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CORPORATE INFORMATION

Board of Directors	Ali Raza D. Habib	<i>Chairman</i>
	Abbas D. Habib	<i>Chief Executive & Managing Director</i>
	Anwar Haji Karim	
	Murtaza H. Habib	
	Qumail R. Habib	<i>Executive Director</i>
	Safar Ali Lakhani	
	Shahid Ghaffar	
	Shameem Ahmed	
	Syed Hasan Ali Bukhari	
	Syed Mazhar Abbas	
Audit Committee	Shameem Ahmed	<i>Chairman</i>
	Anwar Haji Karim	<i>Member</i>
	Safar Ali Lakhani	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
	Syed Mazhar Abbas	<i>Member</i>
Human Resource & Remuneration Committee	Syed Mazhar Abbas	<i>Chairman</i>
	Abbas D. Habib	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Murtaza H. Habib	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
Company Secretary	A. Saeed Siddiqui	
Statutory Auditors	KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisor	Liaquat Merchant Associates Advocates and Corporate Legal Consultants	
Registered Office	126-C, Old Bahawalpur Road, Multan	
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
Share Registrar	M/s. Noble Computer Services (Pvt.) Limited First Floor, House of Habib Building, (Siddiqsons Tower), 3-Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi.	
Website	www.bankalhabib.com	



DIRECTORS' REVIEW

On behalf of the Board of Directors of the Bank, it is my pleasure to present the un-audited financial statements of Bank AL Habib Limited along with the un-audited consolidated financial statements of Bank AL Habib Limited and the Bank's Subsidiary M/s. AL Habib Capital Markets (Private) Limited for the nine months period ended September 30, 2014.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 436.4 billion as compared to Rs. 386.2 billion on December 31, 2013. In the same period, advances increased to Rs. 172.8 billion from Rs. 167.6 billion, while investments increased to Rs. 287.7 billion from Rs. 239.8 billion. The pre-tax profit of the Bank for the nine months period ended September 30, 2014 was Rs. 6,812.5 million as compared to Rs. 5,492.9 million during the corresponding period last year.

Your Bank now has a network of 445 offices, comprising 341 Branches, 101 Sub-Branches, and 3 Representative Offices, and includes 17 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches and sub-branches during the year 2014.

The 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 ratings of our unsecured, subordinated TFCs have 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, which enabled the Bank to achieve these results.

On behalf of the Board of Directors

Karachi: October 28, 2014

SYED MAZHAR ABBAS
Director



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014**

		(Un-audited) 30 September 2014 (Rupees in '000)	(Audited) 31 December 2013
	Note		
ASSETS			
Cash and balances with treasury banks		32,661,560	32,199,533
Balances with other banks		3,304,920	2,662,874
Lendings to financial institutions		—	—
Investments - net	7	287,712,628	239,752,853
Advances - net	8	172,794,681	167,579,360
Operating fixed assets	9	13,642,843	11,795,334
Deferred tax assets - net		—	—
Other assets		9,717,381	6,736,964
		519,834,013	460,726,918
LIABILITIES			
Bills payable		6,556,341	6,173,102
Borrowings	10	35,153,464	29,480,026
Deposits and other accounts	11	436,360,795	386,160,762
Sub-ordinated loans	12	3,744,300	6,485,900
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		1,756,773	1,651,438
Other liabilities		7,124,510	5,493,639
		490,696,183	435,444,867
NET ASSETS		29,137,830	25,282,051
REPRESENTED BY :			
Share capital		11,114,254	10,103,868
Reserves		8,420,100	7,569,407
Unappropriated profit		6,115,209	5,554,207
		25,649,563	23,227,482
Surplus on revaluation of assets - net of tax	13	3,488,267	2,054,569
		29,137,830	25,282,051
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The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

		Nine months period ended		Quarter ended	
	Note	30 September 2014	30 September 2013	30 September 2014	30 September 2013
		(Rupees in '000)			
Mark-up / return / interest earned	15	31,789,432	28,132,851	11,191,692	8,924,049
Mark-up / return / interest expensed	16	(18,108,182)	(17,537,092)	(6,187,305)	(5,339,442)
Net mark-up / return / interest income		13,681,250	10,595,759	5,004,387	3,584,607
Provision against non-performing loans and advances - net		(305,942)	(505,013)	(185,004)	(250,774)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written-off directly		-	(96)	-	-
		(305,942)	(505,109)	(185,004)	(250,774)
Net mark-up / return / interest income after provisions		13,375,308	10,090,650	4,819,383	3,333,833
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		1,462,513	1,404,629	429,595	563,888
Dividend income		303,166	192,892	80,762	122,570
Income from dealing in foreign currencies		654,607	487,174	127,534	220,476
Gain on sale / redemption of securities - net		302	533,839	(3,599)	161,431
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-	-	-
Other income		377,780	398,770	115,000	138,531
Total non mark-up / interest income		2,798,368	3,017,304	749,292	1,206,896
		16,173,676	13,107,954	5,568,675	4,540,729
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(9,203,249)	(7,488,361)	(3,209,986)	(2,695,680)
Other provisions / write-offs		(9,249)	(11,076)	(4,624)	(11,568)
Other charges		(148,639)	(115,666)	(51,440)	(36,772)
Total non mark-up / interest expenses		(9,361,137)	(7,615,103)	(3,266,050)	(2,744,020)
		6,812,539	5,492,851	2,302,625	1,796,709
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		6,812,539	5,492,851	2,302,625	1,796,709
Taxation - Current		(2,562,963)	(1,759,778)	(878,192)	(511,782)
- Prior years		-	(98,839)	-	(98,839)
- Deferred		199,524	56,371	84,647	71,183
		(2,363,439)	(1,802,246)	(793,545)	(539,438)
PROFIT AFTER TAXATION		4,449,100	3,690,605	1,509,080	1,257,271
Basic and diluted earnings per share - Rupees	17	4.00	3.32	1.36	1.13

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ABBAS D. HABIB SHAMEEM AHMED SYED MAZHAR ABBAS SYED HASAN ALI BUKHARI
Chief Executive and Managing Director Director Director Director



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

	Nine months period ended		Quarter ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	(Rupees in '000)			
Profit after taxation	4,449,100	3,690,605	1,509,080	1,257,271
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss account				
Exchange differences on translation of net investment in foreign branches	(39,127)	78,688	69,518	56,521
Items that will never be reclassified to profit or loss account subsequently				
Remeasurement of defined benefit plan	-	-	-	-
Related tax charge	-	-	-	-
Total comprehensive income transferred to equity	4,409,973	3,769,293	1,578,598	1,313,792

Surplus arising on revaluation of fixed assets and available for sale investments is required to be shown separately below equity as 'Surplus on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been recognised as other comprehensive income.

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

	30 September 2014	30 September 2013
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,812,539	5,492,851
Less: Dividend income	(303,166)	(192,892)
	6,509,373	5,299,959
Adjustments for:		
Depreciation	727,792	654,244
Amortisation	55,167	38,368
Provision against non-performing loans and advances - net	305,942	505,013
Provision against off-balances sheet items	9,249	11,076
Gain on sale / redemption of securities - net	(302)	(533,839)
Charge for defined benefit plan	126,000	90,000
Charge for compensated absences	36,279	35,182
Gain on disposal of operating fixed assets	(57,018)	(50,350)
	1,203,109	749,694
	7,712,482	6,049,653
(Increase) / decrease in operating assets		
Lendings to financial institutions	-	993,981
Advances - net	(5,521,263)	(7,465,952)
Other assets - (excluding advance taxation)	(2,984,345)	(156,370)
	(8,505,608)	(6,628,341)
Increase / (decrease) in operating liabilities		
Bills payable	383,239	2,302,768
Borrowings	5,185,576	(40,790,148)
Deposits and other accounts	50,200,033	29,270,660
Other liabilities - (excluding provision for taxation)	1,196,309	702,896
	56,965,157	(8,513,824)
	56,172,031	(9,092,512)
Income tax paid	(2,271,388)	(1,995,037)
Net cash flow from / (used in) operating activities	53,900,643	(11,087,549)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(47,515,057)	13,378,562
Net investments in associates	-	286,123
Dividend received	244,268	142,733
Investments in operating fixed assets	(1,316,275)	(1,014,497)
Sale proceeds from disposal of operating fixed assets	75,554	56,975
Net cash (used in) / from investing activities	(48,511,510)	12,849,896
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of sub-ordinated loans	(2,741,600)	(2,400)
Dividends paid	(1,992,195)	(2,982,168)
Net cash used in financing activities	(4,733,795)	(2,984,568)
Exchange differences on translation of net investment in foreign branches	(39,127)	78,688
Increase / (decrease) in cash and cash equivalents	616,211	(1,143,533)
Cash and cash equivalents at the beginning of the period	34,862,407	37,209,056
Cash and cash equivalents at the end of the period	35,478,618	36,065,523

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ABBAS D. HABIB
Chief Executive and
Managing Director

