

NATIONAL BANK OF PAKISTAN

Standalone Financial Statements

for

Half Year ended June 30, 2013

Directors' Report

It gives me pleasure to present on behalf of the Board of Directors financial statements of the bank for the six months period ended June 30, 2013.

During the period as a result of change in accounting policy due to adoption of revised international Accounting standard 19, pre tax and after tax profit for June 2012 were restated at 12,463 and Rs. 8,711 million as against last year reported amount of Rs. 11,680 and Rs. 8,202 million respectively.

Pre provision profit of the bank stood at Rs.15, 844 million which is higher by 5.5% from last year reported number. This was achieved despite 3.0% reduction in SBP discount rate since June 2012. Total operating revenues increased by Rs. 1,443 million or 4.6% from corresponding period last year. Non-interest income increased by an impressive 24% compared to the corresponding period last year mainly due to higher fee commission income mainly on account of commission on government transaction, trade / general banking as well as on retail products. Income from dealing in foreign currencies is higher as the trade volumes increased and further depreciation of PKR value. Capital Gains are higher due to appreciation of stock market index. The impact was offset through increase in volume as well as improved mark-up recovery. Administrative expenses were kept under control which increased by only 4%. Provision charge against advances increased by Rs. 4.0 billion mainly due to creation of general provision of Rs. 3.0 billion against the portfolio. Provision coverage is now 85% which improved from 74% as of June 30, 2012.

On balance sheet side deposits compared to June 2012, increased by Rs.200 billion or 21%, while compared to year end December 2012 deposits are higher by Rs. 108 billion. Advances compared to June 2012 increased by Rs. 67 billion, however from December 2012 advances are lower by Rs. 12.5 billion due to settlement of certain energy related loans.

The bank recorded after tax profit of Rs. 6,021 million for the six months period ended June 30, 2013. Earnings per share stood at Rs. 2.83. Pre tax return on equity stands at 15.1% whereas pre tax return on assets is at 1.2%.

JCR VIS credit rating agency maintained banks AAA/A1+ standalone rating In June 2013. This rating draws strength from the standalone financial profile of the bank, leading market share in deposits, adequate liquidity and capitalization levels. During the year the bank received accolades from "The Banker" magazine terming NBP as the top bank of Pakistan in its `Top 1000 World

Banks' ranking for 2013. The bank also received “Retail Banking Awards 2013” and “Domestic Retail Bank of the Year – Pakistan” from “Asia Banking & Finance” magazine during the year.

With the adoption of new technology and best practices the bank shall improve its revenues through new streams and further control on costs. Lastly in a challenging and competitive environment we are confident that our employees through their commitment and hard work will maintain bank’s leadership position. We would like to express our appreciation to our stakeholders, regulators and our valued customers for their support and sustained level of trust in NBP.

The Profit for the six months period ended June 30, 2013 after carry over of accumulated profit of 2012 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the six months period ended June 30, 2013	8,003
Taxation	
-Current year	3,374
-Prior year(s)	816
-Deferred	(2,208)
	<u>1,982</u>
After tax profit	6,021
Un-appropriated profit brought forward	62,551
Effect due to change in accounting policy for actuarial gain & loss	(1,366)
Transfer from surplus on revaluation of fixed assets –	50
Profit available for appropriation	<u>67,257</u>
Transfer to Statutory Reserve (20% of after tax profit)	(1,204)
Cash Dividend paid	(12,950)
Bonus sharess issued	(2,775)
Un-appropriated profit carried forward	<u>50,327</u>

On behalf of the Board of Directors

Dr. Asif A. Brohi
 President
 Date: August 22, 2013

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of National Bank of Pakistan (the Bank) as at June 30, 2013 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity and explanatory notes (here-in-after referred to as the "interim financial information") for the half year then ended. 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 Matters

- i) The interim financial information for the half year ended June 30, 2012 and the annual financial statements of the Bank for the year ended December 31, 2012 were reviewed / audited by M/s. Anjum Asim Shahid Rahman and KPMG Taseer Hadi & Co., whose review report dated August 16, 2012 and audit report dated February 25, 2013 expressed an unmodified conclusion and an unmodified opinion on the aforementioned financial statements.
- ii) The figures of the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income for the quarter ended June 30, 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2013.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner:
Arslan Khalid

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner:
Syed Iftikhar Anjum

Karachi
Date: August 22, 2013

National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Financial Position
As at June 30, 2013

		(Un-audited) June 30, 2013	(Audited) December 31, 2012 (Restated)
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		120,641,041	158,332,708
Balances with other banks		19,421,845	30,222,338
Lendings to financial institutions - net		90,473,157	8,272,645
Investments - net	6	396,747,641	343,537,529
Advances - net	7	644,874,928	657,381,154
Operating fixed assets	8	27,869,191	27,949,833
Deferred tax assets - net	9	8,759,045	7,348,472
Other assets		79,773,181	76,410,975
		1,388,560,029	1,309,455,654
LIABILITIES			
Bills payable		18,687,044	14,367,639
Borrowings from financial institutions		13,552,968	50,250,684
Deposits and other accounts	10	1,145,812,707	1,037,784,947
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		37,816	29,619
Deferred tax liabilities		-	-
Other liabilities		63,975,663	61,909,781
		1,242,066,198	1,164,342,670
NET ASSETS		146,493,831	145,112,984
REPRESENTED BY			
Share capital		21,275,131	18,500,114
Reserves		31,176,171	28,818,528
Unappropriated profit		50,327,585	62,551,229
		102,778,887	109,869,871
Surplus on revaluation of assets - net	11	43,714,944	35,243,113
		146,493,831	145,112,984
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman / President

Director

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)
For The Half Year Ended June 30, 2013

		Quarter Ended June 30, 2013	Half Year Ended June 30, 2013	Quarter Ended June 30, 2012 (Restated)	Half Year Ended June 30, 2012 (Restated)
Note	(Rupees in '000')				
Mark-up / Return / Interest earned		25,643,711	49,580,148	25,200,262	50,046,956
Mark-up / Return / Interest expensed		14,449,612	29,554,268	14,390,686	28,947,637
Net mark-up / return / interest income		<u>11,194,099</u>	<u>20,025,880</u>	10,809,576	21,099,319
Provision against non-performing advances - net	7.2	5,950,437	6,527,469	1,604,332	2,569,237
Provision for diminution in value of investments - net	6.2	274,641	907,208	2,290,358	779,290
Provision against off-balance sheet obligations		-	-	-	-
Bad debts written off directly		2,913	2,913	-	-
		<u>6,227,991</u>	<u>7,437,590</u>	3,894,690	3,348,527
Net mark-up / interest income after provisions		<u>4,966,108</u>	<u>12,588,290</u>	6,914,886	17,750,792
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		2,909,378	5,478,297	2,623,906	4,729,784
Dividend income		441,709	1,508,654	515,296	1,292,016
Income from dealing in foreign currencies		972,024	1,892,205	731,782	1,525,698
Gain on sale and redemption of securities - net		1,781,424	2,783,195	1,681,251	1,869,177
Unrealized loss on revaluation of investments classified as held-for-trading		(47,245)	(50,189)	(48,793)	(30,506)
Other income	13	1,350,462	1,382,289	1,047,026	1,092,364
Total non mark-up / interest income		<u>7,407,752</u>	<u>12,994,451</u>	6,550,468	10,478,533
		<u>12,373,860</u>	<u>25,582,741</u>	13,465,354	28,229,325
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		8,372,861	17,167,305	7,860,459	15,761,973
Other provisions / write-offs		308,597	403,320	(42,519)	(8,646)
Other charges		5,227	9,035	9,257	13,064
Total non mark-up / interest expenses		<u>8,686,685</u>	<u>17,579,660</u>	7,827,197	15,766,391
		<u>3,687,175</u>	<u>8,003,081</u>	5,638,157	12,462,934
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		<u>3,687,175</u>	<u>8,003,081</u>	5,638,157	12,462,934
Taxation - current		1,832,173	3,374,020	3,146,623	4,918,898
- prior year(s)		815,945	815,945	-	-
- deferred		(1,950,405)	(2,207,903)	(1,574,115)	(1,166,891)
		<u>697,713</u>	<u>1,982,062</u>	1,572,508	3,752,007
PROFIT AFTER TAXATION		<u>2,989,462</u>	<u>6,021,019</u>	4,065,649	8,710,927
Basic and diluted earnings per share (Rupees)		<u>1.41</u>	<u>2.83</u>	1.91	4.09

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman / President

Director

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For The Half Year Ended June 30, 2013

	Quarter ended June 30, 2013	Half Year ended June 30, 2013	Quarter ended June 30, 2012 (Restated)	Half Year ended June 30, 2012 (Restated)
----- (Rupees in '000') -----				
Profit after taxation	2,989,462	6,021,019	4,065,649	8,710,927
Other comprehensive income				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange gain on translation of net assets of foreign branches	560,585	1,153,439	616,546	847,214
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Actuarial loss on defined benefit plans	(1,050,642)	(2,101,283)	(1,714,076)	(3,428,152)
Related tax effects	367,725	735,449	599,927	1,199,853
	(682,917)	(1,365,834)	(1,114,149)	(2,228,299)
Other comprehensive income - net of tax	(122,332)	(212,395)	(497,603)	(1,381,085)
Total comprehensive income transferred to equity	2,867,130	5,808,624	3,568,046	7,329,842

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman / President

Director

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Director

National Bank of Pakistan
Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For The Half Year Ended June 30, 2013

	Half Year Ended June 30, 2013	Half Year Ended June 30, 2012 (Restated)
	----- (Rupees in '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,003,081	12,462,934
Less: Dividend income	1,508,654	1,292,016
	6,494,427	11,170,918
Adjustments		
Depreciation	774,590	668,074
Provision against non-performing loans and advances	6,527,469	2,569,237
Provision for diminution in value of investments	907,208	779,290
Other provision / write-offs	403,320	(8,646)
Gain on sale of fixed assets	(6,279)	(27,233)
Financial charges on leased assets	2,718	6,482
	8,609,026	3,987,204
	15,103,453	15,158,122
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(82,200,512)	14,010,982
Held-for-trading securities	(2,490,966)	9,320,571
Advances	5,978,757	(55,729,886)
Other assets	(1,655,134)	(3,597,391)
	(80,367,855)	(35,995,724)
Increase / (Decrease) in operating liabilities		
Bills payable	4,319,405	1,825,857
Borrowings	(36,660,606)	(10,732,173)
Deposits and other accounts	108,027,760	18,147,976
Other liabilities (excluding current taxation)	(3,632,015)	1,926,810
	72,054,544	11,168,470
Income tax paid	(2,462,002)	(15,908,278)
Financial charges paid	(2,718)	(6,482)
	(2,464,720)	(15,914,760)
Net cash generated from / (used in) operating activities	4,325,422	(25,583,892)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(48,716,748)	31,908,048
Net investments in held-to-maturity securities	(2,143,282)	337,154
Proceeds from / (purchase of) investments in associates and subsidiaries	8,930,747	(21,552,922)
Dividend received	1,508,654	1,292,016
Investments in operating fixed assets	(686,518)	(902,346)
Sale proceeds of operating fixed assets disposed off	33,209	27,233
Net cash (used in) / generated from investing activities	(41,073,938)	11,109,183
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(25,803)	(21,055)
Dividend paid	(12,834,170)	(12,511,572)
Net cash used in financing activities	(12,859,973)	(12,532,627)
Effects of exchange rate changes on cash and cash equivalents	1,153,439	847,214
Net decrease in cash and cash equivalents	(48,455,050)	(26,160,122)
Cash and cash equivalents at beginning of the half year	188,054,806	158,883,208
Cash and cash equivalents at the end of the half year	139,599,756	132,723,086

