

# **NATIONAL BANK OF PAKISTAN**

**Standalone Financial Statements**

**for**

**Quarter ended September 30, 2014**

## **Directors' Report to the shareholders**

It gives me great pleasure to present on behalf of the Board of Directors financial statements of the bank for the nine months period ended September 30, 2014.

In a complete turnaround, the bank recorded pre-tax profit of Rs.18.0 billion during the nine months period ended September 30, 2014 which is higher by 143% from the corresponding period last year. After tax profit is at Rs.12.1 billion which is significantly higher by 107 % compared to comparative period of last period. Earnings per share for nine months ended September 30, 2014 stood at Rs.5.67 as against Rs. 2.74 (restated) of last year. Pre- tax and after tax return on equity stand at 23.1% and 15.4% respectively whereas pre-tax and after tax return on assets are at 1.7% and 1.2% respectively. During the quarter under review, the bank posted pre- tax profit of Rs. 5.7 billion which compared to comparative quarter last year is higher by Rs. 5.9 billion mainly on account of higher net interest margins and lower provision charge.

During the period, on account of revised actuarial assumptions due to adoption of revised international Accounting standard 19, charge for defined benefit plan was revised with corresponding revision of pre- tax and after tax profit for September 2013 which were restated at Rs.7,411 million and Rs. 5,824 million as against last year reported amount of Rs. 8,060 million and Rs. 6,246 million respectively.

Despite increase in interest rates by 100 bps in last quarter of 2013, net interest income on reported basis is showing increase of 5.2% compared to corresponding period last year due to higher balance sheet size, increase in rates and shifting of some T.Bills portfolio into Pakistan Investment Bonds. Non-accrual drag of certain GoP guaranteed public sector loans remains a challenge and is impacting the net interest margins.

Non interest/markup income increased by Rs. 3.9 billion or 22% compared to the corresponding period last year. Fees / commission income is showing increase of 6% despite downward revision in agency commission, impact of which was offset through higher volumes. Exchange income remained strong with growth of 17% as the bank took advantage of the opportunities available in the currency market. The Bank capitalized on record high stock exchange index and recorded gains of Rs. 6.0 billion which compared to corresponding period last year is higher by Rs. 2.7 billion or 83%. Dividend income is lower than last year on account of lower payout by some companies and reduction in portfolio size. Other income is higher on account of compensation on tax refunds due to increase in refund size.

Administrative expenses increased by 9% compared to comparative period last year. Annual staff increments and commencement of amortization charge for core banking application were the major factors for the increase. This application will enable the bank to provide enhanced customers services and increase

efficiency across its various business functions. During the quarter the bank revised its depreciation method on furniture & fixture, office equipment and generators from written down value method to straight line method as the straight line method more closely reflects the expected use of assets by the Bank.

We are focusing on reducing the non- performing loans. During the quarter we made some recoveries. Non performing loans on reported basis increased by Rs. 3.5 billion due to seasonal impact of agriculture and other consumer loans. However, excluding the seasonal impact NPLs are lower by Rs. 8.1 billion from December 2013. The bank is focusing on recoveries in its overseas operations as well and a special team is looking into the recovery efforts. Provision charge against advances reduced by Rs. 8.8 billion or 73% mainly on account of better recoveries and reduction in non-performing loans.

Deposits remained at December 2013 level. However, from September 2013, increased by Rs.75.9 billion. Compared to year end December 2013 advances show reduction of Rs. 8.7 billion mainly due to SME & corporate . The bank is strongly capitalized with capital and reserves of Rs. 166 billion, with break- up value per share of Rs.78.2/- per share.

Increase in low cost deposits, technology upgradation and recoveries to bring down the non-performing loans are major focus areas. Recovery of overdue payments from PSEs is our major challenge.

The Profit for the nine months period ended September 30, 2014 after carry forward of accumulated profit of 2013 is proposed to be appropriated as follows: -

	<b>Rs. In million</b>
<b>Profit before taxation for the nine months Period ended September 30, 2014</b>	18,014
Taxation	
Current year	5,483
Prior year(s)	-
Deferred	465
	<u>5,948</u>
After tax profit	12,065
Un-appropriated profit brought forward	48,046
Other comprehensive income-net of tax	(205)
Transfer from surplus on revaluation of fixed assets	94
Profit available for appropriation	<u>60,000</u>
Transfer to Statutory Reserve (10% of after tax profit)	(1,207)
Cash Dividend paid	(4,255)
	<u>(5,462)</u>
Un-appropriated profit carried forward	<u>54,538</u>

Lastly we are confident that our employees through their commitment and hard work will further strengthen bank's leadership position. We would like to express our appreciation to the stakeholders, regulators and valued customers for their support and trust in NBP.

On behalf of the Board of Directors

Syed Ahmed Iqbal Ashraf

President

Date: October 29, 2014

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Statement of Financial Position (Un-Audited)**  
**As at September 30, 2014**

		(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		<b>106,342,352</b>	157,930,297
Balances with other banks		<b>13,064,085</b>	17,457,523
Lendings to financial institutions - net		<b>50,799,998</b>	51,938,689
Investments - net	7	<b>508,774,288</b>	397,958,681
Advances - net	8	<b>606,743,073</b>	615,419,874
Operating fixed assets	9	<b>32,491,140</b>	32,702,121
Deferred tax assets - net	10	<b>9,415,113</b>	10,955,008
Other assets		<b>84,681,434</b>	79,979,063
		<b>1,412,311,483</b>	1,364,341,256
<b>LIABILITIES</b>			
Bills payable		<b>13,645,707</b>	13,894,667
Borrowings from financial institutions		<b>63,275,184</b>	21,994,839
Deposits and other accounts	11	<b>1,096,879,289</b>	1,101,138,574
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		<b>18,698</b>	24,034
Deferred tax liabilities		-	-
Other liabilities		<b>72,189,509</b>	71,002,438
		<b>1,246,008,387</b>	1,208,054,552
<b>NET ASSETS</b>		<b>166,303,096</b>	156,286,704
<b>REPRESENTED BY</b>			
Share capital		<b>21,275,131</b>	21,275,131
Reserves		<b>31,702,033</b>	31,538,695
Unappropriated profit		<b>54,538,487</b>	48,045,930
		<b>107,515,650</b>	100,859,756
Surplus on revaluation of assets - net	12	<b>58,787,446</b>	55,426,948
		<b>166,303,096</b>	156,286,704
<b>CONTINGENCIES AND COMMITMENTS</b>		13	

The annexed notes 1 to 21 form an integral part of the unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Profit and Loss Account (Un-Audited)**  
**For The Nine Months Period Ended September 30, 2014**

		Quarter Ended September 30, 2014	Nine Months Period Ended September 30, 2014	Quarter Ended September 30, 2013	Nine Months Period Ended September 30, 2013
	Note	----- (Rupees in '000') -----			
					(Restated)
Mark-up / Return / Interest earned		28,902,909	82,584,887	23,276,262	72,856,410
Mark-up / Return / Interest expensed		18,552,474	52,762,395	14,964,248	44,518,516
Net mark-up / return / interest income		10,350,435	29,822,492	8,312,014	28,337,894
Provision against non-performing advances - net	8.2	1,332,361	3,322,194	5,615,395	12,142,864
Provision / (Reversal) for diminution in value of investments - r	7.2	(423,694)	440,033	(1,080,338)	(173,130)
Provision against off-balance sheet obligations		-	(339,200)	-	-
Bad debts written off directly		-	-	58	2,971
		908,667	3,423,027	4,535,115	11,972,705
Net mark-up / interest income after provisions		9,441,768	26,399,465	3,776,899	16,365,189
<b>NON MARK-UP/ INTEREST INCOME</b>					
Fee, commission and brokerage income		2,457,289	8,382,225	2,415,511	7,893,808
Dividend income		597,699	1,657,418	773,522	2,282,176
Income from dealing in foreign currencies		1,198,721	3,294,699	917,694	2,809,899
Gain on sale and redemption of securities - net		1,435,639	6,006,094	632,867	3,416,062
Unrealized loss on revaluation of investments classified as held-for-trading		(117)	(7)	(86,994)	(137,183)
Other income	14	972,392	2,774,127	556,898	1,939,187
Total non mark-up / interest income		6,661,623	22,114,556	5,209,498	18,203,949
		16,103,391	48,514,021	8,986,397	34,569,138
<b>NON MARK-UP/ INTEREST EXPENSES</b>					
Administrative expenses		9,820,614	29,113,106	9,084,320	26,704,070
Other provisions / write-offs	15	563,629	1,378,771	39,271	442,591
Other charges		(17,295)	8,440	2,770	11,805
Total non mark-up / interest expenses		10,366,948	30,500,317	9,126,361	27,158,466
		5,736,443	18,013,704	(139,964)	7,410,672
Extra ordinary / unusual items					
<b>PROFIT BEFORE TAXATION</b>		5,736,443	18,013,704	(139,964)	7,410,672
Taxation - current		2,151,304	5,483,452	1,588,106	4,803,770
- prior year(s)		-	-	-	815,945
- deferred		(352,219)	464,864	(1,825,207)	(4,033,110)
		1,799,085	5,948,316	(237,101)	1,586,605
<b>PROFIT AFTER TAXATION</b>		3,937,358	12,065,388	97,137	5,824,067
<b>Basic and diluted earnings per share (Rupees)</b>	16	1.85	5.67	0.05	2.74

The annexed notes 1 to 21 form an integral part of the unconsolidated condensed interim financial statements.

Chairman

President

Director

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**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
**For The Nine Months Period Ended September 30, 2014**

	Quarter ended September 30, 2014	Nine Months Period ended September 30, 2014	Quarter ended September 30, 2013	Nine Months Period ended September 30, 2013
	----- (Rupees in '000') -----			
				(Restated)
<b>Profit after taxation</b>	<b>3,937,358</b>	<b>12,065,388</b>	97,137	5,824,067
<b>Other comprehensive income:</b>				
<b>Items to be reclassified to profit or loss in subsequent periods:</b>				
Exchange gain on translation of net assets of foreign branches	<b>102,526</b>	<b>(1,043,201)</b>	816,618	1,516,296
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>				
Actuarial loss on defined benefit plans	<b>(148,395)</b>	<b>(315,676)</b>	3,331,568	709,525
Related tax effects	<b>51,939</b>	<b>110,487</b>	(1,166,049)	(248,334)
	<b>(96,456)</b>	<b>(205,189)</b>	2,165,519	461,191
<b>Other comprehensive income - net of tax</b>	<b>6,070</b>	<b>(1,248,390)</b>	2,982,137	1,977,487
<b>Total comprehensive income transferred to equity</b>	<b>3,943,428</b>	<b>10,816,998</b>	3,079,274	7,801,554

The annexed notes 1 to 21 form an integral part of the unconsolidated condensed interim financial statements.