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves Special Reserve	General Reserve Reserve	Unapp- ropriated Profit	Total
	(Rupees in '000)						
Balance as at 01 January 2013 - Restated	10,103,868	5,630,172	167,874	126,500	540,000	4,489,642	21,058,056
Total comprehensive income for the nine months period ended 30 September 2013:							
Profit after tax	-	-	-	-	-	3,690,605	3,690,605
Other comprehensive income	-	-	78,688	-	-	-	78,688
	-	-	78,688	-	-	3,690,605	3,769,293
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	27,996	27,996
Transfer to statutory reserve	-	739,278	-	-	-	(739,278)	-
Transactions with owners for the nine months period ended 30 September 2013:							
Cash dividend (Rs. 3 per share)	-	-	-	-	-	(3,031,160)	(3,031,160)
Balance as at 30 September 2013	10,103,868	6,369,450	246,562	126,500	540,000	4,437,805	21,824,185
Total comprehensive income for the quarter ended 31 December 2013:							
Profit after tax	-	-	-	-	-	1,463,944	1,463,944
Other comprehensive income	-	-	(6,517)	-	-	(63,462)	(69,979)
	-	-	(6,517)	-	-	1,400,482	1,393,965
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	9,332	9,332
Transfer to statutory reserve	-	293,412	-	-	-	(293,412)	-
Balance as at 31 December 2013	10,103,868	6,662,862	240,045	126,500	540,000	5,554,207	23,227,482
Total comprehensive income for the nine months period ended 30 September 2014:							
Profit after tax	-	-	-	-	-	4,449,100	4,449,100
Other comprehensive income	-	-	(39,127)	-	-	-	(39,127)
	-	-	(39,127)	-	-	4,449,100	4,409,973
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	32,880	32,880
Transfer to statutory reserve	-	889,820	-	-	-	(889,820)	-
Transactions with owners for the nine months period ended 30 September 2014:							
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(2,020,772)	(2,020,772)
Issue of bonus shares in the ratio of 10 shares for 100 shares held	1,010,386	-	-	-	-	(1,010,386)	-
Balance as at 30 September 2014	11,114,254	7,552,682	200,918	126,500	540,000	6,115,209	25,649,563

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited "the Bank" was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office situated at 126-C, Old Bahawalpur Road, Multan, with principal place of business being in Karachi. Its shares are listed on all the three Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 341 branches (31 December 2013: 320 branches), 101 sub-branches (31 December 2013: 96 sub-branches) and 03 representative offices (31 December 2013: 03 offices). The branch network of the Bank includes 03 overseas branches (31 December 2013: 01 branch) and 17 Islamic Banking branches (31 December 2013: 17 branches).

2. BASIS OF PRESENTATION

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 include 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 amount of the facility actually utilised and the appropriate portion of mark-up thereon.

The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 21 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements of the Bank have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (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 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.



3.3 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on a 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 disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2013.

3.4 These are separate unconsolidated condensed interim financial statements of the Bank in which investments in subsidiary 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 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 currency 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 for the year ended 31 December 2013.

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 2013.

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 2013.



Note	30 September 2014 (Un-audited)			31 December 2013 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000)					

7. INVESTMENTS

7.1 Investments by type:

Available for Sale Securities

Market Treasury Bills	129,857,955	13,785,170	143,643,125	101,159,729	10,933,027	112,092,756
Pakistan Investment Bonds	14,581,001	-	14,581,001	12,412,522	-	12,412,522
Foreign Currency Bonds	2,310,591	-	2,310,591	1,782,395	-	1,782,395
Sukuk Bonds	4,355,589	-	4,355,589	3,300,425	-	3,300,425
Fully paid-up ordinary shares - Listed	3,021,456	-	3,021,456	2,528,063	-	2,528,063
Fully paid-up ordinary shares - Unlisted	39,570	-	39,570	39,570	-	39,570
Term finance certificates - Listed	528,657	-	528,657	544,625	-	544,625
Term finance certificates - Unlisted	2,532,670	-	2,532,670	2,532,720	-	2,532,720
Units of mutual funds	1,551,763	-	1,551,763	1,175,000	-	1,175,000
	158,779,252	13,785,170	172,564,422	125,475,049	10,933,027	136,408,076

Held to Maturity Securities 7.2

Market Treasury Bills	-	-	-	83,858,220	-	83,858,220
Pakistan Investment Bonds	111,896,111	-	111,896,111	17,654,496	-	17,654,496
Sukuk Bonds	202,721	-	202,721	211,342	-	211,342
Term finance certificates - Listed	86,826	-	86,826	95,177	-	95,177
Foreign Currency Bonds	992,590	-	992,590	-	-	-
	113,178,248	-	113,178,248	101,819,235	-	101,819,235

Associates

Habib Sugar Mills Limited	180,977	-	180,977	180,977	-	180,977
Habib Asset Management Limited	60,000	-	60,000	60,000	-	60,000
First Habib Income Fund	250,000	-	250,000	250,000	-	250,000
First Habib Stock Fund	50,000	-	50,000	50,000	-	50,000
First Habib Cash Fund	300,000	-	300,000	300,000	-	300,000
First Habib Islamic Balanced Fund	25,000	-	25,000	25,000	-	25,000
	865,977	-	865,977	865,977	-	865,977

Subsidiary

AL Habib Capital Markets (Private) Limited	200,000	-	200,000	200,000	-	200,000
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Investments at cost	273,023,477	13,785,170	286,808,647	228,360,261	10,933,027	239,293,288
Less: Provision for diminution in the value of investments 7.3	(5,700)	-	(5,700)	(5,700)	-	(5,700)
Investments (net of provision)	273,017,777	13,785,170	286,802,947	228,354,561	10,933,027	239,287,588
Surplus on revaluation of available for sale securities - net 13.2	909,947	(266)	909,681	474,019	(8,754)	465,265
Total Investments	273,927,724	13,784,904	287,712,628	228,828,580	10,924,273	239,752,853

7.2 The aggregate market value of held to maturity securities as on 30 September 2014 amounts to Rs. 111,665 million (31 December 2013: Rs. 101,709 million).

7.3 The provision for diminution in the value of investments comprises of provision against fully paid-up ordinary shares of Pakistan Export Finance Guarantee Agency Limited.



	(Un-audited) 30 September 2014	(Audited) 31 December 2013
Note	(Rupees in '000)	
8. ADVANCES		
Loans, cash credits, running finances, etc.		
– In Pakistan	147,780,643	139,648,282
– Outside Pakistan	8,586,679	7,812,380
	156,367,322	147,460,662
Net investment in finance lease / ijarah financing		
– In Pakistan	2,200,637	985,898
– Outside Pakistan	–	–
	2,200,637	985,898
Net book value of assets in ijarah under IFAS 2	525,129	202,296
Murabaha	2,217,603	4,723,489
Bills discounted and purchased (excluding market treasury bills)		
– Payable in Pakistan	3,463,275	2,044,993
– Payable outside Pakistan	14,398,415	18,245,217
	17,861,690	20,290,210
Advances - gross	179,172,381	173,662,555
Provision against non-performing loans and advances		
– Specific provision	8.1 (3,801,079)	(3,543,124)
– General provision against small enterprises and consumer advances (as per SBP regulations)	8.2 (76,621)	(40,071)
– General provision	8.3 (2,500,000)	(2,500,000)
	(6,377,700)	(6,083,195)
Advances - net of provision	172,794,681	167,579,360

8.1 Advances include Rs. 4,258.953 million (31 December 2013: Rs. 3,699.903 million) which have been placed under non-performing status as detailed below:

	30 September 2014 (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	5,999	–	5,999	600	–	600	600	–	600
Substandard	27,393	–	27,393	6,288	–	6,288	6,288	–	6,288
Doubtful	766,842	–	766,842	383,421	–	383,421	383,421	–	383,421
Loss	3,040,822	417,897	3,458,719	2,992,873	417,897	3,410,770	2,992,873	417,897	3,410,770
	3,841,056	417,897	4,258,953	3,383,182	417,897	3,801,079	3,383,182	417,897	3,801,079



31 December 2013 (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	16,121	-	16,121	-	-	-	-	-	-
Substandard	56,807	-	56,807	14,208	-	14,208	14,208	-	14,208
Doubtful	98,528	-	98,528	49,264	-	49,264	49,264	-	49,264
Loss	3,099,517	428,930	3,528,447	3,050,722	428,930	3,479,652	3,050,722	428,930	3,479,652
	<u>3,270,973</u>	<u>428,930</u>	<u>3,699,903</u>	<u>3,114,194</u>	<u>428,930</u>	<u>3,543,124</u>	<u>3,114,194</u>	<u>428,930</u>	<u>3,543,124</u>

8.2 General provision represents provision amounting to Rs. 76.621 million (31 December 2013: 40.071 million) against consumer finance portfolio and advances to small enterprises as required by the Prudential Regulation issued by SBP.