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman / President

Director

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For The Half Year Ended June 30, 2013

	Attributable to the Shareholders of the Bank						Total
	Share Capital	Reserves			Revenue General	Unappropriated Profit	
		Exchange Translation	Reserve for Issue of Bonus Shares	Statutory			
----- (Rupees in '000') -----							
Balance as at January 1, 2012 - as previously reported	16,818,285	6,051,168	-	18,770,311	521,338	68,358,910	110,520,012
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 3.1	-	-	-	-	-	(2,726,053)	(2,726,053)
Balance as at January 1, 2012 - (restated)	16,818,285	6,051,168	-	18,770,311	521,338	65,632,857	107,793,959
Total Comprehensive Income for the period							
Profit after tax for the half year ended June 30, 2012 - (restated)	-	-	-	-	-	8,710,927	8,710,927
Other comprehensive income - net of tax (restated)	-	847,214	-	-	-	(2,228,298)	(1,381,084)
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	847,214	-	-	-	6,482,629	7,329,843
Transfer to Statutory Reserve	-	-	-	820,199	-	(820,199)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (10%)	1,681,829	-	-	-	-	(1,681,829)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,613,714)	(12,613,714)
	1,681,829	-	-	-	-	(14,295,543)	(12,613,714)
Balance as at June 30, 2012 - (restated)	18,500,114	6,898,382	-	19,590,510	521,338	57,052,873	102,563,217
Total Comprehensive Income for the period							
Profit after tax for the half year ended December 31, 2012 - (restated)	-	-	-	-	-	8,469,592	8,469,592
Other comprehensive income - net of tax (restated)	-	1,012,233	-	-	-	(2,228,299)	(1,216,066)
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	1,012,233	-	-	-	6,241,293	7,253,526
Transfer to Statutory Reserve	-	-	-	796,065	-	(796,065)	-
Balance as at December 31, 2012 - (restated)	18,500,114	7,910,615	-	20,386,575	521,338	62,551,229	109,869,871
Total Comprehensive Income for the period							
Profit after tax for the half year ended June 30, 2013	-	-	-	-	-	6,021,019	6,021,019
Other comprehensive income - net of tax	-	1,153,439	-	-	-	(1,365,834)	(212,395)
	-	1,153,439	-	-	-	4,655,185	5,808,624
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	50,472	50,472
Transfer to Statutory Reserve	-	-	-	1,204,204	-	(1,204,204)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (15%)	2,775,017	-	-	-	-	(2,775,017)	-
Cash dividend (Rs. 7 per share)	-	-	-	-	-	(12,950,080)	(12,950,080)
	2,775,017	-	-	-	-	(15,725,097)	(12,950,080)
Balance as at June 30, 2013	21,275,131	9,064,054	-	21,590,779	521,338	50,327,585	102,778,887

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman / President

Director

Director

Director

National Bank of Pakistan
Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2013

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,297 (December 31, 2012: 1,294) branches in Pakistan and 23 (December 31, 2012: 23) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

2. STATEMENT OF COMPLIANCE

- 2.1** These unconsolidated condensed interim financial statements of the Bank for the half year ended June 30, 2013 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2012.
- 2.4** These condensed interim financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.

National Bank of Pakistan
Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2013

3. ACCOUNTING POLICIES

The accounting policies adopted for preparation of these unconsolidated condensed interim financial statements are same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2012 except for change in accounting policy due to adoption of revised IAS 19 'Employee Benefits' as fully explained in note 3.1 below:

In addition, following are the amendments and interpretation of approved accounting standard which became effective for the current period:

IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above revision, amendments and interpretation of the standards did not have any impact on the financial statements except for additional disclosures as required by IAS 1 amendment.

3.1 Change in accounting policy - Employee Benefits

3.1.1 With effect from January 1, 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees as allowed under the relevant provision of previous IAS 19. Further, any past service cost is now recognized immediately in the profit and loss as soon as the change in the benefit plans are made. Previously, only vested past service cost was recognized immediately in profit and loss account and non-vested cost was amortised to profit and loss account over the vesting period.

3.1.2 Revised accounting policy of defined benefit plans is as follows:

Defined benefit plans

The Bank operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Bank also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

National Bank of Pakistan
Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2013

3.1.3 Change in assumptions and actuarial valuations

During the period, the management in consultation with actuaries, revised the pension indexation rate from 10% to 8.5% and medical cost inflation rate from 10% to 9% to bring it in line with the rate experienced in the recent past. Accordingly, the retrospective adjustment has been made in accordance with revised actuarial report.

The effects of the above changes in accounting policies and revisions in actuarial valuations on these unconsolidated condensed interim financial statements are as under:

	December 31, 2012			December 31, 2011			
	As previously reported	Impact due to change in policy and assumptions	As Restated	As previously reported	Impact due to change in policy and assumptions	As Restated	
------(Rupees in '000')-----							
Impact on unconsolidated condensed interim statement of financial position							
Defined benefit liability	3,577,269	9,484,257	13,061,526	1,563,867	4,193,928	5,757,795	
Deferred tax asset	1,883,725	3,867,580	5,751,305	1,468,297	1,467,875	2,936,172	
Provision for taxation	21,137,199	(548,090)	20,589,109	5,901,554	-	5,901,554	
Unappropriated profit	68,715,995	(6,164,766)	62,551,229	68,358,910	(2,726,053)	65,632,857	

				Half Year ended June 30, 2013		Half Year ended June 30, 2012	
------(Rupees in '000')-----							
Impact on unconsolidated condensed interim profit and loss account							
Increase in profit before tax due to reclassification of actuarial gains and losses to other comprehensive income						98,794	98,794
Increase in profit before tax due to recognition of past service cost immediately i.e. in prior periods						243,892	243,892
Increase in profit before tax due to change in actuarial assumptions						546,213	440,302
Increase in tax expenses						(311,115)	(274,046)
						577,784	508,942
Impact on other comprehensive income							
Recognition of actuarial losses						(2,101,283)	(3,428,152)
Recognized deferred tax						735,449	1,199,853
						(1,365,834)	(2,228,299)
Impact on total comprehensive income							
						(788,050)	(1,719,357)
The effect on earning per share related to the restatement is as follows:							
Basic and diluted earnings per share (Rupees)						0.27	0.24

3.2 Staff retirement benefits

Changes in defined benefit obligation and fair value of plan assets are as follows:

	June 30, 2013				December 31, 2012			
	Pension Fund	Benevolent Scheme	Post Retirement Medical	Gratuity Scheme	Pension Fund	Benevolent Scheme	Post Retirement Medical	Gratuity Scheme
------(Rupees in '000')-----								
Reconciliation of Payable to Defined Benefit Plan								
Present Value of Defined Benefit Obligation	35,296,820	1,757,122	7,691,325	563,554	32,482,954	1,633,055	6,723,234	492,063
Fair Value of Plan assets	(29,220,008)	-	-	-	(28,269,780)	-	-	-
	6,076,812	1,757,122	7,691,325	563,554	4,213,174	1,633,055	6,723,234	492,063
Charge / (prepaid) for the Defined Benefit Plan								
Current Service Cost	513,923	26,084	133,836	43,048	643,399	36,078	182,883	96,266
Interest cost	239,054	97,983	400,427	31,873	(160,268)	191,626	600,760	47,673
	752,977	124,067	534,263	74,921	483,131	227,704	783,643	143,939
Movement in net liability / (asset) recognized								
Opening net liability / (asset)	4,213,174	1,633,055	6,723,233	492,063	(791,452)	1,486,439	4,695,232	367,576
Expense	752,977	124,067	534,263	74,921	483,131	227,704	783,643	143,939
Contribution / benefits paid during the year	(457,885)	-	(98,909)	(3,430)	(882,754)	(24,781)	(148,000)	(1,715)
Other Comprehensive Income (OCI)	1,568,546	-	532,737	-	5,404,249	(56,307)	1,392,358	(17,737)
	6,076,812	1,757,122	7,691,324	563,554	4,213,174	1,633,055	6,723,233	492,063
Actuarial Valuation Assumptions:								
- Valuation discount rate	11.5%	12.0%	11.5%	12%	12%	12%	12%	12%
- Salary increase rate	11.5%	12.0%	11.5%	12%	12%	12%	12%	12%
- Indexation in pension	8.5%	-	8.5%	-	8.5%	-	8.5%	-
- Expected return on plan assets	11.5%	-	-	-	12%	-	-	-
- Medical inflation rate	-	-	9%	-	-	-	9%	-
- Exposure inflation rate	-	-	3%	-	-	-	3%	-

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgements and associated assumptions used in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2012, except as stated in note 3.1.3 to the unconsolidated condensed interim financial statements.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2012.

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2013
6. INVESTMENTS - net

	June 30, 2013			December 31, 2012		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total

Note ----- (Rupees in '000') -----

6.1 Investments by type:
Held-for-trading securities

Market Treasury Bills	1,521,941	-	1,521,941	535,438	-	535,438
Pakistan Investment Bonds	1,179,571	-	1,179,571	154,514	-	154,514
Foreign Government Securities	108,577	-	108,577	-	-	-
Ordinary Shares of Listed companies	888,507	-	888,507	467,489	-	467,489
Total held-for-trading securities	3,698,596	-	3,698,596	1,157,441	-	1,157,441

Available-for-sale securities

Ordinary Shares of Listed companies	28,608,767	-	28,608,767	30,853,052	-	30,853,052
Ordinary Shares of Unlisted companies	1,065,173	-	1,065,173	1,065,173	-	1,065,173
	29,673,940	-	29,673,940	31,918,225	-	31,918,225
Market Treasury Bills	194,762,738	-	194,762,738	108,536,255	37,088,149	145,624,404
Preference Shares	1,086,924	-	1,086,924	886,924	-	886,924
Pakistan Investment Bonds	51,209,636	-	51,209,636	47,194,206	-	47,194,206
GoP Foreign Currency Bonds	5,218,260	-	5,218,260	5,692,943	-	5,692,943
Foreign Currency Debt Securities	4,695,130	-	4,695,130	4,378,206	-	4,378,206
Term Finance Certificates / Musharika and Sukuk Bonds	22,835,366	-	22,835,366	24,893,961	-	24,893,961
Investments in Mutual Funds	3,605,587	-	3,605,587	3,781,964	-	3,781,964
Investments Outside Pakistan	463,295	-	463,295	463,295	-	463,295
Total available- for- sale securities	313,550,876	-	313,550,876	227,745,979	37,088,149	264,834,128

Held-to-maturity securities

Pakistan Investment Bonds	23,494,252	-	23,494,252	23,491,729	-	23,491,729
GoP Foreign Currency Bonds	1,494,657	-	1,494,657	871,555	-	871,555
Foreign Government Securities	5,060,316	-	5,060,316	4,701,451	-	4,701,451
Foreign Currency Debt Securities	385	-	385	376	-	376
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	3,055,595	-	3,055,595	1,896,812	-	1,896,812
Total held-to-maturity securities	33,105,205	-	33,105,205	30,961,923	-	30,961,923

Investments in Associates

6.5 22,290,490 - 22,290,490 31,221,237 - 31,221,237

Investments in Joint Venture

1,244,835 - 1,244,835 1,244,835 - 1,244,835

Investments in Subsidiaries

4,406,750 - 4,406,750 4,406,750 - 4,406,750

Investments at cost

378,296,752 - 378,296,752 296,738,165 37,088,149 333,826,314

Less: Provision for diminution in value of investments

6.2 (14,730,086) - (14,730,086) (13,717,228) - (13,717,228)

Investments (net of Provision)

363,566,666 - 363,566,666 283,020,937 37,088,149 320,109,086

Unrealized loss on revaluation of investments classified as held-for-trading

(50,189) - (50,189) (2,472) - (2,472)