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**Chairman**

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**President**

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**Director**

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**Director**

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)**  
**For The Nine Months Period Ended September 30, 2014**

	Nine Months Period Ended September 30, 2014	Nine Months Period Ended September 30, 2013
	----- (Rupees in '000') -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		(Restated)
Profit before taxation	18,013,704	7,410,672
Less: Dividend income	1,657,418	2,282,176
	<b>16,356,286</b>	5,128,496
<b>Adjustments</b>		
Depreciation	1,784,837	914,761
Provision against non-performing loans and advances	3,322,194	12,142,864
Provision for diminution in value of investments	440,033	(173,130)
Other provision / write-offs	1,378,771	442,591
Gain on sale of fixed assets	(20,048)	(6,279)
Financial charges on leased assets	5,678	7,725
	<b>6,911,465</b>	13,328,532
	<b>23,267,751</b>	18,457,028
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	1,138,691	(30,181,461)
held-for-trading securities	1,984,502	189,425
Advances	5,071,208	5,606,271
Other assets	(4,671,260)	(4,566,037)
	<b>3,523,141</b>	(28,951,802)
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	(248,960)	(3,460,946)
Borrowings	41,518,812	(19,416,021)
Deposits and other accounts	(4,259,285)	(16,943,320)
Other liabilities (excluding current taxation)	1,187,071	1,033,522
	<b>38,197,638</b>	(38,786,765)
Income tax paid	(7,056,728)	(3,100,057)
Financial charges paid	(5,678)	(7,725)
	<b>(7,062,406)</b>	(3,107,782)
<b>Net cash generated from operating activities</b>	<b>57,926,124</b>	(52,389,321)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in available-for-sale securities	(22,176,538)	(8,143,644)
Net investment in held-to-maturity securities	(88,345,876)	(3,047,352)
Proceeds from sales of investment in associates and subsidiaries	2,019,622	10,346,400
Dividend received	1,657,418	2,282,176
Investment in operating fixed assets	(1,573,856)	(843,357)
Sale proceeds of operating fixed assets disposed off	37,281	14,135
<b>Net cash used in investing activities</b>	<b>(108,381,949)</b>	608,358
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(5,336)	(32,242)
Dividend paid	(4,238,554)	(12,845,610)
<b>Net cash used in financing activities</b>	<b>(4,243,890)</b>	(12,877,852)
Effects of exchange rate changes on cash and cash equivalents	(1,043,201)	1,516,296
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(55,742,916)</b>	(63,142,519)
Cash and cash equivalents at beginning of the Nine Months Period	175,130,220	188,054,806
<b>Cash and cash equivalents at end of the Nine Months Period</b>	<b>119,387,304</b>	124,912,287

The annexed notes 1 to 21 form an integral part of the unconsolidated condensed interim financial statements.

Chairman

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Director

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**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Statement of Changes in Equity (Un-Audited)**  
**For The Nine Months Period Ended September 30, 2014**

	Attributable to the Shareholders of the Bank					Total
	Share Capital	Reserves			Unappropriated Profit	
		Exchange Translation	Statutory	Revenue General		
----- (Rupees in '000') -----						
Balance as at January 1, 2013	18,500,114	7,910,615	20,386,575	521,338	57,418,845	104,737,487
<b>Total Comprehensive Income for the Nine Months Period ended September 30, 2013 - (restated)</b>						
Profit after tax	-	-	-	-	5,824,067	5,824,067
Other comprehensive income - net of tax	-	1,516,296	-	-	461,191	1,977,487
	-	1,516,296	-	-	6,285,258	7,801,554
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	75,708	75,708
Transfer to Statutory Reserve	-	-	1,249,264	-	(1,249,264)	-
<b>Transactions with Owners, recorded directly in equity</b>						
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)
<b>Balance as at September 30, 2013</b>	<b>21,275,131</b>	<b>9,426,911</b>	<b>21,635,839</b>	<b>521,338</b>	<b>46,805,450</b>	<b>99,664,669</b>
<b>Total Comprehensive Income for the Three Months Period ended December 31, 2013</b>						
Loss after tax	-	-	-	-	(324,043)	(324,043)
Other comprehensive income - net of tax	-	103,866	-	-	1,359,151	1,463,017
	-	103,866	-	-	1,035,108	1,138,974
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	56,113	56,113
Transfer to Statutory Reserve	-	-	(149,259)	-	149,259	-
<b>Balance as at December 31, 2013</b>	<b>21,275,131</b>	<b>9,530,777</b>	<b>21,486,580</b>	<b>521,338</b>	<b>48,045,930</b>	<b>100,859,756</b>
<b>Total Comprehensive Income for the Nine Months Period ended September 30, 2014</b>						
Profit after tax	-	-	-	-	12,065,388	12,065,388
Other comprehensive income - net of tax	-	(1,043,201)	-	-	(205,189)	(1,248,390)
	-	(1,043,201)	-	-	11,860,199	10,816,998
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	93,923	93,923
Transfer to Statutory Reserve	-	-	1,206,539	-	(1,206,539)	-
<b>Transactions with Owners, recorded directly in equity</b>						
Cash dividend (Rs.2 per share)	-	-	-	-	(4,255,026)	(4,255,026)
<b>Balance as at September 30, 2014</b>	<b>21,275,131</b>	<b>8,487,576</b>	<b>22,693,119</b>	<b>521,338</b>	<b>54,538,487</b>	<b>107,515,650</b>

The annexed notes 1 to 21 form an integral part of the unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

## **National Bank of Pakistan**

### **Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited) For The Nine Months Period Ended September 30, 2014**

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#### **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 1,349 (2013: 1,342) branches in Pakistan and 23 (2013: 23) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

#### **2. STATEMENT OF COMPLIANCE**

**2.1** These condensed interim unconsolidated financial statements of the Bank for the nine months period ended September 30, 2014 have been prepared in accordance with the requirements of the International Accounting Standards (IFRS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan. In case where the requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives of the SBP have been followed.

**2.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and 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 the SBP.

**2.3** The disclosures made in these condensed interim unconsolidated 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 interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2013.

**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.

#### **3. BASIS OF MEASUREMENT**

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amount, certain investments, commitments in respect of certain forward foreign exchange contracts and derivatives financial instruments have been marked to market and are carried at fair value.

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

## **National Bank of Pakistan**

### **Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited) For The Nine Months Period Ended September 30, 2014**

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#### **4. ACCOUNTING POLICIES**

The accounting policies adopted for preparation of these condensed interim unconsolidated financial statements are the same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2013 except as described below:

##### **New / Revised Standards, Interpretations and Amendments**

The Company has adopted the following amendments and interpretation of IFRSs which became effective for the current year:

IAS 32 – Financial Instruments : Presentation – (Amendment)  
-Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)  
-Recoverable Amount Disclosures for Non-Financial Assets

IFRIC 21 – Levies

The adoption of the above amendments to accounting standards and interpretation did not have any effect on the financial statements.

#### **5. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The estimates/judgments and associated assumptions used in the preparation of these interim condensed unconsolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2013, except for change in depreciation method on furniture & fixture, office equipment and generators from WDV method to Straight Line Method as the straight line method more closely reflects the expected use of asset by the Bank. Had there been no change, the depreciation expenses would have been lower and profit before tax would have been higher by Rs 177 million.

#### **6. 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, 2013.

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Nine Months Period Ended September 30, 2014**

**7. INVESTMENTS - net**

	September 30, 2014			December 31, 2013		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total

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

**7.1 Investments by type:**

**Held-for-trading securities**

Market Treasury Bills	17,436	-	17,436	-	-	-
Pakistan Investment Bonds	189	-	189	-	-	-
Ordinary Shares of Listed companies	-	-	-	5,027	-	5,027
Ijarah Sukuk Bonds	-	-	-	1,997,100	-	1,997,100
<b>Total held-for-trading securities</b>	<b>17,625</b>	<b>-</b>	<b>17,625</b>	<b>2,002,127</b>	<b>-</b>	<b>2,002,127</b>

**Available-for-sale securities**

Ordinary Shares of Listed companies	25,519,381	-	25,519,381	27,727,973	-	27,727,973
Ordinary Shares of Unlisted companies	1,367,080	-	1,367,080	1,125,375	-	1,125,375
Market Treasury Bills	26,886,461	-	26,886,461	28,853,348	-	28,853,348
Preference Shares	94,914,897	73	94,914,970	194,001,739	2,816,565	196,818,304
Pakistan Investment Bonds	654,240	-	654,240	1,236,900	-	1,236,900
GoP Foreign Currency Bonds	188,851,769	9,912	188,861,681	57,440,487	-	57,440,487
Foreign Currency Debt Securities	5,847,155	-	5,847,155	5,873,456	-	5,873,456
Term Finance Certificates / Musharika and Sukuk Bonds	3,700,273	-	3,700,273	4,704,957	-	4,704,957
Investment in Mutual Funds	18,916,541	-	18,916,541	20,367,379	-	20,367,379
Investments Outside Pakistan	2,543,506	-	2,543,506	3,486,668	-	3,486,668
	463,295	-	463,295	463,295	-	463,295
<b>Total available- for- sale securities</b>	<b>342,778,137</b>	<b>9,985</b>	<b>342,788,122</b>	<b>316,428,229</b>	<b>2,816,565</b>	<b>319,244,794</b>

**Held-to-maturity securities**

Pakistan Investment Bonds	106,649,209	-	106,649,209	17,964,729	-	17,964,729
GoP Foreign Currency Bonds	1,554,281	-	1,554,281	1,552,435	-	1,552,435
Foreign Government Securities	6,689,231	-	6,689,231	6,633,499	-	6,633,499
Foreign Currency Debt Securities	396	-	396	407	-	407
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	3,077,046	-	3,077,046	3,473,217	-	3,473,217
<b>Total held-to-maturity securities</b>	<b>117,970,163</b>	<b>-</b>	<b>117,970,163</b>	<b>29,624,287</b>	<b>-</b>	<b>29,624,287</b>

