Limited	17,927	15,753	8,366	—
NIT Government Bond Fund	36,461	67,089	—	—
NIT Government Treasury Fund	998	—	—	—
NIT Income Fund	13,241	21,081	—	—
NIT Islamic Equity Fund	10,520	—	—	—
Packages Limited	263	158	—	—
Pakgen Power Limited	9,473	4,407	5,066	—
Pakistan Oilfields Limited	33,218	32,533	18,982	23,727
Pakistan Petroleum Limited	3,987	14,130	—	7,088
Pakistan State Oil Company Limited	4,573	5,487	—	—
Pakistan Telecommunication Company Limited	6,033	—	6,033	—
Pakistan Stock Exchange Limited	400	600	—	—
PIML Income Fund	—	308	—	—
Rafhan Maize Products Company Limited	120	—	120	—
Shell Pakistan Limited	360	180	135	—
Soneri Bank Limited	20,677	11,580	—	—
Standard Chartered Bank (Pakistan) Limited	6,366	7,162	2,387	2,387
United Bank Limited	10,550	8,630	3,165	3,165
	<u>429,046</u>	<u>449,088</u>	<u>80,012</u>	<u>131,468</u>



(Un-audited)
Nine months period ended **Quarter ended**
30 September **30 September** **30 September** **30 September**
2016 **2015** **2016** **2015**
(Rupees in '000)

Held for trading

Adamjee Insurance Company Limited	-	150	-	150
Askari Bank Limited	-	150	-	150
Dawood Hercules Corporation Limited	450	-	450	-
Engro Corporation Limited	1,500	400	525	200
Engro Fertilizer Limited	400	135	400	135
Fauji Cement Company Limited	-	750	-	750
Fauji Fertilizer Bin Qasim Limited	305	-	-	-
Faysal Bank Limited	100	-	-	-
Indus Motor Company Limited	180	-	180	-
Lalpir Power Limited	100	-	-	-
MCB Bank Limited	-	140	-	-
Pak Electron Limited	313	125	313	125
Pakgen Power Limited	175	-	-	-
Pakistan Telecommunication Company Limited	1,000	949	200	949
Rafhan Maize Products Company Limited	72	-	72	-
United Bank Limited	-	302	-	302
	4,595	3,101	2,140	2,761
	433,641	452,189	82,152	134,229

19. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY

Profit after taxation - attributable to equity holders of the Holding company	5,438,225	5,227,485	1,659,554	1,968,922
	(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	4.89	4.70	1.49	1.77

(Un-audited)
Nine months period ended
30 September **30 September**
2016 **2015**
(Rupees in '000)

20. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	49,425,631	39,414,278
Balances with other banks	5,769,967	4,794,699
Overdrawn nostros	(524,157)	(734,430)
	54,671,441	43,474,547



21. 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 2016 (Un-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
On-balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	292,294,575	-	-	-	-	-	292,294,575	-	292,294,575	-	292,294,575
Foreign Currency Bonds	1,695,662	-	-	-	-	-	1,695,662	-	1,695,662	-	1,695,662
Fully paid-up ordinary shares - Listed	6,256,684	290,508	-	-	-	-	6,547,192	6,749,214	-	-	6,749,214
Units of mutual funds	1,797,662	-	-	-	-	-	1,797,662	1,797,662	-	-	1,797,662
Term Finance Certificates - Listed	701,639	-	-	-	-	-	701,639	701,639	-	-	701,639
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	49,425,631	-	49,425,631	-	-	-	-
- Balances with other banks	-	-	-	-	5,769,967	-	5,769,967	-	-	-	-
- Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC + Others)	3,203,571	-	95,282,960	-	-	-	98,486,531	-	107,096,101	-	107,096,101
Foreign Currency Bonds	-	-	521,149	-	-	-	521,149	-	522,793	-	522,793
Sukuk Bonds	2,866,660	-	154,984	-	-	-	3,021,644	-	-	-	-
Fully paid-up ordinary shares - Un-listed	59,652	-	-	-	-	-	59,652	-	-	-	-
Term Finance Certificates - Un-listed	832,230	-	-	-	-	-	832,230	-	-	-	-
- Associates											
Listed shares	-	-	-	-	416,191	-	416,191	392,242	-	-	392,242
Mutual funds	-	-	-	-	301,152	-	301,152	301,152	-	-	301,152
Un-listed shares	-	-	-	-	83,965	-	83,965	-	-	-	-
- Advances	-	-	-	237,488,033	-	-	237,488,033	-	-	-	-
- Other assets	-	-	-	-	6,797,515	-	6,797,515	-	-	-	-
	309,708,335	290,508	95,959,093	237,488,033	62,794,421	-	706,240,390	9,941,909	401,609,131	-	411,551,040
Financial liabilities not measured at fair value											
- Deposits and other accounts	-	-	-	-	-	(574,026,063)	(574,026,063)	-	-	-	-
- Bills payable	-	-	-	-	-	(11,671,333)	(11,671,333)	-	-	-	-
- Borrowings	-	-	-	-	-	(80,732,088)	(80,732,088)	-	-	-	-
- Sub - originated loans	-	-	-	-	-	(3,999,200)	(3,999,200)	-	-	-	-
- Other liabilities	-	-	-	-	-	(7,176,401)	(7,176,401)	-	-	-	-
	-	-	-	-	-	(677,605,085)	(677,605,085)	-	-	-	-
	309,708,335	290,508	95,959,093	237,488,033	62,794,421	(677,605,085)	28,635,305	9,941,909	401,609,131	-	411,551,040