Surplus on revaluation of available-for-sale securities

33,231,164 - 33,231,164 23,423,696 7,219 23,430,915

Total investments

396,747,641 - 396,747,641 306,442,161 37,095,368 343,537,529

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2013

	Half year ended June 30, 2013	Year ended December 31, 2012
	----- (Rupees in '000') -----	
6.2 Particulars of provision for diminution in value of investments		
Opening balance	13,717,228	10,080,358
Charge for the period / year	1,318,531	2,843,395
Reversals	(411,323)	(2,001,284)
	907,208	842,111
Transfer in	-	2,182,251
Amount written off	-	(977)
Other movement (transferred from interest suspense)	105,650	613,485
Closing balance	14,730,086	13,717,228
	June 30, 2013	December 31, 2012
	----- (Rupees in '000') -----	

6.2.1 Particulars of provision in respect of type

Available-for-sale securities

Ordinary shares of listed companies and mutual funds	4,997,149	4,911,618
Ordinary shares of unlisted companies	272,298	228,347
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	6,421,404	5,986,861
Preference shares	836,924	836,924

Held-to-maturity securities

Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	648,639	672,281
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Investment in associates

	1,502,427	1,029,952
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Investment in subsidiaries

	51,245	51,245
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	14,730,086	13,717,228
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6.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments which resulted in decrease in provision for diminution in value of investments by Rs. 1,611 million (December 31, 2012: Rs. 1,646 million). Accordingly, as of June 30, 2013, the accumulated increase in profit after tax of Rs. 1,047 million (December 31, 2012: Rs. 1,070 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

6.4 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the impairment arising on shares of Agritech Limited and provision against overdue exposures of Term Finance Certificates. As of June 30, 2013, 30% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs.1,845 million (December 31, 2012: Rs. 2,365 million) and the profit before taxation would have been lower by the same amount.

6.5 During the period, the Bank has invested and redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 9,890 million and Rs. 18,821 million respectively.

	Note	June 30, 2013	December 31, 2012
		----- (Rupees in '000') -----	
7. ADVANCES - net			
Loans, cash credits, running finances, etc.			
In Pakistan		625,566,715	637,872,682
Outside Pakistan		64,864,476	57,758,224
		690,431,191	695,630,906
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		13,463,391	15,032,338
Payable outside Pakistan		19,845,618	19,477,785
		33,309,009	34,510,123
Advances - gross		723,740,200	730,141,029
Less: Provision against non-performing loans - specific	7.1	(73,357,044)	(69,451,296)
- general		(5,508,228)	(3,308,579)
		(78,865,272)	(72,759,875)
Advances - net of provision		644,874,928	657,381,154

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7.1 Advances include Rs. 93,092 million (December 31, 2012: Rs. 88,742 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2013			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	835,015	-	835,015	-	-
Substandard	7,830,443	1,378,314	9,208,757	1,729,302	1,729,302
Doubtful	5,074,989	1,061,497	6,136,486	2,801,855	2,801,855
Loss	73,271,406	3,640,537	76,911,943	68,825,887	68,825,887
	87,011,853	6,080,348	93,092,201	73,357,044	73,357,044

Category of Classification	December 31, 2012			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	779,608	-	779,608	-	-
Substandard	4,196,981	1,025,647	5,222,628	1,100,211	1,100,211
Doubtful	7,176,908	386,455	7,563,363	3,405,252	3,405,252
Loss	72,382,426	2,794,312	75,176,738	64,945,833	64,945,833
	84,535,923	4,206,414	88,742,337	69,451,296	69,451,296

7.2 Particulars of provision against non-performing advances

	Half year ended June 30, 2013			Year ended December 31, 2012		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	69,451,296	3,308,579	72,759,875	63,476,311	3,843,823	67,320,134
Exchange adjustments	88,095	16,802	104,897	40,450	41,641	82,091
Charge for the period / year	5,633,876	3,011,399	8,645,275	10,867,491	22,527	10,890,018
Reversals	(1,289,254)	(828,552)	(2,117,806)	(2,703,783)	(1,031,086)	(3,734,869)
	4,344,622	2,182,847	6,527,469	8,163,708	(1,008,559)	7,155,149
Transfer out	-	-	-	(2,182,251)	-	(2,182,251)
Amounts written off	(511,002)	-	(511,002)	(828)	-	(828)
Amount charged off	(15,967)	-	(15,967)	(281,094)	-	(281,094)
Other adjustments	-	-	-	235,000	431,674	666,674
Closing balance	73,357,044	5,508,228	78,865,272	69,451,296	3,308,579	72,759,875

7.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 5,275 million (December 31, 2012: Rs. 6,696 million). Accordingly, as of June 30, 2013, the accumulated profit after tax of Rs. 3,429 million (December 31, 2012: Rs. 4,353 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

7.4 General provision against consumer loans represents provision maintained at an amount ranging from 1.5% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP. In addition, a general provision of Rs. 2,750 million (December 31, 2012: Rs. 736 million against domestic portfolio) has also been made by the Bank for potential loan losses in respect of certain overseas operations of the Bank.

7.5 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Agritech Limited. As of June 30, 2013, 30% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 1,599 million (December 31, 2012: Rs. 330 million) and the profit before taxation would have been lower by the same amount.

7.6 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Azgard Nine Limited. As of June 30, 2013, 50% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2013. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 146 million (December 31, 2012: Rs. 224 million) and the profit before taxation would have been lower by the same amount.

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For The Half Year Ended June 30, 2013

7.7 The State Bank of Pakistan has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans.

	June 30, 2013	December 31, 2012
	----- (Rupees in '000') -----	
8. OPERATING FIXED ASSETS		
Capital work-in-progress	2,527,928	2,373,901
Property and equipment	25,314,871	25,534,646
Intangible assets	26,392	41,286
	<u>27,869,191</u>	<u>27,949,833</u>

8.1 Additions and disposals during the period amounted to Rs. 566.491 million (June 30, 2012: Rs. 763.987 million) and Rs. 26.930 million (June 30, 2012: Rs. 59.778 million) respectively.

8.2 The Bank is currently in the process of analyzing the valuations conducted for its domestic properties during the last quarter of 2012. These valuations will be recorded on completion of analysis.

	June 30, 2013	December 31, 2012 (Restated)
	----- (Rupees in '000') -----	
9. DEFERRED TAX ASSETS - net		
Deferred tax assets arising in respect of		
Provision for diminution in value of investments	3,311,805	2,994,282
Provision against non-performing advances	4,411,357	4,057,188
Other provisions	1,095,129	953,967
Charge against defined benefits plans	7,392,670	5,751,305
Unrealized loss on derivatives	198,408	198,408
Provision against off-balance sheet obligations	116,622	116,622
	<u>16,525,991</u>	<u>14,071,772</u>
Deferred tax liabilities arising in respect of		
Excess of accounting book value of leased assets over lease liabilities	(17,934)	(15,525)
Difference between accounting book value of fixed assets and tax base	(341,602)	(462,217)
Revaluation of securities	(6,338,475)	(5,149,446)
Revaluation of fixed assets	(1,068,935)	(1,096,112)
	<u>(7,766,946)</u>	<u>(6,723,300)</u>
Net deferred tax assets	<u>8,759,045</u>	<u>7,348,472</u>

	June 30, 2013	December 31, 2012
	----- (Rupees in '000') -----	
10. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	337,426,233	235,122,460
Savings deposits	296,572,427	313,013,489
Current accounts - remunerative	127,594,094	96,510,387
Current accounts - non-remunerative	243,456,488	229,071,513
	<u>1,005,049,242</u>	<u>873,717,849</u>
Financial Institutions		
Remunerative deposits	45,890,217	76,043,464
Non-remunerative deposits	94,873,248	88,023,634
	<u>140,763,465</u>	<u>164,067,098</u>
	<u>1,145,812,707</u>	<u>1,037,784,947</u>

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	June 30, 2013	December 31, 2012
	----- (Rupees in '000') -----	
11. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets - net of tax	16,822,255	16,961,644
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government Securities	3,920,468	3,101,128
Term Finance Certificates	(19,864)	33,546
Shares and mutual funds	17,083,633	8,226,765
GoP Foreign Currency Bonds	430,896	525,995
Foreign Currency Debt Securities	141,469	175,672
Investments outside Pakistan	11,674,562	11,367,809
	33,231,164	23,430,915
Deferred tax liability	(6,338,475)	(5,149,446)
	<u>43,714,944</u>	<u>35,243,113</u>

12. CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes

This includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

- Government	912,591	1,103,476
- Financial institutions	2,433,473	2,942,475
- Others	19,647,899	23,757,593
	<u>22,993,963</u>	<u>27,803,544</u>

12.2 Transaction-related contingent liabilities

This includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:

- Government	14,962,615	16,025,989
- Financial institutions	11,345,735	12,152,062
- Others	21,507,415	23,035,919
	<u>47,815,765</u>	<u>51,213,970</u>

12.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	157,159,248	127,279,552
- Financial institutions	729	591
- Others	48,360,327	39,165,883
	<u>205,520,304</u>	<u>166,446,026</u>

12.4 Other contingencies

12.4.1 Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 186 million (December 31, 2012: Rs. 185 million) and claims relating to former Mehran Bank Limited amounting to Rs. 965 million (December 31, 2012: Rs. 965 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably.

13,083,261	9,791,338
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12.4.2 Taxation

The current status of tax contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2012, except the following:

During the period in respect of monitoring of withholding taxes under section 149, 150 and 151 of the Income Tax Ordinance, 2001, for the tax years 2009, 2010 and 2011, the tax department has rectified the orders which resulted in increase in determined refunds of Rs. 450 million for all three years which is subject to further rectification. An appeal is also pending before the Appellate Tribunal Inland Revenue on legal grounds. During the period, the tax department has also performed monitoring of withholding taxes under section 151 of the Income Tax Ordinance, 2001 in respect of tax years 2012 and 2013 and raised demand of Rs. 124.371 million and Rs. 110.487 million respectively subject to further rectification.

The aggregate effect of contingencies as on June 30, 2013 amounts to Rs.10,793 million (December 31, 2012: Rs. 11,211 million). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favorable outcome upon decision of pending appeals.

12.4.3 Pensionary benefits to retired employees

Some retired employees of the Bank have filed writ petition before Honorable High Court of Punjab praying to grant pensionary benefits as per petitioners' option prior to their retirement. In the year 1977, the Bank had introduced Government Pension Scheme and asked employees to exercise option in writing. Those who did not exercise option within time limit given were eligible for revised pay structure approved and applicable from January 1, 1999, however amount of gross pension on the basis of existing pay and formula was protected so that pension amount as on December 31, 1998 was not adversely affected due to revision in formula. Para wise reply has been submitted by the Bank and the case is in the process of hearing.

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12.4.4 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2012.

12.4.5 Encashment of unavailed leave

Some retired employees of the bank have filed writ petition before Honorable High Court of Punjab praying to encash their unavailed leave balances, which lapsed as per rules applicable on the date of retirement. The Bank revised rules of leave encashment w.e.f January 1, 1999. As per revised rules, leave balances accumulated under old rules were marked as "Frozen Leave" to differentiate it with subsequent leaves to be accumulated. There was no bar on employee to avail these leaves, which would lapse on retirement. Para wise reply has been submitted by the Bank and the case is in the process of hearing.