<b>Investment in Associates</b>	7.4	13,769,923	-	13,769,923	15,789,545	-	15,789,545
<b>Investment in Joint Venture</b>		1,244,835	-	1,244,835	1,244,835	-	1,244,835
<b>Investment in Subsidiaries</b>		4,406,750	-	4,406,750	4,406,750	-	4,406,750
<b>Investments at cost</b>		<b>480,187,433</b>	<b>9,985</b>	<b>480,197,418</b>	<b>369,495,773</b>	<b>2,816,565</b>	<b>372,312,338</b>
<b>Less: Provision for diminution in value of investments</b>	7.2	(17,223,545)	-	(17,223,545)	(15,416,719)	-	(15,416,719)
<b>Investments (net of Provision)</b>		<b>462,963,888</b>	<b>9,985</b>	<b>462,973,873</b>	<b>354,079,054</b>	<b>2,816,565</b>	<b>356,895,619</b>
Unrealized loss on revaluation of investments classified as held-for-trading		(7)	-	(7)	(139)	-	(139)
Surplus on revaluation of available-for-sale securities		45,790,437	9,985	45,800,422	41,063,712	(511)	41,063,201
<b>Total investments</b>		<b>508,754,318</b>	<b>9,985</b>	<b>508,774,288</b>	<b>395,142,627</b>	<b>2,816,054</b>	<b>397,958,681</b>



**National Bank of Pakistan**  
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- 8.1 Advances include Rs.119,127 million (December 31, 2013: Rs. 115,617 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2014				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	7,858,192	-	7,858,192	24,537	24,537
Substandard	13,093,437	882,401	13,975,838	2,600,326	2,600,326
Doubtful	6,966,155	1,531,256	8,497,411	3,862,802	3,862,802
Loss	70,059,809	18,735,953	88,795,762	83,720,514	83,720,514
	<b>97,977,593</b>	<b>21,149,610</b>	<b>119,127,203</b>	<b>90,208,179</b>	<b>90,208,179</b>

  

Category of Classification	December 31, 2013				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	525,603	-	525,603	3,272	3,272
Substandard	15,800,716	279,351	16,080,067	3,721,184	3,721,184
Doubtful	5,521,556	1,512,833	7,034,389	3,241,823	3,241,823
Loss	73,938,583	18,037,891	91,976,474	82,770,359	82,770,359
	<b>95,786,458</b>	<b>19,830,075</b>	<b>115,616,533</b>	<b>89,736,638</b>	<b>89,736,638</b>

8.2 Particulars of provision against non-performing advances

	Nine Months Period ended September 30, 2014			Year ended December 31, 2013		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	89,736,638	2,858,447	92,595,085	72,142,434	3,308,579	75,451,013
Exchange adjustments	(310,827)	(15,038)	(325,865)	385,745	50,463	436,208
Charge for the period	5,267,997	867,185	6,135,182	21,398,295	465,258	21,863,553
Reversals	(2,812,987)	-	(2,812,987)	(3,721,125)	(756,027)	(4,477,152)
	<b>2,455,010</b>	<b>867,185</b>	<b>3,322,195</b>	<b>17,677,170</b>	<b>(290,769)</b>	<b>17,386,401</b>
Transfer (out) / in	(1,650,189)	-	(1,650,189)	111,092	(209,826)	(98,734)
Amounts written off	(17,458)	-	(17,458)	-	-	-
Amount charged off	(4,995)	-	(4,995)	(578,716)	-	(578,716)
Other adjustments	-	-	-	(1,087)	-	(1,087)
Closing balance	<b>90,208,179</b>	<b>3,710,593</b>	<b>93,918,772</b>	<b>89,736,638</b>	<b>2,858,447</b>	<b>92,595,085</b>

- 8.3 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. 3,786 million (December 31, 2013: Rs. 7,304 million). Accordingly, as of September 30, 2014, the accumulated profit after tax of Rs. 2,461 million (December 31, 2013: Rs.4,748 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

- 8.4 General provision against consumer loans and Small and Medium Enterprise (SME) financing, 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.

- 8.5 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. During the period SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of September 30, 2014, 70% 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, 2015 Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 752 million (December 31, 2013: Rs. 1,226 million) and the profit before taxation would have been lower by the same amount.

- 8.6 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.

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	September 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
<b>9. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	1,677,896	2,700,075
Property and equipment	29,835,862	29,986,702
Intangible assets	977,382	15,344
	<u>32,491,140</u>	<u>32,702,121</u>

9.1 Additions and disposals during the period amounted to Rs. 1,315 million (September 30, 2013: Rs. 640 million) and Rs. 106 million (September 30, 2013: Rs. 41 million) respectively.

	September 30, 2014	December 30, 2013
	----- (Rupees in '000') -----	
<b>10. DEFERRED TAX ASSETS - net</b>		
<b>Deferred tax assets arising in respect of</b>		
Provision for diminution in the value of investments	3,635,843	3,481,832
Provision against non-performing advances	4,557,228	6,634,726
Other provisions	1,755,217	1,272,647
Provision against defined benefits plans	8,574,611	7,740,890
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
	<u>19,331,428</u>	<u>19,938,624</u>
<b>Deferred tax liabilities arising in respect of</b>		
Excess of accounting book value of leased assets over lease liabilities	(8,549)	(16,202)
Difference between accounting book value of fixed assets and tax base	(50,748)	(245,340)
Revaluation of securities	(8,549,949)	(7,364,431)
Revaluation of fixed assets	(1,307,069)	(1,357,643)
	<u>(9,916,315)</u>	<u>(8,983,616)</u>
Net deferred tax assets	<u>9,415,113</u>	<u>10,955,008</u>

	September 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	275,477,955	290,646,462
Savings deposits	332,213,501	313,804,148
Current accounts - remunerative	120,970,444	114,379,969
Current accounts - non-remunerative	261,569,726	236,565,784
	<u>990,231,626</u>	<u>955,396,363</u>
<b>Financial Institutions</b>		
Remunerative deposits	56,766,374	49,987,013
Non-remunerative deposits	49,881,289	95,755,198
	<u>106,647,663</u>	<u>145,742,211</u>
	<u>1,096,879,289</u>	<u>1,101,138,574</u>

# National Bank of Pakistan

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For The Nine Months Period Ended September 30, 2014

	September 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
<b>12. SURPLUS ON REVALUATION OF ASSETS - net</b>		
Surplus on revaluation of fixed assets	22,844,042	23,085,821
Deferred tax liability	(1,307,069)	(1,357,643)
	<u>21,536,973</u>	<u>21,728,178</u>

### Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax

Federal Government Securities	693,031	797,268
Term Finance Certificates	(4,812)	(8,795)
Shares and mutual funds	22,068,151	21,725,355
GoP Foreign Currency Bonds	460,385	388,652
Foreign Currency Debt Securities	147,541	145,270
Investments outside Pakistan	22,436,126	18,015,451
	<u>45,800,422</u>	<u>41,063,201</u>
Deferred Tax liability	(8,549,949)	(7,364,431)
	<u>37,250,473</u>	<u>33,698,770</u>
	<u>58,787,446</u>	<u>55,426,948</u>

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 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	2,263,245	2,593,191
- Financial institutions	2,230,167	2,555,291
- Others	14,412,801	16,513,963
	<u>18,906,213</u>	<u>21,662,445</u>

### 13.2 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	18,014,255	17,078,928
- Financial institutions	4,829,282	4,578,538
- Others	35,662,309	33,810,668
	<u>58,505,846</u>	<u>55,468,134</u>

### 13.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	135,213,277	136,703,020
- Financial institutions	8,874,956	8,972,738
- Others	60,229,534	60,893,127
	<u>204,317,767</u>	<u>206,568,885</u>

## National Bank of Pakistan

### Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited) For The Nine Months Period Ended September 30, 2014

	September 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
<b>13.4 Other contingencies</b>		
<b>13.4.1</b> Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.192 million (2013: Rs. 188 million) and claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2013: Rs. 1,597 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably.	<u>13,372,031</u>	<u>13,974,192</u>

#### 13.4.2 Taxation

The tax returns of the Bank have been filed and amended by the tax authorities up to Tax Year 2013. For Azad Kashmir Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2013.

During the period, the order for the tax year 2013 was rectified which resulted in increase in determined refunds amounting to Rs 1,637 million. Further in respect of monitoring of withholding taxes under section 149, 150 and 151 of the Income Tax Ordinance, 2001, for the tax years 2009 to 2013, the tax department has rectified the orders which resulted in decrease in demand of Rs. 574 million for all years which is subject to further rectification. An appeal is also pending before the Appellate Tribunal Inland Revenue on legal grounds.

The other matters under contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on September 30, 2014 amounts to Rs.10,461 million (September 30, 2013: Rs. 10,593 million). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

FBR have also passed orders under provisions of the FED Act in respect of the Federal Excise Duty payable on the services rendered by the Bank for the tax year 2014. The demand raised includes FED recoverable from SBP amounting to Rs. 229 million on the commission income derived from the treasury services provided to the State Bank of Pakistan/ Federal Government of Pakistan. Appeals have been filed before various appellate forums including reference and constitutional petitions before High Court of Sindh wherein apart from other legal grounds, the principal ground is levy of duty on service which are not specified in the First Schedule to the Customs Act, 1969 and specially for Tax year 2011 levy of duty by FBR on services provided in province of Sindh after promulgation of Sindh Sales Tax on Services Act, 2011.

The Bank is also contesting levy of Sindh Sales Tax amounting to Rs. 171.45 million for the period from July, 2011 to March, 2012 on the services provided to Federal Government through State Bank of Pakistan in the province of Sindh, principally on the ground that the Federal Government/State Bank of Pakistan cannot be subject to provincial levy under the provisions of the Constitution of the Islamic Republic of Pakistan.

#### 13.4.3 Other contingencies

The status of contingencies in respect of barter trade agreement, golden handshake and pensionary benefits to retired employees is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2013. In case of encashment of unavailed leaves, the Lahore High Court dismissed the petitions of the subject ex-employees in April 2014. Some of the Petitioners have filed Inter Court appeals against the judgment however notices in that regard have not yet been received.