8.3 In line with its prudent policies, the Bank has also made general provision of Rs. 2,500 million (31 December 2013: Rs. 2,500 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

(Un-audited) (Audited)
30 September 2014 **31 December 2013**
 (Rupees in '000)

9. OPERATING FIXED ASSETS

Capital work-in-progress	553,535	290,962
Property and equipments	12,970,626	11,467,207
Intangible assets	118,682	37,165
	<u>13,642,843</u>	<u>11,795,334</u>

(Un-audited)
Nine months period ended
30 September 2014 **30 September 2013**
 (Rupees in '000)

9.1 The following additions were made at cost during the period:

Leasehold land	121,487	-
Buildings on leasehold land	120,339	121,759
Improvements to leasehold buildings	29,567	157,095
Furniture and fixtures	42,495	44,219
Electrical, office and computer equipments	376,918	330,699
Vehicles	231,920	191,356
Intangible assets	130,977	27,173
	<u>1,053,703</u>	<u>872,301</u>



(Un-audited)
Nine months period ended
30 September 2014 **30 September 2013**
(Rupees in '000)

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

Leasehold land	8,533	–
Improvements to leasehold buildings	3,465	–
Furniture and fixtures	1,602	386
Electrical, office and computer equipments	731	1,617
Vehicles	4,204	4,622
	18,535	6,625

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 their professional assessment of the present market value. As a result of revaluation the carrying value of leasehold land and buildings on leasehold land as at 30 September 2014 is Rs. 9,875 million (31 December 2013: Rs. 8,444 million). The details of revalued amounts are as follows:

(Rupees in '000)

Total revalued amount of land	4,136,026
Total revalued amount of buildings	5,739,061

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at 30 September 2014 would have been as follows:

(Rupees in '000)

Land	3,424,233
Buildings	4,913,244

(Un-audited) **(Audited)**
30 September 2014 **31 December 2013**
(Rupees in '000)

10. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan under:

– Export refinance scheme	16,265,432	15,065,898
– Long term financing for export oriented projects	61,210	156,637
– Long term financing for imported and locally manufactured plant and machinery	3,746,844	3,225,277
– Financing facility for storage of agricultural produce	64,792	120,727
	20,138,278	18,568,539
Repurchase agreement borrowings	13,781,236	10,911,487
	33,919,514	29,480,026

Unsecured

Borrowings from financial institutions
Overdrawn nostros accounts

746,088	–
487,862	–
1,233,950	–
35,153,464	29,480,026



		(Un-audited) 30 September 2014 Note	(Audited) 31 December 2013 (Rupees in '000)
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		94,979,732	82,536,366
Savings deposits		129,339,486	124,273,324
Current accounts - Remunerative		65,728,125	41,157,487
Current accounts - Non-remunerative		137,002,153	124,061,833
		427,049,496	372,029,010
Financial institutions			
Remunerative deposits		8,579,437	13,448,880
Non-remunerative deposits		731,862	682,872
		9,311,299	14,131,752
		436,360,795	386,160,762
12. SUB-ORDINATED LOANS - UNSECURED			
Term Finance Certificates (TFCs) - II - (Quoted)	12.1	747,900	1,496,100
Term Finance Certificates (TFCs) - III - (Unquoted)	12.2	-	1,992,800
Term Finance Certificates (TFCs) - IV - (Unquoted)	12.3	2,996,400	2,997,000
		3,744,300	6,485,900
12.1 Term Finance Certificates - II (Quoted)			
Total issue	Rupees 1,500 million		
Rating	AA		
Rate	Payable six monthly at average six months' KIBOR plus 1.95% without any floor and cap		
Redemption	6 - 84th month: 0.28%; 90th and 96th month: 49.86% each		
Tenor	8 years		
Maturity	February 2015		

12.2 Term Finance Certificates - III (Unquoted)

During the period, the Bank exercised the Call Option in full in respect of Term Finance Certificates - III in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on September 15, 2014.



12.3 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	AA
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021

	Note	(Un-audited) 30 September 2014 (Rupees in '000)	(Audited) 31 December 2013
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Operating fixed assets	13.1	2,762,190	1,722,912
Available for sale investments	13.2	726,077	331,657
		3,488,267	2,054,569
13.1 Operating fixed assets			
Balance at the beginning of the period / year		2,318,881	2,376,309
Surplus on revaluation of the Bank's properties during the period / year		1,327,022	—
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(50,584)	(57,428)
		3,595,319	2,318,881
Related deferred tax liability on:			
Balance at the beginning of the period / year		595,969	616,069
Revaluation of Bank's properties during the period / year		254,864	—
Incremental depreciation charged during the period / year transferred to profit and loss account		(17,704)	(20,100)
		(833,129)	(595,969)
		2,762,190	1,722,912
13.2 Available for sale investments			
Federal Government Securities		229,806	190,125
Fully paid-up ordinary shares		471,380	179,418
Term finance certificates, sukuks and other bonds		(662)	3,979
Units of mutual funds		209,157	91,743
		909,681	465,265
Related deferred tax		(183,604)	(133,608)
		726,077	331,657



(Un-audited) (Audited)
30 September 31 December
2014 2013
(Rupees in '000)

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct Credit Substitutes

Financial guarantees issued favouring:

– Financial institutions	174,688	308,098
– Others	5,665,259	5,172,990
	<u>5,839,947</u>	<u>5,481,088</u>

14.2 Transaction-related contingent liabilities

Guarantees issued favouring:

– Government	13,175,895	8,304,764
– Financial institutions	313,575	238,651
– Others	7,115,565	6,112,025
	<u>20,605,035</u>	<u>14,655,440</u>

14.3 Trade-related contingent liabilities

Letters of credit	73,062,187	70,207,859
Acceptances	9,847,150	6,895,498
	<u>82,909,337</u>	<u>77,103,357</u>

14.4 Commitments in respect of forward lending

Commitments to extend credit (excluding commitments that are unilaterally cancellable)	3,600,061	1,130,970
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14.5 Commitments in respect of forward exchange contracts

Purchase	30,694,561	23,468,276
Sale	23,415,205	20,363,924

The maturities of above contracts are spread over a period upto one year.

14.6 Commitments for the acquisition of operating fixed assets

345,845	144,931
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(Un-audited)			
Nine months period ended		Quarter ended	
30 September 2014	30 September 2013	30 September 2014	30 September 2013
(Rupees in '000)			

15. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:				
Customers	11,089,790	9,693,959	3,693,118	3,193,046
Financial institutions	206,505	175,646	92,350	66,885
	11,296,295	9,869,605	3,785,468	3,259,931
On investments:				
Available for sale securities	11,944,821	13,664,281	4,079,380	4,468,825
Held to maturity securities	8,375,854	4,457,069	3,237,558	1,114,947
	20,320,675	18,121,350	7,316,938	5,583,772
On deposits with financial institutions	58,662	48,994	24,035	13,375
On securities purchased under resale agreements	113,292	91,147	64,765	66,175
On call money lendings	508	1,755	486	796
	31,789,432	28,132,851	11,191,692	8,924,049

(Un-audited)			
Nine months period ended		Quarter ended	
30 September 2014	30 September 2013	30 September 2014	30 September 2013
(Rupees in '000)			

16. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	15,120,855	13,456,512	5,444,465	4,472,937
On sub-ordinated loans	676,544	696,811	211,703	234,449
On securities sold under repurchase agreements	1,016,592	2,111,866	116,566	232,498
On borrowings from SBP	1,005,716	1,037,731	304,172	320,954
On other borrowings	288,475	234,172	110,399	78,604
	18,108,182	17,537,092	6,187,305	5,339,442



(Un-audited)

Nine months period ended		Quarter ended	
30 September	30 September	30 September	30 September
2014	2013	2014	2013

(Rupees in '000)

17. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	<u>4,449,100</u>	<u>3,690,605</u>	<u>1,509,080</u>	<u>1,257,271</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>4.00</u>	<u>3.32</u>	<u>1.36</u>	<u>1.13</u>

(Un-audited)

Nine months period ended	
30 September	30 September
2014	2013

(Rupees in '000)

18. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	<u>32,661,560</u>	33,132,158
Balances with other banks	<u>3,304,920</u>	3,120,598
Overdrawn nostros accounts	<u>(487,862)</u>	(187,233)
	<u>35,478,618</u>	<u>36,065,523</u>



19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Nine months period ended 30 September 2014 (Un-audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	17,314,815	30,570,017	(13,297,032)	34,587,800
Total expenses	(14,207,998)	(26,864,295)	13,297,032	(27,775,261)
Net income	3,106,817	3,705,722	–	6,812,539
Segment assets (net of provisions)	399,059,340	494,247,882	(373,473,209)	519,834,013
Segment non performing loans	37,190	4,221,763	–	4,258,953
Segment provision required	35,333	3,765,746	–	3,801,079
Segment liabilities	396,516,085	467,653,307	(373,473,209)	490,696,183
Segment return on net assets (ROA) (%)*	4.34%	6.19%		
Segment cost of funds (%)*	3.58%	5.74%		

Nine months period ended 30 September 2013 (Un-audited)				
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	14,603,494	28,179,657	(11,632,996)	31,150,155
Total expenses	(12,237,464)	(25,052,836)	11,632,996	(25,657,304)
Net income	2,366,030	3,126,821	–	5,492,851
Segment assets (net of provisions)	338,834,914	427,536,717	(322,098,210)	444,273,421
Segment non performing loans	42,832	3,835,030	–	3,877,862
Segment provision required	42,381	3,536,596	–	3,578,977
Segment liabilities	337,117,266	405,508,249	(322,098,210)	420,527,305
Segment return on net assets (ROA) (%)*	4.31%	6.59%		
Segment cost of funds (%)*	3.63%	6.18%		

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



20. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiary, associates (including entities having directors in common with the Bank), employee benefit plans, major share holders, directors and key management personnel and their close family members.