	June 30, 2013	December 31, 2012
	----- (Rupees in '000') -----	
12.5 Commitments in respect of forward exchange contracts		
Purchase	140,105,438	176,517,384
Sale	71,632,884	96,414,777
12.6 Other Commitments		
Professional services to be received	64,801	78,237
12.7 Commitments for the acquisition of operating fixed assets	1,663,727	1,626,783

13. OTHER INCOME

Other income includes Rs. 1,303 million (June 30, 2012: Rs. 985 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

14. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter ended June 30, 2013	Half Year ended June 30, 2013	Quarter ended June 30, 2012 (Restated)	Half Year ended June 30, 2012 (Restated)
Profit after taxation (Rupees in '000')	2,989,462	6,021,019	4,065,649	8,710,927
Weighted average number of ordinary shares (in '000')	2,127,513	2,127,513	2,127,513	2,127,513
Basic and diluted earnings per share (Rupees)	1.41	2.83	1.91	4.09

14.1 Earnings per share has been calculated after taking effect for the bonus shares issued during 2013.

15. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- (Rupees in '000') -----						
Half year ended June 30, 2013							
Total income	101,515	159,778	5,406,799	23,542,016	882,650	2,927,573	33,020,331
Inter segment revenue	-	3,366	4,970,032	(4,973,398)	-	-	-
Total expenses	9,959	34,463	9,970,426	12,296,437	751,279	1,954,686	25,017,250
Net income	91,556	128,681	406,405	6,272,181	131,371	972,887	8,003,081
Segment assets	-	1,151,385	221,583,728	1,148,546,202	-	17,278,714	1,388,560,029
Segment non - performing loans	-	-	7,813,507	85,278,694	-	-	93,092,201
Segment provision required	-	-	7,277,639	71,587,633	-	-	78,865,272
Segment liabilities	-	-	247,446,018	975,463,539	-	19,156,641	1,242,066,198
Segment return on assets (ROA) (%)	0.00%	8.30%	0.40%	1.20%	0.00%	15.42%	
Segment cost of funds (%)	0.00%	0.00%	5.86%	5.92%	0.00%	0.00%	
Half year ended June 30, 2012 - (Restated)							
Total income	276,184	894,774	3,482,077	23,586,580	771,988	2,566,249	31,577,852
Inter segment revenue	-	(353,673)	6,662,080	(6,308,407)	-	-	-
Total expenses	9,475	24,678	8,848,600	7,732,751	703,922	1,795,492	19,114,918
Net income	266,709	516,423	1,295,557	9,545,422	68,066	770,757	12,462,934
Segment assets	-	27,452,495	194,464,090	926,058,160	-	17,188,162	1,165,162,907
Segment non - performing loans	-	-	8,041,566	83,981,969	-	-	92,023,535
Segment provision required	-	-	6,741,189	61,478,509	-	-	68,219,698
Segment liabilities	-	-	260,249,081	764,055,931	-	11,289,533	1,035,594,545
Segment return on assets (ROA) (%)	0.00%	10.55%	1.51%	2.11%	0.00%	13.34%	
Segment cost of funds (%)	0.00%	0.00%	5.33%	6.66%	0.00%	0.00%	

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2013

16. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates).

Transactions between the Bank and its related parties are carried out under normal course of business, except employee staff loans, employees sale of assets, provident fund and loan given to NBP Exchange Company Limited, that are as per agreement.

There are no transactions with key management personnel other than under their terms of employment.

	2013				2012			
	At January 01, 2013	Given during the half year	Repaid during the half year	At June 30, 2013	At January 01, 2012	Given during the year	Repaid during the year	At December 31, 2012
	----- (Rupees in '000') -----							
Advances								
Key Management Executives Adjustments*	48,375	27,777	(12,810)	175,722	82,110	8,000	(41,735)	48,375
	112,380	-	-	-	-	-	-	-
	160,755	27,777	(12,810)	175,722	82,110	8,000	(41,735)	48,375
Subsidiaries Adjustments*	980,523	108,618	(93,583)	942,964	330,414	733,603	(83,494)	980,523
	(52,594)	-	-	-	-	-	-	-
	927,929	108,618	(93,583)	942,964	330,414	733,603	(83,494)	980,523
Associates Adjustments*	4,122,053	1,311,142	-	5,433,195	1,281,029	-	(61,045)	1,219,984
	-	-	-	-	-	-	-	2,902,069
	4,122,053	1,311,142	-	5,433,195	1,281,029	-	(61,045)	4,122,053
Debts due by Company in which director is interested as director Adjustments*	5,711,940	80,000	(8,189,832)	9,655,040	10,007,468	662,638	(1,959,757)	8,710,349
	12,052,932	-	-	-	-	-	-	(2,998,409)
	17,764,872	80,000	(8,189,832)	9,655,040	10,007,468	662,638	(1,959,757)	5,711,940
	22,975,609	1,527,537	(8,296,225)	16,206,921	11,701,021	1,404,241	(2,146,031)	10,862,891

	2013				2012			
	At January 01, 2013	Received during the half year	Repaid during the half year	At June 30, 2013	At January 01, 2012	Received during the year	Repaid during the year	At December 31, 2012
	----- (Rupees in '000') -----							
Deposits								
Subsidiaries	546,928	10,848	(81,274)	476,502	329,897	256,553	(39,522)	546,928
Associates	46,527	15,000,000	-	15,046,527	23,240	23,287	-	46,527
Key Management Executives Adjustments*	15,416	218,941	(187,025)	59,991	14,750	309,084	(308,418)	15,416
	12,659	-	-	-	-	-	-	-
	28,075	218,941	(187,025)	59,991	14,750	309,084	(308,418)	15,416
Pension Fund (Current)	4,676	44,507,749	(44,507,926)	4,499	5,856	40,389,368	(40,390,548)	4,676
Pension Fund (Fixed Deposit)	13,600,000	18,857,100	(22,957,100)	9,500,000	16,100,000	16,000,000	(18,500,000)	13,600,000
Pension Fund (Current Remunerative)	49,300	11,016,611	(11,061,382)	4,529	381,500	11,393,756	(11,725,956)	49,300
Provident Fund (Current)	12,448,399	1,246,631	(1,742,209)	11,952,821	10,224,455	3,595,145	(1,371,201)	12,448,399
	26,723,905	90,857,880	(80,536,916)	37,044,869	27,079,698	71,967,193	(72,335,645)	26,711,246

* Adjustments due to changes in key management executives and directors.

	June 30, 2013	December 31, 2012
	----- (Rupees in '000') -----	
Deposits of Companies in which directors are interested as director	1,000,000	5,000,000
Placements with:		
Joint Venture	35,304	290,859
Reverse Repo lending to:		
Subsidiaries	186,000	-
Pension Fund	-	2,000,000
Borrowing from:		
Joint Venture	124,796	324,420
Other receivables from subsidiaries	57,010	46,796
Other payables to subsidiaries	-	5,414
Off-Balance sheet items - Joint Venture	230,466	-
	Half Year ended June 30, 2013	Half Year ended June 30, 2012
	----- (Rupees in '000') -----	
Income for the period		
On advances / placements with:		
Subsidiaries	29,371	27,545
Joint Venture	622	2,063
Key management executives	1,011	1,734
Debts due by company in which a director of the Bank is interested as director	969,000	391,168
On Reverse Repo / Lendings with:		
Subsidiaries	4,175	5,182

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2013

	Half Year ended June 30, 2013	Half Year ended June 30, 2012
	----- (Rupees in '000) -----	
Investment in associates	9,890,010	21,000
Redemption / sale of investment in associates	18,820,757	400,861
Dividend from associates	196,132	275,890
Expenses for the period		
Remuneration to key management executives	133,717	129,916
Charge for defined benefit plan	43,326	39,388
Mark-up on Deposits of:		
Subsidiaries	31,045	3,010
Provident fund	1,024,723	918,539
Pension fund	152,123	217,815
Key management executives	874	949
Companies in which director are interested as director	60,920	-
Commission paid to subsidiaries	1,783	2,618
Mark-up on Borrowing (Repo / Call):		
Joint Venture	123	653

16.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Bank also earns commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 3,014 million for the half year ended June 30, 2013. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 220,405 million, Rs. 379,031 million and Rs. 166,889 million respectively.

16.2 Benazir Employees' Stock Option Sheme

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises and non-State Owned Enterprises where GoP holds significant investments.

However, during the period Internal Finance Wing of the Finance Division, Government of Pakistan through its letter no. F.3(6) Bkg.111/2010/398 dated March 14, 2013 has informed the Bank that the Cabinet Committee on Privatization in its meeting held on November 8, 2012 has excluded the banking sector from the purview of the Scheme. Accordingly, the Bank, going forward is not required to follow the requirements of the Scheme unless any further notification / requirements of GoP.

17. ISLAMIC BANKING BUSINESS

The Bank is operating 8 (December 31, 2012: 8) Islamic banking branches as at June 30, 2013. Statement of financial position and profit and loss account is as under:

	June 30, 2013	December 31, 2012
	----- (Rupees in '000) -----	
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	183,081	173,725
Balances with other banks	-	753,957
Investments	3,189,224	1,220,635
Islamic financing and related assets	1,167,118	1,322,280
Operating fixed assets	13,748	12,541
Due from Head Office	-	-
Other assets	168,397	69,488
	4,721,568	3,552,626
Liabilities		
Bills Payable	4,270	2,439
Deposits and other accounts		
- Current accounts	1,513,845	1,476,882
- Saving accounts	461,957	369,579
- Term deposits	736,537	669,092
- Deposit from financial institutions - Remunerative	1,000,192	407,327
Due to Head Office	557,820	352,927
Other liabilities	103,630	51,975
	4,378,251	3,330,221
Net Assets	343,317	222,405
Represented By		
Islamic Banking Fund	300,000	300,000
Unappropriated profit / (loss)	43,317	(77,595)
	343,317	222,405
Surplus on revaluation of assets - net	-	-
	343,317	222,405

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2013

	Half year ended June 30, 2013	Half year ended June 30, 2012
	----- (Rupees in '000') -----	
<u>PROFIT AND LOSS ACCOUNT</u>		
Profit / Return earned on financings, investments and placements	237,738	241,123
Profit / Return expensed on deposit	59,245	119,586
Net spread earned	178,493	121,537
Depreciation on assets given on ijarah	(63,083)	(70,049)
	115,410	51,488
Provision against advances and investments	-	(39,157)
Provision reversed against advances and investments	2,031	37,666
	2,031	(1,491)
Profit after provision	117,441	49,997
Other income		
Fee, commission and brokerage income	2,134	1,843
Income from dealing in foreign currencies	-	(1)
Other income	-	-
Total other income	2,134	1,842
	119,575	51,839
Other expenses		
Administrative expenses	(76,258)	(55,080)
Profit / (loss) before taxation	43,317	(3,241)
<u>CASH FLOW STATEMENT</u>		
Cash Flow from Operating Activities		
Profit / (loss) for the period	43,317	(3,241)
Adjustments :		
Depreciation - Own assets	808	811
Depreciation - Ijarah assets	63,083	70,049
(Reversal) / provision against non performing financings	(2,031)	1,491
	61,860	72,351
	105,177	69,110
(Increase) / Decrease in operating assets		
Due from Financial Institutions	753,957	-
Financings	(1,874,479)	250,291
Other assets	(98,909)	24,853
	(1,219,431)	275,144
(Increase) / Decrease in operating liabilities		
Bills payable	1,831	(6,096)
Deposits and other accounts	789,651	(134,138)
Borrowings from Head Office	283,498	(251,191)
Other liabilities	51,655	(6,863)
	1,126,635	(398,288)
Net cash generated / (used in) from operating activities	12,381	(54,034)
Cash Flow from Investing Activities		
Investment in operating fixed assets	(3,025)	(265)
Net cash used in investing activities	(3,025)	(265)
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
Increase / (decrease) in cash and cash equivalents	9,356	(54,299)
Cash and cash equivalents at beginning of the half year	173,725	141,873
Cash and cash equivalents at the end of the half year	183,081	87,574

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2013

18. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 22, 2013.

