

هَذَا مِنْ فَضْلِ رَبِّي



CONTENTS

Corporate Information	2
Directors' Review	3
Independent Auditors' Review Report to the members of Bank AL Habib Limited	5
Unconsolidated Condensed Interim Statement of Financial Position	6
Unconsolidated Condensed Interim Profit and Loss Account	7
Unconsolidated Condensed Interim Statement of Comprehensive Income	8
Unconsolidated Condensed Interim Cash Flow Statement	9
Unconsolidated Condensed Interim Statement of Changes in Equity	10
Notes to the Unconsolidated Condensed Interim Financial Statements	11
Consolidated Financial Statements	29



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 half year ended June 30, 2017.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 652.3 billion as compared to Rs. 584.2 billion on December 31, 2016. In the same period, advances increased to Rs. 310.4 billion from Rs. 261.4 billion, while investments increased to Rs. 422.6 billion from Rs. 405.0 billion. The pre-tax profit of the Bank for the half year ended June 30, 2017 was Rs. 7,667.0 million as compared to Rs. 6,839.5 million during the corresponding period last year.

Your Bank now has a network of 624 offices, comprising 560 branches, 61 sub-branches, and 3 Representative Offices. Our branch network includes 42 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: August 23, 2017

Abbas D. Habib
Chairman



ڈائریکٹرز کا جائزہ

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

الحمد للہ، زیرِ جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ ۳۰ جون ۲۰۱۷ء کو ختم ہونے والی ششماہی میں ڈپازٹس بڑھ کر ۶۵۲ 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 ۳۱۰ بلین روپے ہو گئے اور سرمایہ کاری ۴۰۵ بلین روپے سے بڑھ کر ۴۲۶ بلین روپے ہو گئی۔ ۳۰ جون ۲۰۱۷ء کو ختم ہونے والی ششماہی کے لئے آپ کے بینک کا قبل از ٹیکس منافع ۶۶۷ بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ ۶۸۳ بلین روپے تھا۔

آپ کے بینک کا نیٹ ورک اب ۶۲۴ دفاتر پر مشتمل ہے، جس میں ۵۶۰ برانچز، ۶۱ سب برانچز اور ۳۳ نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب ۴۲ 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 کو AA+ (ڈبل اے پلس) اور مختصر مدت کے لئے A1+ (اے ون پلس) ریٹنگز برقرار رکھی ہیں۔ ہمارے انسکیورڈ، سبارڈینٹیڈ 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 ۲۳ اگست ۲۰۱۷ء



INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF BANK AL HABIB LIMITED

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Bank AL Habib Limited ("the Bank") as at 30 June 2017, and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other Matter

The figures for the quarter ended 30 June 2017 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Karachi: 23 August 2017

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq



UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

		(Un-audited) 30 June 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		59,009,601	50,600,041
Balances with other banks		2,863,487	2,866,455
Lendings to financial institutions		—	—
Investments - net	7	422,590,265	405,027,569
Advances - net	8	310,422,408	261,440,098
Operating fixed assets	9	21,874,217	18,894,031
Deferred tax assets - net		—	—
Other assets		13,637,992	12,567,622
		830,397,970	751,395,816
LIABILITIES			
Bills payable		16,339,860	13,872,057
Borrowings	10	99,166,504	93,717,345
Deposits and other accounts	11	652,339,479	584,171,954
Sub-ordinated loans	12	3,998,400	3,999,200
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		3,282,072	4,131,830
Other liabilities		12,118,548	8,989,686
		787,244,863	708,882,072
NET ASSETS		43,153,107	42,513,744
REPRESENTED BY:			
Share capital		11,114,254	11,114,254
Reserves		12,449,031	11,949,311
Unappropriated profit		13,062,434	12,858,807
		36,625,719	35,922,372
Surplus on revaluation of assets - net of tax	13	6,527,388	6,591,372
		43,153,107	42,513,744
CONTINGENCIES AND COMMITMENTS		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

ASHAR HUSAIN
Chief Financial Officer



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017**

		Half year ended		Quarter ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Note	(Rupees in '000)			
Mark-up / return / interest earned	15	24,652,374	24,836,674	12,509,312	12,651,614
Mark-up / return / interest expensed	16	(11,911,901)	(12,078,244)	(5,973,030)	(6,142,504)
Net mark-up / return / interest income		12,740,473	12,758,430	6,536,282	6,509,110
(Provision) / reversal against non-performing loans and advances - net		(128,743)	724,848	(331,169)	(452,188)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written-off directly		-	-	-	-
Net mark-up / return / interest income after provisions		12,611,730	13,483,278	6,205,113	6,056,922
NON MARK-UP / INTEREST INCOME					
Fees, commission and brokerage income		1,580,809	1,259,327	769,422	655,276
Dividend income		257,797	389,215	178,163	185,089
Income from dealing in foreign currencies		253,970	329,771	172,414	139,790
Gain on sale / redemption of securities - net		2,311,761	45,757	1,579,114	11,796
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(10,621)	5	3,303	5
Other income		512,165	357,970	194,637	173,547
Total non mark-up / interest income		4,905,881	2,382,045	2,897,053	1,165,503
		17,517,611	15,865,323	9,102,166	7,222,425
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(9,650,538)	(8,903,477)	(4,897,783)	(4,415,683)
Other (provisions) / reversals / write-offs		(7,325)	31,049	(28,176)	-
Other charges		(192,773)	(153,371)	(118,971)	(69,609)
Total non mark-up / interest expenses		(9,850,636)	(9,025,799)	(5,044,930)	(4,485,292)
		7,666,975	6,839,524	4,057,236	2,737,133
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		7,666,975	6,839,524	4,057,236	2,737,133
Taxation - Current		(2,885,916)	(2,577,535)	(1,557,495)	(1,075,730)
- Prior years		(503,224)	(502,993)	(503,224)	(502,993)
- Deferred		281,985	27,438	258,492	93,370
		(3,107,155)	(3,053,090)	(1,802,227)	(1,485,353)
PROFIT AFTER TAXATION		4,559,820	3,786,434	2,255,009	1,251,780
(Rupees)					
Basic and diluted earnings per share	17	4.10	3.41	2.03	1.13

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 ASHAR HUSAIN
Chairman Chief Executive Director Director Chief Financial Officer



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Half year ended		Quarter ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	(Rupees in '000)			
Profit after taxation for the period	4,559,820	3,786,434	2,255,009	1,251,780
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit and loss account</i>				
Exchange differences on translation of net investment in foreign branches	5,350	1,660	(2,514)	1,543
<i>Items that will never be reclassified to profit and loss account subsequently</i>				
Remeasurement of defined benefit plan	-	-	-	-
Related tax charge	-	-	-	-
Comprehensive income transferred to equity	4,565,170	3,788,094	2,252,495	1,253,323
Components of comprehensive income not reflected in equity				
Surplus on revaluation of available for sale securities	(2,540,146)	2,159,372	(1,889,099)	1,328,713
Related tax charge	889,051	(755,781)	661,185	(465,051)
	(1,651,095)	1,403,591	(1,227,914)	863,662
Surplus on revaluation of operating fixed assets	1,951,466	-	1,951,466	-
Related tax charge	(321,328)	-	(321,328)	-
	1,630,138	-	1,630,138	-
Total comprehensive income	4,544,213	5,191,685	2,654,719	2,116,985

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

ASHAR HUSAIN
Chief Financial Officer



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017**

		30 June 2017	30 June 2016
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES	Note		
Profit before taxation		7,666,975	6,839,524
Less: Dividend income		(257,797)	(389,215)
		7,409,178	6,450,309
Adjustments for:			
Depreciation		917,249	760,376
Amortisation		52,784	47,619
Provision / (reversal) against non-performing loans and advances - net		128,743	(724,848)
Gain on sale of operating fixed assets		(87,229)	(50,811)
Gain on sale / redemption of securities - net		(2,311,761)	(45,757)
Unrealised loss / (gain) on held for trading securities		10,621	(5)
Charge for defined benefit plan		127,500	108,000
Charge for compensated absences		18,485	24,442
Provision / (reversal) against off-balance sheet items		5,000	(31,049)
		(1,138,608)	87,967
		6,270,570	6,538,276
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	1,705,623
Advances - net		(49,111,054)	(37,542,448)
Other assets - (excluding advance taxation)		(1,137,258)	(1,186,055)
		(50,248,312)	(37,022,880)
Increase in operating liabilities			
Bills payable		2,467,803	5,999,440
Borrowings		6,434,813	66,110,862
Deposits and other accounts		68,167,525	33,699,524
Other liabilities - (excluding provision for taxation)		2,923,928	1,834,257
		79,994,069	107,644,083
		36,016,327	77,159,479
Income tax paid		(3,244,043)	(2,960,228)
Net cash generated from operating activities		32,772,284	74,199,251
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(17,776,702)	(62,771,637)
Net investments in associates		(25,000)	-
Dividend received		172,850	353,477
Investments in operating fixed assets		(2,025,229)	(2,821,607)
Sale proceeds from disposal of operating fixed assets		105,531	63,882
Net cash used in investing activities		(19,548,550)	(65,175,885)
CASH FLOW FROM FINANCING ACTIVITIES			
(Repayments) / receipts of sub-ordinated loans		(800)	1,005,400
Dividend paid		(3,836,038)	(3,820,916)
Net cash used in financing activities		(3,836,838)	(2,815,516)
Exchange differences on translation of net investment in foreign branches		5,350	1,660
Increase in cash and cash equivalents		9,392,246	6,209,510
Cash and cash equivalents at beginning of the period		52,321,784	41,758,103
Cash and cash equivalents at end of the period	18	61,714,030	47,967,613

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 ASHAR HUSAIN
Chairman Chief Executive Director Director Chief Financial Officer



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Unapp- ropriated Profit	Total
				Special Reserve	General Reserve		
	(Rupees in '000)						
Balance as at 01 January 2016 (Audited)	11,114,254	9,413,632	249,527	126,500	540,000	10,253,920	31,697,833
Total comprehensive income for the half year ended 30 June 2016:							
Profit after tax	-	-	-	-	-	3,786,434	3,786,434
Other comprehensive income	-	-	1,660	-	-	-	1,660
	-	-	1,660	-	-	3,786,434	3,788,094
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	26,521	26,521
Transfer to statutory reserve	-	757,287	-	-	-	(757,287)	-
Transaction with owners of the bank							
Cash dividend - 31 December 2015 (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 30 June 2016 (Un-audited)	11,114,254	10,170,919	251,187	126,500	540,000	9,419,599	31,622,459
Total comprehensive income for the half year ended 31 December 2016:							
Profit after tax	-	-	-	-	-	4,332,795	4,332,795
Other comprehensive income	-	-	(5,854)	-	-	(53,736)	(59,590)
	-	-	(5,854)	-	-	4,279,059	4,273,205
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	26,708	26,708
Transfer to statutory reserve	-	866,559	-	-	-	(866,559)	-
Balance as at 31 December 2016 (Audited)	11,114,254	11,037,478	245,333	126,500	540,000	12,858,807	35,922,372
Total comprehensive income for the half year ended 30 June 2017:							
Profit after tax	-	-	-	-	-	4,559,820	4,559,820
Other comprehensive income	-	-	5,350	-	-	-	5,350
	-	-	5,350	-	-	4,559,820	4,565,170
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	28,166	28,166
Transfer to statutory reserve	-	494,370	-	-	-	(494,370)	-
Transaction with owners of the bank							
Cash dividend - 31 December 2016 (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 30 June 2017 (Un-audited)	11,114,254	11,531,848	250,683	126,500	540,000	13,062,434	36,625,719

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

ASHAR HUSAIN
Chief Financial Officer



NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 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 560 branches (31 December 2016: 518 branches), 61 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 42 Islamic Banking branches (31 December 2016: 41 Islamic Banking branches).

2. BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountant of Pakistan and notified under the provisions of repealed Companies Ordinance, 1984.
- 2.2** The financial results of the Islamic Banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches are disclosed in note 22.

3. STATEMENT OF COMPLIANCE

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

The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular No. 17 of 2017 and press release of 20 July 2017, has clarified that all those companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 can prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

- 3.2** SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, International Financial



Reporting Standard (IFRS) - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

- 3.3** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting". They do not include all the information required in the annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2016.
- 3.4** These are separate unconsolidated condensed interim financial statements of the Bank in which investments in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and presentation currency

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

4.3 Accounting estimates and assumptions

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6. FINANCIAL RISK MANAGEMENT

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



	30 June 2017 (Un-audited)			31 December 2016 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
Note			(Rupees in '000)			
7. INVESTMENTS						
7.1 Investments by type						
Available for Sale Securities						
Market Treasury Bills	187,453,288	67,377,788	254,831,076	166,762,623	62,559,668	229,322,291
Pakistan Investment Bonds	45,051,327	-	45,051,327	50,282,495	-	50,282,495
Foreign Currency Bonds	3,080,948	-	3,080,948	5,254,192	-	5,254,192
Sukuk Bonds	13,133,564	-	13,133,564	10,794,106	-	10,794,106
Fully paid-up ordinary shares - Listed	2,168,601	-	2,168,601	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	2,151,331	-	2,151,331	2,227,524	-	2,227,524
Units of mutual funds	1,625,000	-	1,625,000	2,100,000	-	2,100,000
	255,413,448	67,377,788	322,791,236	241,331,948	62,559,668	303,891,616
Held to Maturity Securities						
Pakistan Investment Bonds	91,308,773	-	91,308,773	91,101,157	-	91,101,157
Foreign Currency Bonds	2,124,747	-	2,124,747	2,386,321	-	2,386,321
Sukuk Bonds	1,770,726	-	1,770,726	671,785	-	671,785
	95,204,246	-	95,204,246	94,159,263	-	94,159,263
Held for Trading Securities						
Fully paid-up ordinary shares - Listed	297,860	-	297,860	154,000	-	154,000
Associates						
Habib Sugar Mills Limited	182,690	-	182,690	182,690	-	182,690
Habib Asset Management Limited	60,000	-	60,000	60,000	-	60,000
First Habib Income Fund	150,000	-	150,000	150,000	-	150,000
First Habib Stock Fund	10,000	-	10,000	10,000	-	10,000
First Habib Cash Fund	150,000	-	150,000	150,000	-	150,000
First Habib Islamic Stock Fund (Formerly First Habib Islamic Balanced Fund)	10,000	-	10,000	10,000	-	10,000
First Habib Islamic Income Fund	25,000	-	25,000	-	-	-
	587,690	-	587,690	562,690	-	562,690
Subsidiaries						
AL Habib Capital Markets (Private) Limited	200,000	-	200,000	200,000	-	200,000
AL Habib Credit & Finance (Hong Kong) Limited	127	-	127	127	-	127
	200,127	-	200,127	200,127	-	200,127
Investments at cost	351,703,371	67,377,788	419,081,159	336,408,028	62,559,668	398,967,696
Less: Provision for diminution in the value of investments	(5,700)	-	(5,700)	(5,700)	-	(5,700)
Investments (net of provisions)	351,697,671	67,377,788	419,075,459	336,402,328	62,559,668	398,961,996
(Deficit) / surplus on revaluation of held for trading securities - net	(7,236)	-	(7,236)	3,385	-	3,385
Surplus / (deficit) on revaluation of available for sale securities - net	3,530,935	(8,893)	3,522,042	6,042,721	19,467	6,062,188
Total Investments	355,221,370	67,368,895	422,590,265	342,448,434	62,579,135	405,027,569

7.2 The aggregate market value of held to maturity securities as at 30 June 2017 amounted to Rs. 103,486 million (31 December 2016: Rs. 103,979 million).



		(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
8. ADVANCES	Note		
Loans, cash credits, running finances, etc.			
– In Pakistan		242,607,411	209,997,397
– Outside Pakistan		17,867,370	18,611,520
		<u>260,474,781</u>	<u>228,608,917</u>
Islamic financing and related assets - gross	22.1.1	25,480,430	18,134,258
Net investment in finance lease			
– In Pakistan		11,853,478	8,305,218
– Outside Pakistan		–	–
		<u>11,853,478</u>	<u>8,305,218</u>
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		2,882,048	1,635,915
– Payable outside Pakistan		17,689,880	12,582,959
		<u>20,571,928</u>	<u>14,218,874</u>
Advances - gross		<u>318,380,617</u>	<u>269,267,267</u>
Provision against non-performing loans and advances			
– Specific provision	8.1	(4,754,771)	(4,882,330)
– General provision against small enterprises and consumer advances (as per SBP regulations)	8.2	(203,438)	(194,839)
– General provision	8.3	(3,000,000)	(2,750,000)
		<u>(7,958,209)</u>	<u>(7,827,169)</u>
Advances - net of provisions		<u>310,422,408</u>	<u>261,440,098</u>

8.1 Advances include Rs. 5,680.415 million (31 December 2016: Rs. 5,715.466 million) which have been placed under non-performing status as detailed below:

30 June 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									
	23,643	–	23,643	444	–	444	444	–	444
Substandard	115,989	–	115,989	26,229	–	26,229	26,229	–	26,229
Doubtful	1,536,790	–	1,536,790	742,201	–	742,201	742,201	–	742,201
Loss	3,064,955	939,038	4,003,993	3,046,859	939,038	3,985,897	3,046,859	939,038	3,985,897
	<u>4,741,377</u>	<u>939,038</u>	<u>5,680,415</u>	<u>3,815,733</u>	<u>939,038</u>	<u>4,754,771</u>	<u>3,815,733</u>	<u>939,038</u>	<u>4,754,771</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. 138.938 million (31 December 2016: Rs. 134.178 million) against consumer finance portfolio and Rs. 64.500 million (31 December 2016: Rs. 60.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP.

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

	(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
9. OPERATING FIXED ASSETS		
Capital work-in-progress	960,169	650,415
Property and equipment	20,805,408	18,125,803
Intangible assets	108,640	117,813
	<u>21,874,217</u>	<u>18,894,031</u>

	(Un-audited) Half year ended 30 June 2017 (Rupees in '000)	30 June 2016
9.1		

The following additions were made during the period:

Leasehold land	117,052	315,532
Buildings on leasehold land	352,819	1,076,175
Improvements to leasehold buildings	183,411	176,916
Furniture and fixtures	90,221	91,345
Electrical, office and computer equipments	766,072	790,003
Vehicles	155,569	202,421
Intangible assets	39,806	67,378
	<u>1,704,950</u>	<u>2,719,770</u>



	(Un-audited) Half year ended	
	30 June 2017	30 June 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	6,434
Furniture and fixtures	1,485	363
Electrical, office and computer equipments	1,633	2,255
Vehicles	3,928	4,019
	18,302	13,071
9.3 During the period, the Bank's leasehold land and buildings on leasehold land were revalued by M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. As a result of revaluation the market value of leasehold land and buildings on leasehold land were determined at Rs. 15,162 million. The details of revalued amounts are as follows:		
	(Rupees in '000)	
Total revalued amount of land		7,025,925
Total revalued amount of buildings		8,136,236
Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 30 June 2017 would have been as follows:		
	(Rupees in '000)	
Land		4,788,144
Buildings		5,071,829
	(Un-audited) 30 June 2017	(Audited) 31 December 2016
	(Rupees in '000)	
10. BORROWINGS		
Secured		
Borrowings from SBP		
– Export refinance scheme	20,758,984	20,143,239
– Renewable energy	1,923,218	—
– Long term financing for imported and locally manufactured plant and machinery	8,900,235	5,632,293
– Financing facility for storage of agricultural produce	67,847	56,875
	31,650,284	25,832,407
Repurchase agreement borrowings	67,357,162	62,556,286
	99,007,446	88,388,693
Unsecured		
Borrowings from financial institutions	—	4,183,940
Overdrawn nostros	159,058	1,144,712
	159,058	5,328,652
	99,166,504	93,717,345



		(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
	Note		
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		118,997,901	114,762,820
Savings deposits		185,873,377	170,130,029
Current accounts - Remunerative		80,236,093	72,737,910
Current accounts - Non-remunerative		247,299,206	210,377,190
		<u>632,406,577</u>	<u>568,007,949</u>
Financial institutions			
Remunerative deposits		17,671,523	14,150,564
Non-remunerative deposits		2,261,379	2,013,441
		<u>19,932,902</u>	<u>16,164,005</u>
		<u>652,339,479</u>	<u>584,171,954</u>
12. SUB-ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	12.1	<u>3,998,400</u>	<u>3,999,200</u>
12.1 Term Finance Certificates - V - (Unquoted)			
Total issue		Rupees 4,000 million	
Rating		AA	
Rate		Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap	
Redemption		6th-108th month: 0.36%; 114th and 120th month: 49.82% each	
Tenor		10 years	
Maturity		March 2026	
		(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
	Note		
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Fixed assets / non-banking assets	13.1	4,238,061	2,650,950
Available for sale investments	13.2	<u>2,289,327</u>	<u>3,940,422</u>
		<u>6,527,388</u>	<u>6,591,372</u>