31 December 2015 (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
On-balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	208,365,391	-	-	-	-	-	208,365,391	-	208,210,579	-	208,210,579
Foreign Currency Bonds	627,606	-	-	-	-	-	627,606	-	627,606	-	627,606
Fully paid-up ordinary shares - Listed	4,589,414	-	-	-	-	-	4,589,414	4,791,436	-	-	4,791,436
Units of mutual funds	1,638,758	-	-	-	-	-	1,638,758	1,638,758	-	-	1,638,758
Term Finance Certificates - Listed	705,764	-	-	-	-	-	705,764	705,764	-	-	705,764
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	38,577,760	-	38,577,760	-	-	-	-
- Balances with other banks	-	-	-	-	3,204,284	-	3,204,284	-	-	-	-
- Lendings to financial institutions	-	-	-	-	3,992,794	-	3,992,794	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC + Others)	1,964,286	-	134,691,407	-	-	-	136,655,693	-	146,203,123	-	146,203,123
Foreign Currency Bonds	-	-	-	-	-	-	-	-	-	-	-
Sukuk Bonds	2,472,178	-	172,888	-	-	-	2,645,066	-	-	-	-
Fully paid-up ordinary shares - Un-listed	59,652	-	-	-	-	-	59,652	-	-	-	-
Term Finance Certificates - Un-listed	832,400	-	-	-	-	-	832,400	-	-	-	-
Associates											
Listed shares	-	-	-	-	396,615	-	396,615	357,876	-	-	357,876
Mutual funds	-	-	-	-	306,171	-	306,171	306,171	-	-	306,171
Un-listed shares	-	-	-	-	84,236	-	84,236	-	-	-	-
- Advances	-	-	-	207,288,807	-	-	207,288,807	-	-	-	-
- Other assets	-	-	-	-	13,144,091	-	13,144,091	-	-	-	-
	221,255,449	-	134,864,295	207,288,807	59,705,951	-	623,114,502	7,800,005	355,041,308	-	362,841,313
Financial liabilities not measured at fair value											
- Deposits and other accounts	-	-	-	-	-	(516,197,547)	(516,197,547)	-	-	-	-
- Bills payable	-	-	-	-	-	(8,665,462)	(8,665,462)	-	-	-	-
- Borrowings	-	-	-	-	-	(62,592,299)	(62,592,299)	-	-	-	-
- Sub -ordinated loans	-	-	-	-	-	(2,994,600)	(2,994,600)	-	-	-	-
- Other liabilities	-	-	-	-	-	(5,727,105)	(5,727,105)	-	-	-	-
	-	-	-	-	-	(596,177,013)	(596,177,013)	-	-	-	-
	221,255,449	-	134,864,295	207,288,807	59,705,951	(596,177,013)	26,937,489	7,800,005	355,041,308	-	362,841,313

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).



22. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

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
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%		

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

Nine months period ended 30 September 2015 (Un-audited)					
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	Total
Total income	17,718,210	36,154,787	52,841	(12,780,568)	41,145,270
Total expenses	(13,578,944)	(31,314,527)	(47,150)	12,780,568	(32,160,053)
Net income	4,139,266	4,840,260	5,691	–	8,985,217
Segment assets (net of provisions)	461,885,278	621,589,702	357,302	(434,728,674)	649,103,608
Segment non performing loans	43,403	5,845,281	–	–	5,888,684
Segment provision required	38,468	5,108,970	–	–	5,147,438
Segment liabilities	460,376,178	586,725,200	186,909	(434,728,674)	612,559,613
Segment return on assets (ROA) (%)*	3.84%	5.82%	14.79%		
Segment cost of funds (%)*	2.95%	5.34%	25.23%		

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



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

	30 September 2016 (Un-audited)				Total
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	
Deposits					
At beginning of the period	3,398,002	183,973	432,539	325,824	4,340,338
Placements during the period	86,666,504	1,948,629	1,852,249	2,458,128	92,925,510
Withdrawals during the period	(85,907,195)	(1,830,272)	(1,658,114)	(2,155,098)	(91,550,679)
At end of the period	4,157,311	302,330	626,674	628,854	5,715,169
Advances					
At beginning of the period	978,041	144	54,478	–	1,032,663
Given during the period	20,692,324	4,019	72,685	–	20,769,028
Repaid during the period	(20,315,613)	(2,688)	(61,681)	–	(20,379,982)
At end of the period	1,354,752	1,475	65,482	–	1,421,709
Investments					
At beginning of the period	787,022	–	–	–	787,022
Investments made during the period	–	–	–	–	–
Investments redeemed during the period	14,286	–	–	–	14,286
At end of the period	801,308	–	–	–	801,308
Contingencies and commitments	743,362	–	–	–	743,362
31 December 2015 (Audited)					
Deposits					
At beginning of the year	3,037,277	185,609	401,895	49,441	3,674,222
Placements during the year	157,951,585	2,932,874	2,817,436	2,922,398	166,624,293
Withdrawals during the year	(157,590,860)	(2,934,510)	(2,786,792)	(2,646,015)	(165,958,177)
At end of the year	3,398,002	183,973	432,539	325,824	4,340,338
Advances					
At beginning of the year	1,517,483	294	52,960	–	1,570,737
Given during the year	22,453,719	2,790	72,596	–	22,529,105
Repaid during the year	(22,993,161)	(2,940)	(71,078)	–	(23,067,179)
At end of the year	978,041	144	54,478	–	1,032,663
Investments					
At beginning of the year	1,158,614	–	–	–	1,158,614
Investments made during the year	548,287	–	–	–	548,287
Investments redeemed during the year	(919,879)	–	–	–	(919,879)
At end of the year	787,022	–	–	–	787,022
Contingencies and commitments	749,299	–	–	–	749,299



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

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Forward purchase contracts	161,315	—	—	—	161,315
Other receivable	—	—	712	—	712
Other payable	—	—	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 securities & 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

Nine months period ended 30 September 2015 (Un-audited)

Forward purchase contracts	—	—	—	—	—
Other receivable	—	—	—	—	—
Other payable	—	—	—	—	—
Unrealised loss on forward contracts	—	—	—	—	—
Purchase of securities	1,713	—	—	—	1,713
Purchase of mutual funds	546,574	—	—	—	546,574
Sale of securities	8,023	—	—	36,936	44,959
Redemption of mutual funds	936,356	—	—	—	936,356
Gain on sale of securities & mutual funds	84,782	—	—	—	84,782
Mark-up earned	82,857	3	2,336	—	85,196
Mark-up expensed	128,616	11,180	22,632	3,481	165,909
Bank charges and commission	2,603	9	696	—	3,308
Salaries and allowances	—	—	243,254	—	243,254
Bonus	—	—	43,984	—	43,984
Contribution to defined contribution plan	—	—	11,277	—	11,277
Contribution to defined benefit plan	—	—	21,492	—	21,492
Staff provident fund	—	—	—	196,689	196,689
Staff gratuity fund	—	—	—	126,000	126,000
Directors' fee	—	5,675	—	—	5,675
Insurance claim received	11,681	—	—	—	11,681
Insurance premium paid	130,624	—	—	—	130,624
Dividend income	70,740	—	—	—	70,740
Rental paid	1,538	—	—	—	1,538
Brokerage and advisory income	693	—	—	—	693
Donation	100	—	—	—	100
Other expensed	3,213	—	—	—	3,213
Other income	120	—	—	80	200