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

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

As at 30 September 2014 (Un-audited)						
	Subsidiary	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Employee Benefit Plans	Total
Deposits						
At the beginning of the period	61,957	1,813,814	142,104	368,941	174,811	2,561,627
Placement during the period	649,316	69,204,243	778,893	1,627,812	7,411,692	79,671,956
Withdrawal during the period	(621,066)	(68,246,838)	(706,142)	(1,592,789)	(7,085,856)	(78,252,691)
At the end of the period	90,207	2,771,219	214,855	403,964	500,647	3,980,892
Advances						
At the beginning of the period	19,720	1,282,655	126	37,822	–	1,340,323
Addition during the period	5,712,408	18,766,557	3,917	51,752	–	24,534,634
Repaid during the period	(5,732,128)	(18,572,051)	(3,367)	(45,009)	–	(24,352,555)
At the end of the period	–	1,477,161	676	44,565	–	1,522,402
Investments						
At the beginning of the period	200,000	865,977	–	–	–	1,065,977
Investment made during the period	–	–	–	–	–	–
Investment redeemed / disposed off during the period	–	–	–	–	–	–
At the end of the period	200,000	865,977	–	–	–	1,065,977
Contingencies and commitments	–	477,405	–	–	–	477,405
As at 31 December 2013 (Audited)						
(Rupees in '000)						
Deposits						
At the beginning of the year	6,320	1,691,582	146,594	294,767	151,603	2,290,866
Placement during the year	1,950,871	76,167,530	767,897	1,186,282	4,538,194	84,610,774
Withdrawal during the year	(1,895,234)	(76,045,298)	(772,387)	(1,112,108)	(4,514,986)	(84,340,013)
At the end of the year	61,957	1,813,814	142,104	368,941	174,811	2,561,627
Advances						
At the beginning of the year	7,166	1,615,380	351	28,605	–	1,651,502
Addition during the year	9,123,600	20,955,131	3,025	45,862	–	30,127,618
Repaid during the year	(9,111,046)	(21,287,856)	(3,250)	(36,645)	–	(30,438,797)
At the end of the year	19,720	1,282,655	126	37,822	–	1,340,323
Investments						
At the beginning of the year	200,000	1,139,727	–	–	–	1,339,727
Investment made during the year	–	647,501	–	–	–	647,501
Investment redeemed / disposed off during the year	–	(921,251)	–	–	–	(921,251)
At the end of the year	200,000	865,977	–	–	–	1,065,977
Contingencies and commitments	–	721,649	–	–	–	721,649



Nine months period ended 30 September 2014 (Un-audited)

	Subsidiary	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Employee Benefit Plans	Total
Purchase of fixed assets	-	-	-	-	-	-
Sale of securities	-	14,842	-	-	738,916	753,758
Redemption of mutual funds units	-	-	-	-	-	-
Purchase of mutual fund units/securities	-	-	-	-	-	-
Mark-up earned	350	99,599	-	2,003	-	101,952
Mark-up expensed	3,124	106,773	6,620	22,738	11,408	150,663
Bank charges and commission	3	3,172	20	99	-	3,294
Gain on sale of mutual fund units/securities	-	80	-	-	(2,865)	(2,785)
Salaries and allowances	-	-	-	186,196	-	186,196
Bonus	-	-	-	35,952	-	35,952
Contribution to defined contribution plan	-	-	-	9,292	-	9,292
Contribution to defined benefit plan	-	-	-	15,259	-	15,259
Staff provident fund	-	-	-	-	164,961	164,961
Staff gratuity fund	-	-	-	-	126,000	126,000
Directors' fee	-	-	2,650	-	-	2,650
Insurance claim received	-	9,262	-	-	-	9,262
Insurance premium paid	-	70,876	-	-	-	70,876
Dividend income	-	36,191	-	-	-	36,191
Rental income	1,575	-	-	-	-	1,575
Rental expense	-	769	-	-	-	769
Other expense	103	2,992	-	-	-	3,095
Commission expense	94	-	-	-	-	94
Other income	400	139	-	-	107	646

Nine months period ended 30 September 2013 (Un-audited)

	Subsidiary	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Employee Benefit Plans	Total
Purchase of fixed assets	-	1,430	-	-	-	1,430
Sale of securities	-	40,645	-	-	-	40,645
Redemption of mutual funds units	-	933,623	-	-	-	933,623
Purchase of mutual fund units/securities	-	647,501	-	-	-	647,501
Mark-up earned	847	102,406	3	1,349	-	104,605
Mark-up expensed	472	55,980	5,890	16,286	12,743	91,371
Bank charges and commission	1	3,424	6	83	-	3,514
Gain on sale of mutual fund units/securities	-	62,919	-	-	-	62,919
Salaries and allowances	-	-	-	144,503	-	144,503
Bonus	-	-	-	18,174	-	18,174
Contribution to defined contribution plan	-	-	-	6,355	-	6,355
Contribution to defined benefit plan	-	-	-	24,565	-	24,565
Staff provident fund	-	-	-	-	136,586	136,586
Staff gratuity fund	-	-	-	-	90,000	90,000
Directors' fee	-	-	2,300	-	-	2,300
Insurance claim received	-	9,142	-	-	-	9,142
Insurance premium paid	-	115,304	-	-	-	115,304
Dividend income	-	42,315	-	-	-	42,315
Rental income	2,434	-	-	-	-	2,434
Rental expense	-	769	-	-	-	769
Other expense	540	2,125	-	-	-	2,665
Commission expense	978	-	-	-	-	978
Other income	375	-	-	-	-	375



21. ISLAMIC BANKING BUSINESS

The Bank is operating 17 Islamic Banking branches in Pakistan at the end of reporting period (31 December 2013: 17 branches). The statement of financial position of these branches as at 30 September 2014 is as follows:

		(Un-audited) 30 September 2014	(Audited) 31 December 2013
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		456,421	363,446
Balances with and due from financial institutions		49,433	35,677
Investments		2,835,135	1,493,818
Islamic financing and related assets	21.1	9,181,318	10,647,906
Operating fixed assets		65,081	62,567
Other assets		334,461	359,340
Total assets		12,921,849	12,962,754
LIABILITIES			
Bills payable		179,978	112,276
Due to financial institutions		1,121,067	1,643,761
Deposits and other accounts	21.2	8,979,080	8,617,703
– Current accounts		2,625,854	2,198,218
– Saving accounts		1,909,857	1,420,729
– Term deposits		4,003,261	3,380,965
– Others		23,044	11,348
– Deposits from financial institutions-remunerative		414,793	1,605,680
– Deposits from financial institutions-non-remunerative		2,271	763
Due to Head office		990,335	990,000
Other liabilities		332,479	293,351
Total liabilities		(11,602,939)	(11,657,091)
NET ASSETS		1,318,910	1,305,663
REPRESENTED BY:			
Islamic banking fund		1,100,000	1,000,000
Accumulated profit		225,461	301,343
		1,325,461	1,301,343
Surplus on revaluation of assets		(6,551)	4,320
		1,318,910	1,305,663



	(Un-audited) 30 September 2014	(Audited) 31 December 2013
	(Rupees in '000)	
21.1 Islamic financing and related assets		
Murabaha	2,217,603	4,684,555
Net book value of assets / investments in ijarah under IFAS 2	525,129	202,296
Diminishing musharika	3,017,389	3,056,660
Istisna	862,817	651,646
Islamic export refinance murabaha	-	38,934
Islamic export refinance istisna	1,471,267	1,517,077
Gross financing	8,094,205	10,151,168
Less: general provisioning against consumer financing	(523)	(523)
Net financing	8,093,682	10,150,645
Advance against murabaha	1,085,558	449,831
Advance against ijarah	2,078	47,430
Islamic financing and related assets - net of provision	9,181,318	10,647,906
21.1.1 Islamic mode of financing		
Financings / inventory / receivables	8,094,205	10,151,168
Advances	1,087,636	497,261
Less: general provisioning against consumer financing	(523)	(523)
	9,181,318	10,647,906
21.2	Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis. Deposit and other accounts include redeemable capital of Rs. 6,561.031 million (December 31, 2013: Rs. 6,437.972 million) and deposits on Qard basis of Rs. 2,418.049 million (December 31, 2013: Rs. 2,179.731 million).	
22. GENERAL		
22.1	Corresponding figures have been re-arranged / re-classified wherever necessary, for the purpose of comparison. However, no significant reclassifications have been made in these unconsolidated condensed interim financial statements.	
22.2	Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.	
23. DATE OF AUTHORISATION	These unconsolidated condensed interim financial statements were authorised for issue on 28 October 2014 by the Board of Directors of the Bank.	