	(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
13.1 Fixed assets / non-banking assets		
Balance at beginning of the period / year	3,421,927	3,489,993
Surplus on revaluation of the Bank's fixed assets / non-banking assets during the period / year	1,951,466	13,825
Disposal / adjustments	(14,910)	–
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(43,333)	(81,891)
	<u>5,315,150</u>	<u>3,421,927</u>
Related deferred tax liability on:		
Balance at beginning of the period / year	770,977	797,630
Revaluation of the Bank's fixed assets / non-banking assets during the period / year	321,328	2,009
Disposal / adjustments	(49)	–
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(15,167)	(28,662)
	<u>(1,077,089)</u>	<u>(770,977)</u>
	<u>4,238,061</u>	<u>2,650,950</u>
13.2 Available for sale investments		
Federal Government Securities	3,407,075	4,457,817
Fully paid-up ordinary shares	(52,583)	1,177,059
Term finance certificates, sukuk bonds and foreign currency bonds	48,770	10,294
Units of mutual funds	118,780	417,018
	<u>3,522,042</u>	<u>6,062,188</u>
Related deferred tax liability	(1,232,715)	(2,121,766)
	<u>2,289,327</u>	<u>3,940,422</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Financial guarantees issued favouring:		
– Financial institutions	1,102,805	930,792
– Others	4,712,227	4,538,313
	<u>5,815,032</u>	<u>5,469,105</u>
14.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
– Government	33,348,410	34,649,327
– Financial institutions	616,224	594,401
– Others	15,597,265	11,682,502
	<u>49,561,899</u>	<u>46,926,230</u>



	(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
14.3 Trade-related contingent liabilities		
Letters of credit	95,914,236	103,691,663
Acceptances	21,963,196	16,622,601
Bankers liability rediscount	—	1,898,680
	<u>117,877,432</u>	<u>122,212,944</u>
14.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>12,482,421</u>	<u>10,967,104</u>
14.5 Commitments in respect of forward exchange contracts		
Purchase	<u>52,663,994</u>	<u>49,396,754</u>
Sale	<u>41,222,717</u>	<u>28,383,678</u>
The maturities of above contracts are spread over the period upto one year.		
14.6 Commitments for the acquisition of operating fixed assets	<u>622,847</u>	<u>328,351</u>
14.7 Claims against the Bank not acknowledged as debts	<u>4,765,920</u>	<u>4,459,758</u>
14.8 Other contingencies		

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

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

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

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



(Un-audited)				
	Half year ended		Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
(Rupees in '000)				
15. MARK-UP / RETURN / INTEREST EARNED				
On loans and advances to:				
Customers	8,656,873	7,028,821	4,580,391	3,625,127
Financial institutions	107,692	74,258	58,044	47,724
	<u>8,764,565</u>	<u>7,103,079</u>	<u>4,638,435</u>	<u>3,672,851</u>
On investments:				
Available for sale securities	10,331,336	9,725,213	5,054,839	4,922,213
Held to maturity securities	5,454,104	7,864,311	2,767,397	3,977,508
	<u>15,785,440</u>	<u>17,589,524</u>	<u>7,822,236</u>	<u>8,899,721</u>
On deposits with financial institutions	72,656	111,892	34,776	72,931
On securities purchased under resale agreements	29,689	31,011	13,841	5,971
On call money lendings	24	1,168	24	140
	<u>24,652,374</u>	<u>24,836,674</u>	<u>12,509,312</u>	<u>12,651,614</u>
16. MARK-UP / RETURN / INTEREST EXPENSED				
Deposits	9,369,195	8,665,489	4,828,955	4,271,358
Sub-ordinated loans	135,768	304,610	68,584	180,949
Repurchase agreement borrowings	1,782,676	2,380,207	761,471	1,346,737
Borrowings from SBP	320,877	333,494	167,101	160,267
Other borrowings	303,385	394,444	146,919	183,193
	<u>11,911,901</u>	<u>12,078,244</u>	<u>5,973,030</u>	<u>6,142,504</u>
17. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation	<u>4,559,820</u>	<u>3,786,434</u>	<u>2,255,009</u>	<u>1,251,780</u>
	(Number of shares in thousands)			
Weighted average number of ordinary shares	<u>1,111,425</u>	<u>1,111,425</u>	<u>1,111,425</u>	<u>1,111,425</u>
	(Rupees)			
Basic and diluted earnings per share	<u>4.10</u>	<u>3.41</u>	<u>2.03</u>	<u>1.13</u>
	(Un-audited)			
	Half year ended			
	30 June 2017	30 June 2016		
	(Rupees in '000)			
18. CASH AND CASH EQUIVALENTS				
Cash and balances with treasury banks	59,009,601	44,720,988		
Balances with other banks	2,863,487	3,702,547		
Overdrawn nostros	(159,058)	(455,922)		
	<u>61,714,030</u>	<u>47,967,613</u>		



19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		30 June 2017 / (Un-audited)						Fair value				
		Carrying amount										
		Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3	Total
Note												
On-balance sheet financial instruments												
Financial assets measured at fair value												
- Investments												
Federal Government Securities												
	(TBills + PIBs + Sukuk Bonds + FC Bonds)	312,037,626	-	-	-	-	-	312,037,626	-	312,037,626	-	312,037,626
	Foreign Currency Bonds - Others	1,402,055	-	-	-	-	-	1,402,055	-	1,402,055	-	1,402,055
	Sukuk Bonds - Others	965,889	-	-	-	-	-	965,889	-	965,889	-	965,889
	Fully paid-up ordinary shares - Listed	2,116,018	290,624	-	-	-	-	2,406,642	2,406,642	-	-	2,406,642
	Units of mutual funds	1,743,780	-	-	-	-	-	1,743,780	1,743,780	-	-	1,743,780
	Term Finance Certificates - Listed	706,482	-	-	-	-	-	706,482	706,482	-	-	706,482
Financial assets not measured at fair value												
	- Cash and bank balances with treasury banks	-	-	-	-	59,009,601	-	59,009,601	-	-	-	-
	- Balances with other banks	-	-	-	-	2,863,487	-	2,863,487	-	-	-	-
- Investments												
	Federal Government Securities											
	(TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)	4,923,214	-	94,809,027	-	-	-	99,732,241	-	103,091,329	-	103,091,329
	Foreign Currency Bonds - Others	19.1	-	260,502	-	-	-	260,502	-	-	-	-
	Sukuk Bonds - Others	19.1	1,505,838	134,717	-	-	-	1,640,555	-	-	-	-
	Fully paid-up ordinary shares - Unlisted	19.1	41,059	-	-	-	-	41,059	-	-	-	-
	Term Finance Certificates - Unlisted	19.1	865,617	-	-	-	-	865,617	-	-	-	-
Associates												
	Listed shares	-	-	-	-	182,690	-	182,690	352,603	-	-	352,603
	Mutual funds	-	-	-	-	345,000	-	345,000	324,689	-	-	324,689
	Unlisted shares	19.1	-	-	-	60,000	-	60,000	-	-	-	-
	Subsidiaries - Unlisted shares	19.1	-	-	-	200,127	-	200,127	-	-	-	-
	- Advances	19.1	-	-	310,422,408	-	-	310,422,408	-	-	-	-
	- Other assets	19.1	-	-	-	12,119,958	-	12,119,958	-	-	-	-
		326,307,578	290,624	95,204,246	310,422,408	74,780,863	-	807,005,719	5,534,196	417,496,899	-	423,031,095
Financial liabilities not measured at fair value												
	- Bills payable	19.1	-	-	-	-	(16,339,860)	(16,339,860)	-	-	-	-
	- Borrowings	19.1	-	-	-	-	(99,166,504)	(99,166,504)	-	-	-	-
	- Deposits and other accounts	19.1	-	-	-	-	(652,339,479)	(652,339,479)	-	-	-	-
	- Subordinated loans	19.1	-	-	-	-	(3,998,400)	(3,998,400)	-	-	-	-
	- Other liabilities	19.1	-	-	-	-	(9,741,839)	(9,741,839)	-	-	-	-
		-	-	-	-	-	(781,586,082)	(781,586,082)	-	-	-	-
		326,307,578	290,624	95,204,246	310,422,408	74,780,863	(781,586,082)	25,419,637	5,534,196	417,496,899	-	423,031,095
Off-balance sheet financial instruments measured at fair value												
	Forward purchase of foreign exchange contracts	-	-	-	-	-	52,663,994	52,663,994	-	52,815,894	-	52,815,894
	Forward sale of foreign exchange contracts	-	-	-	-	-	(41,222,717)	(41,222,717)	-	(41,278,736)	-	(41,278,736)
Off-balance sheet financial instruments not measured at fair value												
	Commitment to extend credit	19.1	-	-	-	-	12,482,421	12,482,421	-	-	-	-



31 December 2016 (Audited)

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

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

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

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

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

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

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



20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Half year ended 30 June 2017 (Un-audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	11,813,257	26,642,301	(8,897,303)	29,558,255
Total expenses	(9,953,645)	(20,834,938)	8,897,303	(21,891,280)
Net income	1,859,612	5,807,363	–	7,666,975
As at 30 June 2017 (Un-audited)				
Segment assets (net of provisions)	670,855,808	759,202,607	(599,660,445)	830,397,970
Segment non performing loans	52,107	5,628,308	–	5,680,415
Segment provision required	44,360	4,710,411	–	4,754,771
Segment liabilities	665,964,378	720,940,930	(599,660,445)	787,244,863
Segment return on assets (ROA) (%)*	1.76%	3.51%		
Segment cost of funds (%)*	1.49%	2.89%		
Half year ended 30 June 2016 (Un-audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	11,186,886	23,897,730	(7,865,897)	27,218,719
Total expenses	(8,523,937)	(19,721,155)	7,865,897	(20,379,195)
Net income	2,662,949	4,176,575	–	6,839,524
As at 30 June 2016 (Un-audited)				
Segment assets (net of provisions)	545,595,791	709,027,719	(503,476,312)	751,147,198
Segment non performing loans	44,162	5,739,526	–	5,783,688
Segment provision required	39,840	4,530,121	–	4,569,961
Segment liabilities	543,815,058	671,638,282	(503,476,312)	711,977,028
Segment return on assets (ROA) (%)*	2.05%	3.37%		
Segment cost of funds (%)*	1.57%	2.94%		