**National Bank of Pakistan**  
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	September 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
<b>13.5 Commitments in respect of forward exchange contracts</b>		
Purchase	218,327,306	204,673,055
Sale	118,675,597	132,796,307

**13.6 Other Commitments**

Professional services to be received	144,183	169,330
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**13.7 Commitments for the acquisition of operating fixed assets**

	1,777,408	1,732,023
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**14. OTHER INCOME**

Other income includes Rs. 2,626 million (September 30, 2013: Rs. 1,803 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

**15. OTHER PROVISIONS / WRITE OFFS**

These include provision of Rs. 814 million made on account of shortfall in certain collection accounts and other financial improprieties for which investigation and legal actions are being taken by the Bank.

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

	Quarter ended September 30, 2014	Nine Months Period ended September 30, 2014	Quarter ended September 30, 2013	Nine Months Period ended September 30, 2013
Profit after taxation (Rupees in '000')	3,937,358	12,065,388	97,137	5,824,067
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)	1.85	5.67	0.05	2.74

16.1 Earnings per share for the periods ended September 30, 2013 has been restated for the effect of bonus shares issued.

**17. 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') -----						
<b>Nine Months Period ended September 30, 2014</b>							
Total income	439,883	235,019	7,549,729	38,148,844	1,301,688	4,261,885	51,937,048
Inter segment revenue	-	(40,502)	10,024,390	(9,983,888)	-	-	-
Total expenses	16,515	46,064	12,914,372	15,683,637	1,241,123	4,021,633	33,923,344
Net income	423,368	148,453	4,659,747	12,481,319	60,565	240,252	18,013,704
Segment assets (Gross)	-	1,811,262	237,398,767	1,153,520,766	-	19,580,689	1,412,311,484
Segment non - performing loans	-	-	19,304,403	99,822,800	-	-	119,127,203
Segment provision required	-	-	6,220,629	83,987,550	-	-	90,208,179
Segment liabilities	-	-	281,323,795	932,497,768	-	32,186,824	1,246,008,387
Segment return on assets (ROA) (%)	0.00%	8.72%	2.09%	1.58%	0.00%	2.51%	
Segment cost of funds (%)	0.00%	0.00%	6.65%	6.00%	0.00%	0.00%	
<b>Nine Months Period ended September 30, 2013</b>							
Total income	267,329	338,338	8,289,148	31,631,362	1,375,274	3,990,775	45,892,226
Inter segment revenue	-	85,768	7,057,949	(7,143,717)	-	-	-
Total expenses	15,209	50,991	11,197,960	22,273,815	1,141,028	3,802,551	38,481,554
Net income	252,120	373,115	4,149,137	2,213,830	234,246	188,224	7,410,672
Segment assets (Gross)	-	1,105,199	229,196,444	1,025,879,647	-	17,245,614	1,273,426,904
Segment non - performing loans	-	-	11,632,429	83,936,104	-	-	95,568,533
Segment provision required	-	-	7,637,257	77,300,005	-	-	84,937,262
Segment liabilities	-	-	246,865,648	870,109,157	-	11,024,594	1,127,999,399
Segment return on assets (ROA) (%)	0.00%	23.69%	2.77%	0.24%	0.00%	1.98%	
Segment cost of funds (%)	0.00%	0.00%	5.80%	5.95%	0.00%	0.00%	

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**18. 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.

	2014				2013			
	At January 01,	Given during the Nine Months Period	Repaid during the Nine Months Period	At September 30,	At January 01,	Given during the year	Repaid during the year	At December
----- (Rupees in '000') -----								
<b>Advances</b>								
Key Management Executives Adjustments*	144,607	70,755	(20,380)	202,050	134,343	32,972	(22,708)	144,607
	7,068	-	-	-	-	-	-	-
	151,675	70,755	(20,380)	202,050	134,343	32,972	(22,708)	144,607
Subsidiaries	874,328	-	(420,991)	453,337	980,523	188,796	(294,991)	874,328
Associates	5,433,806	-	(23,194)	5,410,612	4,122,053	1,311,753	-	5,433,806
Debts due by Company in which director is interested as director	9,613,756	80,448,000	(83,279,000)	6,595,256	5,711,940	1,589,000	(10,052,116)	9,613,756
* Adjustment	(187,500)	-	-	-	12,364,932	-	-	-
	9,426,256	80,448,000	(83,279,000)	6,595,256	18,076,872	1,589,000	(10,052,116)	9,613,756
	15,886,065	80,518,755	(83,743,565)	12,661,255	23,313,791	3,122,521	(10,369,815)	16,066,497

	2014				2013			
	At January 01,	Received during the Nine Months Period	Repaid during the Nine Months Period	At September 30,	At January 01,	Received during the year	Repaid during the year	At December
----- (Rupees in '000') -----								
<b>Deposits</b>								
Subsidiaries	298,668	207,535	(170,275)	335,928	546,928	3,339	(251,599)	298,668
Associates	12,038,914	-	-	12,038,914	15,025,349	-	(2,986,435)	12,038,914
Key Management Executives Adjustments*	13,402	223,894	(209,818)	26,814	15,416	292,747	(297,630)	10,533
	(664)	-	-	-	2,869	-	-	2,869
	12,738	223,894	(209,818)	26,814	18,285	292,747	(297,630)	13,402
Pension Fund (Current)	4,393	22,940,275	(22,941,812)	2,856	4,676	62,759,037	(62,759,320)	4,393
Pension Fund (Fixed Deposit)	11,500,000	7,300,000	(11,500,000)	7,300,000	13,600,000	25,157,100	(27,257,100)	11,500,000
Pension Fund (N.I.D.A A/c)	270,228	12,060,580	(10,833,946)	1,496,862	49,300	18,966,084	(18,745,156)	270,228
Provident Fund (Current)	12,886,715	1,576,729	(1,259,103)	13,204,341	12,448,399	2,695,075	(2,256,759)	12,886,715
	37,011,656	44,309,013	(46,914,954)	34,405,715	41,692,937	109,873,382	(114,553,999)	37,012,320

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

	September 30, 2014	December 31, 2013
----- (Rupees in '000') -----		
<b>Placements with:</b>		
Joint Venture	60,455	37,621
<b>Repo Borrowing from:</b>		
Joint Venture	350,500	171,554
<b>Other receivables from subsidiaries</b>	99,620	104,242
<b>Other payables to subsidiaries</b>	-	4,227
<b>Off-Balance sheet items - Joint Venture</b>	1,033,921	228,721
	<b>Nine Months Period ended September 30, 2014</b>	<b>Nine Months Period ended September 30, 2013</b>
----- (Rupees in '000') -----		
<b>Investment made in associates</b>	7,550,384	9,890,010
<b>Redemption / sale of investment in associates</b>	10,170,727	20,691,730
<b>Income for the period</b>		
On advances / placements with:		
Subsidiaries	14,056	15,886
Joint Venture	212	2,136
Key management executives	3,032	1,517
Debts due by company in which a director of the Bank is interested as director	839,000	1,086,000
<b>On Reverse Repo / Lendings with:</b>		
Subsidiaries	-	8,692

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	Nine Months Period ended September 30, 2014	Nine Months Period ended September 30, 2013
	----- (Rupees in '000') -----	
<b>Expenses for the period</b>		
Remuneration to key management executives	192,071	196,310
Charge for defined benefit plan	63,586	64,989
<b>Mark-up on Deposits of:</b>		
Subsidiaries	19,470	18,113
Associates	49,476	-
Provident fund	1,547,131	1,274,729
Pension fund	189,327	270,562
Key management executives	684	656
Companies in which director is interested as director	-	63,103
<b>Commission paid to subsidiaries</b>	4,112	1,783
<b>Mark-up on Borrowing (Repo / Call):</b>		
Joint Venture	435	154

**18.1 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 earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 4,201 million for the nine months period ended September 30, 2014. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 244,296 million and Rs. 402,525 million respectively.

**19. ISLAMIC BANKING BUSINESS**

The Bank is operating 21 Islamic banking branches as at September 30, 2014 (December 31, 2013: 18). Statement of financial position and profit and loss account are as under:

	September 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Assets</b>		
Cash and balances with treasury banks	139,969	263,743
Balances with other banks	344	80
Investments	2,429,727	4,819,868
Islamic financing and related assets	815,967	951,020
Operating fixed assets	60,566	59,554
Other assets	111,376	162,952
	<b>3,557,949</b>	<b>6,257,217</b>
<b>Liabilities</b>		
Bills Payable	4,293	9,547
Deposits and other accounts		
- Current accounts	804,885	1,520,348
- Saving accounts	701,439	571,311
- Term deposits	724,546	684,746
- Deposit from financial institutions - Remunerative	2,923	2,261,206
Due to Head Office	428,749	283,959
Other liabilities	76,263	58,960
	<b>2,743,098</b>	<b>5,390,077</b>
<b>Net Assets</b>	<b>814,851</b>	<b>867,140</b>
<b>Represented By</b>		
Islamic Banking Fund	800,000	800,000
Unappropriated profit	13,371	67,140
	<b>813,371</b>	<b>867,140</b>
Surplus on revaluation of assets - net	1,480	-
	<b>814,851</b>	<b>867,140</b>

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Nine Months Period Ended September 30, 2014**