19. GENERAL

Figures have been rounded-off to the nearest thousand rupees.

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN

Consolidated Financial Statements

for

Half Year ended June 30, 2013

National Bank of Pakistan
Consolidated Condensed Interim Statement of Financial Position
As at June 30, 2013

		(Un-Audited) June 30 2013	(Audited) December 31 2012 (Restated)
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and Balances with Treasury Banks		120,967,688	158,756,638
Balances with other Banks		20,290,585	30,895,173
Lendings to Financial Institutions		90,479,959	8,280,997
Investments - net	6	396,312,205	342,964,635
Advances - net	7	649,240,349	661,344,807
Operating Fixed Assets - net	8	29,720,390	29,714,221
Deferred Tax Assets	9	8,753,261	7,334,083
Other Assets		80,439,265	76,986,251
		1,396,203,702	1,316,276,805
LIABILITIES			
Bills Payable		18,687,044	14,367,639
Borrowings		14,541,589	51,112,248
Deposits and other Accounts	10	1,146,202,584	1,038,094,985
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		68,716	38,353
Deferred Tax Liabilities		-	-
Other Liabilities		64,925,105	62,650,284
		1,244,425,038	1,166,263,509
NET ASSETS			
		151,778,664	150,013,296
REPRESENTED BY			
Share capital		21,275,131	18,500,114
Reserves		32,624,651	30,305,210
Unappropriated profit		53,104,794	64,464,709
		107,004,576	113,270,033
Minority Interest		821,865	790,878
		107,826,441	114,060,911
Surplus on Revaluation of Assets - net	11	43,952,223	35,952,385
		151,778,664	150,013,296
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)
For the Quarter & Half Year ended June 30, 2013

		Quarter Ended June 30 2013	Half Year Ended June 30 2013	Quarter Ended June 30 2012 (Restated)	Half Year Ended June 30 2012 (Restated)
Note	----- (Rupees in '000') -----				
Mark-up / Return / Interest earned		25,901,013	50,112,515	25,232,643	50,531,681
Mark-up / Return / Interest expensed		14,467,096	29,585,628	14,377,126	28,993,467
Net Mark-up / Interest income		11,433,917	20,526,887	10,855,517	21,538,214
Provision against non-performing advances- net	7.2	5,950,437	6,527,469	1,610,183	2,569,237
Provision for diminution in the value of investments- net	6.2	274,645	907,212	2,290,358	779,290
Provision against off balance sheet obligations		-	-	-	-
Bad debts written off directly		2,913	2,913	-	-
		6,227,995	7,437,594	3,900,541	3,348,527
Net Mark-up / Interest Income after Provisions		5,205,922	13,089,293	6,954,976	18,189,687
NON MARK-UP / INTEREST INCOME					
Fee, commission & brokerage income		3,093,879	5,850,892	2,786,608	5,006,538
Dividend income		401,152	1,312,522	515,296	1,292,016
Income from dealing In foreign currencies		997,605	1,944,635	761,888	1,569,915
Gain on sale and redemption of securities - net		1,769,511	2,783,195	1,681,251	1,869,177
Unrealized(loss) on revaluation of investments classified as held-for-trading		(47,245)	(50,189)	(48,793)	(30,506)
Share of profit from joint ventures		114,791	383,151	16,956	23,395
Share of profit/ (loss) from associates		(46,387)	506,321	763,730	938,725
Other income	13	1,351,040	1,396,114	1,037,342	1,106,294
Total non mark-up / interest income		7,634,346	14,126,641	7,514,277	11,775,554
		12,840,268	27,215,934	14,469,254	29,965,241
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		8,722,607	17,840,775	8,024,187	16,373,426
Other provisions / write offs		308,597	403,320	(59,342)	(8,646)
Other charges		5,227	9,035	9,257	13,064
Total non mark-up / interest expenses		9,036,430	18,253,130	7,974,102	16,377,844
		3,803,838	8,962,804	6,495,151	13,587,397
Extra ordinary items		-	-	-	-
PROFIT BEFORE TAXATION		3,803,838	8,962,804	6,495,151	13,587,397
Taxation - Current		1,863,296	3,439,028	3,138,167	4,918,898
- Prior year(s)		815,945	815,945	-	-
- Deferred		(1,950,271)	(2,207,903)	(1,573,945)	(1,166,891)
		728,970	2,047,070	1,564,223	3,752,007
PROFIT AFTER TAXATION		3,074,868	6,915,734	4,930,928	9,835,390
Share holders of the bank		3,068,942	6,884,747	4,910,578	9,801,951
Minority Interest		5,926	30,987	20,351	33,439
		3,074,868	6,915,734	4,930,928	9,835,390
Basic and Diluted Earnings per Share (Rupees)	14	1.45	3.25	2.32	4.62

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman/ President

Director

Director

Director

National Bank of Pakistan

Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the Quarter & Half Year ended June 30, 2013

	Quarter Ended June 30 2013	Half Year Ended June 30 2013	Quarter Ended June 30 2012 (Restated)	Half Year Ended June 30 2012 (Restated)
	----- (Rupees in '000') -----			
Profit after taxation for the period	3,074,868	6,915,734	4,930,928	9,835,390
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange adjustments on translation of net assets of foreign branches subsidiaries & joint venture	612,283	1,115,238	736,680	1,241,075
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Actuarial loss on defined benefit plans	(1,050,642)	(2,101,283)	(1,714,076)	(3,428,152)
Income tax effect	367,725	735,449	599,927	1,199,853
	(682,917)	(1,365,834)	(1,114,149)	(2,228,299)
Other comprehensive income - net of tax	(70,634)	(250,596)	(377,469)	(987,224)
Comprehensive income transferred to equity	3,004,234	6,665,138	4,553,459	8,848,166

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the Half Year ended June 30, 2013

Share capital	Attributable to the shareholders of the bank					Unappropriated profit	Sub Total	Non Controlling Interest	Total
	Reserves			Revenue General					
	Exchange Translation	Bonus Shares Issue	Statutory						
(Rupees in '000)									
Balance as at January 1, 2012	16,818,285	6,823,811	-	18,867,356	521,338	69,640,893	112,671,683	720,518	113,392,201
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 3.1						(2,726,053)	(2,726,053)		(2,726,053)
Balance as at January 1, 2012- (restated)	16,818,285	6,823,811	-	18,867,356	521,338	66,914,840	109,945,630	720,518	110,666,148
Total Comprehensive Income for the period									
Profit after tax for the half year ended June 30, 2012	-	-	-	-	-	9,801,951	9,801,951	33,439	9,835,390
Other comprehensive income - net of tax (restated)	-	1,241,075	-	-	-	(2,228,299)	(987,224)	-	(987,224)
	-	1,241,075	-	-	-	7,573,652	8,814,727	33,439	8,848,166
Transferred from surplus on revaluation of fixed assets to unappropriated profit- net of tax	-	-	-	-	-	53,129	53,129	-	53,129
Transfer to Statutory Reserve	-	-	-	820,199	-	(820,199)	-	-	-
Transactions with Owners, recorded directly in equity									
Issue of Bonus shares (10%)	1,681,829					(1,681,829)			
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,613,714)	(12,613,714)	-	(12,613,714)
	-	-	-	-	-	(14,295,542)	(12,613,714)		(12,613,714)
Balance as at June 30, 2012- (restated)	18,500,114	8,064,886	-	19,687,555	521,338	59,425,880	108,925,825	753,957	109,679,782
Total Comprehensive Income for the period									
Profit after tax for the half year ended December 31, 2012- (restated)	-	-	-	-	-	8,010,065	8,010,065	59,486	8,069,551
Other comprehensive income - net of tax- (restated)	-	1,235,366	-	-	-	(2,228,299)	(992,933)	-	(992,933)
	-	1,235,366	-	-	-	5,781,766	7,017,132	59,486	7,076,619
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	53,128	53,128	-	53,128
Transfer to Statutory Reserve	-	-	-	796,065	-	(796,065)	-	-	-
Cash dividend paid/ profit distribution by subsidiaries								(22,565)	(22,565)
Balance as at December 31, 2012- (restated)	18,500,114	9,300,252	-	20,483,620	521,338	64,464,709	113,270,033	790,878	114,060,911
Total Comprehensive Income for the period									
Profit after tax for the half year ended Jun 30, 2013	-	-	-	-	-	6,884,747	6,884,747	30,987	6,915,734
Other comprehensive income - net of tax	-	1,115,238	-	-	-	(1,365,834)	(250,596)	-	(250,596)
	-	1,115,238	-	-	-	5,518,913	6,634,151	30,987	6,665,138
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	50,472	50,472	-	50,472
Transfer to Statutory Reserve	-	-	-	1,204,204	-	(1,204,204)	-	-	-
Transactions with Owners, recorded directly in equity									
Issue of Bonus Shares (15%)	2,775,017					(2,775,017)			
Cash dividend (Rs. 7 per share)	-	-	-	-	-	(12,950,079)	(12,950,079)	-	(12,950,079)
	2,775,017	-	-	-	-	(15,725,096)	(12,950,079)	-	(12,950,079)
Balance as at June 30, 2013	21,275,131	10,415,490	-	21,687,824	521,338	53,104,794	107,004,576	821,865	107,826,441

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)
For the Half Year ended June 30, 2013

	Half Year Ended June 30 2013	Half Year Ended June 30 2012
----- (Rupees in '000) -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,962,804	13,587,397
Less: Dividend income	1,312,522	1,292,016
	<u>7,650,282</u>	<u>12,295,381</u>
Adjustments:		
Depreciation	994,900	668,074
Provision against non-performing advances	6,527,469	2,569,237
Provision / (reversal) for diminution in the value of investments	907,212	779,290
Provision against off balance sheet obligations	-	-
Other provisions / write offs	403,320	(8,646)
Gain on sale of fixed assets	(6,279)	(27,233)
Financial charges on leased assets	3,420	6,482
Share of (gain)/ loss from joint ventures	(383,151)	(23,395)
Share of profit from associates	(506,321)	(938,725)
	<u>7,943,483</u>	<u>3,025,084</u>
	15,593,765	15,320,465
(Increase) / decrease in operating assets		
Lendings to financial institutions	(82,198,962)	13,430,618
Held-for-trading securities	(2,764,027)	9,469,335
Advances	5,576,989	(55,876,463)
Other assets (excluding advance taxation - net)	(1,543,603)	(4,082,834)
	<u>(80,929,603)</u>	<u>(37,059,344)</u>
Increase / (decrease) in operating liabilities		
Bills payable	4,319,405	1,825,857
Borrowings	(36,533,549)	(10,835,780)
Deposits and other accounts	108,107,599	18,717,160
Other liabilities	(3,423,076)	2,305,693
	<u>72,470,379</u>	<u>12,012,930</u>
Income tax paid	(2,644,510)	(15,634,233)
Financial charges paid	(3,420)	(6,482)
	<u>(2,647,930)</u>	<u>(15,640,715)</u>
Net cash flow from operating activities	<u>4,486,611</u>	<u>(25,366,665)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / (Net investments) in available-for-sale securities	(48,495,375)	31,995,786
Proceeds from held-to-maturity securities	(2,103,706)	146,162
Dividend income received	1,508,654	1,292,016
Investments in Associate / Joint Venture	8,930,747	(21,746,797)
Investments in operating fixed assets	(944,903)	(963,686)
Sale proceeds of property and equipment disposed off	6,279	27,233
Net cash (used) in investing activities	<u>(41,098,304)</u>	<u>10,750,714</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(25,803)	(25,304)
Dividend paid	(12,834,170)	(12,511,572)
Net cash used in financing activities	<u>(12,859,973)</u>	<u>(12,536,876)</u>
Effects of exchange rate changes on cash and cash equivalents	1,115,238	1,241,075
Net increase in cash and cash equivalents	<u>(48,356,428)</u>	<u>(25,911,752)</u>
Cash and cash equivalents at beginning of the period	189,151,571	159,538,794
Cash and cash equivalents at the end of the period	<u>140,795,143</u>	<u>133,627,042</u>

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Notes to the condensed consolidated financial statements - unaudited
For the Half Year ended June 30, 2013

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

- CJSC Subsidiary Bank of NBP in Kazakhstan
- CJSC Subsidiary Bank of NBP in Tajikistan
- NBP Leasing Limited
- NBP Exchange Company Limited
- NBP Modaraba Management Company Limited
- Taurus Securities Limited
- NBP Fullerton Asset Management Limited
- First National Bank Modarba
- Cast-N-Link Products Limited

The Group is engaged in commercial banking, modaraba management, brokerage, leasing and discounting services.