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



21. RELATED PARTY TRANSACTIONS

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

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

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

	30 June 2017 (Un-audited)					Total
	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	
Deposits						
At beginning of the period	14,314	2,777,378	556,559	451,090	842,775	4,642,116
Placements during the period	313,991	43,181,226	2,406,395	1,168,195	7,604,677	54,674,484
Withdrawals during the period	(227,519)	(43,789,231)	(2,129,529)	(1,053,514)	(7,368,609)	(54,568,402)
At end of the period	100,786	2,169,373	833,425	565,771	1,078,843	4,748,198
Advances						
At beginning of the period	–	1,391,233	210	49,060	–	1,440,503
Given during the period	5,399,096	17,319,934	7,324	65,465	–	22,791,819
Repaid during the period	(5,399,096)	(17,226,392)	(7,244)	(31,872)	–	(22,664,604)
At end of the period	–	1,484,775	290	82,653	–	1,567,718
Investments						
At beginning of the period	200,127	562,690	–	–	–	762,817
Investments made during the period	–	26,230	–	–	–	26,230
Investments redeemed during the period	–	–	–	–	–	–
At end of the period	200,127	588,920	–	–	–	789,047
Contingencies and commitments	–	1,051,029	–	–	–	1,051,029
31 December 2016 (Audited)						
Deposits						
At beginning of the year	13,185	3,398,002	183,973	432,539	325,824	4,353,523
Placements during the year	414,980	116,514,517	2,811,177	2,212,391	4,772,953	126,726,018
Withdrawals during the year	(413,851)	(117,135,141)	(2,438,591)	(2,193,840)	(4,256,002)	(126,437,425)
At end of the year	14,314	2,777,378	556,559	451,090	842,775	4,642,116
Advances						
At beginning of the year	–	978,041	144	54,478	–	1,032,663
Given during the year	5,650,821	27,478,082	5,112	89,093	–	33,223,108
Repaid during the year	(5,650,821)	(27,064,890)	(5,046)	(94,511)	–	(32,815,268)
At end of the year	–	1,391,233	210	49,060	–	1,440,503
Investments						
At beginning of the year	200,127	562,690	–	–	–	762,817
Investments made during the year	–	–	–	–	–	–
Investments redeemed during the year	–	–	–	–	–	–
At end of the year	200,127	562,690	–	–	–	762,817
Contingencies and commitments	–	1,191,933	–	–	–	1,191,933



Half year ended 30 June 2017 (Un-audited)

	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	Total
Forward purchase contracts	-	-	-	-	-	-
Other assets	20,751	-	-	-	-	20,751
Other liabilities	280	-	-	-	-	280
Unrealised loss on forward contracts	-	-	-	-	-	-
Purchase of securities	-	1,230	-	-	-	1,230
Purchase of mutual funds	-	25,000	-	-	-	25,000
Sale of securities	-	63,105	-	-	1,000,096	1,063,201
Mark-up earned	232	33,305	3	1,880	-	35,420
Mark-up expensed	536	70,802	16,903	10,479	34,844	133,564
Bank charges and commission	1	4,699	15	20	-	4,735
Salaries and allowances	-	-	-	182,512	-	182,512
Bonus	-	-	-	15,194	-	15,194
Contribution to defined contribution plan	-	-	-	6,049	-	6,049
Contribution to defined benefit plan	-	-	-	14,410	-	14,410
Staff provident fund	-	-	-	-	186,851	186,851
Staff gratuity fund	-	-	-	-	127,500	127,500
Directors' fee	-	-	16,550	-	-	16,550
Insurance claim received	-	10,306	-	-	-	10,306
Insurance premium paid	-	166,332	-	-	-	166,332
Dividend income	-	44,821	-	-	-	44,821
Rental income	1,050	-	-	-	-	1,050
Rental paid	-	7,258	-	-	-	7,258
Commission expensed	1,566	-	-	-	-	1,566
Donation	-	-	-	-	-	-
Other expensed	-	2,970	-	-	-	2,970
Other income	492	91	-	-	52	635

Half year ended 30 June 2016 (Un-audited)

Forward purchase contracts	-	286,768	-	-	-	286,768
Other assets	13,907	-	-	-	-	13,907
Other liabilities	135	-	-	-	-	135
Unrealised loss on forward contracts	-	3,354	-	-	-	3,354
Purchase of securities	-	-	-	-	-	-
Purchase of mutual funds	-	-	-	-	-	-
Sale of securities	-	12,024	-	-	316,341	328,365
Mark-up earned	150	40,647	-	1,617	-	42,414
Mark-up expensed	228	83,641	6,821	13,714	16,199	120,603
Bank charges and commission	-	2,771	280	30	-	3,081
Salaries and allowances	-	-	-	184,532	-	184,532
Bonus	-	-	-	33,496	-	33,496
Contribution to defined contribution plan	-	-	-	7,873	-	7,873
Contribution to defined benefit plan	-	-	-	49,454	-	49,454
Staff provident fund	-	-	-	-	158,168	158,168
Staff gratuity fund	-	-	-	-	108,000	108,000
Directors' fee	-	-	3,975	-	-	3,975
Insurance claim received	-	6,315	-	-	-	6,315
Insurance premium paid	-	131,086	-	-	-	131,086
Dividend income	-	41,044	-	-	-	41,044
Rental income	1,050	-	-	-	-	1,050
Rental paid	-	-	-	-	-	-
Commission expensed	1,195	-	-	-	-	1,195
Donation	-	109,900	-	-	-	109,900
Other expensed	-	2,612	-	-	-	2,612
Other income	266	119	-	-	48	433



22. ISLAMIC BANKING BUSINESS

22.1 The Bank is operating 42 (31 December 2016: 41) Islamic Banking branches in Pakistan. The statement of financial position of these branches as at 30 June 2017 is as follows:

		(Un-audited) 30 June 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		2,000,054	1,552,162
Balances with and due from financial institutions		65,931	302,037
Investments		11,336,306	9,132,670
Islamic financing and related assets	22.1.1	25,470,326	18,128,914
Operating fixed assets		185,355	182,487
Other assets		375,829	252,443
		39,433,801	29,550,713
LIABILITIES			
Bills payable		12,755	22,514
Due to financial institutions		3,167,578	2,641,655
Deposits and other accounts		28,518,858	22,607,349
– Current accounts		10,095,170	8,044,145
– Saving accounts		10,565,676	6,533,321
– Term deposits		5,525,074	5,049,667
– Others		285,733	81,580
– Deposits from financial institutions-remunerative		2,046,643	2,897,919
– Deposits from financial institutions-non-remunerative		562	717
Due to Head office		2,165,603	513,406
Other liabilities		1,517,109	1,125,648
		(35,381,903)	(26,910,572)
NET ASSETS		4,051,898	2,640,141
REPRESENTED BY:			
Islamic banking fund		3,800,000	2,500,000
Unremitted profit		185,291	108,178
		3,985,291	2,608,178
Surplus on revaluation of assets		66,607	31,963
		4,051,898	2,640,141



	(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
22.1.1 Islamic financing and related assets		
Murabaha	3,517,886	3,153,222
Net book value of assets / investments in ijarah under IFAS 2	2,101,096	1,338,279
Diminishing musharakah	6,621,363	5,264,472
Running musharakah	2,800,000	—
Musawama	1,199,323	960,059
Export refinance murabaha	1,287,066	408,789
Export refinance istisna	2,907,700	2,052,048
Istisna	1,652,476	1,771,968
Gross financing	22,086,910	14,948,837
Advance against murabaha	520,714	668,142
Advance against ijarah	573,658	864,728
Advance against diminishing musharakah	1,920,948	1,563,383
Advance against istisna	378,200	89,168
Islamic financing and related assets - gross	25,480,430	18,134,258
Less: general provisioning against consumer financing	(10,104)	(5,344)
Islamic financing and related assets - net of provision	25,470,326	18,128,914
22.1.1.1 Islamic mode of financing		
Financings / inventory / receivables	22,086,910	14,948,837
Advances	3,393,520	3,185,421
Less: general provisioning against consumer financing	(10,104)	(5,344)
	25,470,326	18,128,914
22.2 The profit and loss account of the Bank's Islamic Banking branches for the half year ended 30 June 2017 is as follows:		
	(Un-audited) Half year ended 30 June 2017 (Rupees in '000)	30 June 2016
Profit / return on financing and placements earned	944,319	614,137
Profit / return on deposits and other dues expensed	(406,506)	(317,497)
	537,813	296,640
Provision against non-performing loans and advances	(4,760)	(1,123)
Net spread earned	533,053	295,517
OTHER INCOME		
Fees, commission and brokerage income	49,641	34,218
Income from dealing in foreign currencies	14,428	8,549
Gain on sale of securities	537	—
Dividend income	8,900	—
Other income	12,401	10,544
	85,907	53,311
OTHER EXPENSES		
Administrative expenses	(433,669)	(322,289)
PROFIT BEFORE TAXATION	185,291	26,539
22.3 Remuneration to Shariah Board	3,211	2,484



	(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
22.4 CHARITY FUND		
Opening balance	2,738	2,686
Additions during the period / year	1,720	2,738
Payment / utilisation during the period / year		
Health	(500)	(630)
Social welfare	(100)	(2,056)
	(600)	(2,686)
Closing balance	3,858	2,738

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

23. GENERAL

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

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

23.3 Figures of the profit and loss account for the quarters ended 30 June 2017 and 30 June 2016 have not been subjected to limited scope review by the auditors.

24. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 23 August 2017.

