

هَذَا مِنْ فَضْلِ رَبِّي



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## CORPORATE INFORMATION

<b>Board of Directors</b>	Abbas D. Habib Ali Raza D. Habib Anwar Haji Karim Arshad Nasar Murtaza H. Habib Qumail R. Habib Safar Ali Lakhani Shahid Ghaffar Syed Mazhar Abbas Syed Hasan Ali Bukhari	<i>Chairman</i>
		<i>Executive Director</i>
<b>Audit Committee</b>	Mansoor Ali Khan	<i>Chief Executive</i>
	Syed Mazhar Abbas Anwar Haji Karim Arshad Nasar Syed Hasan Ali Bukhari Safar Ali Lakhani	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
<b>Human Resource &amp; Remuneration Committee</b>	Syed Mazhar Abbas Anwar Haji Karim Arshad Nasar Murtaza H. Habib Syed Hasan Ali Bukhari	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
<b>Company Secretary</b>	Mohammad Taqi Lakhani	
<b>Statutory Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants	
<b>Legal Advisor</b>	LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants	
<b>Registered Office</b>	126-C, Old Bahawalpur Road, Multan	
<b>Principal Office</b>	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
<b>Share Registrar</b>	Central Depository Company of Pakistan Ltd. CDC House 99-B, Block-B, S.M.C.H.S. Main Shahr-e-Faisal, Karachi-74400.	
<b>Website</b>	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 quarter ended March 31, 2017.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 624.7 billion as compared to Rs. 584.2 billion on December 31, 2016. In the same period, advances increased to Rs. 294.0 billion from Rs. 261.4 billion, while investments increased to Rs. 424.9 billion from Rs. 405.0 billion. The pre-tax profit of the Bank for the quarter ended March 31, 2017 was Rs. 3,609.7 million as compared to Rs. 4,102.4 million during the corresponding period last year.

Your Bank now has a network of 612 offices, comprising 533 branches, 76 sub-branches, and 3 Representative Offices. Our branch network includes 41 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2017.

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

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

On behalf of the Board of Directors

Karachi: April 25, 2017

Abbas D. Habib  
**Chairman**



## ڈائریکٹرز کا جائزہ

میرے لئے یہ باعث مسرت ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے ۳۱ مارچ ۲۰۱۷ء کو ختم ہونے والی سہ ماہی کے لئے بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مالی حسابات مع بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مجموعی مالیاتی حسابات بشمول بینک کی ذیلی کمپنیز الحیب کیپیٹل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب کریڈٹ اینڈ فنانس (ہانگ کانگ) لمیٹڈ پیش کروں۔

الحمد للہ، زیرِ جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ ۳۱ مارچ ۲۰۱۷ء کو ختم ہونے والی سہ ماہی میں ڈپازٹس بڑھ کر ۶۲۴ بلین روپے ہو گئے، جو کہ ۳۱ دسمبر ۲۰۱۶ء کو ۵۸۴ بلین روپے تھے۔ اسی مدت کے دوران ایڈوانسز ۲۶۱ بلین روپے سے بڑھ کر ۲۹۴ بلین روپے ہو گئے اور سرمایہ کاری ۴۰۵ بلین روپے سے بڑھ کر ۴۲۴ بلین روپے ہو گئی۔ ۳۱ مارچ ۲۰۱۷ء کو ختم ہونے والی سہ ماہی کے لئے آپ کے بینک کا قبل از ٹیکس منافع ۳۶۰۹ بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ ۲۱۰۴ بلین روپے تھا۔

آپ کے بینک کا نیٹ ورک اب ۶۱۲ دفاتر پر مشتمل ہے، جس میں ۵۳۳ برانچز، ۶۷ سب برانچز اور ۳ نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب ۴۱ اسلامی بینکاری برانچز اور ۳ بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کاربند رہتے ہوئے ہم سال ۲۰۱۷ء میں بھی مزید برانچز کھولنے کا ارادہ رکھتے ہیں۔

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

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

منجانب بورڈ آف ڈائریکٹرز

عباس ڈی۔ حبیب

چیئرمین

کراچی: ۲۵ اپریل ۲۰۱۷ء



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2017**

		(Un-audited) 31 March 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
<b>ASSETS</b>			
Cash and balances with treasury banks		52,252,291	50,600,041
Balances with other banks		3,313,525	2,866,455
Lendings to financial institutions		—	—
Investments - net	7	424,907,082	405,027,569
Advances - net	8	293,965,579	261,440,098
Operating fixed assets	9	19,535,633	18,894,031
Deferred tax assets - net		—	—
Other assets		9,113,652	12,567,622
		<b>803,087,762</b>	<b>751,395,816</b>
<b>LIABILITIES</b>			
Bills payable		14,435,525	13,872,057
Borrowings	10	104,586,174	93,717,345
Deposits and other accounts	11	624,667,020	584,171,954
Sub-ordinated loans	12	3,998,400	3,999,200
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		3,880,421	4,131,830
Other liabilities		11,019,279	8,989,686
		<b>762,586,819</b>	<b>708,882,072</b>
<b>NET ASSETS</b>		<b>40,500,943</b>	<b>42,513,744</b>
<b>REPRESENTED BY:</b>			
Share capital		11,114,254	11,114,254
Reserves		12,226,044	11,949,311
Unappropriated profit		11,017,974	12,858,807
		<b>34,358,272</b>	<b>35,922,372</b>
Surplus on revaluation of assets - net of tax	13	6,142,671	6,591,372
		<b>40,500,943</b>	<b>42,513,744</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

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

ABBAS D. HABIB  
*Chairman*

MANSOOR ALI KHAN  
*Chief Executive*

SYED MAZHAR ABBAS  
*Director*

ANWAR HAJI KARIM  
*Director*



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

		<b>Three months period ended</b>	
		<b>31 March 2017</b>	<b>31 March 2016</b>
	Note	<b>(Rupees in '000)</b>	
Mark-up / return / interest earned	15	<b>12,143,062</b>	12,185,060
Mark-up / return / interest expensed	16	<b>(5,938,871)</b>	(5,935,740)
Net mark-up / return / interest income		<b>6,204,191</b>	6,249,320
Reversal against non-performing loans and advances - net		<b>202,426</b>	1,177,036
Provision for diminution in the value of investments		—	—
Bad debts written-off directly		—	—
		<b>202,426</b>	1,177,036
Net mark-up / return / interest income after provisions		<b>6,406,617</b>	7,426,356
<b>NON MARK-UP / INTEREST INCOME</b>			
Fees, commission and brokerage income		<b>811,387</b>	604,051
Dividend income		<b>79,634</b>	204,126
Income from dealing in foreign currencies		<b>81,556</b>	189,981
Gain on sale / redemption of securities - net		<b>732,647</b>	33,961
Unrealised loss on revaluation of investments classified as held for trading - net		<b>(13,924)</b>	—
Other income		<b>317,528</b>	184,423
Total non mark-up / interest income		<b>2,008,828</b>	1,216,542
		<b>8,415,445</b>	8,642,898
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses		<b>(4,752,755)</b>	(4,487,794)
Other reversals / (provisions) / write-offs		<b>20,851</b>	31,049
Other charges		<b>(73,802)</b>	(83,762)
Total non mark-up / interest expenses		<b>(4,805,706)</b>	(4,540,507)
Extra-ordinary / unusual items		<b>3,609,739</b>	4,102,391
		—	—
<b>PROFIT BEFORE TAXATION</b>		<b>3,609,739</b>	4,102,391
Taxation - Current		<b>(1,328,421)</b>	(1,501,805)
- Prior years		—	—
- Deferred		<b>23,493</b>	(65,932)
		<b>(1,304,928)</b>	(1,567,737)
<b>PROFIT AFTER TAXATION</b>		<b>2,304,811</b>	2,534,654
		<b>(Rupees)</b>	
<b>Basic and diluted earnings per share</b>	17	<b>2.07</b>	2.28

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

ABBAS D. HABIB	MANSOOR ALI KHAN	SYED MAZHAR ABBAS	ANWAR HAJI KARIM
<b>Chairman</b>	<b>Chief Executive</b>	<b>Director</b>	<b>Director</b>



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

	<b>Three months period ended</b>	
	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>(Rupees in '000)</b>	
<b>Profit after taxation for the period</b>	<b>2,304,811</b>	<b>2,534,654</b>
<b>Other comprehensive income</b>		
<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	<b>7,864</b>	<b>117</b>
<i>Items that will never be reclassified to profit and loss account subsequently</i>		
Remeasurement of defined benefit plan	—	—
Related tax charge	—	—
	<b>2,312,675</b>	<b>2,534,771</b>
<b>Comprehensive income transferred to equity</b>	<b>2,312,675</b>	<b>2,534,771</b>
<i>Components of comprehensive income not reflected in equity</i>		
Surplus on revaluation of available for sale securities	<b>(651,047)</b>	<b>830,659</b>
Related tax charge	<b>227,866</b>	<b>(290,730)</b>
	<b>(423,181)</b>	<b>539,929</b>
<b>Total comprehensive income</b>	<b>1,889,494</b>	<b>3,074,700</b>

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

ABBAS D. HABIB  
*Chairman*

MANSOOR ALI KHAN  
*Chief Executive*

SYED MAZHAR ABBAS  
*Director*

ANWAR HAJI KARIM  
*Director*



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

	Note	31 March 2017 (Rupees in '000)	31 March 2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		3,609,739	4,102,391
Less: Dividend income		(79,634)	(204,126)
		<b>3,530,105</b>	<b>3,898,265</b>
<b>Adjustments for:</b>			
Depreciation		450,209	366,960
Amortisation		26,063	22,178
Reversal against non-performing loans and advances - net		(202,426)	(1,177,036)
Gain on sale of operating fixed assets		(59,417)	(33,153)
Gain on sale / redemption of securities - net		(732,647)	(33,961)
Unrealised loss on held for trading securities - net		13,924	-
Charge for defined benefit plan		63,750	54,000
Charge for compensated absences		9,235	12,196
Reversals against off-balance sheet items		(23,136)	(31,049)
		<b>(454,445)</b>	<b>(819,865)</b>
		<b>3,075,660</b>	<b>3,078,400</b>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		-	3,992,794
Advances - net		(32,323,055)	(1,755,607)
Other assets - (excluding advance taxation)		3,347,121	4,128,397
		<b>(28,975,934)</b>	<b>6,365,584</b>
<b>Increase in operating liabilities</b>			
Bills payable		563,468	1,163,518
Borrowings		11,170,144	62,964,647
Deposits and other accounts		40,495,066	13,638,678
Other liabilities - (excluding provision for taxation)		1,869,154	1,062,142
		<b>54,097,832</b>	<b>78,828,985</b>
		<b>28,197,558</b>	<b>88,272,969</b>
Income tax paid		(1,182,968)	(1,148,684)
Net cash generated from operating activities		<b>27,014,590</b>	<b>87,124,285</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in securities		(19,786,837)	(87,316,352)
Net investments in associates		(25,000)	-
Dividend received		39,128	56,691
Investments in operating fixed assets		(1,142,872)	(1,265,752)
Sale proceeds from disposal of operating fixed assets		74,063	40,821
Net cash used in investing activities		<b>(20,841,518)</b>	<b>(88,484,592)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(Repayments) / receipts of sub-ordinated loans		(800)	4,000,000
Dividends paid		(3,779,501)	(419,605)
Net cash (used in) / generated from financing activities		<b>(3,780,301)</b>	<b>3,580,395</b>
Exchange differences on translation of net investment in foreign branches		7,864	117
Increase in cash and cash equivalents		<b>2,400,635</b>	<b>2,220,205</b>
Cash and cash equivalents at beginning of the period		<b>52,321,784</b>	<b>41,758,103</b>
Cash and cash equivalents at end of the period	18	<b>54,722,419</b>	<b>43,978,308</b>