	<b>Nine Months Period ended</b>	Nine Months Period ended
	<b>September 30, 2014</b>	September 30, 2013
	----- (Rupees in '000') -----	
<b><u>PROFIT AND LOSS ACCOUNT</u></b>		
Profit / Return earned on financings, investments and placements	352,285	386,115
Profit / Return expensed on deposit	133,226	116,958
Profit equalization reserve	-	3,777
Net spread earned	<u>219,059</u>	<u>265,380</u>
Depreciation on assets given on ijarah	<u>(51,970)</u>	<u>(97,342)</u>
	<b>167,089</b>	<b>168,038</b>
Provision against advances and investments	-	-
Provision reversed against advances and investments	<u>7,380</u>	<u>2,708</u>
	<u>7,380</u>	<u>2,708</u>
Profit after provision	<b>174,469</b>	<b>170,746</b>
<b>Other income</b>		
Fee, commission and brokerage income	<u>50,608</u>	<u>2,805</u>
Income from dealing in foreign currencies	<u>(373)</u>	<u>2,241</u>
Other income	<u>(170)</u>	<u>147</u>
Total other income	<u>50,065</u>	<u>5,193</u>
	<b>224,534</b>	<b>175,939</b>
<b>Other expenses</b>		
Administrative expenses	<u>(211,163)</u>	<u>(112,985)</u>
<b>Profit before taxation</b>	<u><b>13,371</b></u>	<u><b>62,954</b></u>
<b><u>CASH FLOW STATEMENT</u></b>		
<b>Cash Flow from Operating Activities</b>		
Profit for the period	13,371	62,954
<b>Adjustments :</b>		
Depreciation - Own assets	<u>1,983</u>	<u>470</u>
Depreciation - Ijarah assets	<u>51,970</u>	<u>97,342</u>
Reversal against non performing financings	<u>(7,380)</u>	<u>(2,708)</u>
Profit equalization reserve	<u>46,573</u>	<u>3,777</u>
	<u>46,573</u>	<u>98,881</u>
	<b>59,944</b>	<b>161,835</b>
<b>(Increase) / Decrease in operating assets</b>		
Due from Financial Institutions	<u>(264)</u>	<u>753,832</u>
Financings	<u>2,482,085</u>	<u>(1,775,188)</u>
Other assets	<u>51,576</u>	<u>(38,833)</u>
	<u>2,533,397</u>	<u>(1,060,189)</u>
<b>(Increase) / Decrease in operating liabilities</b>		
Bills payable	<u>(5,254)</u>	<u>9,069</u>
Deposits and other accounts	<u>(2,803,818)</u>	<u>406,149</u>
Borrowings from Head Office	<u>77,650</u>	<u>482,946</u>
Other liabilities	<u>17,303</u>	<u>63,218</u>
	<u>(2,714,119)</u>	<u>961,382</u>
<b>Net cash (used in) / generated from operating activities</b>	<u><b>(120,778)</b></u>	<u><b>63,028</b></u>
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	<u>(2,996)</u>	<u>(40,424)</u>
Net cash used in investing activities	<u>(2,996)</u>	<u>(40,424)</u>
<b>Cash Flow from Financing Activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>(Decrease) / Increase in cash and cash equivalents</b>	<u><b>(123,774)</b></u>	<u><b>22,604</b></u>
Cash and cash equivalents at beginning of the Nine Months Period	<u>263,743</u>	<u>173,725</u>
<b>Cash and cash equivalents at the end of the Nine Months Period</b>	<u><b>139,969</b></u>	<u><b>196,329</b></u>

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Nine Months Period Ended September 30, 2014**

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**20. 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 October 29, 2014.

**21. GENERAL**

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

21.2 The comparative figures in profit and loss account for the Nine Months Period ended September 30, 2013 has been restated due to retrospective adjustments made in respect of actuarial valuation of employee benefit obligations as explained in note 5.1.3 to the annual financial statements. The impact of such restatements is summarized below:

Increase in administrative expenses	<u>649,617</u>
Decrease in net profit for the period	<u>422,251</u>
Increase in other comprehensive income	<u>1,530,777</u>
Decrease in EPS (Rs.)	<u>0.20</u>

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**Chairman**

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**President**

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**Director**

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**Director**

**NATIONAL BANK OF PAKISTAN**

**Consolidated Financial Statements**

**for**

**Quarter ended September 30, 2014**

## Directors' Report to the shareholders on Consolidated Financial Statements

It gives me great pleasure to present on behalf of the Board of Directors the Consolidated Report of the bank for the nine months period ended September 30, 2014.

The operating results and appropriations as recommended by the Board are given below: -

	<b>Rs. In million</b>
<b>Profit before taxation for the nine months Period ended September 30, 2014</b>	17,683
Taxation	
Current year	5,538
Prior year(s)	-
Deferred	471
	<u>6,009</u>
After tax profit	11,674
Un-appropriated profit brought forward	49,734
Other comprehensive income-net of tax	(205)
Transfer from surplus on revaluation of fixed assets	94
Profit available for appropriation	<u>61,297</u>
Transfer to Statutory Reserve (10% of after tax profit)	(1,207)
Cash Dividend paid	(4,255)
	<u>(5,462)</u>
Un-appropriated profit carried forward	<u>55,835</u>
Earning per share (Rs.)	5.51

On behalf of the Board of Directors

Syed Ahmed Iqbal Ashraf

President

Date: October 29, 2014

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Financial Position**  
**As at September 30, 2014**

		(Un-Audited) September 30 2014	(Audited) December 31 2013
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash and Balances with Treasury Banks		<b>106,755,836</b>	158,230,033
Balances with other Banks		<b>13,948,706</b>	18,388,738
Lendings to Financial Institutions		<b>50,837,633</b>	51,941,866
Investments - net	7	<b>507,255,587</b>	396,411,825
Advances - net	8	<b>610,558,848</b>	620,216,609
Operating Fixed Assets - net	9	<b>34,204,900</b>	34,568,864
Deferred Tax Assets	10	<b>9,422,978</b>	10,968,824
Other Assets		<b>85,685,713</b>	80,991,187
		<b>1,418,670,201</b>	1,371,717,946
<b>LIABILITIES</b>			
Bills Payable		<b>13,645,707</b>	13,894,667
Borrowings		<b>64,239,802</b>	23,014,353
Deposits and other Accounts	11	<b>1,097,801,922</b>	1,101,845,283
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		<b>58,413</b>	57,215
Deferred Tax Liabilities		-	-
Other Liabilities		<b>73,105,076</b>	72,242,898
		<b>1,248,850,920</b>	1,211,054,416
<b>NET ASSETS</b>			
		<b>169,819,281</b>	160,663,530
<b>REPRESENTED BY</b>			
Share capital		<b>21,275,131</b>	21,275,131
Reserves		<b>32,960,524</b>	33,536,713
Unappropriated profit		<b>55,834,833</b>	49,734,161
		<b>110,070,488</b>	104,546,005
Minority Interest		<b>850,114</b>	820,663
		<b>110,920,603</b>	105,366,668
Surplus on Revaluation of Assets - net	12	<b>58,898,678</b>	55,296,862
		<b>169,819,281</b>	160,663,530
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

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**Chairman**

\_\_\_\_\_  
**President**

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**Director**

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**Director**

**National Bank of Pakistan**  
**Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)**  
**For the Quarter ended September 30, 2014**

		Quarter Ended September 30 2014	Nine Months Ended September 30 2014	Quarter Ended September 30 2013	Nine Months Ended September 30 2013
	Note	----- (Rupees in '000') -----			
					(Restated)
Mark-up / Return / Interest earned		29,108,478	83,398,431	23,342,306	73,454,821
Mark-up / Return / Interest expensed		18,577,025	52,832,690	14,981,557	44,567,185
Net Mark-up / Interest income		10,531,453	30,565,741	8,360,749	28,887,636
Provision against non-performing advances- net	8.2	1,336,385	3,326,218	5,615,395	12,142,864
Provision for diminution in the value of investments- net	7.2	(419,536)	444,191	(1,076,042)	(168,830)
Provision against off balance sheet obligations		-	(339,200)	-	-
Bad debts written off directly		-	-	58	2,971
		916,849	3,431,209	4,539,411	11,977,005
Net Mark-up / Interest Income after Provisions		9,614,604	27,134,532	3,821,338	16,910,631
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission & brokerage income		2,641,670	8,968,551	2,605,705	8,456,597
Dividend income		584,311	1,644,030	706,025	2,018,547
Income from dealing In foreign currencies		1,225,153	3,392,251	961,677	2,906,312
Gain on sale and redemption of securities - net		1,435,639	6,006,094	632,867	3,416,062
Unrealized(loss) on revaluation of investments classified as held-for-trading		(117)	(7)	(86,994)	(137,183)
Share of profit from joint ventures		92,412	111,571	36,041	419,192
Share of loss from associates		(43,446)	(653,333)	(243,301)	(315,880)
Other income	14	976,320	2,787,984	564,202	1,960,316
Total non mark-up / interest income		6,911,942	22,257,141	5,176,222	18,723,963
		16,526,546	49,391,673	8,997,560	35,634,594
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		10,116,590	30,282,581	9,259,928	27,553,148
Other provisions / write offs	15	563,629	1,378,771	39,271	442,591
Other charges		(17,295)	8,440	2,770	11,805
Total non mark-up / interest expenses		10,662,924	31,669,792	9,301,969	28,007,544
		5,863,622	17,721,881	(304,409)	7,627,050
Extra ordinary items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		5,863,622	17,721,881	(304,409)	7,627,050
Taxation - Current		2,200,611	5,538,425	1,594,118	4,874,790
- Prior year(s)		116	-	1,898	817,843
- Deferred		(349,217)	470,936	(1,821,639)	(4,029,542)
		1,851,510	6,009,361	(225,623)	1,663,091
<b>PROFIT AFTER TAXATION</b>		4,012,112	11,712,520	(78,786)	5,963,959
Share holders of the bank		4,003,986	11,673,503	(93,760)	5,917,998
Minority Interest		8,126	39,017	14,974	45,961
		4,012,112	11,712,520	(78,786)	5,963,959
<b>Basic and Diluted Earnings per Share (Rupees)</b>	16	1.89	5.51	(0.04)	2.80

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
**For the Quarter ended September 30, 2014**

	<b>Quarter ended September 30 2014</b>	<b>Nine Months ended September 30 2014</b>	<b>Quarter ended September 30 2013</b>	<b>Nine Months ended September 30 2013 (Restated)</b>
	----- (Rupees in '000') -----			
<b>Profit after taxation</b>	<b>4,012,112</b>	<b>11,712,520</b>	(78,786)	5,963,959
<b>Other comprehensive income:</b>				
<b>Items to be reclassified to profit or loss in subsequent periods:</b>				
Exchange gain on translation of net assets of foreign branches	<b>224,599</b>	<b>(1,782,727)</b>	836,026	1,951,264
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>				
Remeasurements of defined benefit liability	<b>(148,395)</b>	<b>(315,676)</b>	3,331,568	709,525
Related tax effects	<b>51,939</b>	<b>110,487</b>	(1,166,049)	(248,334)
	<b>(96,456)</b>	<b>(205,189)</b>	2,165,519	461,191
<b>Other comprehensive income - net of tax</b>	<b>128,143</b>	<b>(1,987,916)</b>	3,001,545	2,412,455
<b>Total comprehensive income transferred to equity</b>	<b>4,140,255</b>	<b>9,724,604</b>	2,922,759	8,376,414