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,297 (2012: 1,294) branches in Pakistan and 23 (2012: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT), Long Term Credit Fund (LTCF), & Endowment Fund for Student Loan Scheme

NBP Leasing Limited, CJSC Subsidiary Bank of NBP in Kazakhstan, CJSC Subsidiary Bank of NBP in Tajikistan, NBP Exchange Company Limited, NBP Modaraba Management Company Limited are wholly owned subsidiaries of the holding company while the controlling interest in Taurus Securities Limited is 58.32%, NAFA is 54%, First National Bank Modarba 30% and Cast-N-Link Products Limited is 76.51%.

1.2 Basis of Consolidation

- The interim condensed consolidated financial statements include the interim condensed financial statements of the holding company and its subsidiary companies - "the Group".
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the interim condensed consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- The SECP, vide its letter EMD/233/627/2002-747 dated November 30, 2012 allowed exemption under Section 237(8) of the Companies Ordinance, 1984, based on the fact that investments of the bank in CNL are not material and comprise of 0.00011% of the total assets of the bank and the investment have been fully provided.

2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements of the Group for the half year ended June 30, 2013 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual consolidated financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual consolidated financial statements of the group for the year ended December 31, 2012.

3. ACCOUNTING POLICIES

The accounting policies adopted for preparation of these consolidated condensed interim financial statements are same as those followed in the preparation of the annual consolidated financial statements of the group for the year ended December 31, 2012 except for change in accounting policy due to adoption of revised IAS 19 "Employee Benefit" as fully explained in note 3.1 below:

In addition, following are the amendments and interpretation of IFRSs which became effective for the current period:

IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above revision, amendments and interpretation of the standards did not have any impact on the financial statements except for additional disclosures as required by IAS 1 amendment.

3.1 Change in accounting policy - Employee benefits

3.1.1 With effect from January 1, 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees as allowed under the relevant provision of previous IAS 19. Further, any past service cost is now recognized immediately in the profit and loss as soon as the change in the benefit plans are made. Previously, only vested past service cost was recognized immediately in profit and loss account and non-vested cost was amortised to profit and loss account over the vesting period.

3.1.2 Revised accounting policy of staff retirement benefit is as follows:

Defined benefit plans

The Group operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and un-funded benevolent scheme for its eligible employees. The Group also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are recognised immediately in other comprehensive income. Past-service costs are recognised immediately in profit and loss account when the plan amendment occurs.

3.1.3 Change in assumptions and actuarial valuations

During the period, the management in consultation with actuaries, revised the pension indexation rate from 10% to 8.5% and medical cost inflation rate from 10% to 9% to bring it in line with the rate experienced in the recent past. Accordingly, the retrospective adjustment has been made in accordance with revised actuarial report.

The effects of the above changes in accounting policies and revisions in actuarial valuations on these consolidated condensed interim financial statements are as under:

	December 31, 2012			December 31, 2011		
	As previously reported	Increase / (decrease) due to change	As Restated	As previously reported	Increase / (decrease) due to change	As Restated
Impact on unconsolidated condensed interim statement of financial position						
Defined benefit liability	3,577,269	9,484,257	13,061,526	1,563,867	4,193,928	5,757,795
Deferred tax asset	1,883,725	3,867,580	5,751,305	1,468,297	1,467,875	2,936,172
Provision for taxation	21,257,815	(548,090)	20,709,725	6,070,402	-	6,070,402
Unappropriated profit	70,629,475	(6,164,767)	64,464,709	69,640,893	(2,726,053)	66,914,840

	Half Year ended June 30, 2013	Half Year ended June 30, 2012
	----- (Rupees in '000') -----	
Impact on consolidated condensed interim profit and loss account		
Increase in profit before tax due to reclassification of actuarial gains and losses to other comprehensive income	98,794	98,794
Increase in profit before tax due to recognition of past service cost immediately i.e. in prior periods	243,892	243,892
Increase in profit before tax due to change in actuarial assumptions	546,213	440,301
Increase in tax expenses	(311,115)	(274,046)
	577,784	508,941
Impact on other comprehensive income		
Recognition of actuarial losses	(2,101,283)	(3,428,152)
Recognised deferred tax	735,449	1,199,853
	(1,365,834)	(2,228,299)
Impact on total comprehensive income		
	(788,050)	(1,719,358)

The effect on earning per share related to the restatement is as follows:

Basic and diluted earnings per share (Rupees)	0.27	0.24
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3.2 Staff retirement benefits

Changes in defined benefit obligation and fair value of plan assets are as follows:

Reconciliation of Payable to Defined Benefit Plan

	June 30, 2013				December 31, 2012			
	Pension Fund	Benevolent Scheme	Post Retirement Medical	Gratuity Scheme	Pension Fund	Benevolent Scheme	Post Retirement Medical	Gratuity Scheme
	----- (Rupees in '000') -----							
Present Value of Defined Benefit Obligation	35,296,820	1,757,122	7,691,325	563,554	32,482,954	1,633,055	6,723,234	492,063
Fair Value of Plan assets	(29,220,008)	-	-	-	(28,269,780)	-	-	-
	6,076,812	1,757,122	7,691,325	563,554	4,213,174	1,633,055	6,723,234	492,063

Charge / (Prepaid) for the Defined Benefit Plan

Current Service Cost	513,923	26,084	133,836	43,048	643,399	36,078	182,883	96,266
Interest cost	239,054	97,983	400,427	31,873	(160,268)	191,626	600,760	47,673
	752,977	124,067	534,263	74,921	483,131	227,704	783,643	143,939

Movement in net Liability/ (Asset) recognized

Opening Net Liability / (Asset)	4,213,174	1,633,055	6,723,234	492,063	(791,452)	1,486,439	4,695,232	367,576
Expense	752,977	124,067	534,263	74,921	483,131	227,704	783,643	143,939
Contribution / Benefits Paid during the year	(457,885)	-	(98,909)	(3,430)	(882,754)	(24,781)	(148,000)	(1,715)
Other Comprehensive Income (OCI)	1,568,546	-	532,737	-	5,404,249	(56,307)	1,392,358	(17,737)
	6,076,812	1,757,122	7,691,325	563,554	4,213,174	1,633,055	6,723,234	492,063

Actuarial Valuation Assumptions:

- Valuation discount rate	11.5%	12.0%	11.5%	12%	12%	12%	12%	12%
- Salary increase rate	11.5%	12.0%	11.5%	12%	12%	12%	12%	12%
- Indexation in pension	8.5%	-	8.5%	-	8.5%	-	8.5%	-
- Expected return on plan assets	11.5%	-	-	-	12%	-	-	-
- Medical inflation rate	-	-	9%	-	-	-	9%	-
- Exposure inflation rate	-	-	3%	-	-	-	3%	-

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2012, except as stated in note 3.1.3 to the consolidated condensed interim financial statements.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2012.

6. INVESTMENTS-net

	June 30, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Held by	Given as	Total	Held by	Given as	Total
	bank	collateral		bank	collateral	
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Note						
6.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	898,442	-	898,442	553,764	-	553,764
Market Treasury Bills	1,521,941	-	1,521,941	535,438	-	535,438
Foreign Government Securities	108,577	-	108,577	-	-	-
Investment in mutual funds	301,973	-	301,973	151,994	-	151,994
Pakistan Investment Bonds	1,378,993	-	1,378,993	154,514	-	154,514
Total Held-for-Trading Securities	4,209,926	-	4,209,926	1,395,710	-	1,395,710
Available- for- sale securities						
Ordinary shares of listed companies	28,609,519	-	28,609,519	30,851,276	-	30,851,276
Ordinary shares of unlisted companies	1,076,173	-	1,076,173	1,087,173	-	1,087,173
	29,685,692	-	29,685,692	31,938,449	-	31,938,449
Market Treasury Bills	194,762,738	-	194,762,738	108,536,255	37,088,149	145,624,404
Preference shares	1,109,424	-	1,109,424	909,424	-	909,424
Pakistan Investment Bonds	51,209,636	-	51,209,636	47,396,814	-	47,396,814
GoP Foreign Currency Bonds	5,218,260	-	5,218,260	5,692,943	-	5,692,943
Foreign Currency Debt Securities	4,695,130	-	4,695,130	4,378,206	-	4,378,206
Term Finance Certificates / Musharika and Sukuk Bonds	22,859,876	-	22,859,876	24,918,467	-	24,918,467
Investment in Mutual funds	3,777,338	-	3,777,338	3,964,012	-	3,964,012
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
Total Available- for- sale securities	313,781,389	-	313,781,389	228,197,865	37,088,149	265,286,014
Held-to-maturity securities						
Pakistan Investment Bonds	23,494,252	-	23,494,252	23,491,729	-	23,491,729
Market Treasury Bills	268,352	-	268,352	528,930	-	528,930
GoP Foreign Currency Bonds	1,494,657	-	1,494,657	871,555	-	871,555
Foreign Government Securities	5,060,316	-	5,060,316	4,701,451	-	4,701,451
Foreign Currency Debt Securities	385	-	385	376	-	376
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	3,276,597	-	3,276,597	1,896,812	-	1,896,812
Total Held-to-maturity securities	33,594,559	-	33,594,559	31,490,853	-	31,490,853
Investments in joint venture	3,324,619	-	3,324,619	3,470,563	-	3,470,563
Investments in associates	22,976,088	-	22,976,088	31,595,058	-	31,595,058
Investments in subsidiaries	1,245	-	1,245	1,245	-	1,245
Investment at cost	377,887,826	-	377,887,826	296,151,294	37,088,149	333,239,443
Less: Provision for diminution in value of Investments	(14,755,133)	-	(14,755,133)	(13,742,270)	-	(13,742,270)
Investments (net of provisions)	363,132,693	-	363,132,693	282,409,024	37,088,149	319,497,173
Deficit / Surplus on revaluation of Held-for-trading securities	(50,189)	-	(50,189)	976	-	976
Surplus on revaluation of Available-for-sale securities	33,229,701	-	33,229,701	23,459,267	7,219	23,466,486
Total investments	396,312,205	-	396,312,205	305,869,267	37,095,368	342,964,635

6.2

11

Half year ended	Year ended
June 30	December 31
2013	2012
(Un-audited)	(Audited)
-----	-----
(Rupees in '000)	(Rupees in '000)

6.2 Particulars of provision for diminution in value of investments

Opening balance	13,742,270	10,081,084
Charge for the year	1,318,535	2,910,981
Reversals	(411,323)	(2,046,685)
	907,212	864,296
Transfer in	-	2,184,382
Amount written off		(977)
other movement (Transferred from interest expense)	105,651	613,485
Closing balance	14,755,133	13,742,270

6.2.1 Particulars of provision in respect of type

Available-for-sale securities

Ordinary shares of listed companies and mutual funds	4,997,149	4,911,618
Ordinary shares of unlisted companies	297,344	253,389
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	6,421,405	5,986,861
Preference shares	836,924	836,924

Held-to-maturity securities

Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	648,639	672,281
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Investment in associates

Investment in subsidiaries	1,502,427	1,029,952
	51,245	51,245

14,755,133	13,742,270
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6.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Group has availed the benefit of Forced Sale Value (FSV) against non-performing investments which resulted in decrease in provision for diminution in value of investments by Rs. 1,611 million (December 31, 2012: Rs. 1,646 million). Accordingly, as of June 30, 2013, the accumulated increase in profit after tax of Rs. 1,047 million (December 31, 2012: Rs. 1,070 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

6.4 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Group regarding the impairment arising on shares of Agritech Limited and provision against overdue exposures of Term Finance Certificates. As of June 30, 2013, 30% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs.1,845 million and the profit before taxation would have been lower by the same amount.