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

ABBAS D. HABIB  
*Chairman*

MANSOOR ALI KHAN  
*Chief Executive*

SYED MAZHAR ABBAS  
*Director*

ANWAR HAJI KARIM  
*Director*





**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

	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 2016	11,114,254	9,413,632	249,527	126,500	540,000	10,253,920	31,697,833
Total comprehensive income for the three months period ended 31 March 2016:							
Profit after tax	-	-	-	-	-	2,534,654	2,534,654
Other comprehensive income	-	-	117	-	-	-	117
	-	-	117	-	-	2,534,654	2,534,771
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	13,214	13,214
Transfer to statutory reserve	-	506,931	-	-	-	(506,931)	-
Transaction with owners, recorded directly in equity:							
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 31 March 2016	11,114,254	9,920,563	249,644	126,500	540,000	8,404,868	30,355,829
Total comprehensive income for the nine months period ended 31 December 2016:							
Profit after tax	-	-	-	-	-	5,584,575	5,584,575
Other comprehensive income	-	-	(4,311)	-	-	(53,736)	(58,047)
	-	-	(4,311)	-	-	5,530,839	5,526,528
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	40,015	40,015
Transfer to statutory reserve	-	1,116,915	-	-	-	(1,116,915)	-
Balance as at 31 December 2016	11,114,254	11,037,478	245,333	126,500	540,000	12,858,807	35,922,372
Total comprehensive income for the three months period ended 31 March 2017:							
Profit after tax	-	-	-	-	-	2,304,811	2,304,811
Other comprehensive income	-	-	7,864	-	-	-	7,864
	-	-	7,864	-	-	2,304,811	2,312,675
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	13,214	13,214
Transfer to statutory reserve	-	268,869	-	-	-	(268,869)	-
Transaction with owners, recorded directly in equity:							
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 31 March 2017	11,114,254	11,306,347	253,197	126,500	540,000	11,017,974	34,358,272

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

**ABBAS D. HABIB**  
**Chairman**

**MANSOOR ALI KHAN**  
**Chief Executive**

**SYED MAZHAR ABBAS**  
**Director**

**ANWAR HAJI KARIM**  
**Director**



## **NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

### **1. STATUS AND NATURE OF BUSINESS**

Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under 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 533 branches (31 December 2016: 518 branches), 76 sub-branches (31 December 2016: 87 sub-branches) and 03 representative offices (31 December 2016: 03 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2016: 03 overseas branches) and 41 Islamic Banking branches (31 December 2016: 41 Islamic Banking branches).

### **2. BASIS OF PRESENTATION**

**2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS).

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

### **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 2016.

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

#### **4. BASIS OF MEASUREMENT**

##### **4.1 Accounting convention**

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts, certain investments and derivative financial instruments which are marked to market 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 2016.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **6. FINANCIAL RISK MANAGEMENT**

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



Note	31 March 2017 (Un-audited)			31 December 2016 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000)					
<b>7. INVESTMENTS</b>						
<b>7.1 Investments by type</b>						
<b>Available for Sale Securities</b>						
Market Treasury Bills	181,230,966	69,962,020	251,192,986	166,762,623	62,559,668	229,322,291
Pakistan Investment Bonds	50,202,148	—	50,202,148	50,282,495	—	50,282,495
Foreign Currency Bonds	5,256,801	—	5,256,801	5,254,192	—	5,254,192
Sukuk Bonds	10,341,254	—	10,341,254	10,794,106	—	10,794,106
Fully paid-up ordinary shares - Listed	2,467,612	—	2,467,612	3,162,708	—	3,162,708
Fully paid-up ordinary shares - Unlisted	46,759	—	46,759	45,529	—	45,529
Term finance certificates - Listed	702,630	—	702,630	702,771	—	702,771
Term finance certificates - Unlisted	2,084,608	—	2,084,608	2,227,524	—	2,227,524
Units of mutual funds	1,900,000	—	1,900,000	2,100,000	—	2,100,000
	<b>254,232,778</b>	<b>69,962,020</b>	<b>324,194,798</b>	<b>241,331,948</b>	<b>62,559,668</b>	<b>303,891,616</b>
<b>Held to Maturity Securities 7.2</b>						
Pakistan Investment Bonds	91,179,783	—	91,179,783	91,101,157	—	91,101,157
Foreign Currency Bonds	2,388,979	—	2,388,979	2,386,321	—	2,386,321
Sukuk Bonds	666,171	—	666,171	671,785	—	671,785
	<b>94,234,933</b>	<b>—</b>	<b>94,234,933</b>	<b>94,159,263</b>	<b>—</b>	<b>94,159,263</b>
<b>Held for Trading Securities</b>						
Fully paid-up ordinary shares - Listed	294,632	—	294,632	154,000	—	154,000
<b>Associates</b>						
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
First Habib Islamic Income Fund	25,000	—	25,000	—	—	—
	<b>587,690</b>	<b>—</b>	<b>587,690</b>	<b>562,690</b>	<b>—</b>	<b>562,690</b>
<b>Subsidiaries</b>						
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
	<b>200,127</b>	<b>—</b>	<b>200,127</b>	<b>200,127</b>	<b>—</b>	<b>200,127</b>
<b>Investments at cost</b>	<b>349,550,160</b>	<b>69,962,020</b>	<b>419,512,180</b>	<b>336,408,028</b>	<b>62,559,668</b>	<b>398,967,696</b>
Less: Provision for diminution in the value of investments	(5,700)	—	(5,700)	(5,700)	—	(5,700)
<b>Investments (net of provisions)</b>	<b>349,544,460</b>	<b>69,962,020</b>	<b>419,506,480</b>	<b>336,402,328</b>	<b>62,559,668</b>	<b>398,961,996</b>
(Deficit) / surplus on revaluation of held for trading securities - net	(10,539)	—	(10,539)	3,385	—	3,385
Surplus on revaluation of available for sale securities - net 13.2	5,385,579	25,562	5,411,141	6,042,721	19,467	6,062,188
<b>Total Investments</b>	<b>354,919,500</b>	<b>69,987,582</b>	<b>424,907,082</b>	<b>342,448,434</b>	<b>62,579,135</b>	<b>405,027,569</b>

**7.2** The aggregate market value of held to maturity securities as at 31 March 2017 amounted to Rs. 103,621 million (31 December 2016: Rs. 103,979 million).



		(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
<b>8. ADVANCES</b>	Note		
Loans, cash credits, running finances, etc.			
– In Pakistan		234,902,442	209,997,397
– Outside Pakistan		16,917,227	18,611,520
		<u>251,819,669</u>	<u>228,608,917</u>
Islamic financing and related assets - gross	22.1.1	22,044,601	18,134,258
Net investment in finance lease			
– In Pakistan		10,079,049	8,305,218
– Outside Pakistan		–	–
		<u>10,079,049</u>	<u>8,305,218</u>
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		2,233,742	1,635,915
– Payable outside Pakistan		15,415,485	12,582,959
		<u>17,649,227</u>	<u>14,218,874</u>
Advances - gross		<u>301,592,546</u>	<u>269,267,267</u>
Provision against non-performing loans and advances			
– Specific provision	8.1	(4,680,367)	(4,882,330)
– General provision against small enterprises and consumer advances (as per SBP regulations)	8.2	(196,600)	(194,839)
– General provision	8.3	(2,750,000)	(2,750,000)
		<u>(7,626,967)</u>	<u>(7,827,169)</u>
Advances - net of provisions		<u>293,965,579</u>	<u>261,440,098</u>

**8.1** Advances include Rs. 5,560.394 million (31 December 2016: Rs. 5,715.466 million) which have been placed under non-performing status as detailed below:

31 March 2017 (Un-audited)									
Classified advances			Provision required			Provision held			
Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
(Rupees in '000)									
Category of classification									
Other assets especially mentioned									
	17,973	–	17,973	76	–	76	76	–	76
Substandard	158,891	–	158,891	39,588	–	39,588	39,588	–	39,588
Doubtful	1,421,741	–	1,421,741	696,872	–	696,872	696,872	–	696,872
Loss	3,019,150	942,639	3,961,789	3,001,192	942,639	3,943,831	3,001,192	942,639	3,943,831
	<u>4,617,755</u>	<u>942,639</u>	<u>5,560,394</u>	<u>3,737,728</u>	<u>942,639</u>	<u>4,680,367</u>	<u>3,737,728</u>	<u>942,639</u>	<u>4,680,367</u>



31 December 2016 (Audited)

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

**8.2** General provision represents provision amounting to Rs. 135.939 million (31 December 2016: Rs. 134.178 million) against consumer finance portfolio and Rs. 60.661 million (31 December 2016: Rs. 60.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP.

**8.3** In line with its prudent policies, the Bank also made general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 31 March 2017 amounts to Rs. 2,750 million (31 December 2016: Rs. 2,750 million).

## 9. OPERATING FIXED ASSETS

Capital work-in-progress  
Property and equipment  
Intangible assets

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

Capital work-in-progress	<b>782,730</b>	650,415
Property and equipment	<b>18,644,181</b>	18,125,803
Intangible assets	<b>108,722</b>	117,813
	<u><b>19,535,633</b></u>	<u>18,894,031</u>

(Un-audited)  
**Three months period ended**  
**31 March 2017** **31 March 2016**  
(Rupees in '000)

**9.1** The following additions were made during the period:

Leasehold land	<b>64,220</b>	-
Buildings on leasehold land	<b>219,900</b>	25,314
Improvements to leasehold buildings	<b>118,554</b>	80,800
Furniture and fixtures	<b>37,514</b>	34,489
Electrical, office and computer equipments	<b>442,313</b>	462,902
Vehicles	<b>113,086</b>	93,003
Intangible assets	<b>15,070</b>	7,242
	<u><b>1,010,657</b></u>	<u>703,750</u>



**(Un-audited)**  
**Three months period ended**  
**31 March 2017**      **31 March 2016**  
**(Rupees in '000)**

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

Leasehold land	7,944	—
Buildings on leasehold land	2,029	—
Improvements to leasehold buildings	1,283	4,822
Furniture and fixtures	654	161
Electrical, office and computer equipments	697	1,008
Vehicles	2,039	1,677
	<b>14,646</b>	<b>7,668</b>
	<b>(Un-audited)</b> <b>31 March 2017</b>	<b>(Audited)</b> <b>31 December 2016</b>
	<b>(Rupees in '000)</b>	