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

\_\_\_\_\_  
**Chairman**

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**President**

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**Director**

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**Director**

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)**  
**For the Quarter ended September 30, 2014**

Share capital	Attributable to the shareholders of the bank					Sub Total	Non Controlling Interest	Total	
	Reserves				Unappropriated profit				
	Exchange Translation	Capital		Revenue General					
Bonus Shares Issue		Statutory							
(Rupees in '000)									
Balance as at January 1, 2013	18,500,114	9,300,252	-	20,483,620	521,338	59,332,321	108,137,645	790,878	108,928,523
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the nine months ended September 30, 2013 (Restated)	-	-	-	-	-	5,917,998	5,917,998	45,961	5,963,959
Other comprehensive income - net of tax	-	1,951,264	-	-	-	461,191	2,412,455	-	2,412,455
	-	1,951,264	-	-	-	6,379,189	8,330,453	45,961	8,376,414
Transferred from surplus on revaluation of fixed assets to unappropriated profit- net of tax	-	-	-	-	-	75,708	75,708	-	75,708
Transfer to Statutory Reserve	-	-	-	1,249,264	-	(1,249,264)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Issue of Bonus shares (15%)	2,775,017	-	-	-	-	(2,775,017)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,950,079)	(12,950,079)	-	(12,950,079)
	-	-	-	-	-	(15,725,096)	(12,950,079)	-	(12,950,079)
<b>Balance as at September 30, 2013</b>	<b>21,275,131</b>	<b>11,251,516</b>	<b>-</b>	<b>21,732,884</b>	<b>521,338</b>	<b>48,812,858</b>	<b>103,593,726</b>	<b>836,839</b>	<b>104,430,565</b>
<b>Total Comprehensive Income for the period</b>									
Profit after tax for three months period ended December 31, 2013	-	-	-	-	-	(643,219)	(643,219)	(13,957)	(657,176)
<b>Other comprehensive income - net of tax</b>	-	180,234	-	-	-	1,359,151	1,539,385	-	1,539,385
	-	180,234	-	-	-	715,932	896,166	(13,957)	882,209
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	56,113	56,113	-	56,113
Transfer to Statutory Reserve	-	-	-	(149,259)	-	149,259	-	-	-
Cash dividend paid/ profit distribution by subsidiaries	-	-	-	-	-	-	-	(2,219)	(2,219)
<b>Balance as at December 31, 2013</b>	<b>21,275,131</b>	<b>11,431,750</b>	<b>-</b>	<b>21,583,625</b>	<b>521,338</b>	<b>49,734,161</b>	<b>104,546,005</b>	<b>820,663</b>	<b>105,366,668</b>
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the nine months ended September 30, 2014	-	-	-	-	-	11,673,503	11,673,503	39,017	11,712,520
Other comprehensive income - net of tax	-	(1,782,727)	-	-	-	(205,189)	(1,987,916)	-	(1,987,916)
	-	(1,782,727)	-	-	-	11,468,314	9,685,587	39,017	9,724,604
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	93,923	93,923	-	93,923
Transfer to Statutory Reserve	-	-	-	1,206,539	-	(1,206,539)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)	-	(4,255,026)
Cash dividend paid/ profit distribution by subsidiaries	-	-	-	-	-	-	-	(9,566)	(9,566)
	-	-	-	-	-	(4,255,026)	(4,255,026)	-	(4,264,592)
<b>Balance as at September 30, 2014</b>	<b>21,275,131</b>	<b>9,649,023</b>	<b>-</b>	<b>22,790,164</b>	<b>521,338</b>	<b>55,834,833</b>	<b>110,070,489</b>	<b>850,114</b>	<b>110,920,603</b>

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)**  
**For the Quarter ended September 30, 2014**

	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013 (Restated)
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	17,721,881	7,627,050
Less: Dividend income	1,644,030	2,018,547
	<u>16,077,851</u>	<u>5,608,503</u>
<b>Adjustments:</b>		
Depreciation	2,123,693	994,900
Provision against non-performing advances	3,326,218	12,142,864
Provision / (reversal) for diminution in the value of investments	444,191	(168,830)
Provision against off balance sheet obligations	(339,200)	-
Other provisions / write offs	1,378,771	442,591
Gain on sale of fixed assets	(20,048)	(6,279)
Financial charges on leased assets	5,678	9,187
Share of (gain)/ loss from joint ventures	(111,571)	(419,192)
Share of loss from associates	653,333	315,880
	<u>7,461,065</u>	<u>13,311,121</u>
	<b>23,538,916</b>	<b>18,919,624</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	1,104,233	(30,178,805)
Held-for-trading securities	1,980,942	(195,707)
Advances	6,048,144	4,976,147
Other assets (excluding advance taxation - net)	(4,276,471)	(4,865,177)
	<u>4,856,848</u>	<u>(30,263,542)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(248,960)	(3,460,946)
Borrowings	41,463,916	(19,396,091)
Deposits and other accounts	(4,043,361)	(16,583,660)
Other liabilities	862,178	2,269,507
	<u>38,033,773</u>	<u>(37,171,190)</u>
Income tax paid	(7,473,441)	(3,268,600)
Financial charges paid	(5,678)	(9,187)
	<u>(7,479,119)</u>	<u>(3,277,787)</u>
<b>Net cash flow from operating activities</b>	<b>58,950,418</b>	<b>(51,792,896)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from / (Net investments) in available-for-sale securities	(22,614,506)	(7,950,259)
Net investments in held-to-maturity securities	(88,338,609)	(2,892,539)
Dividend income received	1,644,030	2,018,547
Proceeds from / (purchased of) investments in associates and subsidiaries	2,425,436	11,214,750
Investments in operating fixed assets	(1,752,729)	(1,705,438)
Sale proceeds of property and equipment disposed off	37,281	33,030
<b>Net cash (used) in investing activities</b>	<b>(108,599,097)</b>	<b>718,091</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of lease obligations	(5,802)	(35,880)
Dividend paid	(4,238,554)	(12,845,610)
<b>Net cash used in financing activities</b>	<b>(4,244,356)</b>	<b>(12,881,490)</b>
Effects of exchange rate changes on cash and cash equivalents	(1,782,727)	1,115,238
<b>Net increase in cash and cash equivalents</b>	<b>(55,675,762)</b>	<b>(62,841,057)</b>
Cash and cash equivalents at beginning of the period	176,361,171	189,151,571
Cash and cash equivalents at the end of the period	<u>120,685,409</u>	<u>126,310,514</u>

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Notes to the condensed consolidated financial statements - unaudited**  
**For the nine months period ended September 30, 2014**

**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 1,349 (2013: 1,342) branches in Pakistan and 23 (2013: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to Long Term Credit Fund (LTFCF), & 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/233/627/2002-765 dated November 12, 2013 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 0.00095% 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, 2014 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, 2013.

## 3. BASIS OF MEASUREMENT

These condensed interim consolidated financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amount, certain investments, commitments in respect of certain forward foreign exchange contracts and derivatives financial instruments had been marked to market and are carried at fair value.

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

## 4. ACCOUNTING POLICIES

The accounting policies adopted for preparation of these condensed interim consolidated financial statements are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2013 except as described below:

### **New / Revised Standards, Interpretations and Amendments**

The Company has adopted the following amendments and interpretation of IFRSs which became effective for the current year:

IAS 32 – Financial Instruments : Presentation – (Amendment)  
-Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)  
-Recoverable Amount Disclosures for Non-Financial Assets

IFRIC 21 – Levies

The adoption of the above amendments to accounting standards and interpretation did not have any effect on the financial statements.

## 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates/judgments and associated assumptions used in the preparation of these interim condensed unconsolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2013, except for change in depreciation method on furniture & fixture, office equipment and generators from WDV method to Straight Line Method as the straight line method more closely reflects the expected use of asset by the Bank. Had there been no change, the depreciation expenses would have been lower and profit before tax would have been higher by Rs 177 million.

## 6. 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, 2013.

## 7. INVESTMENTS-net

	September 30, 2014 (Un-audited)			December 31, 2013 (Audited)		
	Held by	Given as	Total	Held by	Given as	Total
	bank	collateral		bank	collateral	
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
<b>Note</b>						
<b>7.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Ordinary shares of listed companies	90,083	-	90,083	114,333	-	114,333
Market Treasury Bills	17,436	-	17,436	-	-	-
Investment in mutual funds	350,895	-	350,895	328,112	-	328,112
Ijarah sukuk bonds	-	-	-	1,997,100	-	1,997,100
Pakistan Investment Bonds	189	-	189	-	-	-
<b>Total Held-for-Trading Securities</b>	<b>458,603</b>	<b>-</b>	<b>458,603</b>	<b>2,439,545</b>	<b>-</b>	<b>2,439,545</b>
<b>Available- for- sale securities</b>						
Ordinary shares of listed companies	25,520,149	-	25,520,149	27,731,792	-	27,731,792
Ordinary shares of unlisted companies	1,378,080	-	1,378,080	1,136,375	-	1,136,375
	26,898,229	-	26,898,229	28,868,167	-	28,868,167
Market Treasury Bills	95,659,122	73	95,659,195	194,001,739	2,816,656	196,818,304
Preference shares	676,740	-	676,740	1,259,400	-	1,259,400
Pakistan Investment Bonds	188,851,769	9,912	188,861,681	57,440,487	-	57,440,487
GoP Foreign Currency Bonds	5,847,155	-	5,847,155	5,873,456	-	5,873,456
Foreign Currency Debt Securities	3,700,273	-	3,700,273	4,951,075	-	4,951,075
Term Finance Certificates / Musharika and Sukuk Bonds	18,938,899	-	18,938,899	20,395,915	-	20,395,915
Investment in Mutual funds	2,670,499	-	2,670,499	3,664,571	-	3,664,571
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
<b>Total Available- for- sale securities</b>	<b>343,705,981</b>	<b>9,985</b>	<b>343,715,966</b>	<b>316,918,105</b>	<b>2,816,656</b>	<b>319,734,670</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	106,649,209	-	106,649,209	17,964,729	-	17,964,729
Market Treasury Bills	458,987	-	458,987	466,254	-	466,254
GoP Foreign Currency Bonds	1,554,281	-	1,554,281	1,552,435	-	1,552,435
Foreign Government Securities	6,689,231	-	6,689,231	6,633,499	-	6,633,499
Foreign Currency Debt Securities	396	-	396	407	-	407
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	3,077,046	-	3,077,046	3,473,217	-	3,473,217
<b>Total Held-to-maturity securities</b>	<b>118,429,150</b>	<b>-</b>	<b>118,429,150</b>	<b>30,090,541</b>	<b>-</b>	<b>30,090,541</b>
<b>Investments in joint venture</b>						
Investments in associates	3,641,226	-	3,641,226	3,378,076	-	3,378,076
Investments in subsidiaries	12,461,984	-	12,461,984	15,150,570	-	15,150,570
Investment at cost	1,245	-	1,245	1,245	-	1,245
Less: Provision for diminution in value of Investments	478,698,189	9,985	478,708,174	367,978,082	2,816,656	370,794,647
<b>Investments (net of provisions)</b>	<b>(17,253,002)</b>	<b>-</b>	<b>(17,253,002)</b>	<b>(15,445,884)</b>	<b>-</b>	<b>(15,445,884)</b>
Deficit / Surplus on revaluation of Held-for-trading securities	461,445,187	9,985	461,455,172	352,532,198	2,816,656	355,348,763
Surplus on revaluation of Available-for-sale securities	(7)	-	(7)	(139)	-	(139)
<b>Total investments</b>	<b>45,790,437</b>	<b>9,985</b>	<b>45,800,422</b>	<b>41,055,982</b>	<b>7,219</b>	<b>41,063,201</b>
	<b>507,235,617</b>	<b>19,970</b>	<b>507,255,587</b>	<b>393,588,041</b>	<b>2,823,875</b>	<b>396,411,825</b>