ABBAS D. HABIB
Chairman

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ASHAR HUSAIN
Chief Financial Officer



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



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

		(Un-audited) 30 June 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		59,009,622	50,600,061
Balances with other banks		2,926,898	2,910,200
Lendings to financial institutions		—	—
Investments - net	7	422,894,422	405,343,017
Advances - net	8	310,422,583	261,440,523
Operating fixed assets	9	21,894,026	18,914,506
Deferred tax assets - net		—	—
Other assets		13,715,251	12,611,227
		830,862,802	751,819,534
LIABILITIES			
Bills payable		16,339,860	13,872,057
Borrowings	10	99,166,504	93,717,345
Deposits and other accounts	11	652,330,725	584,165,978
Sub-ordinated loans	12	3,998,400	3,999,200
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		3,279,384	4,127,981
Other liabilities		12,184,962	9,041,670
		787,299,835	708,924,231
NET ASSETS		43,562,967	42,895,303
REPRESENTED BY:			
Share capital		11,114,254	11,114,254
Reserves		12,448,720	11,948,911
Unappropriated profit		13,254,405	13,043,606
Equity attributable to the shareholders of the Holding company		36,817,379	36,106,771
Non-controlling interest		121,489	114,215
Total equity		36,938,868	36,220,986
Surplus on revaluation of assets - net of tax	13	6,624,099	6,674,317
		43,562,967	42,895,303
CONTINGENCIES AND COMMITMENTS		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

ASHAR HUSAIN
Chief Financial Officer



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Note	Half year ended		Quarter ended	
		30 June 2017	30 June 2016 (Rupees in '000)	30 June 2017	30 June 2016
Mark-up / return / interest earned	15	24,659,600	24,844,700	12,513,013	12,655,739
Mark-up / return / interest expensed	16	(11,911,364)	(12,078,009)	(5,972,605)	(6,142,410)
Net mark-up / return / interest income		12,748,236	12,766,691	6,540,408	6,513,329
(Provision) / reversal against non-performing loans and advances - net		(128,743)	724,848	(331,169)	(452,188)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written-off directly		-	-	-	-
		(128,743)	724,848	(331,169)	(452,188)
Net mark-up / return / interest income after provisions		12,619,493	13,491,539	6,209,239	6,061,141
NON MARK-UP / INTEREST INCOME					
Fees, commission and brokerage income		1,598,902	1,271,830	778,922	663,233
Dividend income		215,542	351,489	160,807	168,771
Income from dealing in foreign currencies		253,970	329,771	172,414	139,790
Gain on sale / redemption of securities - net		2,367,892	49,025	1,597,611	15,064
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(10,621)	5	3,303	5
Share of profit from associates		25,734	34,368	15,459	24,774
Other income		510,879	357,434	194,002	173,305
Total non mark-up / interest income		4,962,298	2,393,922	2,922,518	1,184,942
		17,581,791	15,885,461	9,131,757	7,246,083
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(9,681,187)	(8,927,924)	(4,913,076)	(4,429,456)
Other (provisions) / reversals / write-offs		(7,325)	31,049	(28,176)	-
Other charges		(193,582)	(153,466)	(119,256)	(69,738)
Total non mark-up / interest expenses		(9,882,094)	(9,050,341)	(5,060,508)	(4,499,194)
		7,699,697	6,835,120	4,071,249	2,746,889
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		7,699,697	6,835,120	4,071,249	2,746,889
Taxation - Current		(2,899,685)	(2,579,615)	(1,563,095)	(1,078,130)
- Prior years		(503,224)	(502,993)	(503,224)	(502,993)
- Deferred		277,478	26,404	257,455	92,610
		(3,125,431)	(3,056,204)	(1,808,864)	(1,488,513)
PROFIT AFTER TAXATION		4,574,266	3,778,916	2,262,385	1,258,376
Attributable to:					
Shareholders of the Holding company		4,566,992	3,778,671	2,259,970	1,258,074
Non-controlling interest		7,274	245	2,415	302
		4,574,266	3,778,916	2,262,385	1,258,376
(Rupees)					
Basic and diluted earnings per share attributable to equity holders of the Holding company	17	4.11	3.40	2.03	1.13

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

ABBAS D. HABIB MANSOOR ALI KHAN SYED MAZHAR ABBAS ANWAR HAJI KARIM ASHAR HUSAIN
Chairman Chief Executive Director Director Chief Financial Officer



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Half year ended		Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	(Rupees in '000)			
Profit after taxation for the period	4,574,266	3,778,916	2,262,385	1,258,376
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss account</i>				
Exchange differences on translation of net investment in foreign operations	5,439	1,664	(2,522)	1,541
<i>Items that will never be reclassified to profit or loss account subsequently</i>				
Remeasurement of defined benefit plan	-	-	-	-
Related tax charge	-	-	-	-
Comprehensive income transferred to equity	4,579,705	3,780,580	2,259,863	1,259,917
<i>Components of comprehensive income not reflected in equity</i>				
Surplus on revaluation of available for sale securities	(2,528,669)	2,157,676	(1,905,538)	1,330,275
Related tax charge	891,340	(755,877)	662,657	(465,696)
	(1,637,329)	1,401,799	(1,242,881)	864,579
Surplus on revaluation of operating fixed assets	1,951,466	-	1,951,466	-
Related tax charge	(321,328)	-	(321,328)	-
	1,630,138	-	1,630,138	-
Total comprehensive income	4,572,514	5,182,379	2,647,120	2,124,496
Attributable to:				
Shareholders of the Holding company	4,568,202	5,181,014	2,646,401	2,122,596
Non-controlling interest	4,312	1,365	719	1,900
	4,572,514	5,182,379	2,647,120	2,124,496

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

ASHAR HUSAIN
Chief Financial Officer



**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Note	30 June 2017 (Rupees in '000)	30 June 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,699,697	6,835,120
Less: Dividend income		(215,542)	(351,489)
		7,484,155	6,483,631
Adjustments for:			
Depreciation		917,985	761,013
Amortisation		53,344	47,641
Provision / (reversal) against non-performing loans and advances - net		128,743	(724,848)
Gain on sale of operating fixed assets		(87,229)	(51,179)
Gain on sale / redemption of securities - net		(2,367,892)	(49,025)
Unrealised loss / (gain) on held for trading securities		10,621	(5)
Charge for defined benefit plan		127,500	108,000
Charge for compensated absences		18,485	24,442
Share of profit from associates		(25,734)	(34,368)
Provision / (reversal) against off-balance sheet items		5,000	(31,049)
		(1,219,177)	50,622
		6,264,978	6,534,253
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	1,705,623
Advances - net		(49,110,804)	(37,539,801)
Other assets - (excluding advance taxation)		(1,179,229)	(1,221,414)
		(50,290,033)	(37,055,592)
Increase in operating liabilities			
Bills payable		2,467,803	5,999,440
Borrowings		6,434,813	66,110,862
Deposits and other accounts		68,164,747	33,714,960
Other liabilities - (excluding provision for taxation)		2,938,354	1,873,071
		80,005,717	107,698,333
		35,980,662	77,176,994
Income tax paid		(3,248,990)	(2,962,729)
Net cash generated from operating activities		32,731,672	74,214,265
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(17,717,940)	(62,771,246)
Net investments in associates		19,820	41,044
Dividend received		130,090	315,751
Investments in operating fixed assets		(2,025,861)	(2,823,554)
Sale proceeds from disposal of operating fixed assets		105,531	64,356
Net cash used in investing activities		(19,488,360)	(65,173,649)
CASH FLOW FROM FINANCING ACTIVITIES			
(Repayments) / receipts of sub-ordinated loans		(800)	1,005,400
Dividend paid		(3,836,038)	(3,820,916)
Net cash used in financing activities		(3,836,838)	(2,815,516)
Exchange differences on translation of net investment in foreign operations		5,439	1,664
Increase in cash and cash equivalents		9,411,913	6,226,764
Cash and cash equivalents at beginning of the period		52,365,549	41,776,740
Cash and cash equivalents at end of the period	18	61,777,462	48,003,504

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

ASHAR HUSAIN
Chief Financial Officer



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Attributable to the shareholders of the Holding Company							Non-controlling Interest	Total
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Special Reserve	General Reserve	Unappropriated Profit	Sub Total		
	(Rupees in '000)								
Balance as at 01 January 2016 (Audited)	11,114,254	9,413,632	249,101	126,500	540,000	10,414,605	31,858,092	112,979	31,971,071
Total comprehensive income for the half year ended 30 June 2016:									
Profit after tax	-	-	-	-	-	3,778,671	3,778,671	245	3,778,916
Other comprehensive income	-	-	1,664	-	-	-	1,664	-	1,664
	-	-	1,664	-	-	3,778,671	3,780,335	245	3,780,580
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	26,521	26,521	-	26,521
Transfer to statutory reserve	-	757,287	-	-	-	(757,287)	-	-	-
Transaction with owners, of the bank									
Cash dividend - 31 December 2015 (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)	-	(3,889,989)
Balance as at 30 June 2016 (Un-audited)	11,114,254	10,170,919	250,765	126,500	540,000	9,572,521	31,774,959	113,224	31,888,183
Total comprehensive income for the half year ended 31 December 2016:									
Profit after tax	-	-	-	-	-	4,364,672	4,364,672	991	4,365,663
Other comprehensive income	-	-	(5,832)	-	-	(53,736)	(59,568)	-	(59,568)
	-	-	(5,832)	-	-	4,310,936	4,305,104	991	4,306,095
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	26,708	26,708	-	26,708
Transfer to statutory reserve	-	866,559	-	-	-	(866,559)	-	-	-
Balance as at 31 December 2016 (Audited)	11,114,254	11,037,478	244,933	126,500	540,000	13,043,606	36,106,771	114,215	36,220,986
Total comprehensive income for the half year ended 30 June 2017:									
Profit after tax	-	-	-	-	-	4,566,992	4,566,992	7,274	4,574,266
Other comprehensive income	-	-	5,439	-	-	-	5,439	-	5,439
	-	-	5,439	-	-	4,566,992	4,572,431	7,274	4,579,705
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	28,166	28,166	-	28,166
Transfer to statutory reserve	-	494,370	-	-	-	(494,370)	-	-	-
Transaction with owners of the bank									
Cash dividend - 31 December 2016 (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)	-	(3,889,989)
Balance as at 30 June 2017 (Un-audited)	11,114,254	11,531,848	250,372	126,500	540,000	13,254,405	36,817,379	121,489	36,938,868

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

ASHAR HUSAIN
Chief Financial Officer



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 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 560 branches (31 December 2016: 518 branches), 61 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 42 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), issued by the Institute of Chartered Accountant of Pakistan and notified under provisions of repealed Companies Ordinance, 1984.