ABBAS D. HABIB
Chief Executive and
Managing Director

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Company



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014**

		(Un-audited) 30 September 2014	(Audited) 31 December 2013
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		32,661,564	32,199,552
Balances with other banks		3,308,165	2,664,729
Lendings to financial institutions		—	—
Investments - net	7	287,971,132	239,986,042
Advances - net	8	172,795,032	167,569,070
Operating fixed assets	9	13,662,791	11,815,577
Deferred tax assets - net		—	—
Other assets		9,754,764	6,786,943
		520,153,448	461,021,913
LIABILITIES			
Bills payable		6,556,341	6,173,102
Borrowings	10	35,153,464	29,480,026
Deposits and other accounts	11	436,311,635	386,098,828
Sub-ordinated loans	12	3,744,300	6,485,900
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities - net		1,744,977	1,642,923
Other liabilities		7,134,704	5,559,900
		490,645,421	435,440,679
NET ASSETS		29,508,027	25,581,234
REPRESENTED BY :			
Share capital		11,114,254	10,103,868
Reserves		8,420,100	7,569,407
Unappropriated profit		6,323,658	5,703,859
Equity attributable to the shareholders of the Holding company		25,858,012	23,377,134
Non-controlling interest		113,533	109,744
Total equity		25,971,545	23,486,878
Surplus on revaluation of assets - net of tax	13	3,536,482	2,094,356
		29,508,027	25,581,234
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

		Nine months period ended		Quarter ended	
	Note	30 September 2014	30 September 2013	30 September 2014	30 September 2013
		(Rupees in '000)			
Mark-up / return / interest earned	15	31,791,061	28,132,086	11,193,600	8,923,824
Mark-up / return / interest expensed	16	(18,105,074)	(17,536,621)	(6,184,803)	(5,339,394)
Net mark-up / return / interest income		13,685,987	10,595,465	5,008,797	3,584,430
Provision against non-performing loans and advances - net		(305,942)	(505,013)	(185,004)	(250,774)
Provision for diminution in the value of investments		(5,463)	(54)	(5,463)	(54)
Bad debts written-off directly		-	(96)	-	-
		(311,405)	(505,163)	(190,467)	(250,828)
Net mark-up / return / interest income after provisions		13,374,582	10,090,302	4,818,330	3,333,602
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		1,486,105	1,423,305	438,804	569,858
Dividend income		268,868	153,110	81,762	105,490
Income from dealing in foreign currencies		654,607	487,174	127,534	220,476
Gain on sale / redemption of securities - net		22,568	493,848	(3,599)	107,961
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-	-	-
Share of profit from associates		87,412	105,810	33,244	25,981
Other income		377,262	401,120	114,565	137,743
Total non mark-up / interest income		2,896,822	3,064,367	792,310	1,167,509
		16,271,404	13,154,669	5,610,640	4,501,111
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(9,240,760)	(7,519,964)	(3,221,850)	(2,706,785)
Other provisions / write-offs		(9,249)	(11,076)	(4,624)	(11,568)
Other charges		(148,665)	(115,776)	(51,440)	(36,772)
Total non mark-up / interest expenses		(9,398,674)	(7,646,816)	(3,277,914)	(2,755,125)
		6,872,730	5,507,853	2,332,726	1,745,986
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		6,872,730	5,507,853	2,332,726	1,745,986
Taxation - Current		(2,563,595)	(1,760,260)	(878,583)	(512,034)
- Prior years		-	(98,839)	-	(98,839)
- Deferred		202,551	58,011	84,303	73,362
		(2,361,044)	(1,801,088)	(794,280)	(537,511)
PROFIT AFTER TAXATION		4,511,686	3,706,765	1,538,446	1,208,475
Attributable to:					
Shareholder of the Holding company		4,507,897	3,701,751	1,539,738	1,209,259
Non-controlling interest		3,789	5,014	(1,292)	(784)
		4,511,686	3,706,765	1,538,446	1,208,475
Basic and diluted earnings per share attributable to equity holders of the Holding company - Rupees					
	17	4.06	3.33	1.39	1.09

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

ABBAS D. HABIB	SHAMEEM AHMED	SYED MAZHAR ABBAS	SYED HASAN ALI BUKHARI
Chief Executive and Managing Director	Director	Director	Director



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

	Nine months period ended		Quarter ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	(Rupees in '000)			
Profit after taxation	4,511,686	3,706,765	1,538,446	1,208,475
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss account				
Exchange differences on translation of net investment in foreign branches	(39,127)	78,688	69,518	56,521
Items that will never be reclassified to profit or loss account subsequently				
Remeasurement of defined benefit plan	-	-	-	-
Related tax charge	-	-	-	-
Total comprehensive income transferred to equity	4,472,559	3,785,453	1,607,964	1,264,996
Attributable to:				
Shareholders of the Holding company	4,468,770	3,780,439	1,609,256	1,265,780
Non-controlling interest	3,789	5,014	(1,292)	(784)
	4,472,559	3,785,453	1,607,964	1,264,996

Surplus arising on revaluation of fixed assets and available for sale investments is required to be shown separately below equity as 'Surplus on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been recognised as other comprehensive income.

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director



**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

	30 September 2014	30 September 2013
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,872,730	5,507,853
Less: Dividend income	(268,868)	(153,110)
	6,603,862	5,354,743
Adjustments for:		
Depreciation	729,140	655,642
Amortisation	55,444	38,368
Provision against non-performing loans and advances - net	305,942	505,013
Provision for diminution in the value of investments	5,463	54
Gain on sale / redemption of securities - net	(22,568)	(493,848)
Charge for defined benefit plan	126,000	90,000
Charge for compensated absences	36,279	35,182
Gain on disposal of operating fixed assets	(57,992)	(54,713)
Share of profit from associates	(87,412)	(105,810)
Provision against off-balance sheet items	9,249	11,076
	1,099,545	680,964
	7,703,407	6,035,707
(Increase) / decrease in operating assets		
Lendings to financial institutions	-	993,981
Advances - net	(5,531,904)	(7,475,123)
Other assets - (excluding advance taxation)	(2,986,458)	(202,227)
	(8,518,362)	(6,683,369)
Increase / (decrease) in operating liabilities		
Bills payable	383,239	2,302,768
Borrowings	5,185,576	(40,790,148)
Deposits and other accounts	50,212,807	29,228,643
Other liabilities - (excluding provision for taxation)	1,157,701	792,805
	56,939,323	(8,465,932)
	56,124,368	(9,113,594)
Income tax paid	(2,273,769)	(1,997,045)
Net cash from / (used in) operating activities	53,850,599	(11,110,639)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(47,464,159)	13,370,627
Net investments in associates	36,191	328,440
Dividend received	208,970	101,320
Investments in operating fixed assets	(1,317,602)	(989,239)
Sale proceeds from disposal of operating fixed assets	76,509	61,338
Net cash (used in) / from investing activities	(48,460,091)	12,872,486
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of sub-ordinated loans	(2,741,600)	(2,400)
Dividends paid	(1,992,195)	(2,982,168)
Net cash used in financing activities	(4,733,795)	(2,984,568)
Exchange differences on translation of net investment in foreign branches	(39,127)	78,688
Increase / (decrease) in cash and cash equivalents	617,586	(1,144,033)
Cash and cash equivalents at the beginning of the period	34,864,281	37,211,593
Cash and cash equivalents at the end of the period	35,481,867	36,067,560