**10. BORROWINGS**

**Secured**

Borrowings from SBP		
– Export refinance scheme	20,691,430	20,143,239
– Renewable energy	1,155,218	—
– Long term financing for imported and locally manufactured plant and machinery	7,528,786	5,632,293
– Financing facility for storage of agricultural produce	50,910	56,875
	<b>29,426,344</b>	<b>25,832,407</b>
Repurchase agreement borrowings	69,922,601	62,556,286
	<b>99,348,945</b>	<b>88,388,693</b>

**Unsecured**

Borrowings from financial institutions	4,193,832	4,183,940
Overdrawn nostros	843,397	1,144,712
Call borrowings	200,000	—
	<b>5,237,229</b>	<b>5,328,652</b>
	<b>104,586,174</b>	<b>93,717,345</b>

**11. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	118,259,308	114,762,820
Savings deposits	178,060,391	170,130,029
Current accounts - Remunerative	82,043,510	72,737,910
Current accounts - Non-remunerative	230,418,947	210,377,190
	<b>608,782,156</b>	<b>568,007,949</b>

**Financial institutions**

Remunerative deposits	13,455,566	14,150,564
Non-remunerative deposits	2,429,298	2,013,441
	<b>15,884,864</b>	<b>16,164,005</b>
	<b>624,667,020</b>	<b>584,171,954</b>



		(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
	Note		
<b>12. SUB-ORDINATED LOANS - unsecured</b>			
Term Finance Certificates (TFCs) - V - (Unquoted)	12.1	<b>3,998,400</b>	3,999,200
<b>12.1 Term Finance Certificates - V - (Unquoted)</b>			
Total issue		Rupees 4,000 million	
Rating		<b>AA</b>	
Rate		Payable six monthly at average 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) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
	Note		
<b>13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Fixed assets / non-banking assets	13.1	<b>2,625,430</b>	2,650,950
Available for sale investments	13.2	<b>3,517,241</b>	3,940,422
		<b>6,142,671</b>	6,591,372
<b>13.1 Fixed assets / non-banking assets</b>			
Balance at beginning of the period / year		<b>3,421,927</b>	3,489,993
(Adjustment) / surplus on revaluation of the Bank's fixed assets / non-banking assets during the period / year		<b>(12,355)</b>	13,825
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year		<b>(20,329)</b>	(81,891)
		<b>3,389,243</b>	3,421,927
Related deferred tax liability on:			
Balance at beginning of the period / year		<b>770,977</b>	797,630
(Adjustment) / revaluation of the Bank's fixed assets / non-banking assets during the period / year		<b>(49)</b>	2,009
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year		<b>(7,115)</b>	(28,662)
		<b>(763,813)</b>	(770,977)
		<b>2,625,430</b>	2,650,950





	(Un-audited) 31 March 2017	(Audited) 31 December 2016
	(Rupees in '000)	
<b>13.2 Available for sale investments</b>		
Federal Government Securities	4,467,253	4,457,817
Fully paid-up ordinary shares	511,808	1,177,059
Term finance certificates, sukuk bonds and foreign currency bonds	(2,262)	10,294
Units of mutual funds	434,342	417,018
	5,411,141	6,062,188
Related deferred tax liability	(1,893,900)	(2,121,766)
	<u>3,517,241</u>	<u>3,940,422</u>
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct credit substitutes</b>		
<b>Financial guarantees issued favouring:</b>		
– Financial institutions	1,097,007	930,792
– Others	4,897,358	4,695,734
	<u>5,994,365</u>	<u>5,626,526</u>
<b>14.2 Transaction-related contingent liabilities</b>		
<b>Guarantees issued favouring:</b>		
– Government	35,621,598	34,649,327
– Financial institutions	620,784	594,401
– Others	12,926,328	11,682,502
	<u>49,168,710</u>	<u>46,926,230</u>
<b>14.3 Trade-related contingent liabilities</b>		
Letters of credit	111,555,046	107,641,921
Acceptances	21,271,522	16,622,601
Bankers liability rediscount	65,874	1,898,680
	<u>132,892,442</u>	<u>126,163,202</u>
<b>14.4 Commitments in respect of forward lending</b>		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>15,416,285</u>	<u>10,967,104</u>



	(Un-audited) 31 March 2017	(Audited) 31 December 2016
	(Rupees in '000)	
<b>14.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>49,687,361</u>	<u>49,396,754</u>
Sale	<u>31,358,950</u>	<u>28,383,678</u>
The maturities of above contracts are spread over the period upto one year.		
<b>14.6 Commitments for the acquisition of operating fixed assets</b>	<u>340,992</u>	<u>328,351</u>
<b>14.7 Claims against the Bank not acknowledged as debts</b>	<u>4,764,720</u>	<u>4,459,758</u>

#### 14.8 Other contingencies

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

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

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

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



**(Un-audited)**  
**Three months period ended**  
**31 March 2017      31 March 2016**  
**(Rupees in '000)**

**15. MARK-UP / RETURN / INTEREST EARNED**

On loans and advances to:		
Customers	4,076,482	3,403,694
Financial institutions	49,648	26,534
	<u>4,126,130</u>	<u>3,430,228</u>
On investments:		
Available for sale securities	5,276,497	4,803,000
Held to maturity securities	2,686,707	3,886,803
	<u>7,963,204</u>	<u>8,689,803</u>
On deposits with financial institutions	37,880	38,961
On securities purchased under resale agreements	15,848	25,040
On call money lendings	—	1,028
	<u>12,143,062</u>	<u>12,185,060</u>

**16. MARK-UP / RETURN / INTEREST EXPENSED**

Deposits	4,540,240	4,394,131
Sub-ordinated loans	67,184	123,661
Repurchase agreement borrowings	1,021,205	1,033,470
Borrowings from SBP	153,776	173,227
Other borrowings	156,466	211,251
	<u>5,938,871</u>	<u>5,935,740</u>

**17. BASIC AND DILUTED EARNINGS PER SHARE**

Profit after taxation	2,304,811	2,534,654
	<u>2,304,811</u>	<u>2,534,654</u>
	<b>(Number of shares in thousands)</b>	
Weighted average number of ordinary shares	1,111,425	1,111,425
	<u>1,111,425</u>	<u>1,111,425</u>
	<b>(Rupees)</b>	
Basic and diluted earnings per share	2.07	2.28
	<u>2.07</u>	<u>2.28</u>

**(Un-audited)**  
**Three months period ended**  
**31 March 2017      31 March 2016**  
**(Rupees in '000)**

**18. CASH AND CASH EQUIVALENTS**

Cash and balances with treasury banks	52,252,291	40,286,542
Balances with other banks	3,313,525	4,236,528
Overdrawn nostros	(843,397)	(544,762)
	<u>54,722,419</u>	<u>43,978,308</u>



## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

31 March 2017 (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
<b>On-balance sheet financial instruments</b>											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	313,686,817	-	-	-	-	-	313,686,817	-	313,686,817	-	313,686,817
Foreign Currency Bonds - Others	1,686,099	-	-	-	-	-	1,686,099	-	1,686,099	-	1,686,099
Fully paid-up ordinary shares - Listed	2,979,420	284,093	-	-	-	-	3,263,513	3,263,513	-	-	3,263,513
Units of mutual funds	2,334,342	-	-	-	-	-	2,334,342	-	-	-	2,334,342
Term Finance Certificates - Listed	704,508	-	-	-	-	-	704,508	704,508	-	-	704,508
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	52,252,291	-	52,252,291	-	-	-	-
- Balances with other banks	-	-	-	-	3,313,525	-	3,313,525	-	-	-	-
- Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)	4,923,214	-	93,570,906	-	-	-	98,494,120	-	107,884,105	-	107,884,105
Foreign Currency Bonds - Others	-	-	522,279	-	-	-	522,279	-	-	-	-
Sukuk Bonds - Others	2,445,887	-	141,748	-	-	-	2,587,635	-	-	-	-
Fully paid-up ordinary shares - Unlisted	41,059	-	-	-	-	-	41,059	-	-	-	-
Term Finance Certificates - Unlisted	798,893	-	-	-	-	-	798,893	-	-	-	-
Associates											
Listed shares	-	-	-	-	182,690	-	182,690	464,834	-	-	464,834
Mutual funds	-	-	-	-	345,000	-	345,000	341,115	-	-	341,115
Unlisted shares	-	-	-	-	60,000	-	60,000	-	-	-	-
Subsidiaries - Unlisted shares	-	-	-	-	200,127	-	200,127	-	-	-	-
- Advances	-	-	-	293,965,579	-	-	293,965,579	-	-	-	-
- Other assets	-	-	-	-	7,626,929	-	7,626,929	-	-	-	-
	329,600,239	284,093	94,234,933	293,965,579	63,980,562	-	782,065,406	7,108,312	423,257,021	-	430,365,333
Financial liabilities not measured at fair value											
- Bills payable	-	-	-	-	-	(14,435,525)	(14,435,525)	-	-	-	-
- Borrowings	-	-	-	-	-	(104,586,174)	(104,586,174)	-	-	-	-
- Deposits and other accounts	-	-	-	-	-	(624,667,020)	(624,667,020)	-	-	-	-
- Sub -ordinated loans	-	-	-	-	-	(3,998,400)	(3,998,400)	-	-	-	-
- Other liabilities	-	-	-	-	-	(8,651,430)	(8,651,430)	-	-	-	-
	-	-	-	-	-	(756,338,549)	(756,338,549)	-	-	-	-
	329,600,239	284,093	94,234,933	293,965,579	63,980,562	(756,338,549)	25,726,857	7,108,312	423,257,021	-	430,365,333
<b>Off-balance sheet financial instruments measured at fair value</b>											
Forward purchase of foreign exchange contracts	-	-	-	-	-	49,687,361	49,687,361	-	49,372,480	-	49,372,480
Forward sale of foreign exchange contracts	-	-	-	-	-	(31,358,950)	(31,358,950)	-	(31,459,156)	-	(31,459,156)
<b>Off-balance sheet financial instruments not measured at fair value</b>											
Commitment to extent credit	-	-	-	-	-	15,416,285	15,416,285	-	-	-	-