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

3. STATEMENT OF COMPLIANCE

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



The Companies Ordinance, 1984 was repealed by enactment of the Companies Act 2017 on May 30, 2017. SECP vide its Circular No. 17 of 2017 and press release of July 20, 2017, has clarified that all those companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017 can prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

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

4. BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and presentation currency

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

4.3 Accounting estimates and assumptions

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6. FINANCIAL RISK MANAGEMENT

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



Note	30 June 2017 (Un-audited)			31 December 2016 (Audited)		
	Held by Group	Given as Collateral	Total	Held by Group	Given as Collateral	Total
	(Rupees in '000)					
7. INVESTMENTS						
7.1 Investments by type						
Available for Sale Securities						
Market Treasury Bills	187,453,288	67,377,788	254,831,076	166,762,623	62,559,668	229,322,291
Pakistan Investment Bonds	45,196,384	—	45,196,384	50,428,524	—	50,428,524
Foreign Currency Bonds	3,080,948	—	3,080,948	5,254,192	—	5,254,192
Sukuk Bonds	13,133,564	—	13,133,564	10,794,106	—	10,794,106
Fully paid-up ordinary shares - Listed	2,234,620	—	2,234,620	3,219,544	—	3,219,544
Fully paid-up ordinary shares - Unlisted	54,688	—	54,688	70,814	—	70,814
Term finance certificates - Listed	702,630	—	702,630	702,771	—	702,771
Term finance certificates - Unlisted	2,151,331	—	2,151,331	2,227,524	—	2,227,524
Units of mutual funds	1,625,000	—	1,625,000	2,100,000	—	2,100,000
	255,632,453	67,377,788	323,010,241	241,560,098	62,559,668	304,119,766
Held to Maturity Securities						
Pakistan Investment Bonds	91,308,773	—	91,308,773	91,101,157	—	91,101,157
Foreign Currency Bonds	2,124,747	—	2,124,747	2,386,321	—	2,386,321
Sukuk Bonds	1,770,726	—	1,770,726	671,785	—	671,785
	95,204,246	—	95,204,246	94,159,263	—	94,159,263
Held for Trading Securities						
Fully paid-up ordinary shares - Listed	297,860	—	297,860	154,000	—	154,000
Associates						
Habib Sugar Mills Limited	455,788	—	455,788	438,756	—	438,756
Habib Asset Management Limited	78,483	—	78,483	83,788	—	83,788
First Habib Income Fund	138,822	—	138,822	140,172	—	140,172
First Habib Stock Fund	10,525	—	10,525	12,428	—	12,428
First Habib Cash Fund	139,776	—	139,776	143,409	—	143,409
First Habib Islamic Stock Fund (Formerly First Habib Islamic Balanced Fund)	10,514	—	10,514	11,840	—	11,840
First Habib Islamic Income Fund	25,052	—	25,052	—	—	—
	858,960	—	858,960	830,393	—	830,393
Investments at cost	351,993,519	67,377,788	419,371,307	336,703,754	62,559,668	399,263,422
Less: Provision for diminution in the value of investments	(5,700)	—	(5,700)	(16,193)	—	(16,193)
Investments (net of provisions)	351,987,819	67,377,788	419,365,607	336,687,561	62,559,668	399,247,229
(Deficit) / surplus on revaluation of held for trading securities - net	(7,236)	—	(7,236)	3,385	—	3,385
Surplus / (deficit) on revaluation of available for sale securities - net	3,544,944	(8,893)	3,536,051	6,072,936	19,467	6,092,403
Total Investments	355,525,527	67,368,895	422,894,422	342,763,882	62,579,135	405,343,017

7.2 The aggregate market value of held to maturity securities as at 30 June 2017 amounted to Rs. 103,486 million (31 December 2016: Rs. 103,979 million).



	Note	(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
8. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		242,607,586	209,997,822
– Outside Pakistan		17,867,370	18,611,520
		260,474,956	228,609,342
Islamic financing and related assets - gross	22.1.1	25,480,430	18,134,258
Net investment in finance lease			
– In Pakistan		11,853,478	8,305,218
– Outside Pakistan		–	–
		11,853,478	8,305,218
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		2,882,048	1,635,915
– Payable outside Pakistan		17,689,880	12,582,959
		20,571,928	14,218,874
Advances - gross		318,380,792	269,267,692
Provision against non-performing loans and advances			
– Specific provision	8.1	(4,754,771)	(4,882,330)
– General provision against small enterprises and consumer advances (as per SBP regulations)	8.2	(203,438)	(194,839)
– General provision	8.3	(3,000,000)	(2,750,000)
		(7,958,209)	(7,827,169)
Advances - net of provisions		310,422,583	261,440,523

8.1 Advances include Rs. 5,680.415 million (31 December 2016: Rs. 5,715.466 million) which have been placed under non-performing status as detailed below:

30 June 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									
	23,643	–	23,643	444	–	444	444	–	444
Substandard	115,989	–	115,989	26,229	–	26,229	26,229	–	26,229
Doubtful	1,536,790	–	1,536,790	742,201	–	742,201	742,201	–	742,201
Loss	3,064,955	939,038	4,003,993	3,046,859	939,038	3,985,897	3,046,859	939,038	3,985,897
	4,741,377	939,038	5,680,415	3,815,733	939,038	4,754,771	3,815,733	939,038	4,754,771



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. 138.938 million (31 December 2016: Rs. 134.178 million) against consumer finance portfolio and Rs. 64.500 million (31 December 2016: Rs. 60.661 million) against advances to small enterprises as required by the Prudential Regulations issued by SBP.

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

9. OPERATING FIXED ASSETS

	(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
Capital work-in-progress	960,169	650,415
Property and equipment	20,814,463	18,134,963
Intangible assets	119,394	129,128
	<u>21,894,026</u>	<u>18,914,506</u>

	(Un-audited) Half year ended 30 June 2017 (Rupees in '000)	(Audited) 30 June 2016

9.1 The following additions were made during the period:

Leasehold land	117,052	315,532
Buildings on leasehold land	352,819	1,076,175
Improvements to leasehold buildings	183,411	176,916
Furniture and fixtures	90,451	92,018
Electrical, office and computer equipments	766,473	790,003
Vehicles	155,569	203,555
Intangible assets	39,806	67,519
	<u>1,705,581</u>	<u>2,721,718</u>



(Un-audited)
Half year ended
30 June 2017 **30 June 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	6,434
Furniture and fixtures	1,485	469
Electrical, office and computer equipments	1,633	2,255
Vehicles	3,928	4,019
	<u>18,302</u>	<u>13,177</u>

9.3 During the period, the Bank's leasehold land and buildings on leasehold land were revalued by M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. As a result of revaluation the market value of leasehold land and buildings on leasehold land were determined at Rs. 15,162 million. The details of revalued amounts are as follows:

(Rupees in '000)

Total revalued amount of land 7,025,925

Total revalued amount of buildings 8,136,236

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

(Rupees in '000)

Land 4,788,144

Buildings 5,071,829

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

10. BORROWINGS

Secured

Borrowings from SBP		
– Export refinance scheme	20,758,984	20,143,239
– Renewable energy	1,923,218	—
– Long term financing for imported and locally manufactured plant and machinery	8,900,235	5,632,293
– Financing facility for storage of agricultural produce	67,847	56,875
	<u>31,650,284</u>	<u>25,832,407</u>
Repurchase agreement borrowings	67,357,162	62,556,286
	<u>99,007,446</u>	<u>88,388,693</u>

Unsecured

Borrowings from financial institutions	—	4,183,940
Overdrawn nostros	159,058	1,144,712
	<u>159,058</u>	<u>5,328,652</u>
	<u>99,166,504</u>	<u>93,717,345</u>



		(Un-audited) 30 June 2017 Note	(Audited) 31 December 2016 (Rupees in '000)
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		118,997,901	114,762,820
Savings deposits		185,873,377	170,130,029
Current accounts - Remunerative		80,236,093	72,737,910
Current accounts - Non-remunerative		247,299,206	210,377,190
		632,406,577	568,007,949
Financial institutions			
Remunerative deposits		17,662,826	14,144,649
Non-remunerative deposits		2,261,322	2,013,380
		19,924,148	16,158,029
		652,330,725	584,165,978
12. SUB-ORDINATED LOANS - unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	12.1	3,998,400	3,999,200
12.1 Term Finance Certificates - V - (Unquoted)			
Total issue	Rupees 4,000 million		
Rating	AA		
Rate	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap		
Redemption	6th-108th month: 0.36%; 114th and 120th month: 49.82% each		
Tenor	10 years		
Maturity	March 2026		
		(Un-audited) 30 June 2017 Note	(Audited) 31 December 2016 (Rupees in '000)
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Fixed assets / non-banking assets	13.1	4,238,061	2,650,950
Available for sale investments	13.2	2,386,038	4,023,367
		6,624,099	6,674,317



	(Un-audited) 30 June 2017	(Audited) 31 December 2016
	(Rupees in '000)	
13.1 Fixed assets / non-banking assets		
Balance at beginning of the period / year	3,421,927	3,489,993
Surplus on revaluation of the Bank's fixed assets / non-banking assets during the period / year	1,951,466	13,825
Disposal / adjustments	(14,910)	—
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(43,333)	(81,891)
	<u>5,315,150</u>	<u>3,421,927</u>
Related deferred tax liability on:		
Balance at beginning of the period / year	770,977	797,630
Revaluation of the Bank's fixed assets / non-banking assets during the period / year	321,328	2,009
Disposal / adjustments	(49)	—
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(15,167)	(28,662)
	<u>(1,077,089)</u>	<u>(770,977)</u>
	<u>4,238,061</u>	<u>2,650,950</u>
13.2 Available for sale investments		
Federal Government Securities	3,407,356	4,460,781
Fully paid-up ordinary shares	(38,855)	1,199,280
Term finance certificates, sukuk bonds, foreign currency bonds and others	133,097	71,968
Units of mutual funds	118,780	417,018
	<u>3,620,378</u>	<u>6,149,047</u>
Related deferred tax liability	<u>(1,234,340)</u>	<u>(2,125,680)</u>
	<u>2,386,038</u>	<u>4,023,367</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Financial guarantees issued favouring:		
– Financial institutions	1,102,805	930,792
– Others	4,712,227	4,538,313
	<u>5,815,032</u>	<u>5,469,105</u>
14.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
– Government	33,348,410	34,649,327
– Financial institutions	616,224	594,401
– Others	15,597,265	11,682,502
	<u>49,561,899</u>	<u>46,926,230</u>