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

ABBAS D. HABIB
Chief Executive and
Managing Director

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

	Attributable to the shareholders of the Holding Company								
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Unappro- -priated Profit	Total	Non- controlling Interest	Total Equity
				Special Reserve	General Reserve				
	(Rupees in '000)								
Balance as at 01 January 2013 - Restated	10,103,868	5,630,172	167,874	126,500	540,000	4,598,577	21,166,991	106,753	21,273,744
Total comprehensive income for the nine months period ended 30 September 2013:									
Profit after tax	-	-	-	-	-	3,701,751	3,701,751	5,014	3,706,765
Other comprehensive income	-	-	78,688	-	-	-	78,688	-	78,688
	-	-	78,688	-	-	3,701,751	3,780,439	5,014	3,785,453
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	27,996	27,996	-	27,996
Transfer to statutory reserve	-	739,278	-	-	-	(739,278)	-	-	-
Transactions with owners for the nine months period ended 30 September 2013:									
Cash dividend (Rs. 3 per share)	-	-	-	-	-	(3,031,160)	(3,031,160)	-	(3,031,160)
Balance as at 30 September 2013	10,103,868	6,369,450	246,562	126,500	540,000	4,557,886	21,944,266	111,767	22,056,033
Total comprehensive income for the quarter ended 31 December 2013:									
Profit after tax	-	-	-	-	-	1,493,515	1,493,515	(2,023)	1,491,492
Other comprehensive income	-	-	(6,517)	-	-	(63,462)	(69,979)	-	(69,979)
	-	-	(6,517)	-	-	1,430,053	1,423,536	(2,023)	1,421,513
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	9,332	9,332	-	9,332
Transfer to statutory reserve	-	293,412	-	-	-	(293,412)	-	-	-
Balance as at 31 December 2013	10,103,868	6,662,862	240,045	126,500	540,000	5,703,859	23,377,134	109,744	23,486,878
Total comprehensive income for the nine months period ended 30 September 2014:									
Profit after tax	-	-	-	-	-	4,507,897	4,507,897	3,789	4,511,686
Other comprehensive income	-	-	(39,127)	-	-	-	(39,127)	-	(39,127)
	-	-	(39,127)	-	-	4,507,897	4,468,770	3,789	4,472,559
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	32,880	32,880	-	32,880
Transfer to statutory reserve	-	889,820	-	-	-	(889,820)	-	-	-
Transactions with owners for the nine months period ended 30 September 2014:									
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(2,020,772)	(2,020,772)	-	(2,020,772)
Issue of bonus shares in the ratio of 10 shares for 100 shares held	1,010,386	-	-	-	-	(1,010,386)	-	-	-
Balance as at 30 September 2014	11,114,254	7,552,682	200,918	126,500	540,000	6,323,658	25,858,012	113,533	25,971,545

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

ABBAS D. HABIB
Chief Executive and Managing Director

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

1. STATUS AND NATURE OF BUSINESS

The Group consists of :

- Bank AL Habib Limited (Holding Company)
- AL Habib Capital Markets (Private) Limited (Subsidiary Company)

Bank AL Habib Limited (the Bank) was 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 being in Karachi. Its shares are listed on all the three Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 341 branches (31 December 2013: 320 branches), 101 sub-branches (31 December 2013: 96 sub-branches) and 03 representative offices (31 December 2013: 03 offices). The branch network of the Bank includes 03 overseas branches (31 December 2013: 01 branch) and 17 Islamic Banking branches (31 December 2013: 17 branches). The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited (the Company). 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 Karachi Stock Exchange Limited and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.

2. BASIS OF PREPARATION

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 include 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 amount of the facility actually utilised and the appropriate portion of mark-up thereon.

The financial results of the Islamic Banking branches of the Bank have been included in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 21 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated condensed interim financial statements of the Group have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.



3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (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 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.

3.3 The disclosures made in these consolidated condensed interim financial statements have been limited based on a 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 disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Group for the year ended 31 December 2013.

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 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 for the year ended 31 December 2013.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of annual financial statements of the Group for the year ended 31 December 2013.

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 2013.



	30 September 2014 (Un-Audited)			31 December 2013 (Audited)		
Note	Held by Group	Given as Collateral	Total	Held by Group	Given as Collateral	Total
	(Rupees in '000)					

7. INVESTMENTS

7.1 Investment by type:

Available for Sale Securities

Market Treasury Bills	129,857,955	13,785,170	143,643,125	101,159,729	10,933,027	112,092,756
Pakistan Investment Bonds	14,581,001	-	14,581,001	12,412,522	-	12,412,522
Foreign Currency Bonds	2,310,591	-	2,310,591	1,782,395	-	1,782,395
Sukuk Bonds	4,355,589	-	4,355,589	3,300,425	-	3,300,425
Fully paid-up ordinary shares - Listed	3,055,948	-	3,055,948	2,542,652	-	2,542,652
Fully paid-up ordinary shares - Unlisted	64,855	-	64,855	64,855	-	64,855
Term finance certificates - Listed	528,657	-	528,657	544,625	-	544,625
Term finance certificates - Unlisted	2,532,670	-	2,532,670	2,532,720	-	2,532,720
Units of mutual funds	1,576,763	-	1,576,763	1,371,246	-	1,371,246
	158,864,029	13,785,170	172,649,199	125,711,169	10,933,027	136,644,196

Held to Maturity Securities 7.2

Market Treasury Bills	-	-	-	83,858,220	-	83,858,220
Pakistan Investment Bonds	112,017,698	-	112,017,698	17,654,496	-	17,654,496
Sukuk Bonds	202,721	-	202,721	211,342	-	211,342
Term finance certificates - Listed	86,826	-	86,826	95,177	-	95,177
Foreign Currency Bonds	992,590	-	992,590	-	-	-
	113,299,835	-	113,299,835	101,819,235	-	101,819,235

Associates

Habib Sugar Mills Limited	354,178	-	354,178	317,917	-	317,917
Habib Asset Management Limited	80,338	-	80,338	74,577	-	74,577
First Habib Income Fund	275,862	-	275,862	259,725	-	259,725
First Habib Stock Fund	52,060	-	52,060	56,765	-	56,765
First Habib Cash Fund	332,775	-	332,775	312,930	-	312,930
First Habib Islamic Balanced Fund	26,294	-	26,294	27,134	-	27,134
	1,121,507	-	1,121,507	1,049,048	-	1,049,048

Investments at cost	273,285,371	13,785,170	287,070,541	228,579,452	10,933,027	239,512,479
Less: Provision for diminution in the value of investments 7.3	(11,163)	-	(11,163)	(6,586)	-	(6,586)
Investments (net of provisions)	273,274,208	13,785,170	287,059,378	228,572,866	10,933,027	239,505,893
Surplus on revaluation of available for sale securities - net	912,020	(266)	911,754	488,903	(8,754)	480,149
Total Investments	274,186,228	13,784,904	287,971,132	229,061,769	10,924,273	239,986,042

7.2 The aggregate market value of held to maturity securities as on 30 September 2014 amounts to Rs. 112,779 million (31 December 2013: Rs. 101,709 million).

7.3 The provision for diminution in the value of investments comprises of provision against fully paid-up ordinary shares of Pakistan Export Finance Guarantee Agency Limited and Karachi Stock Exchange Limited.



	(Un-audited) 30 September 2014	(Audited) 31 December 2013
Note	(Rupees in '000)	
8. ADVANCES		
Loans, cash credits, running finances, etc.		
– In Pakistan	147,780,994	139,637,992
– Outside Pakistan	8,586,679	7,812,380
	156,367,673	147,450,372
Net investment in finance lease / ijarah financing		
– In Pakistan	2,200,637	985,898
– Outside Pakistan	–	–
	2,200,637	985,898
Net book value of assets in ijarah under IFAS 2	525,129	202,296
Murabaha	2,217,603	4,723,489
Bills discounted and purchased (excluding market treasury bills)		
– Payable in Pakistan	3,463,275	2,044,993
– Payable outside Pakistan	14,398,415	18,245,217
	17,861,690	20,290,210
Advances - gross	179,172,732	173,652,265
Provision against non-performing loans and advances		
– Specific provision 8.1	(3,801,079)	(3,543,124)
– General provision against small enterprises and consumer advances (as per SBP regulations) 8.2	(76,621)	(40,071)
– General provision 8.3	(2,500,000)	(2,500,000)
	(6,377,700)	(6,083,195)
Advances - net of provision	172,795,032	167,569,070

8.1 Advances include Rs. 4,258.953 million (31 December 2013: Rs. 3,699.903 million) which have been placed under non-performing status as detailed below:

30 September 2014 (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									
	5,999	–	5,999	600	–	600	600	–	600
Substandard	27,393	–	27,393	6,288	–	6,288	6,288	–	6,288
Doubtful	766,842	–	766,842	383,421	–	383,421	383,421	–	383,421
Loss	3,040,822	417,897	3,458,719	2,992,873	417,897	3,410,770	2,992,873	417,897	3,410,770
	<u>3,841,056</u>	<u>417,897</u>	<u>4,258,953</u>	<u>3,383,182</u>	<u>417,897</u>	<u>3,801,079</u>	<u>3,383,182</u>	<u>417,897</u>	<u>3,801,079</u>



31 December 2013 (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	16,121	-	16,121	-	-	-	-	-	-
Substandard	56,807	-	56,807	14,208	-	14,208	14,208	-	14,208
Doubtful	98,528	-	98,528	49,264	-	49,264	49,264	-	49,264
Loss	3,099,517	428,930	3,528,447	3,050,722	428,930	3,479,652	3,050,722	428,930	3,479,652
	<u>3,270,973</u>	<u>428,930</u>	<u>3,699,903</u>	<u>3,114,194</u>	<u>428,930</u>	<u>3,543,124</u>	<u>3,114,194</u>	<u>428,930</u>	<u>3,543,124</u>

8.2 General provision represents provision amounting to Rs. 76.621 million (31 December 2013: 40.071 million) against consumer finance portfolio and advances to small enterprises as required by the Prudential Regulation issued by SBP.