31 December 2016 (Audited)

	Carrying amount						Fair value				
	Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
						(Rupees in '000)					
<b>On-balance sheet financial instruments</b>											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	291,880,945	-	-	-	-	-	291,880,945	-	291,880,945	-	291,880,945
Foreign Currency Bonds - Others	1,700,622	-	-	-	-	-	1,700,622	-	1,700,622	-	1,700,622
Fully paid-up ordinary shares - Listed	4,339,767	157,385	-	-	-	-	4,497,152	4,497,152	-	-	4,497,152
Units of mutual funds	2,517,018	-	-	-	-	-	2,517,018	2,517,018	-	-	2,517,018
Term Finance Certificates - Listed	704,600	-	-	-	-	-	704,600	704,600	-	-	704,600
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	50,600,041	-	50,600,041	-	-	-	-
- Balances with other banks	-	-	-	-	2,866,455	-	2,866,455	-	-	-	-
- Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)	5,128,571	-	93,489,701	-	-	-	98,618,272	-	103,305,566	-	103,305,566
Foreign Currency Bonds - Others	-	-	520,996	-	-	-	520,996	-	-	-	-
Sukuk Bonds - Others	2,837,799	-	148,566	-	-	-	2,986,365	-	-	-	-
Fully paid-up ordinary shares - Unlisted	39,829	-	-	-	-	-	39,829	-	-	-	-
Term Finance Certificates - Unlisted	798,953	-	-	-	-	-	798,953	-	-	-	-
Associates											
Listed shares	-	-	-	-	182,690	-	182,690	452,877	-	-	452,877
Mutual funds	-	-	-	-	320,000	-	320,000	306,010	-	-	306,010
Unlisted shares	-	-	-	-	60,000	-	60,000	-	-	-	-
Subsidiaries - Unlisted shares	-	-	-	-	200,127	-	200,127	-	-	-	-
- Advances	-	-	-	261,440,098	-	-	261,440,098	-	-	-	-
- Other assets	-	-	-	-	10,432,547	-	10,432,547	-	-	-	-
	309,948,104	157,385	94,159,263	261,440,098	64,661,860	-	730,366,710	8,477,657	396,887,133	-	405,364,790
Financial liabilities not measured at fair value											
- Bills payable	-	-	-	-	-	(13,872,057)	(13,872,057)	-	-	-	-
- Borrowings	-	-	-	-	-	(93,717,345)	(93,717,345)	-	-	-	-
- Deposits and other accounts	-	-	-	-	-	(584,171,954)	(584,171,954)	-	-	-	-
- Sub-ordinated loans	-	-	-	-	-	(3,999,200)	(3,999,200)	-	-	-	-
- Other liabilities	-	-	-	-	-	(7,633,100)	(7,633,100)	-	-	-	-
	-	-	-	-	-	(703,393,656)	(703,393,656)	-	-	-	-
	309,948,104	157,385	94,159,263	261,440,098	64,661,860	(703,393,656)	26,973,054	8,477,657	396,887,133	-	405,364,790
<b>Off-balance sheet financial instruments measured at fair value</b>											
Forward purchase of foreign exchange contracts	-	-	-	-	-	49,396,754	49,396,754	-	48,711,766	-	48,711,766
Forward sale of foreign exchange contracts	-	-	-	-	-	(28,383,678)	(28,383,678)	-	(28,563,379)	-	(28,563,379)
<b>Off-balance sheet financial instruments not measured at fair value</b>											
Commitment to extent credit	-	-	-	-	-	10,967,104	10,967,104	-	-	-	-

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

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

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

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



## 20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Three months period ended 31 March 2017 (Un-audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	5,695,971	12,750,877	(4,294,958)	14,151,890
Total expenses	(4,625,015)	(10,212,094)	4,294,958	(10,542,151)
Net income	1,070,956	2,538,783	–	3,609,739
As at 31 March 2017 (Un-audited)				
Segment assets (net of provisions)	637,573,444	757,588,282	(592,073,964)	803,087,762
Segment non performing loans	48,123	5,512,271	–	5,560,394
Segment provision required	41,905	4,638,462	–	4,680,367
Segment liabilities	635,490,798	719,169,985	(592,073,964)	762,586,819
Segment return on assets (ROA) (%)*	0.89%	1.68%		
Segment cost of funds (%)*	0.73%	1.42%		
Three months period ended 31 March 2016 (Un-audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	5,475,715	11,891,665	(3,965,778)	13,401,602
Total expenses	(4,271,457)	(8,993,532)	3,965,778	(9,299,211)
Net income	1,204,258	2,898,133	–	4,102,391
As at 31 March 2016 (Un-audited)				
Segment assets (net of provisions)	492,860,208	691,224,200	(457,589,645)	726,494,763
Segment non performing loans	54,295	4,656,340	–	4,710,635
Segment provision required	39,617	4,299,627	–	4,339,244
Segment liabilities	491,003,477	656,030,576	(457,589,645)	689,444,408
Segment return on assets (ROA) (%)*	1.11%	1.72%		
Segment cost of funds (%)*	0.87%	1.37%		

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



## 21. RELATED PARTY TRANSACTIONS

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

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

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

As at 31 March 2017 (Un-audited)						
	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	Total
<b>Deposits</b>						
At beginning of the period	14,314	2,777,378	556,559	451,090	842,775	4,642,116
Placements during the period	196,304	24,699,612	1,086,202	501,986	5,396,576	31,880,680
Withdrawals during the period	(210,144)	(25,149,725)	(836,437)	(440,960)	(5,129,303)	(31,766,569)
At end of the period	474	2,327,265	806,324	512,116	1,110,048	4,756,227
<b>Advances</b>						
At beginning of the period	–	1,391,233	210	49,060	–	1,440,503
Given during the period	2,503,157	7,677,102	4,133	26,229	–	10,210,621
Repaid during the period	(2,498,911)	(7,393,319)	(3,556)	(16,122)	–	(9,911,908)
At end of the period	4,246	1,675,016	787	59,167	–	1,739,216
<b>Investments</b>						
At beginning of the period	200,127	562,690	–	–	–	762,817
Investments made during the period	–	26,230	–	–	–	26,230
Investments redeemed during the period	–	–	–	–	–	–
At end of the period	200,127	588,920	–	–	–	789,047
Contingencies and commitments	–	1,338,356	–	–	–	1,338,356
As at 31 December 2016 (Audited)						
<b>Deposits</b>						
At beginning of the year	13,185	3,398,002	183,973	432,539	325,824	4,353,523
Placements during the year	414,980	116,514,517	2,811,177	2,212,391	4,772,953	126,726,018
Withdrawals during the year	(413,851)	(117,135,141)	(2,438,591)	(2,193,840)	(4,256,002)	(126,437,425)
At end of the year	14,314	2,777,378	556,559	451,090	842,775	4,642,116
<b>Advances</b>						
At beginning of the year	–	978,041	144	54,478	–	1,032,663
Given during the year	5,650,821	27,478,082	5,112	89,093	–	33,223,108
Repaid during the year	(5,650,821)	(27,064,890)	(5,046)	(94,511)	–	(32,815,268)
At end of the year	–	1,391,233	210	49,060	–	1,440,503
<b>Investments</b>						
At beginning of the year	200,127	562,690	–	–	–	762,817
Investments made during the year	–	–	–	–	–	–
Investments redeemed during the year	–	–	–	–	–	–
At end of the year	200,127	562,690	–	–	–	762,817
Contingencies and commitments	–	1,191,933	–	–	–	1,191,933



Three months period ended 31 March 2017 (Un-audited)

	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	Total
Forward purchase contracts	-	18,074	-	-	-	18,074
Other assets	22,174	-	-	-	-	22,174
Other liabilities	135	-	-	-	-	135
Unrealised (loss) / gain on forward contracts	-	(42)	-	-	-	(42)
Purchase of securities	-	1,230	-	-	-	1,230
Purchase of mutual funds	-	25,000	-	-	-	25,000
Sale of securities	-	22,327	-	-	665,135	687,462
Mark-up earned	202	18,493	-	857	-	19,552
Mark-up expensed	110	37,308	7,681	4,498	19,340	68,937
Bank charges and commission	-	2,386	8	14	-	2,408
Salaries and allowances	-	-	-	97,074	-	97,074
Bonus	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	3,336	-	3,336
Contribution to defined benefit plan	-	-	-	9,418	-	9,418
Staff provident fund	-	-	-	-	93,726	93,726
Staff gratuity fund	-	-	-	-	63,750	63,750
Directors' fee	-	-	8,275	-	-	8,275
Insurance claim received	-	5,571	-	-	-	5,571
Insurance premium paid	-	55,824	-	-	-	55,824
Dividend income	-	25,892	-	-	-	25,892
Rental income	525	-	-	-	-	525
Rental paid	-	7,258	-	-	-	7,258
Commission expensed	751	-	-	-	-	751
Donation	-	-	-	-	-	-
Other expensed	-	2,424	-	-	-	2,424
Other income	295	47	-	-	32	374

Three months period ended 31 March 2016 (Un-audited)

Forward purchase contracts	-	411,552	-	-	-	411,552
Other assets	14,475	-	-	-	-	14,475
Other liabilities	703	-	-	-	-	703
Unrealised (loss) / gain on forward contracts	-	994	-	-	-	994
Purchase of securities	-	-	-	-	-	-
Purchase of mutual funds	-	-	-	-	-	-
Sale of securities	-	9,114	-	-	-	9,114
Mark-up earned	18	17,937	-	682	-	18,637
Mark-up expensed	132	36,528	2,585	5,974	7,137	52,356
Bank charges and commission	-	865	3	18	-	886
Salaries and allowances	-	-	-	80,142	-	80,142
Bonus	-	-	-	15,371	-	15,371
Contribution to defined contribution plan	-	-	-	3,504	-	3,504
Contribution to defined benefit plan	-	-	-	9,582	-	9,582
Staff provident fund	-	-	-	-	69,486	69,486
Staff gratuity fund	-	-	-	-	54,000	54,000
Directors' fee	-	-	2,100	-	-	2,100
Insurance claim received	-	3,246	-	-	-	3,246
Insurance premium paid	-	96,151	-	-	-	96,151
Dividend income	-	23,538	-	-	-	23,538
Rental income	525	-	-	-	-	525
Rental paid	-	-	-	-	-	-
Commission expensed	582	-	-	-	-	582
Donation	-	99,900	-	-	-	99,900
Other expensed	-	1,400	-	-	-	1,400
Other income	134	80	-	-	29	243





## 22. ISLAMIC BANKING BUSINESS

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

		(Un-audited) 31 March 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
<b>ASSETS</b>			
Cash and balances with treasury banks		1,830,179	1,552,162
Balances with and due from financial institutions		1,110,712	302,037
Investments		9,003,974	9,132,670
Islamic financing and related assets	22.1.1	22,037,496	18,128,914
Operating fixed assets		187,578	182,487
Other assets		381,813	252,443
		<b>34,551,752</b>	<b>29,550,713</b>
<b>LIABILITIES</b>			
Bills payable		15,949	22,514
Due to financial institutions		3,281,698	2,641,655
Deposits and other accounts		26,045,266	22,607,349
– Current accounts		9,213,375	8,044,145
– Saving accounts		8,098,941	6,533,321
– Term deposits		7,089,850	5,049,667
– Others		340,549	81,580
– Deposits from financial institutions-remunerative		1,301,840	2,897,919
– Deposits from financial institutions-non-remunerative		711	717
Due to Head office		564,066	513,406
Other liabilities		1,565,177	1,125,648
		<b>(31,472,156)</b>	<b>(26,910,572)</b>
<b>NET ASSETS</b>		<b>3,079,596</b>	<b>2,640,141</b>
<b>REPRESENTED BY:</b>			
Islamic banking fund		3,000,000	2,500,000
Unremitted profit		73,618	108,178
		<b>3,073,618</b>	<b>2,608,178</b>
Surplus on revaluation of assets		5,978	31,963
		<b>3,079,596</b>	<b>2,640,141</b>