6.5 During the period, the Group has invested and redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 9,890 million and Rs. 18,821 million respectively.

June 30	December 31
2013	2012
(Un-audited)	(Audited)
-----	-----
(Rupees in '000)	(Rupees in '000)

Note

7. ADVANCES -net

Loans, cash credits, running finances, etc.

In Pakistan	626,403,505	637,886,013
Outside Pakistan	67,421,626	60,841,964
	693,825,131	698,727,977

Net investment in finance lease

In Pakistan	1,226,488	1,111,274
Outside Pakistan	-	-
	1,226,488	1,111,274

Bills discounted and purchased (excluding Government treasury bills)

Payable in Pakistan	13,478,363	15,032,338
Payable outside Pakistan	19,845,618	19,477,785
	33,323,981	34,510,123

Advances - gross

728,375,600	734,349,374
-------------	-------------

Less: Provision against non-performing loans - specific
- general

7.1

(73,607,130)	(69,695,989)
(5,528,121)	(3,308,578)
(79,135,251)	(73,004,567)

Advances - net of provision

649,240,349	661,344,807
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7.1 Advances include Rs. 93,362 million (2012: Rs.89,159 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2013 (Un-audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	835,015	-	835,015	-	-
Substandard	7,830,443	1,378,314	9,208,757	1,729,302	1,729,302
Doubtful	5,074,989	1,061,497	6,136,486	2,801,855	2,801,855
Loss	73,541,385	3,640,537	77,181,922	69,075,973	69,075,973
	87,281,832	6,080,348	93,362,180	73,607,130	73,607,130

Category of Classification	December 31, 2012 (Audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	779,608	-	779,608	-	-
Substandard	4,196,981	1,025,647	5,222,628	1,100,211	1,100,211
Doubtful	7,176,908	386,455	7,563,363	3,405,252	3,405,252
Loss	72,799,502	2,794,312	75,593,814	65,190,526	65,190,526
	84,952,999	4,206,414	89,159,413	69,695,989	69,695,989

7.2 Particulars of provision against non-performing advances

	June 30, 2013 (Un-Audited)			December 31, 2012 (Audited)		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	69,695,989	3,308,578	73,004,567	63,660,617	3,848,742	67,509,359
Foreign exchange adjustments	88,095	16,802	104,897	99,183	41,641	140,824
Charge for the period	5,633,876	3,011,399	8,645,275	10,871,276	22,527	10,893,803
Reversals	(1,289,254)	(828,552)	(2,117,806)	(2,703,783)	(1,035,220)	(3,739,003)
	4,344,622	2,182,847	6,527,469	8,167,493	(1,012,693)	7,154,800
Transfer (out) / in	-	-	-	(2,184,382)	-	(2,184,382)
Amounts written off	(511,002)	-	(511,002)	(828)	-	(828)
Amounts charged off	(15,967)	-	(15,967)	(281,094)	-	(281,094)
Other adjustments	5,393	19,894	25,287	235,000	430,888	665,888
Closing balance	73,607,130	5,528,121	79,135,251	69,695,989	3,308,578	73,004,567

7.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Group has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 5,275 million (December 31, 2012: Rs. 6,696 million). Accordingly, as of June 30, 2013, the accumulated profit after tax of Rs. 3,429 million (December 31, 2012: Rs. 4,353 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

7.4 General provision against consumer loans represents provision maintained at an amount ranging from 1.5% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP. In addition, a general provision of Rs. 2,750 million (December 31, 2012: Rs. 736 million against domestic portfolio) has also been made by the Group for potential loan losses in respect of certain overseas operations of the Group.

7.5 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Group regarding the provision against non performing exposure of Agritech Limited. As of June 30, 2013, 30% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 1,599 million and the profit before taxation would

7.6 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 has allowed specific relaxation to the Group regarding the provision against non performing exposure of Azgard Nine Limited. As of June 30, 2013, 50% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2013. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 145 million and the profit before taxation would have been lower by the same amount.

7.7 The State Bank of Pakistan has allowed specific relaxation to the Group for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans.

8. OPERATING FIXED ASSETS	Note	June 30	December 31
		2013 (Un-audited)	2012 (Audited)
----- (Rupees in '000) -----			
Capital work-in-progress		2,626,700	2,470,431
Property and equipment		26,508,416	26,642,109
Intangible assets		585,274	601,681
		29,720,390	29,714,221

8.1 Additions and disposals during the period amounted to Rs. 844,800 million (June 30, 2012: Rs. 763,987 million) and Rs. 26,930 million (June 30, 2012: Rs. 59,778 million), respectively.

8.2 The Group is currently in the process of analysing the valuations conducted for its domestic properties during the last quarter of 2012. These valuations will be recorded on completion of analysis.

	Note	June 30 2013 (Un-audited)	December 31 2012 (Audited) (Restated)
9. DEFERRED TAX ASSETS - net			
Deductible temporary differences on:			
Provision for diminution in the value of investments		3,311,805	2,994,526
Provision against advances		4,411,357	4,057,645
Other provision		1,095,129	955,115
Charge against defined benefits plans		7,392,670	5,751,305
Unrealized loss on derivatives		198,408	198,408
Provision against off balance sheet obligation		116,622	116,622
		<u>16,525,991</u>	<u>14,073,621</u>
Taxable temporary differences on:			
Excess of accounting book value of leased assets over lease liabilities		(17,934)	(15,525)
Difference between accounting book value of fixed assets and tax base		(341,602)	(478,455)
Revaluation of securities	11	(6,338,475)	(5,149,446)
Revaluation of operating fixed assets		(1,068,935)	(1,096,112)
Others		(5,784)	-
		<u>(7,772,730)</u>	<u>(6,739,538)</u>
Net deferred tax liabilities		<u>8,753,261</u>	<u>7,334,083</u>
		June 30, 2013	December 31, 2012
		----- (Rupees in '000') -----	
10. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		338,292,612	235,732,712
Savings deposits		296,572,427	313,013,489
Current accounts - remunerative		127,594,094	96,548,988
Current accounts - non-remunerative		243,456,488	229,279,625
		<u>1,005,915,621</u>	<u>874,574,814</u>
Financial Institutions			
Remunerative deposits		45,579,993	75,631,737
Non-remunerative deposits		94,706,970	87,888,434
		<u>140,286,963</u>	<u>163,520,171</u>
		<u>1,146,202,584</u>	<u>1,038,094,985</u>
11. SURPLUS ON REVALUATION OF ASSETS - net			
Surplus on Revaluation of Fixed Assets - net of Tax		17,294,306	17,412,234
Surplus on Revaluation of Securities - net of Tax			
Federal Government securities		3,919,005	3,096,608
Term Finance Certificates		(19,864)	33,546
Shares and Mutual Funds		17,083,633	8,266,856
GoP Foreign Currency Bonds		430,896	525,995
Foreign Government Securities		141,469	175,672
Investment outside Pakistan		11,674,562	11,367,809
		<u>33,229,701</u>	<u>23,466,486</u>
Deferred tax Liability Recognized	10	(6,338,475)	(5,149,446)
Share of Revaluation Loss on Securities of Associates		(233,309)	223,111
		<u>43,952,223</u>	<u>35,952,385</u>
12. CONTINGENCIES AND COMMITMENTS			
12.1 Direct credit substitutes			
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:			
- Government		912,592	1,103,476
- Financial institutions		2,433,473	2,942,475
- Others		19,647,899	23,757,593
		<u>22,993,963</u>	<u>27,803,544</u>

12.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:

- Government	14,962,615	16,025,989
- Financial institutions	11,345,735	12,152,062
- Others	21,507,415	23,035,919
	<u>47,815,765</u>	<u>51,213,970</u>

12.3 Trade-related contingent liabilities

Letters of credit
Issued on behalf of

- Government	157,159,248	127,279,552
- Financial institutions	730	591
- Others	48,360,327	39,165,883
	<u>205,520,304</u>	<u>166,446,026</u>

12.4 Other contingencies

12.4.1 Claims against the Group not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 186 million (2012: Rs. 185 million) and claims relating to former Mehran Bank Limited amounting to Rs. 965 million (2012: Rs. 965 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably

<u>13,083,261</u>	<u>9,791,338</u>
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12.4.2 Taxation

The current status of tax contingencies is same as disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2012, except the following:

During the period in respect of monitoring of withholding taxes under section 149, 150 and 151 for the tax years 2009, 2010 and 2011, the tax department has rectified the orders which resulted in increase in determined refunds of Rs. 450 million for all three years which is subject to further rectification. An appeal is also pending before the Appellate Tribunal Inland Revenue on legal grounds. During the period, the tax department have also performed monitoring of withholding taxes under section 151 of the Income Tax Ordinance, 2001 in respect of tax years 2012 and 2013 and raised demand of Rs. 124.371 million and Rs. 110.487 million respectively subject to further rectification.

The aggregate effect of contingencies as on June 30, 2013 amounts to Rs.10,763 million (December 31, 2012: Rs. 11,211 million). No provision has been made against these contingencies based on the opinion of tax consultants of the Group who expect favorable outcome upon decision of pending appeals.

12.4.3 Pensionary benefits to retired employees

Some retired employees of the Group have filed writ petition before Honorable High Court of Punjab praying to grant pensionary benefits as per petitioners' option prior to their retirement. In the year 1977, the Group had introduced Government Pension Scheme and asked employees to exercise option in writing. Those who did not exercise option within time limit given were eligible for revised pay structure approved and applicable from January 1, 1999, however amount of gross pension on the basis of existing pay and formula was protected so that pension amount as on December 31, 1998 was not adversely affected due to revision in formula. Para wise reply has been submitted by the Group and the case is in the process of hearing.

12.4.4 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2012.

12.4.5 Encashment of unavailed leave

Some retired employees of the group have filed writ petition before Honorable High Court of Punjab praying to encash their unavailed leave balances, which lapsed as per rules applicable on the date of retirement. The group revised rules of leave encashment w.e.f January 1, 1999. As per revised rules, leave balances accumulated under old rules were marked as "Frozen Leave" to differentiate it with subsequent leaves to be accumulated. There was no bar on employee to avail these leaves, which would lapse on retirement. Para wise reply has been submitted by the Group and the case is in the process of hearing. The financial impact cannot be ascertained on reasonable basis as it involves old record which is presently not available.