	(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
14.3 Trade-related contingent liabilities		
Letters of credit	95,914,236	103,691,663
Acceptances	21,963,196	16,622,601
Bankers liability rediscount	—	1,898,680
	<u>117,877,432</u>	<u>122,212,944</u>
14.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>12,482,421</u>	<u>10,967,104</u>
14.5 Commitments in respect of forward exchange contracts		
Purchase	<u>52,663,994</u>	<u>49,396,754</u>
Sale	<u>41,222,717</u>	<u>28,383,678</u>
The maturities of above contracts are spread over the period upto one year.		
14.6 Commitments for the acquisition of operating fixed assets	<u>623,970</u>	<u>329,766</u>
14.7 Claims against the Bank not acknowledged as debts	<u>4,765,920</u>	<u>4,459,758</u>
14.8 Other contingencies		

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

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

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

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



	(Un-audited)			
	Half year ended		Quarter ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	(Rupees in '000)			
15. MARK-UP / RETURN / INTEREST EARNED				
On loans and advances to:				
Customers	8,656,873	7,028,831	4,580,383	3,625,134
Financial institutions	107,497	74,108	58,027	47,592
	8,764,370	7,102,939	4,638,410	3,672,726
On investments:				
Available for sale securities	10,338,463	9,733,237	5,058,416	4,926,370
Held to maturity securities	5,454,104	7,864,311	2,767,397	3,977,508
	15,792,567	17,597,548	7,825,813	8,903,878
On deposits with financial institutions	72,950	112,034	34,925	73,024
On securities purchased under resale agreements	29,689	31,011	13,841	5,971
On call money lendings	24	1,168	24	140
	24,659,600	24,844,700	12,513,013	12,655,739
16. MARK-UP / RETURN / INTEREST EXPENSED				
Deposits	9,368,658	8,665,254	4,828,530	4,271,264
Sub-ordinated loans	135,768	304,610	68,584	180,949
Repurchase agreement borrowings	1,782,676	2,380,207	761,471	1,346,737
Borrowings from SBP	320,877	333,494	167,101	160,267
Other borrowings	303,385	394,444	146,919	183,193
	11,911,364	12,078,009	5,972,605	6,142,410
17. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY				
Profit after taxation - attributable to equity holders of the Holding company	4,566,992	3,778,671	2,259,970	1,258,074
	(Number of shares in thousands)			
Weighted average number of ordinary shares	1,111,425	1,111,425	1,111,425	1,111,425
	(Rupees)			
Basic and diluted earnings per share	4.11	3.40	2.03	1.13
	(Un-audited)			
	Half year ended			
	30 June	30 June		
	2017	2016		
	(Rupees in '000)			
18. CASH AND CASH EQUIVALENTS				
Cash and balances with treasury banks	59,009,622	44,721,014		
Balances with other banks	2,926,898	3,738,412		
Overdrawn nostros	(159,058)	(455,922)		
	61,777,462	48,003,504		



19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		30 June 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
Note												
On-balance sheet financial instruments												
Financial assets measured at fair value												
- Investments												
Federal Government Securities												
(TBills + PIBs + Sukuk Bonds + FC Bonds)												
	312,182,964	-	-	-	-	-	-	312,182,964	-	312,182,964	-	312,182,964
Foreign Currency Bonds - Others												
	1,402,055	-	-	-	-	-	-	1,402,055	-	1,402,055	-	1,402,055
Sukuk Bonds - Others												
	965,889	-	-	-	-	-	-	965,889	-	965,889	-	965,889
Fully paid-up ordinary shares - Listed												
	2,195,764	290,625	-	-	-	-	-	2,486,389	2,486,389	-	-	2,486,389
Units of mutual funds												
	1,743,780	-	-	-	-	-	-	1,743,780	-	-	-	1,743,780
Term Finance Certificates - Listed												
	706,482	-	-	-	-	-	-	706,482	706,482	-	-	706,482
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks												
	-	-	-	-	-	59,009,622	-	59,009,622	-	-	-	-
- Balances with other banks												
	-	-	-	-	-	2,926,898	-	2,926,898	-	-	-	-
- Investments												
Federal Government Securities												
(TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)												
	4,923,214	-	94,809,027	-	-	-	-	99,732,241	-	103,091,329	-	103,091,329
Foreign Currency Bonds - Others												
19.1	-	-	260,502	-	-	-	-	260,502	-	-	-	-
Sukuk Bonds - Others												
19.1	1,505,838	-	134,717	-	-	-	-	1,640,555	-	-	-	-
Fully paid-up ordinary shares - Unlisted												
19.1	48,988	-	-	-	-	-	-	48,988	-	-	-	-
Term Finance Certificates - Unlisted												
19.1	865,617	-	-	-	-	-	-	865,617	-	-	-	-
Associates												
Listed shares												
	-	-	-	-	-	455,788	-	455,788	455,788	-	-	455,788
Mutual funds												
	-	-	-	-	-	324,689	-	324,689	324,689	-	-	324,689
Unlisted shares												
19.1	-	-	-	-	-	78,483	-	78,483	-	-	-	-
- Advances												
19.1	-	-	-	310,422,583	-	-	-	310,422,583	-	-	-	-
- Other assets												
19.1	-	-	-	-	-	12,184,713	-	12,184,713	-	-	-	-
	326,540,591	290,625	95,204,246	310,422,583	74,980,193	-	-	807,438,238	5,717,128	417,642,237	-	423,359,365
Financial liabilities not measured at fair value												
- Bills payable												
19.1	-	-	-	-	-	(16,339,860)	(16,339,860)	-	-	-	-	-
- Borrowings												
19.1	-	-	-	-	-	(99,166,504)	(99,166,504)	-	-	-	-	-
- Deposits and other accounts												
19.1	-	-	-	-	-	(652,330,725)	(652,330,725)	-	-	-	-	-
- Sub -ordinated loans												
19.1	-	-	-	-	-	(3,998,400)	(3,998,400)	-	-	-	-	-
- Other liabilities												
19.1	-	-	-	-	-	(9,807,336)	(9,807,336)	-	-	-	-	-
	-	-	-	-	-	(781,642,825)	(781,642,825)	-	-	-	-	-
	326,540,591	290,625	95,204,246	310,422,583	74,980,193	(781,642,825)	(781,642,825)	25,795,413	5,717,128	417,642,237	-	423,359,365
Off-balance sheet financial instruments measured at fair value												
Forward purchase of foreign exchange contracts												
	-	-	-	-	-	52,663,994	52,663,994	-	-	52,815,894	-	52,815,894
Forward sale of foreign exchange contracts												
	-	-	-	-	-	(41,222,717)	(41,222,717)	-	-	(41,278,736)	-	(41,278,736)
Off-balance sheet financial instruments not measured at fair value												
Commitment to extent credit												
19.1	-	-	-	-	-	12,482,421	12,482,421	-	-	-	-	-



31 December 2016 (Audited)

Note	Carrying amount						Fair value				
	Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)	292,029,937	-	-	-	-	-	292,029,937	-	292,029,937	-	292,029,937
Foreign Currency Bonds - Others	1,700,622	-	-	-	-	-	1,700,622	-	1,700,622	-	1,700,622
Sukuk Bonds - Others	-	-	-	-	-	-	-	-	-	-	-
Fully paid-up ordinary shares - Listed	4,418,825	157,385	-	-	-	-	4,576,210	4,581,240	-	-	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	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)	5,128,571	-	93,488,701	-	-	-	98,618,272	-	103,305,566	-	103,305,566
Foreign Currency Bonds - Others	19.1	-	520,996	-	-	-	520,996	-	-	-	-
Sukuk Bonds - Others	19.1	2,837,799	148,566	-	-	-	2,986,365	-	-	-	-
Fully paid-up ordinary shares - Unlisted	19.1	59,651	-	-	-	-	59,651	-	-	-	-
Term Finance Certificates - Unlisted	19.1	798,953	-	-	-	-	798,953	-	-	-	-
Associates											
Listed shares	-	-	-	-	438,756	-	438,756	438,756	-	-	438,756
Mutual funds	-	-	-	-	307,849	-	307,849	307,849	-	-	307,849
Unlisted shares	19.1	-	-	-	83,788	-	83,788	-	-	-	-
- Advances	19.1	-	-	261,440,523	-	-	261,440,523	-	-	-	-
- Other assets	19.1	-	-	-	10,454,636	-	10,454,636	-	-	-	-
	310,195,976	157,385	94,159,263	261,440,523	64,795,290	-	730,748,437	8,549,463	397,036,125	-	405,585,588
Financial liabilities not measured at fair value											
- Bills payable	19.1	-	-	-	-	(13,872,057)	(13,872,057)	-	-	-	-
- Borrowings	19.1	-	-	-	-	(93,717,345)	(93,717,345)	-	-	-	-
- Deposits and other accounts	19.1	-	-	-	-	(584,165,978)	(584,165,978)	-	-	-	-
- Sub-ordinated loans	19.1	-	-	-	-	(3,989,200)	(3,989,200)	-	-	-	-
- Other liabilities	19.1	-	-	-	-	(7,684,940)	(7,684,940)	-	-	-	-
	-	-	-	-	-	(703,439,520)	(703,439,520)	-	-	-	-
	310,195,976	157,385	94,159,263	261,440,523	64,795,290	(703,439,520)	27,308,917	8,549,463	397,036,125	-	405,585,588
Off-balance sheet financial instruments measured at fair value											
Forward purchase of foreign exchange contracts	-	-	-	-	-	49,396,754	49,396,754	-	48,711,786	-	48,711,786
Forward sale of foreign exchange contracts	-	-	-	-	-	(28,383,678)	(28,383,678)	-	(28,563,379)	-	(28,563,379)
Off-balance sheet financial instruments not measured at fair value											
Commitment to extend credit	19.1	-	-	-	-	10,967,104	10,967,104	-	-	-	-