	(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
<b>22.1.1 Islamic financing and related assets</b>		
Murabaha	3,248,744	3,153,222
Net book value of assets / investments in ijarah under IFAS 2	1,654,574	1,338,279
Diminishing musharaka	5,988,749	5,264,472
Musawama	785,303	960,059
Export refinance murabaha	1,226,311	408,789
Export refinance istisna	2,286,278	2,052,048
Istisna	2,753,424	1,771,968
Gross financing	17,943,383	14,948,837
Advance against murabaha	886,198	668,142
Advance against ijarah	687,112	864,728
Advance against diminishing musharaka	1,164,808	1,563,383
Advance against istisna	1,363,100	89,168
Islamic financing and related assets - gross	22,044,601	18,134,258
Less: general provisioning against consumer financing	(7,105)	(5,344)
Islamic financing and related assets - net of provision	22,037,496	18,128,914
<b>22.1.1.1 Islamic mode of financing</b>		
Financings / inventory / receivables	17,943,383	14,948,837
Advances	4,101,218	3,185,421
Less: general provisioning against consumer financing	(7,105)	(5,344)
	22,037,496	18,128,914
<b>22.2</b> The profit and loss account of the Bank's Islamic Banking branches for the three months period ended 31 March 2017 is as follows:		
	(Un-audited) Three months period ended 31 March 2017 (Rupees in '000)	31 March 2016
Profit / return on financing and placements earned	431,701	293,450
Profit / return on deposits and other dues expensed	(188,935)	(160,164)
	242,766	133,286
Provision against non-performing loans and advances	(1,761)	(516)
Net spread earned	241,005	132,770
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	25,125	16,898
Income from dealing in foreign currencies	6,953	4,297
Gain on sale of securities	566	—
Other income	5,964	4,980
	38,608	26,175
<b>OTHER EXPENSES</b>		
Administrative expenses	(205,995)	(150,771)
<b>PROFIT BEFORE TAXATION</b>	73,618	8,174
<b>22.3</b> Remuneration to Shariah Board	1,320	1,242



	(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
<b>22.4 CHARITY FUND</b>		
Opening balance	2,738	2,686
Additions during the period / year	700	2,738
Payment / utilisation during the period / year		
Health	—	(630)
Social welfare	—	(2,056)
	—	(2,686)
Closing balance	<u>3,438</u>	<u>2,738</u>

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

## 23. GENERAL

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

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

## 24. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 25 April 2017.

ABBAS D. HABIB  
*Chairman*

MANSOOR ALI KHAN  
*Chief Executive*

SYED MAZHAR ABBAS  
*Director*

ANWAR HAJI KARIM  
*Director*



## **Consolidated Financial Statements**

Bank AL Habib Limited

and

Subsidiary Companies



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2017**

		(Un-audited) 31 March 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
<b>ASSETS</b>			
Cash and balances with treasury banks		52,252,326	50,600,061
Balances with other banks		3,381,256	2,910,200
Lendings to financial institutions		—	—
Investments - net	7	425,227,113	405,343,017
Advances - net	8	293,965,913	261,440,523
Operating fixed assets	9	19,555,564	18,914,506
Deferred tax assets - net		—	—
Other assets		9,286,419	12,611,227
		803,668,591	751,819,534
<b>LIABILITIES</b>			
Bills payable		14,435,525	13,872,057
Borrowings	10	104,586,174	93,717,345
Deposits and other accounts	11	624,663,911	584,165,978
Sub-ordinated loans	12	3,998,400	3,999,200
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		3,878,166	4,127,981
Other liabilities		11,188,013	9,041,670
		762,750,189	708,924,231
<b>NET ASSETS</b>			
		40,918,402	42,895,303
<b>REPRESENTED BY:</b>			
Share capital		11,114,254	11,114,254
Reserves		12,225,741	11,948,911
Unappropriated profit		11,204,984	13,043,606
Equity attributable to the shareholders of the Holding company		34,544,979	36,106,771
Non-controlling interest		119,074	114,215
Total equity		34,664,053	36,220,986
Surplus on revaluation of assets - net of tax	13	6,254,349	6,674,317
		40,918,402	42,895,303
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

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

ABBAS D. HABIB  
*Chairman*

MANSOOR ALI KHAN  
*Chief Executive*

SYED MAZHAR ABBAS  
*Director*

ANWAR HAJI KARIM  
*Director*



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

	Note	<b>Three months period ended</b>	
		<b>31 March 2017</b>	<b>31 March 2016</b>
		<b>(Rupees in '000)</b>	
Mark-up / return / interest earned	15	<b>12,146,587</b>	12,188,961
Mark-up / return / interest expensed	16	<b>(5,938,759)</b>	(5,935,599)
Net mark-up / return / interest income		<b>6,207,828</b>	6,253,362
Reversal against non-performing loans and advances - net		<b>202,426</b>	1,177,036
Provision for diminution in the value of investments		—	—
Bad debts written-off directly		—	—
		<b>202,426</b>	1,177,036
Net mark-up / return / interest income after provisions		<b>6,410,254</b>	7,430,398
<b>NON MARK-UP / INTEREST INCOME</b>			
Fees, commission and brokerage income		<b>819,980</b>	608,597
Dividend income		<b>54,735</b>	182,718
Income from dealing in foreign currencies		<b>81,556</b>	189,981
Gain on sale / redemption of securities - net		<b>770,281</b>	33,961
Unrealised loss on revaluation of investments classified as held for trading - net		<b>(13,924)</b>	—
Share of profit from associates		<b>10,275</b>	9,594
Other income		<b>316,877</b>	184,129
Total non mark-up / interest income		<b>2,039,780</b>	1,208,980
		<b>8,450,034</b>	8,639,378
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses		<b>(4,768,111)</b>	(4,498,468)
Other reversals / (provisions) / write-offs		<b>20,851</b>	31,049
Other charges		<b>(74,326)</b>	(83,728)
Total non mark-up / interest expenses		<b>(4,821,586)</b>	(4,551,147)
		<b>3,628,448</b>	4,088,231
Extra-ordinary / unusual items		—	—
<b>PROFIT BEFORE TAXATION</b>		<b>3,628,448</b>	4,088,231
Taxation - Current		<b>(1,336,590)</b>	(1,501,485)
- Prior years		—	—
- Deferred		<b>20,023</b>	(66,206)
		<b>(1,316,567)</b>	(1,567,691)
<b>PROFIT AFTER TAXATION</b>		<b>2,311,881</b>	2,520,540
<b>Attributable to:</b>			
Shareholders of the Holding company		<b>2,307,022</b>	2,520,597
Non-controlling interest		<b>4,859</b>	(57)
		<b>2,311,881</b>	2,520,540
<b>Basic and diluted earnings per share attributable to the equity holders of the Holding company</b>			
	17	<b>2.08</b>	2.27

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

ABBAS D. HABIB  
**Chairman**

MANSOOR ALI KHAN  
**Chief Executive**

SYED MAZHAR ABBAS  
**Director**

ANWAR HAJI KARIM  
**Director**



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

	<b>Three months period ended</b>	
	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>(Rupees in '000)</b>	
<b>Profit after taxation for the period</b>	<b>2,311,881</b>	<b>2,520,540</b>
<b>Other comprehensive income</b>		
<b><i>Items that are or may be reclassified subsequently to profit and loss account</i></b>		
Exchange differences on translation of net investment in foreign operations	7,961	123
<b><i>Items that will never be reclassified to profit and loss account subsequently</i></b>		
Remeasurement of defined benefit plan	—	—
Related tax charge	—	—
	<b>2,319,842</b>	<b>2,520,663</b>
<b><i>Comprehensive income transferred to equity</i></b>		
<b><i>Components of comprehensive income not reflected in equity</i></b>		
Surplus on revaluation of available for sale securities	(623,131)	827,401
Related tax charge	228,683	(290,181)
	<b>(394,448)</b>	<b>537,220</b>
<b>Total comprehensive income</b>	<b>1,925,394</b>	<b>3,057,883</b>
<b>Attributable to:</b>		
Shareholders of the Holding company	1,921,801	3,058,418
Non-controlling interest	3,593	(535)
	<b>1,925,394</b>	<b>3,057,883</b>

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

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**Director**

ANWAR HAJI KARIM  
**Director**



**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

	Note	31 March 2017 (Rupees in '000)	31 March 2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		3,628,448	4,088,231
Less: Dividend income		(54,735)	(182,718)
		<b>3,573,713</b>	<b>3,905,513</b>
<b>Adjustments for:</b>			
Depreciation		450,564	367,255
Amortisation		26,343	22,195
Reversal against non-performing loans and advances - net		(202,426)	(1,177,036)
Gain on sale of operating fixed assets		(59,417)	(33,307)
Gain on sale / redemption of securities - net		(770,281)	(33,961)
Unrealised loss on held for trading securities - net		13,924	-
Charge for defined benefit plan		63,750	54,000
Charge for compensated absences		9,235	12,196
Share of profit from associates		(10,275)	(9,594)
Reversals against off-balance sheet items		(23,136)	(31,049)
		<b>(501,719)</b>	<b>(829,301)</b>
		<b>3,071,994</b>	<b>3,076,212</b>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		-	3,992,794
Advances - net		(32,322,964)	(1,755,587)
Other assets - (excluding advance taxation)		<b>3,213,318</b>	<b>4,137,028</b>
		<b>(29,109,646)</b>	<b>6,374,235</b>
<b>Increase in operating liabilities</b>			
Bills payable		563,468	1,163,518
Borrowings		11,170,144	62,964,647
Deposits and other accounts		40,497,933	13,639,607
Other liabilities - (excluding provision for taxation)		<b>1,986,006</b>	<b>1,104,943</b>
		<b>54,217,551</b>	<b>78,872,715</b>
		<b>28,179,899</b>	<b>88,323,162</b>
Income tax paid		<b>(1,185,951)</b>	<b>(1,150,018)</b>
Net cash generated from operating activities		<b>26,993,948</b>	<b>87,173,144</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in securities		<b>(19,742,548)</b>	<b>(87,326,292)</b>
Net investments in associates		892	23,538
Dividend received		13,684	33,153
Investments in operating fixed assets		<b>(1,143,063)</b>	<b>(1,266,346)</b>
Sale proceeds from disposal of operating fixed assets		<b>74,063</b>	<b>41,081</b>
Net cash used in investing activities		<b>(20,796,972)</b>	<b>(88,494,866)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(Repayments) / receipts of sub-ordinated loans		<b>(800)</b>	<b>4,000,000</b>
Dividends paid		<b>(3,779,501)</b>	<b>(419,605)</b>
Net cash (used in) / generated from financing activities		<b>(3,780,301)</b>	<b>3,580,395</b>
Exchange differences on translation of net investment in foreign operations		7,961	123
Increase in cash and cash equivalents		<b>2,424,636</b>	<b>2,258,796</b>
Cash and cash equivalents at beginning of the period		<b>52,365,549</b>	<b>41,776,740</b>
Cash and cash equivalents at end of the period	18	<b>54,790,185</b>	<b>44,035,536</b>