8.1 Advances include Rs. 119,413 million (2013: Rs.116,098 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2014 (Un-audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	7,858,192	-	7,858,192	24,537	24,537
Substandard	13,093,437	882,401	13,975,838	2,600,326	2,600,326
Doubtful	6,966,155	1,531,256	8,497,411	3,862,802	3,862,802
Loss	70,345,124	18,735,953	89,081,077	84,005,351	84,005,351
	<b>98,262,908</b>	<b>21,149,610</b>	<b>119,412,518</b>	<b>90,493,016</b>	<b>90,493,016</b>

  

Category of Classification	December 31, 2013 (Audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	525,603	-	525,603	3,272	3,272
Substandard	15,800,716	279,351	16,080,067	3,721,184	3,721,184
Doubtful	5,521,556	1,512,833	7,034,389	3,241,823	3,241,823
Loss	74,420,399	18,037,891	92,458,290	83,037,307	83,037,307
	<b>96,268,274</b>	<b>19,830,075</b>	<b>116,098,349</b>	<b>90,003,586</b>	<b>90,003,586</b>

## 8.2 Particulars of provision against non-performing advances

	September 30, 2014 (Un-audited)			December 31, 2013 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	90,003,586	2,875,887	92,879,473	72,387,127	3,308,578	75,695,705
Foreign exchange adjustments	(310,827)	(15,038)	(325,865)	385,746	50,462	436,208
Charge for the period	5,272,020	867,185	6,139,205	21,474,619	465,258	21,939,877
Reversals	(2,812,987)	-	(2,812,987)	(3,721,894)	(758,653)	(4,480,547)
	<b>2,459,033</b>	<b>867,185</b>	<b>3,326,218</b>	<b>17,752,725</b>	<b>(293,395)</b>	<b>17,459,330</b>
Transfer (out) / in	(1,650,189)	-	(1,650,189)	111,092	(209,826)	(98,734)
Amounts written off	(17,458)	-	(17,458)	(1,087)		(1,087)
Amounts charged off	(4,995)	-	(4,995)	(578,716)		(578,716)
Other adjustments	13,866	(14,770)	(904)	(53,301)	20,068	(33,233)
Closing balance	<b>90,493,016</b>	<b>3,713,264</b>	<b>94,206,280</b>	<b>90,003,586</b>	<b>2,875,887</b>	<b>92,879,473</b>

8.3 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. 3,786 million (December 31, 2013: Rs. 7,304 million). Accordingly, as of September 30, 2014, the accumulated profit after tax of Rs. 2,461 million (December 31, 2013: Rs.4,748 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

8.4 General provision against consumer loans and Small and Medium Enterprise (SME) financing, 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.

8.5 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. During the period SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of September 30, 2014, 70% 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, 2015 Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 752 million (December 31, 2013: Rs. 1,226 million) and the profit before taxation would have been lower by the same amount.

8.6 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.

9. OPERATING FIXED ASSETS	September 30	December 31
	2014	2013
	(Un-audited)	(Audited)
	----- (Rupees in '000') -----	
Capital work-in-progress	1,709,874	2,816,408
Property and equipment	30,952,348	31,166,750
Intangible assets	1,542,678	585,706
	<b>34,204,900</b>	<b>34,568,864</b>

9.1 Additions and disposals during the period amounted to Rs. 1,381 million (September 30, 2013: Rs. 640 million) and Rs. 106 million (September 30, 2013: Rs. 41 million) respectively.

	September 30 2014 (Un-audited)	December 31 2013 (Audited)
<b>10. DEFERRED TAX ASSETS - net</b>		
<b>Deductible temporary differences on:</b>		
Provision for diminution in the value of investments	3,635,843	3,481,832
Provision against advances	4,557,228	6,634,726
Other provision	1,763,082	1,281,478
Charge against defined benefits plans	8,574,611	7,745,875
Unrealized loss on derivatives	691,907	691,907
Provision against off balance sheet obligation	116,622	116,622
	<u>19,339,293</u>	<u>19,952,440</u>
<b>Taxable temporary differences on:</b>		
Excess of accounting book value of leased assets over lease liabilities	(8,549)	(16,202)
Difference between accounting book value of fixed assets and tax base	(50,748)	(245,340)
Revaluation of securities	(8,549,949)	(7,364,431)
Revaluation of operating fixed assets	(1,307,069)	(1,357,643)
	<u>(9,916,315)</u>	<u>(8,983,616)</u>
Net deferred tax liabilities	<u>9,422,978</u>	<u>10,968,824</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	276,128,343	290,646,462
Savings deposits	332,213,501	314,519,205
Current accounts - remunerative	120,970,444	114,379,969
Current accounts - non-remunerative	262,177,899	236,860,331
	<u>991,490,187</u>	<u>956,405,967</u>
<b>Financial Institutions</b>		
Remunerative deposits	56,725,942	49,801,525
Non-remunerative deposits	49,585,793	95,637,791
	<u>106,311,735</u>	<u>145,439,316</u>
	<u>1,097,801,922</u>	<u>1,101,845,283</u>
<b>12. SURPLUS ON REVALUATION OF ASSETS - net</b>		
Surplus on Revaluation of Fixed Assets - net of Tax	23,232,767	23,490,314
Deferred tax liability	(1,307,069)	(1,357,643)
	<u>21,925,698</u>	<u>22,132,671</u>
<b>Surplus on Revaluation of Securities - net of Tax</b>		
Federal Government securities	693,031	797,268
Term Finance Certificates	(4,812)	(8,795)
Shares and Mutual Funds	22,068,151	21,725,355
GoP Foreign Currency Bonds	460,385	388,652
Foreign Currency Debt Securities	147,541	145,270
Investment outside Pakistan	22,436,126	18,015,451
	<u>45,800,422</u>	<u>41,063,201</u>
Deferred tax Liability Recognized	(8,549,949)	(7,364,431)
Share of Revaluation Loss on Securities of Associates	(277,492)	(534,579)
	<u>58,898,678</u>	<u>55,296,862</u>
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
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	2,263,245	2,593,191
- Financial institutions	2,230,167	2,555,291
- Others	14,412,801	16,513,963
	<u>18,906,213</u>	<u>21,662,445</u>

### 13.2 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	18,014,255	17,078,928
- Financial institutions	4,829,282	4,578,538
- Others	35,662,309	33,810,668
	<u>58,505,846</u>	<u>55,468,134</u>

### 13.3 Trade-related contingent liabilities

Letters of credit  
Issued on behalf of

- Government	135,213,277	136,703,020
- Financial institutions	8,874,956	8,972,738
- Others	60,229,534	60,893,127
	<u>204,317,767</u>	<u>206,568,885</u>

### 13.4 Other contingencies

**13.4.1** Claims against the Group not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.192 million (2013: Rs. 188 million) and claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2013: Rs. 1,597 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably.

<u>13,372,031</u>	<u>13,974,192</u>
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#### 13.4.2 Taxation

The tax returns of the Group have been filed and amended by the tax authorities up to Tax Year 2013. For Azad Kashmir Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2013.

During the period, the order for the tax year 2013 was rectified which resulted in increase in determined refunds amounting to Rs 1,637 million. Further in respect of monitoring of withholding taxes under section 149, 150 and 151 of the Income Tax Ordinance, 2001, for the tax years 2009 to 2013, the tax department has rectified the orders which resulted in decrease in demand of Rs. 574 million for all years which is subject to further rectification. An appeal is also pending before the Appellate Tribunal Inland Revenue on legal grounds.

The other matters under contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on September 30, 2014 amounts to Rs.10,461 million (September 30, 2013: Rs. 10,593 million). No provision has been made against these contingencies based on the opinion of tax consultants of the Group who expect favourable outcome upon decision of pending appeals.

FBR have also passed orders under provisions of the FED Act in respect of the Federal Excise Duty payable on the services rendered by the Group for the tax year 2014. The demand raised includes FED recoverable from SBP amounting to Rs. 229 million on the commission income derived from the treasury services provided to the State Bank of Pakistan/ Federal Government of Pakistan. Appeals have been filed before various appellate forums including reference and constitutional petitions before High Court of Sindh wherein apart from other legal grounds, the principal ground is levy of duty on service which are not specified in the First Schedule to the Customs Act, 1969 and specially for Tax year 2011 levy of duty by FBR on services provided in province of Sindh after promulgation of Sindh Sales Tax on Services Act, 2011.

The Group is also contesting levy of Sindh Sales Tax amounting to Rs. 171.45 million for the period from July, 2011 to March, 2012 on the services provided to Federal Government through State Bank of Pakistan in the province of Sindh, principally on the ground that the Federal Government/State Bank of Pakistan cannot be subject to provincial levy under the provisions of the Constitution of the Islamic Republic of Pakistan.