24. ISLAMIC BANKING BUSINESS

24.1 The Bank is operating 37 (31 December 2015: 29) Islamic Banking branches in Pakistan. The statement of financial position of these branches as at 30 September 2016 is as follows:

		(Un-audited) 30 September 2016	(Audited) 31 December 2015
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		1,449,826	882,606
Balances with and due from financial institutions		1,673,794	744,861
Investments		8,090,531	5,594,911
Islamic financing and related assets	24.2	13,129,770	11,980,951
Operating fixed assets		161,268	134,795
Other assets		243,020	244,172
		24,748,209	19,582,296
LIABILITIES			
Bills payable		72,087	8,452
Due to financial institutions		1,687,928	2,734,239
Deposits and other accounts		18,856,513	14,718,557
– Current accounts		6,703,703	4,797,701
– Saving accounts		5,698,658	3,675,740
– Term deposits		5,041,369	5,152,092
– Others		66,859	71,726
– Deposits from financial institutions-remunerative		1,345,211	1,019,316
– Deposits from financial institutions-non-remunerative		713	1,982
Due to Head office		311,432	1,490
Other liabilities		1,561,063	427,968
		(22,489,023)	(17,890,706)
NET ASSETS		2,259,186	1,691,590
REPRESENTED BY:			
Islamic banking fund		2,200,000	1,500,000
Unremitted profit		60,672	180,290
		2,260,672	1,680,290
(Deficit) / surplus on revaluation of assets		(1,486)	11,300
		2,259,186	1,691,590



	(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
24.2 Islamic financing and related assets		
Murabaha	2,104,673	2,850,625
Net book value of assets / investments in ijarah under IFAS 2	1,321,469	695,688
Diminishing musharika	5,494,490	3,639,528
Musawama	646,313	274,033
Export refinance murabaha	-	32,351
Export refinance istisna	1,998,167	2,491,638
Istisna	618,821	568,922
Gross financing	12,183,933	10,552,785
Advance against murabaha	352,875	1,176,821
Advance against ijarah	596,958	253,129
Islamic financing and related assets - gross	13,133,766	11,982,735
Less: general provisioning against consumer financing	(3,996)	(1,784)
Islamic financing and related assets - net of provision	13,129,770	11,980,951
24.3 Islamic mode of financing		
Financings / inventory / receivables	12,183,933	10,552,785
Advances	949,833	1,429,950
Less: general provisioning against consumer financing	(3,996)	(1,784)
	13,129,770	11,980,951
24.4 The profit and loss account of the Bank's Islamic Banking branches for the nine months period ended 30 September 2016 is as follows:		
	(Un-audited) Nine months period ended 30 September 2016 (Rupees in '000)	30 September 2015
Profit / return on financing and placements earned	954,859	878,801
Profit / return on deposits and other dues expensed	(483,999)	(477,134)
	470,860	401,667
Provision against non-performing loans and advances	(2,212)	(532)
Net spread earned	468,648	401,135
OTHER INCOME		
Fee, commission and brokerage income	50,734	30,404
Dividend income	1,654	-
Income from dealing in foreign currencies	13,755	7,309
Other income	14,818	10,617
	80,961	48,330
OTHER EXPENSES		
Administrative expenses	(488,937)	(296,611)
PROFIT BEFORE TAXATION	60,672	152,854
24.5 Remuneration to Shariah Board / Advisor	3,726	1,800



	(Un-audited) 30 September 2016 (Rupees in '000)	(Audited) 31 December 2015
24.6 CHARITY FUND		
Opening balance	2,686	2,621
Additions during the period / year	2,115	2,686
Payment / utilisation during the period / year		
Health	–	(1,021)
Social welfare	(1,556)	(1,600)
	(1,556)	(2,621)
Closing balance	3,245	2,686

25. GENERAL

25.1 SBP has issued BPRD Circular Letter No. 5 dated February 29, 2016 regarding the classification of Islamic financing and related assets. Accordingly, prior year numbers have been reclassified as follows:

- Bai Muajjal of Rs. 1,825.278 million has been reclassified from Lendings to Financial Institutions to Investments.
- Islamic receivables carried in Other assets of Rs. 1,429.950 million have been reclassified to Advances.

No other major reclassifications were made during the period.

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

26. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 20 October 2016.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
 Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director