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

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*Director*





**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

	Attributable to the shareholders of the Holding Company								
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves			Sub Total	Non-controlling Interest	Total
				Special Reserve	General Reserve	Unappropriated Profit			
	(Rupees in '000)								
Balance as at 01 January 2016	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 three months period ended 31 March 2016:									
Profit after tax	-	-	-	-	-	2,520,597	2,520,597	(57)	2,520,540
Other comprehensive income	-	-	123	-	-	-	123	-	123
	-	-	123	-	-	2,520,597	2,520,720	(57)	2,520,663
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	13,214	13,214	-	13,214
Transfer to statutory reserve	-	506,931	-	-	-	(506,931)	-	-	-
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 31 March 2016	11,114,254	9,920,563	249,224	126,500	540,000	8,551,496	30,502,037	112,922	30,614,959
Total comprehensive income for the nine months period ended 31 December 2016:									
Profit after tax	-	-	-	-	-	5,622,746	5,622,746	1,293	5,624,039
Other comprehensive income	-	-	(4,291)	-	-	(53,736)	(58,027)	-	(58,027)
	-	-	(4,291)	-	-	5,569,010	5,564,719	1,293	5,566,012
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	40,015	40,015	-	40,015
Transfer to statutory reserve	-	1,116,915	-	-	-	(1,116,915)	-	-	-
Balance as at 31 December 2016	11,114,254	11,037,478	244,933	126,500	540,000	13,043,606	36,106,771	114,215	36,220,986
Total comprehensive income for the three months period ended 31 March 2017:									
Profit after tax	-	-	-	-	-	2,307,022	2,307,022	4,859	2,311,881
Other comprehensive income	-	-	7,961	-	-	-	7,961	-	7,961
	-	-	7,961	-	-	2,307,022	2,314,983	4,859	2,319,842
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	13,214	13,214	-	13,214
Transfer to statutory reserve	-	268,869	-	-	-	(268,869)	-	-	-
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 31 March 2017	11,114,254	11,306,347	252,894	126,500	540,000	11,204,984	34,544,979	119,074	34,664,053

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

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*Director*



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

**1. STATUS AND NATURE OF BUSINESS**

1.1 The Group comprises of:

**Holding company**

- Bank AL Habib Limited

**Subsidiaries**

- AL Habib Capital Markets (Private) Limited
- AL Habib Credit & Finance (Hong Kong) Limited

1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under 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 533 branches (31 December 2016: 518 branches), 76 sub-branches (31 December 2016: 87 sub-branches) and 03 representative offices (31 December 2016: 03 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2016: 03 overseas branches) and 41 Islamic Banking branches (31 December 2016: 41 Islamic Banking branches).

1.3 The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The Company was incorporated in Pakistan on 23 August 2005 as a private limited company under 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.

**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 is disclosed in note 22.

**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 2016.

#### **4. BASIS OF MEASUREMENT**

##### **4.1 Accounting convention**

These consolidated condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts, certain investments and derivative financial instruments which are marked to market 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 2016.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **6. FINANCIAL RISK MANAGEMENT**

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



Note	31 March 2017 (Un-audited)			31 December 2016 (Audited)		
	Held by Group	Given as Collateral	Total	Held by Group	Given as Collateral	Total
	(Rupees in '000)					
<b>7. INVESTMENTS</b>						
<b>7.1 Investments by type</b>						
<b>Available for Sale Securities</b>						
Market Treasury Bills	181,230,966	69,962,020	251,192,986	166,762,623	62,559,668	229,322,291
Pakistan Investment Bonds	50,347,704	—	50,347,704	50,428,524	—	50,428,524
Foreign Currency Bonds	5,256,801	—	5,256,801	5,254,192	—	5,254,192
Sukuk Bonds	10,341,254	—	10,341,254	10,794,106	—	10,794,106
Fully paid-up ordinary shares - Listed	2,525,133	—	2,525,133	3,219,544	—	3,219,544
Fully paid-up ordinary shares - Unlisted	58,653	—	58,653	70,814	—	70,814
Term finance certificates - Listed	702,630	—	702,630	702,771	—	702,771
Term finance certificates - Unlisted	2,084,608	—	2,084,608	2,227,524	—	2,227,524
Units of mutual funds	1,900,000	—	1,900,000	2,100,000	—	2,100,000
	<b>254,447,749</b>	<b>69,962,020</b>	<b>324,409,769</b>	<b>241,560,098</b>	<b>62,559,668</b>	<b>304,119,766</b>
<b>Held to Maturity Securities 7.2</b>						
Pakistan Investment Bonds	91,179,783	—	91,179,783	91,101,157	—	91,101,157
Foreign Currency Bonds	2,388,979	—	2,388,979	2,386,321	—	2,386,321
Sukuk Bonds	666,171	—	666,171	671,785	—	671,785
	<b>94,234,933</b>	<b>—</b>	<b>94,234,933</b>	<b>94,159,263</b>	<b>—</b>	<b>94,159,263</b>
<b>Held for Trading Securities</b>						
Fully paid-up ordinary shares - Listed	294,632	—	294,632	154,000	—	154,000
<b>Associates</b>						
Habib Sugar Mills Limited	448,575	—	448,575	438,756	—	438,756
Habib Asset Management Limited	82,618	—	82,618	83,788	—	83,788
First Habib Income Fund	143,977	—	143,977	140,172	—	140,172
First Habib Stock Fund	12,699	—	12,699	12,428	—	12,428
First Habib Cash Fund	146,945	—	146,945	143,409	—	143,409
First Habib Islamic Balanced Fund	12,281	—	12,281	11,840	—	11,840
First Habib Islamic Income Fund	25,212	—	25,212	—	—	—
	<b>872,307</b>	<b>—</b>	<b>872,307</b>	<b>830,393</b>	<b>—</b>	<b>830,393</b>
<b>Investments at cost</b>	<b>349,849,621</b>	<b>69,962,020</b>	<b>419,811,641</b>	<b>336,703,754</b>	<b>62,559,668</b>	<b>399,263,422</b>
Less: Provision for diminution in the value of investments	(5,700)	—	(5,700)	(16,193)	—	(16,193)
<b>Investments (net of provisions)</b>	<b>349,843,921</b>	<b>69,962,020</b>	<b>419,805,941</b>	<b>336,687,561</b>	<b>62,559,668</b>	<b>399,247,229</b>
(Deficit) / surplus on revaluation of held for trading securities - net	(10,539)	—	(10,539)	3,385	—	3,385
Surplus on revaluation of available for sale securities - net	5,406,149	25,562	5,431,711	6,072,936	19,467	6,092,403
<b>Total Investments</b>	<b>355,239,531</b>	<b>69,987,582</b>	<b>425,227,113</b>	<b>342,763,882</b>	<b>62,579,135</b>	<b>405,343,017</b>
<b>7.2</b>	The aggregate market value of held to maturity securities as at 31 March 2017 amounted to Rs. 103,621 million (31 December 2016: Rs. 103,979 million).					



	Note	(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
– In Pakistan		234,902,776	209,997,822
– Outside Pakistan		16,917,227	18,611,520
		<b>251,820,003</b>	228,609,342
Islamic financing and related assets - gross	22.1.1	22,044,601	18,134,258
Net investment in finance lease			
– In Pakistan		10,079,049	8,305,218
– Outside Pakistan		–	–
		<b>10,079,049</b>	8,305,218
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		2,233,742	1,635,915
– Payable outside Pakistan		15,415,485	12,582,959
		<b>17,649,227</b>	14,218,874
Advances - gross		<b>301,592,880</b>	269,267,692
Provision against non-performing loans and advances			
– Specific provision	8.1	(4,680,367)	(4,882,330)
– General provision against small enterprises and consumer advances (as per SBP regulations)	8.2	(196,600)	(194,839)
– General provision	8.3	(2,750,000)	(2,750,000)
		<b>(7,626,967)</b>	(7,827,169)
Advances - net of provisions		<b>293,965,913</b>	261,440,523

**8.1** Advances include Rs. 5,560.394 million (31 December 2016: Rs. 5,715.466 million) which have been placed under non-performing status as detailed below:

31 March 2017 (Un-audited)									
Classified advances			Provision required			Provision held			
Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
(Rupees in '000)									
Category of classification									
Other assets especially mentioned									
	17,973	–	17,973	76	–	76	76	–	76
Substandard	158,891	–	158,891	39,588	–	39,588	39,588	–	39,588
Doubtful	1,421,741	–	1,421,741	696,872	–	696,872	696,872	–	696,872
Loss	3,019,150	942,639	3,961,789	3,001,192	942,639	3,943,831	3,001,192	942,639	3,943,831
	<u>4,617,755</u>	<u>942,639</u>	<u>5,560,394</u>	<u>3,737,728</u>	<u>942,639</u>	<u>4,680,367</u>	<u>3,737,728</u>	<u>942,639</u>	<u>4,680,367</u>



31 December 2016 (Audited)

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

**8.2** General provision represents provision amounting to Rs. 135.939 million (31 December 2016: Rs. 134.178 million) against consumer finance portfolio and Rs. 60.661 million (31 December 2016: Rs. 60.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP.

**8.3** In line with its prudent policies, the Bank also made general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 31 March 2017 amounts to Rs. 2,750 million (31 December 2016: Rs. 2,750 million).

## 9. OPERATING FIXED ASSETS

	(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
Capital work-in-progress	782,730	650,415
Property and equipment	18,653,077	18,134,963
Intangible assets	119,757	129,128
	<u>19,555,564</u>	<u>18,914,506</u>

(Un-audited) Three months period ended	
31 March 2017	31 March 2016
(Rupees in '000)	

**9.1** The following additions were made during the period:

Leasehold land	64,220	-
Buildings on leasehold land	219,900	25,314
Improvements to leasehold buildings	118,554	80,800
Furniture and fixtures	37,514	34,489
Electrical, office and computer equipments	442,404	463,496
Vehicles	113,086	93,003
Intangible assets	15,070	7,242
	<u>1,010,748</u>	<u>704,344</u>



**(Un-audited)**  
**Three months period ended**  
**31 March 2017      31 March 2016**  
**(Rupees in '000)**

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

Leasehold land	7,944	–
Buildings on leasehold land	2,029	–
Improvements to leasehold buildings	1,283	4,822
Furniture and fixtures	654	161
Electrical, office and computer equipments	697	1,114
Vehicles	2,039	1,677
	<b>14,646</b>	<b>7,774</b>

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

**10. BORROWINGS**

**Secured**

Borrowings from SBP		
– Export refinance scheme	20,691,430	20,143,239
– Renewable energy	1,155,218	–
– Long term financing for imported and locally manufactured plant and machinery	7,528,786	5,632,293
– Financing facility for storage of agricultural produce	50,910	56,875
	<b>29,426,344</b>	<b>25,832,407</b>
Repurchase agreement borrowings	69,922,601	62,556,286
	<b>99,348,945</b>	<b>88,388,693</b>

**Unsecured**

Borrowings from financial institutions	4,193,832	4,183,940
Overdrawn nostros	843,397	1,144,712
Call borrowings	200,000	–
	<b>5,237,229</b>	<b>5,328,652</b>
	<b>104,586,174</b>	<b>93,717,345</b>

**11. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	118,259,308	114,762,820
Savings deposits	178,060,391	170,130,029
Current accounts - Remunerative	82,043,510	72,737,910
Current accounts - Non-remunerative	230,418,947	210,377,190
	<b>608,782,156</b>	<b>568,007,949</b>

**Financial institutions**

Remunerative deposits	13,452,518	14,144,649
Non-remunerative deposits	2,429,237	2,013,380
	<b>15,881,755</b>	<b>16,158,029</b>
	<b>624,663,911</b>	<b>584,165,978</b>