8.3 In line with its prudent policies, the Bank has also made general provision of Rs. 2,500 million (31 December 2013: Rs. 2,500 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 September 2014 (Rupees in '000)	(Audited) 31 December 2013
Capital work-in-progress	553,535	290,963
Property and equipments	12,980,600	11,477,984
Intangible assets	128,656	46,630
	<u>13,662,791</u>	<u>11,815,577</u>

(Un-audited)
Nine months period ended
30 September 2014 30 September 2013
(Rupees in '000)

9.1 The following additions were made at cost during the period:

Leasehold land	121,487	-
Buildings on leasehold land	120,339	121,759
Improvements to leasehold buildings	29,567	157,095
Furniture and fixtures	42,495	44,219
Electrical, office and computer equipments	377,461	330,730
Vehicles	231,920	191,356
Intangible assets	130,977	27,173
	<u>1,054,246</u>	<u>872,332</u>



(Un-audited)
Nine months period ended
30 September 2014 **30 September 2013**
(Rupees in '000)

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

Leasehold land	8,533	—
Improvements to leasehold buildings	3,465	—
Furniture and fixtures	1,602	386
Electrical, office and computer equipments	731	1,617
Vehicles	4,204	4,622
	18,535	6,625

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 their professional assessment of the present market value. As a result of revaluation the carrying value of leasehold land and buildings on leasehold land as at 30 September 2014 is Rs. 9,883 million (31 December 2013: Rs. 8,444 million). The details of revalued amounts are as follows:

	(Rupees in '000)
Total revalued amount of land	4,136,026
Total revalued amount of buildings	5,747,217

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at 30 September 2014 would have been as follows:

	(Rupees in '000)
Land	3,424,233
Buildings	4,913,244

(Un-audited)	(Audited)
30 September 2014	31 December 2013
(Rupees in '000)	

10. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan under:

– Export refinance scheme	16,265,432	15,065,898
– Long term financing for export oriented projects	61,210	156,637
– Long term financing for imported and locally manufactured plant and machinery	3,746,844	3,225,277
– Financing facility for storage of agricultural produce	64,792	120,727
	20,138,278	18,568,539

Repurchase agreement borrowings	13,781,236	10,911,487
	33,919,514	29,480,026

Unsecured

Borrowings from financial institutions	746,088	—
Overdrawn nostros accounts	487,862	—
	1,233,950	—
	35,153,464	29,480,026



		(Un-audited) 30 September 2014 Note	(Audited) 31 December 2013 (Rupees in '000)
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		94,979,732	82,536,366
Savings deposits		129,339,486	124,273,324
Current accounts - Remunerative		65,728,125	41,157,487
Current accounts - Non-remunerative		137,002,153	124,061,833
		427,049,496	372,029,010
Financial institutions			
Remunerative deposits		8,549,530	13,448,617
Non-remunerative deposits		712,609	621,201
		9,262,139	14,069,818
		436,311,635	386,098,828
12. SUB-ORDINATED LOANS - UNSECURED			
Term Finance Certificates (TFCs) - II - (Quoted)	12.1	747,900	1,496,100
Term Finance Certificates (TFCs) - III - (Unquoted)	12.2	—	1,992,800
Term Finance Certificates (TFCs) - IV - (Unquoted)	12.3	2,996,400	2,997,000
		3,744,300	6,485,900

12.1 Term Finance Certificates - II (Quoted)

Total issue	Rupees 1,500 million
Rating	AA
Rate	Payable six monthly at average six months' KIBOR plus 1.95% without any floor and cap
Redemption	6 - 84th month: 0.28%; 90th and 96th month: 49.86% each
Tenor	8 years
Maturity	February 2015

12.2 Term Finance Certificates - III (Unquoted)

During the period, the Bank exercised the Call Option in full in respect of Term Finance Certificates - III in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on September 15, 2014.



12.3 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	AA
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021

	Note	(Un-audited) 30 September 2014 (Rupees in '000)	(Audited) 31 December 2013
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Operating fixed assets	13.1	2,762,190	1,722,912
Available for sale investments	13.2	774,292	371,444
		3,536,482	2,094,356
13.1 Operating fixed assets			
Balance at the beginning of the period / year		2,318,881	2,376,309
Surplus on revaluation of the Bank's properties during the period / year		1,327,022	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(50,584)	(57,428)
		3,595,319	2,318,881
Related deferred tax liability on:			
Balance at the beginning of the period / year		595,969	616,069
Revaluation of Bank's properties during the period / year		254,864	-
Incremental depreciation charged during the period / year transferred to profit and loss account		(17,704)	(20,100)
		(833,129)	(595,969)
		2,762,190	1,722,912
13.2 Available for sale investments			
Federal Government Securities		229,806	190,125
Fully paid-up ordinary shares		473,228	182,202
Term finance certificates, sukuks, other bonds and others		45,480	28,883
Units of mutual funds		209,382	103,842
		957,896	505,052
Related deferred tax		(183,604)	(133,608)
		774,292	371,444



	(Un-audited) 30 September 2014	(Audited) 31 December 2013
	(Rupees in '000)	
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct Credit Substitutes		
Financial guarantees issued favouring:		
– Financial institutions	174,688	308,098
– Others	5,665,259	5,172,990
	<u>5,839,947</u>	<u>5,481,088</u>
14.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
– Government	13,175,895	8,304,764
– Financial institutions	313,575	238,651
– Others	7,115,565	6,112,025
	<u>20,605,035</u>	<u>14,655,440</u>
14.3 Trade-related contingent liabilities		
Letters of credit	73,062,187	70,207,859
Acceptances	9,847,150	6,895,498
	<u>82,909,337</u>	<u>77,103,357</u>
14.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	<u>3,600,061</u>	<u>1,130,970</u>
14.5 Commitments in respect of forward exchange contracts		
Purchase	<u>30,694,561</u>	<u>23,468,276</u>
Sale	<u>23,415,205</u>	<u>20,363,924</u>
The maturities of above contracts are spread over a period upto one year.		
14.6 Commitments for the acquisition of operating fixed assets	<u>352,204</u>	<u>154,299</u>



(Un-audited)			
Nine months period ended		Quarter ended	
30 September 2014	30 September 2013	30 September 2014	30 September 2013
(Rupees in '000)			

15. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:				
Customers	11,089,456	9,693,120	3,693,126	3,192,788
Financial institutions	206,505	175,646	92,350	66,885
	11,295,961	9,868,766	3,785,476	3,259,673
On investments:				
Available for sale securities	11,944,821	13,664,281	4,079,380	4,468,825
Held to maturity securities	8,377,705	4,457,069	3,239,409	1,114,947
	20,322,526	18,121,350	7,318,789	5,583,772
On deposits with financial institutions	58,774	49,068	24,084	13,449
On securities purchased under resale agreements	113,292	91,147	64,765	66,175
On call money lendings	508	1,755	486	755
	31,791,061	28,132,086	11,193,600	8,923,824

(Un-audited)			
Nine months period ended		Quarter ended	
30 September 2014	30 September 2013	30 September 2014	30 September 2013
(Rupees in '000)			

16. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	15,117,747	13,456,041	5,441,963	4,472,889
On sub-ordinated loans	676,544	696,811	211,703	234,449
On securities sold under repurchase agreements	1,016,592	2,111,866	116,566	232,498
On borrowings from SBP	1,005,716	1,037,731	304,172	320,954
On other borrowings	288,475	234,172	110,399	78,604
	18,105,074	17,536,621	6,184,803	5,339,394



(Un-audited)			
Nine months period ended		Quarter ended	
30 September	30 September	30 September	30 September
2014	2013	2014	2013
(Rupees in '000)			

**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	<u>4,507,897</u>	<u>3,701,751</u>	<u>1,539,738</u>	<u>1,209,259</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>4.06</u>	<u>3.33</u>	<u>1.39</u>	<u>1.09</u>

(Un-audited)	
Nine months period ended	
30 September	30 September
2014	2013
(Rupees in '000)	

18. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	32,661,564	33,132,175
Balances with other banks	3,308,165	3,122,618
Overdrawn nostros accounts	(487,862)	(187,233)
	<u>35,481,867</u>	<u>36,067,560</u>



19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Nine months period ended 30 September 2014 (Un-audited)				
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	Total
Total income	17,314,815	30,620,918	54,251	(13,302,101)	34,687,883
Total expenses	(14,207,998)	(26,858,904)	(50,352)	13,302,101	(27,815,153)
Net income	3,106,817	3,762,014	3,899	—	6,872,730
Segment assets (net of provisions)	399,059,340	494,370,261	339,454	(373,615,607)	520,153,448
Segment non performing loans	37,190	4,221,763	—	—	4,258,953
Segment provision required	35,333	3,765,746	—	—	3,801,079
Segment liabilities	396,516,085	467,603,882	141,061	(373,615,607)	490,645,421
Segment return on net assets (ROA) (%)*	4.34%	6.19%	15.98%		
Segment cost of funds (%)*	3.58%	5.74%	35.70%		