	(Un-Audited) June 30, 2013	(Audited) December 31, 2012
	----- (Rupees in '000) -----	
12.5 Commitments in respect of forward exchange contracts		
Purchase	140,105,438	176,517,384
Sale	71,632,884	96,414,777
12.6 Other Commitments		
Professional services to be received	64,801	78,237
12.7 Commitments for the acquisition of operating fixed assets	1,663,727	1,626,783

13. OTHER INCOME

Other income includes Rs. 1,303 million (June 30, 2012: Rs. 985 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

	Quarter Ended June 30 2013	Half Year Ended June 30 2013	Quarter Ended June 30 2012	Half Year Ended June 30 2012
Profit after taxation (Rupees in '000)	3,074,868	6,915,734	4,930,928	9,835,390
Weighted average number of ordinary shares (Number '000)	2,127,513	2,127,513	2,127,513	2,127,513
Basic and diluted earnings per share (Rupees)	1.45	3.25	2.32	4.62

14.1 Earnings per share has been calculated after taking effect for the bonus shares issued during 2013.

15. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES - (Un-Audited)

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	----- Rupees in '000 -----								
Jun 30, 2013-Unaudited									
Total income	101,515	851,336	5,406,799	23,889,412	882,650	2,927,573	537,453	56,791	34,653,528
Inter segment revenue	-	3,366	4,970,032	(4,973,398)	-	-	-	-	-
Total expenses	9,959	32,681	9,970,426	12,483,758	751,279	1,954,686	444,923	43,013	25,690,724
Net income	91,556	822,021	406,405	6,432,256	131,371	972,887	92,530	13,778	8,962,804
Segment Assets	-	1,583,119	221,583,728	1,152,377,898	-	17,278,714	2,987,429	392,814	1,396,203,702
Segment Non-Performing Loans	-	-	7,813,507	85,548,673	-	-	-	-	93,362,180
Segment Specific Provision Required	-	-	7,277,639	71,857,612	-	-	-	-	79,135,251
Segment Liabilities	-	-	247,446,018	975,634,965	-	19,156,641	2,091,350	96,064	1,244,425,038
Segment Return on Assets (ROA) (%)	0.00%	8.30%	0.40%	1.20%	0.00%	15.42%	3.10%	3.51%	
Segment Cost of Fund (%)	0.00%	0.00%	5.86%	5.92%	0.00%	0.00%	0.18%	0.42%	
Jun 30, 2012- Unaudited									
Total income	276,184	1,854,276	3,482,077	23,858,166	771,988	2,566,249	454,499	50,329	33,313,768
Inter segment revenue	-	(353,673)	6,662,080	(6,308,407)	-	-	-	-	-
Total expenses	9,475	805,047	8,848,600	7,126,637	703,922	1,795,492	398,160	39,038	19,726,371
Net income	266,709	695,556	1,295,557	10,423,122	68,066	770,757	56,339	11,291	13,587,397
Segment Assets	-	25,360,217	194,464,091	932,235,657	-	17,188,162	2,619,421	347,634	1,172,215,182
Segment Non-Performing Loans	-	-	8,041,566	84,188,263	-	-	-	-	92,229,829
Segment Specific Provision Required	-	-	6,741,189	61,684,804	-	-	-	-	68,425,993
Segment Liabilities	-	-	260,249,081	764,321,150	-	11,289,533	1,832,688	59,010	1,037,751,462
Segment Return on Assets (ROA) (%)	0.00%	10.55%	1.51%	2.11%	0.00%	13.34%	2.00%	1.61%	
Segment Cost of Fund (%)	0.00%	0.00%	5.33%	6.66%	0.00%	0.00%	0.18%	0.42%	

16. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates).

Transactions between the Bank and its related parties are carried out under normal course of business, except employee staff loans, employees sale of assets, provident fund and loan given to NBP Exchange Company Limited, that are as per agreement.

There are no transactions with key management personnel other than under their terms of employment.

	2013 - Un-Audited				2012 - Audited			
	At January 01, 2013	Given during the half year	Repaid during the half year	At June 30, 2013	At January 01, 2012	Given during the year	Repaid during the year	At December 31, 2012
	----- (Rupees in '000) -----							
Advances								
Key Management Executives	48,375	27,777	(12,810)	175,722	82,110	8,000	(41,735)	48,375
Adjustments*	112,380	-	-	-	-	-	-	-
	160,755	27,777	(12,810)	175,722	82,110	8,000	(41,735)	48,375
Associates	4,122,053	1,311,142	-	5,433,195	1,281,029	-	(61,045)	1,219,984
Adjustments*	-	-	-	-	-	-	-	2,902,069
	4,122,053	1,311,142	-	5,433,195	1,281,029	-	(61,045)	4,122,053
Debts due by Company in which director is interested as director	5,711,940	80,000	(8,189,832)	9,655,040	10,007,468	662,638	(1,959,757)	8,710,349
* Adjustment	12,052,932	-	-	-	-	-	-	(2,998,409)
	17,764,872	80,000	(8,189,832)	9,655,040	10,007,468	662,638	(1,959,757)	5,711,940
	22,047,680	1,418,919	(8,202,642)	15,263,957	11,370,607	670,638	(2,062,537)	9,882,368

	2013 - Un-Audited				2012 - Audited			
	At January 01, 2013	Received during the half year	Repaid during the half year	At June 30, 2013	At January 01, 2012	Received during the year	Repaid during the year	At December 31, 2012
	----- (Rupees in '000) -----							
Deposits								
Associates	46,527	15,000,000	-	15,046,527	23,240	23,287	-	46,527
Key Management Executives	15,416	218,941	(187,025)	59,991	14,750	309,084	(308,418)	15,416
Adjustments*	12,659	-	-	-	-	-	-	-
	28,075	218,941	(187,025)	59,991	14,750	309,084	(308,418)	15,416
Pension Fund (Current)	4,676	44,507,749	(44,507,926)	4,499	5,856	40,389,368	(40,390,548)	4,676
Pension Fund (Fixed Deposit)	13,600,000	18,857,100	(22,957,100)	9,500,000	16,100,000	16,000,000	(18,500,000)	13,600,000
Pension Fund (Current Remunerative)	49,300	11,016,611	(11,061,382)	4,530	381,500	11,393,756	(11,725,956)	49,300
Provident Fund (Current)	12,448,399	1,246,631	(1,742,209)	11,952,821	10,224,455	3,595,145	(1,371,201)	12,448,399
	26,176,977	90,847,032	(80,455,642)	36,568,367	26,749,801	71,710,640	(72,296,123)	26,164,318

* Adjustments due to changes in key management executives and directors.

	Un-Audited June 30, 2013	Audited December 31, 2012
	---(Rupees in '000') ---	
Deposits of Companies in which directors are interested as director	1,000,000	5,000,000
Placements with:		
Joint venture	35,304	290,859
Reverse Repo lending to:		
Pension Fund	-	2,000,000
Borrowing from:		
Joint Ventures	124,796	324,420
Off-Balance Sheet Items - Joint Venture	230,466	-
	Un-Audited June 30, 2013	Un-Audited June 30, 2012
	---(Rupees in '000') ---	
Income for the half year		
On advances / placements with:		
Joint Venture	622	2,063
Key management executives	1,011	1,734
Debts due by company in which a director of the Bank is interested as director	969,000	391,168
Investment in associates	9,890,010	21,000
Redemption / sale of investment in associates	18,820,757	400,861
Dividend from associates	196,132	275,890
Expenses for the half year		
Remuneration to key management executives	133,717	129,916
Charge for defined benefit plan	43,326	39,388
Mark-up on Deposits of:		
Provident fund	1,024,723	918,539
Pension fund	152,123	217,815
Key management executives	874	949
Companies in which directors are interested as director	60,920	-
Mark-up on Borrowing (Repo / Call):		
Joint Ventures	123	653

16.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan held controlling interest (75% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Group.

The Group in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Group also earns commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 3,014 million for the half year ended June 30, 2013. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 220,405 million, Rs. 379,031 million and Rs. 166,889 million respectively.

16.2 Benazir Employees' Stock Option Scheme

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises and non-State Owned Enterprises where GoP holds significant investments.

However, during the period Internal Finance Wing of the Finance Division, Government of Pakistan through its letter no. F.3(6) Bkg.111/2010/398 dated March 14, 2013 has informed the Group that the Cabinet Committee on Privatization in its meeting held on November 8, 2012 has excluded the banking sector from the purview of the Scheme. Accordingly, the Group, going forward is not required to follow the requirements of the Scheme unless any further notification / requirements of GoP.

17. ISLAMIC BANKING BUSINESS

The Group is operating 8 (December 31, 2012: 8) Islamic banking branches as at June 30, 2013. Statement of financial position and profit and loss account is as under:

	Half year ended June 30 2013 (Un-audited) ----- (Rupees in '000) -----	Year ended December 31 2012 (Audited) ----- (Rupees in '000) -----
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	183,081	173,725
Balances with other banks	-	753,957
Investments	3,189,224	1,357,536
Islamic financing and related assets	1,167,118	1,185,379
Operating fixed assets	13,748	12,541
Due from Head Office	-	-
Other assets	168,397	69,488
	4,721,568	3,552,626
Liabilities		
Bills Payable	4,270	2,439
Deposits and other accounts		
-Current accounts	1,513,845	1,476,882
-Saving accounts	461,957	369,579
-Term deposits	736,537	669,092
-Deposit from financial institutions-Remunerative	1,000,192	407,327
Due to Head Office	557,820	352,927
Other liabilities	103,630	51,975
	4,378,251	3,330,221
Net Assets	343,317	222,405
Represented By		
Islamic Banking Fund	300,000	300,000
Unappropriated profit / (loss)	43,317	(77,595)
	343,317	222,405
Surplus on revaluation of assets - net	-	-
	343,317	222,405
PROFIT AND LOSS ACCOUNT		
Profit / Return earned on financings, investments and placements	237,738	241,123
Profit / Return expensed on deposit	59,245	119,586
Net spread earned	178,493	121,537
Depreciation on assets given on ijarah	(63,083)	(70,049)
	115,410	51,488
Provision against advances and investments	-	(39,157)
Provision reversed against advances and investments	2,031	37,666
	2,031	(1,491)
Profit after provision	117,441	49,997
Other income		
Fee, commission and brokerage income	2,134	1,843
Income from dealing in foreign currencies	-	(1)
Other income	-	-
Total other income	2,134	1,842
	119,575	51,839
Other expenses		
Administrative expenses	(76,258)	(55,080)
Profit / (Loss) before taxation	43,317	(3,241)

Cash Flow Statement

	(Un-audited) June 30, 2013	(Un-audited) June 30, 2012
	----- (Rupees in '000) -----	
Cash Flow from Operating Activities		
Profit/(Loss) for the period	43,317	(3,241)
Adjustments :		
Depreciation - Own assets	808	810
Depreciation - Ijarah assets	63,083	70,050
Provision against non performing financings	(2,031)	1,491
	<u>61,860</u>	<u>72,351</u>
	105,177	69,110
(Increase) / Decrease in operating assets		
Due from Financial Institutions	753,957	-
Financings	(1,874,479)	250,291
Other assets	(98,909)	24,853
	<u>(1,219,431)</u>	<u>275,144</u>
(Increase) / Decrease in operating liabilities		
Bills payable	1,831	(6,096)
Deposits and other accounts	789,651	(134,138)
	<u>283,498</u>	<u>(251,191)</u>
Other liabilities	51,655	(6,863)
	<u>1,126,635</u>	<u>(398,288)</u>
Net cash (used in) / generated from operating activities	12,381	(54,034)
Cash Flow from Investing Activities		
Investment in operating fixed assets	(3,025)	(265)
Net cash used in investing activities	<u>(3,025)</u>	<u>(265)</u>
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
(Decrease) / Increase in cash and cash equivalents	<u>9,356</u>	<u>(54,299)</u>
Cash and cash equivalents at beginning of the half year	173,725	141,873
Cash and cash equivalents at the end of the half year	<u>183,081</u>	<u>87,574</u>

18. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue on August 22, 2013 by the Board of Directors of the Holding Company.

19. GENERAL

Figures have been rounded-off to the nearest thousand rupees.

Chairman / President

Director

Director

Director