	Note	(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
<b>12. SUB-ORDINATED LOANS - unsecured</b>			
Term Finance Certificates (TFCs) - V - (Unquoted)	12.1	<b>3,998,400</b>	3,999,200
<b>12.1 Term Finance Certificates - V - (Unquoted)</b>			
Total issue		Rupees 4,000 million	
Rating		<b>AA</b>	
Rate		Payable six monthly at average 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	
	Note	(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
<b>13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Fixed assets / non-banking assets	13.1	<b>2,625,430</b>	2,650,950
Available for sale investments	13.2	<b>3,628,919</b>	4,023,367
		<b>6,254,349</b>	6,674,317
<b>13.1 Fixed assets / non-banking assets</b>			
Balance at beginning of the period / year		<b>3,421,927</b>	3,489,993
(Adjustment) / surplus on revaluation of the Bank's fixed assets / non-banking assets during the period / year		<b>(12,355)</b>	13,825
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year		<b>(20,329)</b>	(81,891)
		<b>3,389,243</b>	3,421,927
Related deferred tax liability on:			
Balance at beginning of the period / year		<b>770,977</b>	797,630
(Adjustment) / revaluation of the Bank's fixed assets / non-banking assets during the period / year		<b>(49)</b>	2,009
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year		<b>(7,115)</b>	(28,662)
		<b>(763,813)</b>	(770,977)
		<b>2,625,430</b>	2,650,950





	(Un-audited) 31 March 2017	(Audited) 31 December 2016
	(Rupees in '000)	
<b>13.2 Available for sale investments</b>		
Federal Government Securities	4,468,953	4,460,781
Fully paid-up ordinary shares	530,679	1,199,280
Term finance certificates, sukuk bonds, foreign currency bonds and others	91,942	71,968
Units of mutual funds	434,342	417,018
	5,525,916	6,149,047
Related deferred tax liability	(1,896,997)	(2,125,680)
	3,628,919	4,023,367
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct credit substitutes</b>		
<b>Financial guarantees issued favouring:</b>		
– Financial institutions	1,097,007	930,792
– Others	4,897,358	4,695,734
	5,994,365	5,626,526
<b>14.2 Transaction-related contingent liabilities</b>		
<b>Guarantees issued favouring:</b>		
– Government	35,621,598	34,649,327
– Financial institutions	620,784	594,401
– Others	12,926,328	11,682,502
	49,168,710	46,926,230
<b>14.3 Trade-related contingent liabilities</b>		
Letters of credit	111,555,046	107,641,921
Acceptances	21,271,522	16,622,601
Bankers liability rediscount	65,874	1,898,680
	132,892,442	126,163,202
<b>14.4 Commitments in respect of forward lending</b>		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	15,416,285	10,967,104



	(Un-audited) 31 March 2017	(Audited) 31 December 2016
(Rupees in '000)		
<b>14.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>49,687,361</u>	<u>49,396,754</u>
Sale	<u>31,358,950</u>	<u>28,383,678</u>
The maturities of above contracts are spread over the period upto one year.		
<b>14.6 Commitments for the acquisition of operating fixed assets</b>	<u>342,261</u>	<u>329,766</u>
<b>14.7 Claims against the Bank not acknowledged as debts</b>	<u>4,764,720</u>	<u>4,459,758</u>

#### 14.8 Other contingencies

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

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

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

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



	<b>(Un-audited)</b>	
	<b>Three months period ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
<b>15. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to:		
Customers	4,076,490	3,403,697
Financial institutions	49,470	26,516
	<u>4,125,960</u>	<u>3,430,213</u>
On investments:		
Available for sale securities	5,280,047	4,806,867
Held to maturity securities	2,686,707	3,886,803
	<u>7,966,754</u>	<u>8,693,670</u>
On deposits with financial institutions	38,025	39,010
On securities purchased under resale agreements	15,848	25,040
On call money lendings	—	1,028
	<u>12,146,587</u>	<u>12,188,961</u>
<b>16. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	4,540,128	4,393,990
Sub-ordinated loans	67,184	123,661
Repurchase agreement borrowings	1,021,205	1,033,470
Borrowings from SBP	153,776	173,227
Other borrowings	156,466	211,251
	<u>5,938,759</u>	<u>5,935,599</u>
<b>17. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY</b>		
Profit after taxation - attributable to equity holders of the Holding company	<u>2,307,022</u>	<u>2,520,597</u>
	<b>(Number of shares in thousands)</b>	
Weighted average number of ordinary shares	<u>1,111,425</u>	<u>1,111,425</u>
	<b>(Rupees)</b>	
Basic and diluted earnings per share	<u>2.08</u>	<u>2.27</u>
	<b>(Un-audited)</b>	
	<b>Three months period ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
<b>18. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	52,252,326	40,286,553
Balances with other banks	3,381,256	4,293,745
Overdrawn nostros	(843,397)	(544,762)
	<u>54,790,185</u>	<u>44,035,536</u>



# 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

31 March 2017 (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	Total
(Rupees in '000)										
<b>On-balance sheet financial instruments</b>										
Financial assets measured at fair value										
- Investments										
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	313,834,072	-	-	-	-	-	313,834,072	-	313,834,072	313,834,072
Foreign Currency Bonds - Others	1,686,099	-	-	-	-	-	1,686,099	-	1,686,099	1,686,099
Fully paid-up ordinary shares - Listed	3,055,811	284,093	-	-	-	-	3,339,904	3,339,904	-	3,339,904
Units of mutual funds	2,334,342	-	-	-	-	-	2,334,342	2,334,342	-	2,334,342
Term Finance Certificates - Listed	704,508	-	-	-	-	-	704,508	704,508	-	704,508
Financial assets not measured at fair value										
- Cash and bank balances with treasury banks	-	-	-	-	52,252,326	-	52,252,326	-	-	-
- Balances with other banks	-	-	-	-	3,381,256	-	3,381,256	-	-	-
- Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
- Investments										
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)	4,923,214	-	93,570,906	-	-	-	98,494,120	-	107,884,105	107,884,105
Foreign Currency Bonds - Others	-	-	522,279	-	-	-	522,279	-	-	-
Sukuk Bonds - Others	2,445,887	-	141,748	-	-	-	2,587,635	-	-	-
Fully paid-up ordinary shares - Unlisted	52,954	-	-	-	-	-	52,954	-	-	-
Term Finance Certificates - Unlisted	798,893	-	-	-	-	-	798,893	-	-	-
Associates										
Listed shares	-	-	-	-	448,575	-	448,575	464,834	-	464,834
Mutual funds	-	-	-	-	341,114	-	341,114	341,115	-	341,115
Unlisted shares	-	-	-	-	82,618	-	82,618	-	-	-
- Advances	-	-	-	293,965,913	-	-	293,965,913	-	-	-
- Other assets	-	-	-	-	7,783,438	-	7,783,438	-	-	-
	329,835,780	284,093	94,234,933	293,965,913	64,289,327	-	782,610,046	7,184,703	423,404,276	430,588,979
Financial liabilities not measured at fair value										
- Bills payable	-	-	-	-	-	(14,435,525)	(14,435,525)	-	-	-
- Borrowings	-	-	-	-	-	(104,586,174)	(104,586,174)	-	-	-
- Deposits and other accounts	-	-	-	-	-	(624,663,911)	(624,663,911)	-	-	-
- Sub -ordinated loans	-	-	-	-	-	(3,998,400)	(3,998,400)	-	-	-
- Other liabilities	-	-	-	-	-	(8,983,315)	(8,983,315)	-	-	-
	-	-	-	-	-	(756,667,325)	(756,667,325)	-	-	-
	329,835,780	284,093	94,234,933	293,965,913	64,289,327	(756,667,325)	25,942,721	7,184,703	423,404,276	430,588,979
<b>Off-balance sheet financial instruments measured at fair value</b>										
Forward purchase of foreign exchange contracts	-	-	-	-	-	49,687,361	49,687,361	-	49,372,480	49,372,480
Forward sale of foreign exchange contracts	-	-	-	-	-	(31,358,950)	(31,358,950)	-	(31,459,156)	(31,459,156)
<b>Off-balance sheet financial instruments not measured at fair value</b>										
Commitment to extent credit	-	-	-	-	-	15,416,285	15,416,285	-	-	-



31 December 2016 (Audited)

	Carrying amount						Fair value				
	Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	292,029,937	-	-	-	-	-	292,029,937	-	292,029,937	-	292,029,937
Foreign Currency Bonds - Others	1,700,622	-	-	-	-	-	1,700,622	-	1,700,622	-	1,700,622
Fully paid-up ordinary shares - Listed	4,418,825	157,385	-	-	-	-	4,576,210	4,581,240	-	-	4,581,240
Units of mutual funds	2,517,018	-	-	-	-	-	2,517,018	2,517,018	-	-	2,517,018
Term Finance Certificates - Listed	704,600	-	-	-	-	-	704,600	704,600	-	-	704,600
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	50,600,061	-	50,600,061	-	-	-	-
- Balances with other banks	-	-	-	-	2,910,200	-	2,910,200	-	-	-	-
- Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)	5,128,571	-	93,489,701	-	-	-	98,618,272	-	103,305,566	-	103,305,566
Foreign Currency Bonds - Others	-	-	520,996	-	-	-	520,996	-	-	-	-
Sukuk Bonds - Others	2,837,799	-	148,566	-	-	-	2,986,365	-	-	-	-
Fully paid-up ordinary shares - Unlisted	59,651	-	-	-	-	-	59,651	-	-	-	-
Term Finance Certificates - Unlisted	798,953	-	-	-	-	-	798,953	-	-	-	-
Associates											
Listed shares	-	-	-	-	438,756	-	438,756	438,756	-	-	438,756
Unlisted shares	-	-	-	-	83,788	-	83,788	-	-	-	-
Mutual funds	-	-	-	-	307,849	-	307,849	307,849	-	-	307,849
- Advances	-	-	-	261,440,523	-	-	261,440,523	-	-	-	-
- Other assets	-	-	-	-	10,454,636	-	10,454,636	-	-	-	-
	310,195,976	157,385	94,159,263	261,440,523	64,795,290	-	730,748,437	8,549,463	397,036,125	-	405,585,588
Financial liabilities not measured at fair value											
- Bills payable	-	-	-	-	-	(13,872,057)	(13,872,057)	-	-	-	-
- Borrowings	-	-	-	-	-	(93,717,345)	(93,717,345)	-	-	-	-
- Deposits and other accounts	-	-	-	-	-	(584,165,978)	(584,165,978)	-	-	-	-
- Sub - ordinated loans	-	-	-	-	-	(3,999,200)	(3,999,200)	-	-	-	-
- Other liabilities	-	-	-	-	-	(7,684,940)	(7,684,940)	-	-	-	-
	-	-	-	-	-	(703,439,520)	(703,439,520)	-	-	-	-
	310,195,976	157,385	94,159,263	261,440,523	64,795,290	(703,439,520)	27,308,917	8,549,463	397,036,125	-	405,585,588
<b>Off-balance sheet financial instruments measured at fair value</b>											
Forward purchase of foreign exchange contracts	-	-	-	-	-	49,396,754	49,396,754	-	48,711,786	-	48,711,786
Forward sale of foreign exchange contracts	-	-	-	-	-	(28,383,678)	(28,383,678)	-	(28,563,379)	-	(28,563,379)
<b>Off-balance sheet financial instruments not measured at fair value</b>											
Commitment to extend credit	-	-	-	-	-	10,967,104	10,967,104	-	-	-	-