	Nine months period ended 30 September 2013 (Un-audited)				
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	Total
Total income	14,603,494	28,182,875	49,878	(11,639,794)	31,196,453
Total expenses	(12,237,464)	(25,048,134)	(42,796)	11,639,794	(25,688,600)
Net income	2,366,030	3,134,741	7,082	—	5,507,853
Segment assets (net of provisions)	338,834,914	427,587,705	439,758	(322,286,443)	444,575,934
Segment non performing loans	42,832	3,835,030	—	—	3,877,862
Segment provision required	42,381	3,536,596	—	—	3,578,977
Segment liabilities	337,117,266	405,459,475	282,505	(322,286,443)	420,572,803
Segment return on net assets (ROA) (%)*	4.31%	6.59%	11.34%		
Segment cost of funds (%)*	3.63%	6.18%	15.15%		

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



20. RELATED PARTY TRANSACTIONS

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

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

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

	As at 30 September 2014 (Un-audited)				Total
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Employee Benefit Plans	
Deposits					
At the beginning of the period	1,813,814	142,104	368,941	174,811	2,499,670
Placement during the period	69,204,243	778,893	1,627,812	7,411,692	79,022,640
Withdrawal during the period	(68,246,838)	(706,142)	(1,592,789)	(7,085,856)	(77,631,625)
At the end of the period	2,771,219	214,855	403,964	500,647	3,890,685
Advances					
At the beginning of the period	1,282,655	126	37,822	–	1,320,603
Addition during the period	18,766,557	3,917	51,752	–	18,822,226
Repaid during the period	(18,572,051)	(3,367)	(45,009)	–	(18,620,427)
At the end of the period	1,477,161	676	44,565	–	1,522,402
Investments					
At the beginning of the period	1,049,048	–	–	–	1,049,048
Investment made during the period	–	–	–	–	–
Investment redeemed / disposed off / adjusted during the period	72,459	–	–	–	72,459
At the end of the period	1,121,507	–	–	–	1,121,507
Contingencies and commitments	477,405	–	–	–	477,405
As at 31 December 2013 (Audited)					
Deposits					
At the beginning of the year	1,691,582	146,594	294,767	151,603	2,284,546
Placement during the year	76,167,530	767,897	1,186,282	4,538,194	82,659,903
Withdrawal during the year	(76,045,298)	(772,387)	(1,112,108)	(4,514,986)	(82,444,779)
At the end of the year	1,813,814	142,104	368,941	174,811	2,499,670
Advances					
At the beginning of the year	1,615,380	351	28,605	–	1,644,336
Addition during the year	20,955,131	3,025	45,862	–	21,004,018
Repaid during the year	(21,287,856)	(3,250)	(36,645)	–	(21,327,751)
At the end of the year	1,282,655	126	37,822	–	1,320,603
Investments					
At the beginning of the year	1,279,273	–	–	–	1,279,273
Investment made during the year	647,501	–	–	–	647,501
Investment redeemed / disposed off / adjusted during the year	(877,726)	–	–	–	(877,726)
At the end of the year	1,049,048	–	–	–	1,049,048
Contingencies and commitments	721,649	–	–	–	721,649



Nine months period ended 30 September 2014 (Un-audited)

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Employee Benefit Plans	Total
Purchase of fixed assets	—	—	—	—	—
Sale of securities	14,842	—	—	738,916	753,758
Redemption of mutual funds units	—	—	—	—	—
Purchase of mutual fund units/securities	—	—	—	—	—
Mark-up earned	99,599	—	2,003	—	101,602
Mark-up expensed	106,773	6,620	22,738	11,408	147,539
Bank charges and commission	3,172	20	99	—	3,291
Gain on sale of securities / mutual fund units	80	—	—	(2,865)	(2,785)
Salaries and allowances	—	—	193,715	—	193,715
Bonus	—	—	35,952	—	35,952
Contribution to defined contribution plan	—	—	9,792	—	9,792
Contribution to defined benefit plan	—	—	15,259	—	15,259
Staff provident fund	—	—	—	166,185	166,185
Staff gratuity fund	—	—	—	126,000	126,000
Directors' fee	—	2,650	—	—	2,650
Insurance claim received	9,262	—	—	—	9,262
Insurance premium paid	71,677	—	—	—	71,677
Dividend income	36,191	—	—	—	36,191
Brokerage and advisory income	1,145	—	—	—	1,145
Rental expense	769	—	—	—	769
Other expense	3,012	—	—	—	3,012
Other income	139	—	—	107	246

Nine months period ended 30 September 2013 (Un-audited)

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Employee Benefit Plans	Total
Purchase of fixed assets	1,430	—	—	—	1,430
Sale of securities	40,645	—	—	—	40,645
Redemption of mutual funds units	933,623	—	—	—	933,623
Purchase of mutual fund units/securities	647,501	—	—	—	647,501
Mark-up earned	102,406	3	1,349	—	103,758
Mark-up expensed	55,980	5,890	16,286	12,743	90,899
Bank charges and commission	3,424	6	83	—	3,513
Gain on sale of securities / mutual fund units	62,919	—	—	—	62,919
Salaries and allowances	—	—	151,272	—	151,272
Bonus	—	—	18,174	—	18,174
Contribution to defined contribution plan	—	—	6,805	—	6,805
Contribution to defined benefit plan	—	—	24,565	—	24,565
Staff provident fund	—	—	—	137,709	137,709
Staff gratuity fund	—	—	—	90,000	90,000
Directors' fee	—	2,300	—	—	2,300
Insurance claim received	9,142	—	—	—	9,142
Insurance premium paid	115,952	—	—	—	115,952
Dividend income	42,315	—	—	—	42,315
Brokerage and advisory income	935	—	—	—	935
Rental expense	769	—	—	—	769
Other expense	2,125	—	—	—	2,125
Other income	—	—	—	—	—



21. ISLAMIC BANKING BUSINESS

The Bank is operating 17 Islamic Banking branches in Pakistan at the end of reporting period (31 December 2013: 17 branches). The statement of financial position of these branches as at 30 September 2014 is as follows:

		(Un-audited) 30 September 2014	(Audited) 31 December 2013
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		456,421	363,446
Balances with and due from financial institutions		49,433	35,677
Investments		2,835,135	1,493,818
Islamic financing and related assets	21.1	9,181,318	10,647,906
Operating fixed assets		65,081	62,567
Other assets		334,461	359,340
Total assets		12,921,849	12,962,754
LIABILITIES			
Bills payable		179,978	112,276
Due to financial institutions		1,121,067	1,643,761
Deposits and other accounts	21.2	8,979,080	8,617,703
– Current accounts		2,625,854	2,198,218
– Saving accounts		1,909,857	1,420,729
– Term deposits		4,003,261	3,380,965
– Others		23,044	11,348
– Deposits from financial institutions-remunerative		414,793	1,605,680
– Deposits from financial institutions-non-remunerative		2,271	763
Due to Head office		990,335	990,000
Other liabilities		332,479	293,351
Total liabilities		(11,602,939)	(11,657,091)
NET ASSETS		1,318,910	1,305,663
REPRESENTED BY:			
Islamic banking fund		1,100,000	1,000,000
Accumulated profit		225,461	301,343
		1,325,461	1,301,343
Surplus on revaluation of assets		(6,551)	4,320
		1,318,910	1,305,663



	(Un-audited) 30 September 2014	(Audited) 31 December 2013
	(Rupees in '000)	
21.1 Islamic financing and related assets		
Murabaha	2,217,603	4,684,555
Net book value of assets / investments in ijarah under IFAS 2	525,129	202,296
Diminishing musharika	3,017,389	3,056,660
Istisna	862,817	651,646
Islamic export refinance murabaha	—	38,934
Islamic export refinance istisna	1,471,267	1,517,077
Gross financing	8,094,205	10,151,168
Less: general provisioning against consumer financing	(523)	(523)
Net financing	8,093,682	10,150,645
Advance against murabaha	1,085,558	449,831
Advance against ijarah	2,078	47,430
Islamic financing and related assets - net of provision	9,181,318	10,647,906
21.1.1 Islamic mode of financing		
Financings / inventory / receivables	8,094,205	10,151,168
Advances	1,087,636	497,261
Less: general provisioning against consumer financing	(523)	(523)
	9,181,318	10,647,906

21.2 Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis. Deposit and other accounts include redeemable capital of Rs. 6,561.031 million (December 31, 2013: Rs. 6,437.972 million) and deposits on Qard basis of Rs. 2,418.049 million (December 31, 2013: Rs. 2,179.731 million).

22. GENERAL

22.1 Corresponding figures have been re-arranged / re-classified wherever necessary, for the purpose of comparison. However, no significant reclassifications have been made in these consolidated condensed interim financial statements.

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

23. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on 28 October 2014 by the Board of Directors of the Group.

ABBAS D. HABIB
Chief Executive and
Managing Director

SHAMEEM AHMED
Director

SYED MAZHAR ABBAS
Director

SYED HASAN ALI BUKHARI
Director