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

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

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

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

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

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



20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Half year ended 30 June 2017 (Un-audited)				
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	Total
Total income	11,813,257	26,636,029	72,565	(8,899,953)	29,621,898
Total expenses	(9,953,645)	(20,833,392)	(35,117)	8,899,953	(21,922,201)
Net income	1,859,612	5,802,637	37,448	-	7,699,697
	As at 30 June 2017 (Un-audited)				
Segment assets (net of provisions)	670,855,808	759,418,423	427,526	(599,838,955)	830,862,802
Segment non performing loans	52,107	5,628,308	-	-	5,680,415
Segment provision required	44,360	4,710,411	-	-	4,754,771
Segment liabilities	665,964,378	720,943,345	231,067	(599,838,955)	787,299,835
Segment return on assets (ROA) (%)*	1.76%	3.51%	16.97%		
Segment cost of funds (%)*	1.49%	2.89%	15.20%		

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

	Half year ended 30 June 2016 (Un-audited)				
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	Total
Total income	11,186,886	23,888,297	29,336	(7,865,897)	27,238,622
Total expenses	(8,523,937)	(19,719,974)	(25,488)	7,865,897	(20,403,502)
Net income	2,662,949	4,168,323	3,848	–	6,835,120
	As at 30 June 2016 (Un-audited)				
Segment assets (net of provisions)	545,595,791	709,181,883	389,611	(503,663,089)	751,504,196
Segment non performing loans	44,162	5,739,526	–	–	5,783,688
Segment provision required	39,840	4,530,121	–	–	4,569,961
Segment liabilities	543,815,058	671,635,112	221,375	(503,663,089)	712,008,456
Segment return on assets (ROA) (%)*	2.05%	3.37%	7.53%		
Segment cost of funds (%)*	1.57%	2.94%	11.51%		

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



21. RELATED PARTY TRANSACTIONS

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

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

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

	30 June 2017 (Un-audited)				
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Deposits					
At beginning of the period	2,777,378	556,559	451,090	842,775	4,627,802
Placements during the period	43,181,226	2,406,395	1,168,195	7,604,677	54,360,493
Withdrawals during the period	(43,789,231)	(2,129,529)	(1,053,514)	(7,368,609)	(54,340,883)
At end of the period	2,169,373	833,425	565,771	1,078,843	4,647,412
Advances					
At beginning of the period	1,391,233	210	49,060	-	1,440,503
Given during the period	17,319,934	7,324	65,465	-	17,392,723
Repaid during the period	(17,226,392)	(7,244)	(31,872)	-	(17,265,508)
At end of the period	1,484,775	290	82,653	-	1,567,718
Investments					
At beginning of the period	830,393	-	-	-	830,393
Investments made during the period	26,230	-	-	-	26,230
Investments redeemed / adjusted during the period	3,567	-	-	-	3,567
At end of the period	860,190	-	-	-	860,190
Contingencies and commitments	1,051,029	-	-	-	1,051,029
	31 December 2016 (Audited)				
Deposits					
At beginning of the year	3,398,002	183,973	432,539	325,824	4,340,338
Placements during the year	116,514,517	2,811,177	2,212,391	4,772,953	126,311,038
Withdrawals during the year	(117,135,141)	(2,438,591)	(2,193,840)	(4,256,002)	(126,023,574)
At end of the year	2,777,378	556,559	451,090	842,775	4,627,802
Advances					
At beginning of the year	978,041	144	54,478	-	1,032,663
Given during the year	27,478,082	5,112	89,093	-	27,572,287
Repaid during the year	(27,064,890)	(5,046)	(94,511)	-	(27,164,447)
At end of the year	1,391,233	210	49,060	-	1,440,503
Investments					
At beginning of the year	787,022	-	-	-	787,022
Investments made during the year	-	-	-	-	-
Investments redeemed / adjusted during the year	43,371	-	-	-	43,371
At end of the year	830,393	-	-	-	830,393
Contingencies and commitments	1,191,933	-	-	-	1,191,933



Half year ended 30 June 2017 (Un-audited)

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Forward purchase contracts	-	-	-	-	-
Other assets	48	-	-	-	48
Other liabilities	11,529	-	-	-	11,529
Unrealised loss on forward contracts	-	-	-	-	-
Purchase of securities	1,230	-	-	-	1,230
Purchase of mutual funds	25,000	-	-	-	25,000
Sale of securities	63,105	-	-	1,000,096	1,063,201
Mark-up earned	33,305	3	1,880	-	35,188
Mark-up expensed	70,802	16,903	10,479	34,844	133,028
Bank charges and commission	4,699	15	20	-	4,734
Salaries and allowances	-	-	189,125	-	189,125
Bonus	-	-	15,194	-	15,194
Contribution to defined contribution plan	-	-	6,489	-	6,489
Contribution to defined benefit plan	-	-	14,410	-	14,410
Staff provident fund	-	-	-	188,003	188,003
Staff gratuity fund	-	-	-	127,500	127,500
Directors' fee	-	16,550	-	-	16,550
Insurance claim received	10,306	-	-	-	10,306
Insurance premium paid	167,414	-	-	-	167,414
Dividend income	44,821	-	-	-	44,821
Rental paid	7,258	-	-	-	7,258
Brokerage and advisory income	476	-	8	-	484
Donation	-	-	-	-	-
Other expensed	2,970	-	-	-	2,970
Other income	91	-	-	52	143

Half year ended 30 June 2016 (Un-audited)

Forward purchase contracts	286,768	-	-	-	286,768
Other assets	74	-	38	-	112
Other liabilities	-	-	-	-	-
Unrealised loss on forward contracts	3,354	-	-	-	3,354
Purchase of securities	-	-	-	-	-
Purchase of mutual funds	-	-	-	-	-
Sale of securities	12,024	-	-	316,341	328,365
Mark-up earned	40,647	-	1,617	-	42,264
Mark-up expensed	83,641	6,821	13,714	16,199	120,375
Bank charges and commission	2,771	280	30	-	3,081
Salaries and allowances	-	-	190,694	-	190,694
Bonus	-	-	33,996	-	33,996
Contribution to defined contribution plan	-	-	8,283	-	8,283
Contribution to defined benefit plan	-	-	49,454	-	49,454
Staff provident fund	-	-	-	159,212	159,212
Staff gratuity fund	-	-	-	108,000	108,000
Directors' fee	-	3,975	-	-	3,975
Insurance claim received	6,315	-	-	-	6,315
Insurance premium paid	131,293	-	-	-	131,293
Dividend income	41,044	-	-	-	41,044
Rental paid	-	-	-	-	-
Brokerage and advisory income	600	-	19	24	643
Donation	109,900	-	-	-	109,900
Other expensed	2,612	-	-	-	2,612
Other income	119	-	-	48	167



22. ISLAMIC BANKING BUSINESS

22.1 The Bank is operating 42 (31 December 2016: 41) Islamic Banking branches in Pakistan. The statement of financial position of these branches as at 30 June 2017 is as follows:

		(Un-audited) 30 June 2017	(Audited) 31 December 2016
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		2,000,054	1,552,162
Balances with and due from financial institutions		65,931	302,037
Investments		11,336,306	9,132,670
Islamic financing and related assets	22.1.1	25,470,326	18,128,914
Operating fixed assets		185,355	182,487
Other assets		375,829	252,443
		39,433,801	29,550,713
LIABILITIES			
Bills payable		12,755	22,514
Due to financial institutions		3,167,578	2,641,655
Deposits and other accounts		28,518,858	22,607,349
– Current accounts		10,095,170	8,044,145
– Saving accounts		10,565,676	6,533,321
– Term deposits		5,525,074	5,049,667
– Others		285,733	81,580
– Deposits from financial institutions-remunerative		2,046,643	2,897,919
– Deposits from financial institutions-non-remunerative		562	717
Due to Head office		2,165,603	513,406
Other liabilities		1,517,109	1,125,648
		(35,381,903)	(26,910,572)
NET ASSETS		4,051,898	2,640,141
REPRESENTED BY:			
Islamic banking fund		3,800,000	2,500,000
Unremitted profit		185,291	108,178
		3,985,291	2,608,178
Surplus on revaluation of assets		66,607	31,963
		4,051,898	2,640,141



	(Un-audited) 30 June 2017	(Audited) 31 December 2016
	(Rupees in '000)	
22.1.1 Islamic financing and related assets		
Murabaha	3,517,886	3,153,222
Net book value of assets / investments in ijarah under IFAS 2	2,101,096	1,338,279
Diminishing musharakah	6,621,363	5,264,472
Running musharakah	2,800,000	—
Musawama	1,199,323	960,059
Export refinance murabaha	1,287,066	408,789
Export refinance istisna	2,907,700	2,052,048
Istisna	1,652,476	1,771,968
Gross financing	22,086,910	14,948,837
Advance against murabaha	520,714	668,142
Advance against ijarah	573,658	864,728
Advance against diminishing musharakah	1,920,948	1,563,383
Advance against istisna	378,200	89,168
Islamic financing and related assets - gross	25,480,430	18,134,258
Less: general provisioning against consumer financing	(10,104)	(5,344)
Islamic financing and related assets - net of provision	25,470,326	18,128,914
22.1.1.1 Islamic mode of financing		
Financings / inventory / receivables	22,086,910	14,948,837
Advances	3,393,520	3,185,421
Less: general provisioning against consumer financing	(10,104)	(5,344)
	25,470,326	18,128,914
22.2 The profit and loss account of the Bank's Islamic Banking branches for the half year ended 30 June 2017 is as follows:		
	(Un-audited) Half year ended	
	30 June 2017	30 June 2016
	(Rupees in '000)	
Profit / return on financing and placements earned	944,319	614,137
Profit / return on deposits and other dues expensed	(406,506)	(317,497)
	537,813	296,640
Provision against non-performing loans and advances	(4,760)	(1,123)
Net spread earned	533,053	295,517
OTHER INCOME		
Fees, commission and brokerage income	49,641	34,218
Income from dealing in foreign currencies	14,428	8,549
Gain on sale of securities	537	—
Dividend income	8,900	—
Other income	12,401	10,544
	85,907	53,311
OTHER EXPENSES		
Administrative expenses	(433,669)	(322,289)
PROFIT BEFORE TAXATION	185,291	26,539
22.3 Remuneration to Shariah Board	3,211	2,484



	(Un-audited) 30 June 2017 (Rupees in '000)	(Audited) 31 December 2016
22.4 CHARITY FUND		
Opening balance	2,738	2,686
Additions during the period / year	1,720	2,738
Payment / utilisation during the period / year		
Health	(500)	(630)
Social welfare	(100)	(2,056)
	(600)	(2,686)
Closing balance	<u>3,858</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 23 August 2017.

ABBAS D. HABIB
Chairman

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ASHAR HUSAIN
Chief Financial Officer