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

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

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

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



## 20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Three months period ended 31 March 2017 (Un-audited)					
	Retail Banking	Commercial Banking	Retail Brokerage	Inter Segment Elimination	Total
	(Rupees in '000)				
Total income	5,695,971	12,743,790	42,876	(4,296,270)	14,186,367
Total expenses	(4,625,015)	(10,211,200)	(17,974)	4,296,270	(10,557,919)
Net income	1,070,956	2,532,590	24,902	–	3,628,448
As at 31 March 2017 (Un-audited)					
Segment assets (net of provisions)	637,573,444	757,825,540	524,498	(592,254,891)	803,668,591
Segment non performing loans	48,123	5,512,271	–	–	5,560,394
Segment provision required	41,905	4,638,462	–	–	4,680,367
Segment liabilities	635,490,798	719,181,671	332,611	(592,254,891)	762,750,189
Segment return on assets (ROA) (%)*	0.89%	1.68%	8.17%		
Segment cost of funds (%)*	0.73%	1.42%	5.40%		
Three months period ended 31 March 2016 (Un-audited)					
	Retail Banking	Commercial Banking	Retail Brokerage	Inter Segment Elimination	Total
	(Rupees in '000)				
Total income	5,475,715	11,877,845	11,780	(3,967,399)	13,397,941
Total expenses	(4,271,457)	(8,992,036)	(13,616)	3,967,399	(9,309,710)
Net income	1,204,258	2,885,809	(1,836)	–	4,088,231
As at 31 March 2016 (Un-audited)					
Segment assets (net of provisions)	492,860,208	691,365,723	381,882	(457,776,723)	726,831,090
Segment non performing loans	54,295	4,656,340	–	–	4,710,635
Segment provision required	39,617	4,299,627	–	–	4,339,244
Segment liabilities	491,003,477	656,016,275	219,647	(457,776,723)	689,462,676
Segment return on assets (ROA) (%)*	1.11%	1.72%	3.08%		
Segment cost of funds (%)*	0.87%	1.37%	6.20%		

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



## 21. RELATED PARTY TRANSACTIONS

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

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

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

As at 31 March 2017 (Un-audited)					
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
<b>Deposits</b>					
At beginning of the period	2,777,378	556,559	451,090	842,775	4,627,802
Placements during the period	24,699,612	1,086,202	501,986	5,396,576	31,684,376
Withdrawals during the period	(25,149,725)	(836,437)	(440,960)	(5,129,303)	(31,556,425)
At end of the period	2,327,265	806,324	512,116	1,110,048	4,755,753
<b>Advances</b>					
At beginning of the period	1,391,233	210	49,060	—	1,440,503
Given during the period	7,677,102	4,133	26,229	—	7,707,464
Repaid during the period	(7,393,319)	(3,556)	(16,122)	—	(7,412,997)
At end of the period	1,675,016	787	59,167	—	1,734,970
<b>Investments</b>					
At beginning of the period	830,393	—	—	—	830,393
Investments made during the period	26,230	—	—	—	26,230
Redeemed / adjusted during the period	16,914	—	—	—	16,914
At end of the period	873,537	—	—	—	873,537
Contingencies and commitments	1,338,356	—	—	—	1,338,356
As at 31 December 2016 (Audited)					
<b>Deposits</b>					
At beginning of the year	3,398,002	183,973	432,539	325,824	4,340,338
Placements during the year	116,514,517	2,811,177	2,212,391	4,772,953	126,311,038
Withdrawals during the year	(117,135,141)	(2,438,591)	(2,193,840)	(4,256,002)	(126,023,574)
At end of the year	2,777,378	556,559	451,090	842,775	4,627,802
<b>Advances</b>					
At beginning of the year	978,041	144	54,478	—	1,032,663
Given during the year	27,478,082	5,112	89,093	—	27,572,287
Repaid during the year	(27,064,890)	(5,046)	(94,511)	—	(27,164,447)
At end of the year	1,391,233	210	49,060	—	1,440,503
<b>Investments</b>					
At beginning of the year	787,022	—	—	—	787,022
Investments made during the year	—	—	—	—	—
Redeemed / adjusted during the year	43,371	—	—	—	43,371
At end of the year	830,393	—	—	—	830,393
Contingencies and commitments	1,191,933	—	—	—	1,191,933



Three months period ended 31 March 2017 (Un-audited)

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Forward purchase contracts	18,074	—	—	—	18,074
Other assets	137	—	—	—	137
Unrealised (loss) / gain on forward contracts	(42)	—	—	—	(42)
Purchase of securities	1,230	—	—	—	1,230
Purchase of mutual funds	25,000	—	—	—	25,000
Sale of securities	22,327	—	—	665,135	687,462
Mark-up earned	18,493	—	857	—	19,350
Mark-up expensed	37,308	7,681	4,498	19,340	68,827
Bank charges and commission	2,386	8	14	—	2,408
Salaries and allowances	—	—	100,605	—	100,605
Bonus	—	—	—	—	—
Contribution to defined contribution plan	—	—	3,571	—	3,571
Contribution to defined benefit plan	—	—	9,418	—	9,418
Staff provident fund	—	—	—	94,331	94,331
Staff gratuity fund	—	—	—	63,750	63,750
Directors' fee	—	8,275	—	—	8,275
Insurance claim received	5,571	—	—	—	5,571
Insurance premium paid	56,915	—	—	—	56,915
Dividend income	25,892	—	—	—	25,892
Rental paid	7,258	—	—	—	7,258
Brokerage and advisory income	111	—	—	—	111
Donation	—	—	—	—	—
Other expensed	2,424	—	—	—	2,424
Other income	47	—	—	32	79

Three months period ended 31 March 2016 (Un-audited)

Forward purchase contracts	411,552	—	—	—	411,552
Other assets	50	—	31	—	81
Unrealised (loss) / gain on forward contracts	994	—	—	—	994
Purchase of securities	—	—	—	—	—
Purchase of mutual funds	—	—	—	—	—
Sale of securities	9,114	—	—	—	9,114
Mark-up earned	17,937	—	682	—	18,619
Mark-up expensed	36,528	2,585	5,974	7,137	52,224
Bank charges and commission	865	3	18	—	886
Salaries and allowances	—	—	82,773	—	82,773
Bonus	—	—	15,371	—	15,371
Contribution to defined contribution plan	—	—	3,679	—	3,679
Contribution to defined benefit plan	—	—	9,582	—	9,582
Staff provident fund	—	—	—	70,049	70,049
Staff gratuity fund	—	—	—	54,000	54,000
Directors' fee	—	2,100	—	—	2,100
Insurance claim received	3,246	—	—	—	3,246
Insurance premium paid	96,358	—	—	—	96,358
Dividend income	23,538	—	—	—	23,538
Rental paid	—	—	—	—	—
Brokerage and advisory income	260	—	—	4	264
Donation	99,900	—	—	—	99,900
Other expensed	1,400	—	—	—	1,400
Other income	80	—	—	29	109





## 22. ISLAMIC BANKING BUSINESS

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

		(Un-audited) 31 March 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
<b>ASSETS</b>			
Cash and balances with treasury banks		1,830,179	1,552,162
Balances with and due from financial institutions		1,110,712	302,037
Investments		9,003,974	9,132,670
Islamic financing and related assets	22.1.1	22,037,496	18,128,914
Operating fixed assets		187,578	182,487
Other assets		381,813	252,443
		<b>34,551,752</b>	<b>29,550,713</b>
<b>LIABILITIES</b>			
Bills payable		15,949	22,514
Due to financial institutions		3,281,698	2,641,655
Deposits and other accounts		26,045,266	22,607,349
– Current accounts		9,213,375	8,044,145
– Saving accounts		8,098,941	6,533,321
– Term deposits		7,089,850	5,049,667
– Others		340,549	81,580
– Deposits from financial institutions-remunerative		1,301,840	2,897,919
– Deposits from financial institutions-non-remunerative		711	717
Due to Head office		564,066	513,406
Other liabilities		1,565,177	1,125,648
		<b>(31,472,156)</b>	<b>(26,910,572)</b>
<b>NET ASSETS</b>		<b>3,079,596</b>	<b>2,640,141</b>
<b>REPRESENTED BY:</b>			
Islamic banking fund		3,000,000	2,500,000
Unremitted profit		73,618	108,178
		<b>3,073,618</b>	<b>2,608,178</b>
Surplus on revaluation of assets		5,978	31,963
		<b>3,079,596</b>	<b>2,640,141</b>



	(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
<b>22.1.1 Islamic financing and related assets</b>		
Murabaha	3,248,744	3,153,222
Net book value of assets / investments in ijarah under IFAS 2	1,654,574	1,338,279
Diminishing musharaka	5,988,749	5,264,472
Musawama	785,303	960,059
Export refinance murabaha	1,226,311	408,789
Export refinance istisna	2,286,278	2,052,048
Istisna	2,753,424	1,771,968
Gross financing	17,943,383	14,948,837
Advance against murabaha	886,198	668,142
Advance against ijarah	687,112	864,728
Advance against diminishing musharaka	1,164,808	1,563,383
Advance against istisna	1,363,100	89,168
Islamic financing and related assets - gross	22,044,601	18,134,258
Less: general provisioning against consumer financing	(7,105)	(5,344)
Islamic financing and related assets - net of provision	22,037,496	18,128,914
<b>22.1.1.1 Islamic mode of financing</b>		
Financings / inventory / receivables	17,943,383	14,948,837
Advances	4,101,218	3,185,421
Less: general provisioning against consumer financing	(7,105)	(5,344)
	22,037,496	18,128,914
<b>22.2</b> The profit and loss account of the Bank's Islamic Banking branches for the three months period ended 31 March 2017 is as follows:		
	(Un-audited) Three months period ended 31 March 2017 (Rupees in '000)	31 March 2016
Profit / return on financing and placements earned	431,701	293,450
Profit / return on deposits and other dues expensed	(188,935)	(160,164)
	242,766	133,286
Provision against non-performing loans and advances	(1,761)	(516)
Net spread earned	241,005	132,770
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	25,125	16,898
Income from dealing in foreign currencies	6,953	4,297
Gain on sale of securities	566	-
Other income	5,964	4,980
	38,608	26,175
<b>OTHER EXPENSES</b>		
Administrative expenses	(205,995)	(150,771)
<b>PROFIT BEFORE TAXATION</b>	73,618	8,174
<b>22.3</b> Remuneration to Shariah Board	1,320	1,242



	(Un-audited) 31 March 2017 (Rupees in '000)	(Audited) 31 December 2016
<b>22.4 CHARITY FUND</b>		
Opening balance	2,738	2,686
Additions during the period / year	700	2,738
Payment / utilisation during the period / year		
Health	—	(630)
Social welfare	—	(2,056)
	—	(2,686)
Closing balance	<u>3,438</u>	<u>2,738</u>

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

## 23. GENERAL

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

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

## 24. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 25 April 2017.

ABBAS D. HABIB  
*Chairman*

MANSOOR ALI KHAN  
*Chief Executive*

SYED MAZHAR ABBAS  
*Director*

ANWAR HAJI KARIM  
*Director*