#### 13.4.3 Other contingencies

The status of contingencies in respect of barter trade agreement, golden handshake and pensionary benefits to retired employees is same as disclosed in the annual financial statements of the Group for the year ended September 30, 2013. In case of encashment of unavailed leaves, the Lahore High Court dismissed the petitions of the subject ex-employees in April 2014. Some of the Petitioners have filed Inter Court appeals against the judgment however notices in that regard have not yet been received.

	(Un-Audited) September 30 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
<b>13.5 Commitments in respect of forward exchange contracts</b>		
Purchase	218,327,306	204,673,055
Sale	118,675,597	132,796,307
<b>13.6 Other Commitments</b>		
Professional services to be received	144,183	61,330
<b>13.7 Commitments for the acquisition of operating fixed assets</b>	1,777,408	1,732,023

#### 14. OTHER INCOME

Other income includes Rs. 2,626 million (September 30, 2013: Rs. 1,803 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

#### 15. OTHER PROVISIONS / WRITE OFFS

These include provision of Rs. 814 million made on account of shortfall in certain collection accounts and other financial improprieties for which investigation and legal actions are being taken by the Bank.

	Quarter Ended September 30 2014	Nine Months Ended September 30 2014	Quarter Ended September 30 2013	Nine Months Ended September 30 2013
<b>16. BASIC AND DILUTED EARNINGS PER SHARE</b>				
Profit after taxation (Rupees in '000)	4,012,112	11,712,520	(78,786)	5,963,959
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)	1.89	5.51	(0.04)	2.80

16.1 Earnings per share for the periods ended March 31, 2013 and June 30, 2013 has been restated for the effect of bonus shares issued.

#### 17. 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 -----								
<b>September 30, 2014-Unaudited</b>									
Total income	439,883	230,907	7,549,729	38,087,051	1,301,688	4,261,885	864,854	86,885	52,822,882
Inter segment revenue	-	(40,502)	10,024,390	(9,983,888)	-	-	-	-	-
Total expenses	16,515	41,952	12,914,372	16,014,565	1,241,123	4,021,633	781,911	68,930	35,101,001
<b>Net income</b>	<b>423,368</b>	<b>148,453</b>	<b>4,659,747</b>	<b>12,088,598</b>	<b>60,565</b>	<b>240,252</b>	<b>82,943</b>	<b>17,955</b>	<b>17,721,881</b>
Segment Assets	-	2,899,716	237,398,767	1,155,417,823	-	19,580,689	2,881,504	491,702	1,418,670,201
Segment Non-Performing Loans	-	-	19,304,403	100,108,115	-	-	-	-	119,412,518
Segment Specific Provision Required	-	-	6,220,629	84,272,387	-	-	-	-	90,493,016
Segment Liabilities	-	-	281,323,795	933,245,617	-	32,186,824	1,901,398	193,286	1,248,850,920
Segment Return on Assets (ROA) (%)	0.00%	8.72%	2.09%	1.58%	0.00%	2.51%	2.88%	3.65%	
Segment Cost of Fund (%)	0.00%	0.00%	6.65%	6.00%	0.00%	0.00%	0.18%	0.42%	
<b>September 30, 2013- Unaudited</b>									
Total income	267,329	293,629	8,289,148	32,710,089	1,375,274	3,990,775	596,489	88,866	47,611,599
Inter segment revenue	-	85,768	7,057,949	(7,143,717)	-	-	-	-	-
Total expenses	15,209	697,586	11,197,960	22,626,108	1,141,028	3,802,551	439,857	64,250	39,984,549
<b>Net income</b>	<b>252,120</b>	<b>(318,189)</b>	<b>4,149,137</b>	<b>2,940,264</b>	<b>234,246</b>	<b>188,224</b>	<b>156,632</b>	<b>24,616</b>	<b>7,627,050</b>
Segment Assets	-	1,063,678	229,196,444	1,030,582,673	-	17,245,614	2,923,630	633,358	1,281,645,397
Segment Non-Performing Loans	-	-	11,632,429	84,219,061	-	-	-	-	95,851,490
Segment Specific Provision Required	-	-	7,637,257	77,607,405	-	-	-	-	79,135,251
Segment Liabilities	-	-	246,865,648	869,788,419	-	11,024,594	1,981,000	328,847	1,129,988,508
Segment Return on Assets (ROA) (%)	0.00%	-29.91%	2.77%	0.24%	0.00%	1.98%	5.36%	2.63%	
Segment Cost of Fund (%)	0.00%	0.00%	5.80%	5.95%	0.00%	0.00%	0.18%	0.42%	

## 18. 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.

	2014				2013			
	At January 01,	Given during the Nine Months Period	Repaid during the Nine Months Period	At September 30,	At January 01,	Given during the year	Repaid during the year	At December
----- (Rupees in '000') -----								
<b>Advances</b>								
Key Management Executives	144,607	70,755	(20,380)	202,050	134,343	32,972	(22,708)	144,607
Adjustments*	7,068	-	-	-	-	-	-	-
	151,675	70,755	(20,380)	202,050	134,343	32,972	(22,708)	144,607
Associates	5,433,806	-	(23,194)	5,410,612	4,122,053	1,311,753	-	5,433,806
Debts due by Company in which director is interested as director	9,613,756	80,448,000	(83,279,000)	6,595,256	5,711,940	1,589,000	(10,052,116)	9,613,756
* Adjustment	(187,500)	-	-	-	12,364,932	-	-	-
	9,426,256	80,448,000	(83,279,000)	6,595,256	18,076,872	1,589,000	(10,052,116)	9,613,756
	<u>15,011,737</u>	<u>80,518,755</u>	<u>(83,322,574)</u>	<u>12,207,918</u>	<u>22,333,268</u>	<u>2,933,725</u>	<u>(10,074,824)</u>	<u>15,192,169</u>

	2014				2013			
	At January 01,	Received during the Nine Months Period	Repaid during the Nine Months Period	At September 30,	At January 01,	Received during the year	Repaid during the year	At December
----- (Rupees in '000') -----								
<b>Deposits</b>								
Associates	12,038,914	-	-	12,038,914	15,025,349	-	(2,986,435)	12,038,914
Key Management Executives	13,402	223,894	(209,818)	26,814	15,416	292,747	(297,630)	10,533
Adjustments*	(664)	-	-	-	2,869	-	-	2,869
	12,738	223,894	(209,818)	26,814	18,285	292,747	(297,630)	13,402
Pension Fund (Current)	4,393	22,940,275	(22,941,812)	2,856	4,676	62,759,037	(62,759,320)	4,393
Pension Fund (Fixed Deposit)	11,500,000	7,300,000	(11,500,000)	7,300,000	13,600,000	25,157,100	(27,257,100)	11,500,000
Pension Fund (N.I.D.A A/c)	270,228	12,060,580	(10,833,946)	1,496,862	49,300	18,966,084	(18,745,156)	270,228
Provident Fund (Current)	12,886,715	1,576,729	(1,259,103)	13,204,341	12,448,399	2,695,075	(2,256,759)	12,886,715
	<u>36,712,988</u>	<u>44,101,478</u>	<u>(46,744,679)</u>	<u>34,069,787</u>	<u>41,146,009</u>	<u>109,870,043</u>	<u>(114,302,400)</u>	<u>36,713,652</u>

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

	September 30, 2014	December 31, 2013
----- (Rupees in '000') -----		
<b>Placements with:</b>		
Joint Venture	60,455	37,621
<b>Repo Borrowing from:</b>		
Joint Venture	350,500	171,554
<b>Off-Balance sheet items - Joint Venture</b>	<b>1,033,921</b>	<b>228,721</b>
<b>Investment made in associates</b>	<b>7,550,384</b>	<b>9,890,010</b>
<b>Redemption / sale of investment in associates</b>	<b>10,170,727</b>	<b>20,691,730</b>
	<b>Nine Months Period ended September 30, 2014</b>	<b>Nine Months Period ended September 30, 2013</b>
----- (Rupees in '000') -----		
<b>Income for the period</b>		
On advances / placements with:		
Joint Venture	212	2,136
Key management executives	3,032	1,517
Debts due by company in which a director of the Bank is interested as director	839,000	1,086,000

**Nine Months**    **Nine Months**  
**Period ended**    **Period ended**  
**September 30,**    **September**  
**2014**                **30, 2013**

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

<b>Expenses for the period</b>		
Remuneration to key management executives	192,071	196,310
Charge for defined benefit plan	63,586	64,989
<b>Mark-up on Deposits of:</b>		
Associates	49,476	-
Provident fund	1,547,131	1,274,729
Pension fund	189,327	270,562
Key management executives	684	656
Companies in which director is interested as director	-	63,103
<b>Mark-up on Borrowing (Repo / Call):</b>		
Joint Venture	435	154

#### 18.1 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 earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 4,201 million for the nine months period ended September 30, 2014. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 244,296 million and Rs. 402,525 million respectively.

#### 19. ISLAMIC BANKING BUSINESS

The Bank is operating 21 Islamic banking branches as at September 30, 2014 (December 31, 2013: 18). Statement of financial position and profit and loss account are as under:

**September 30,**    **December 31,**  
**2014**                **2013**

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

#### STATEMENT OF FINANCIAL POSITION

##### Assets

Cash and balances with treasury banks	139,969	263,743
Balances with other banks	344	80
Investments	2,429,727	4,819,868
Islamic financing and related assets	815,967	951,020
Operating fixed assets	60,566	59,554
Other assets	111,376	162,952
	<b>3,557,949</b>	<b>6,257,217</b>

##### Liabilities

Bills Payable	4,293	9,547
Deposits and other accounts		
- Current accounts	804,885	1,520,348
- Saving accounts	701,439	571,311
- Term deposits	724,546	684,746
- Deposit from financial institutions - Remunerative	2,923	2,261,206
Due to Head Office	428,749	283,959
Other liabilities	76,263	58,960
	<b>2,743,098</b>	<b>5,390,077</b>

##### Net Assets

<b>Represented By</b>		
Islamic Banking Fund	800,000	800,000
Unappropriated profit	13,371	67,140
	<b>813,371</b>	<b>867,140</b>
Surplus on revaluation of assets - net	1,480	-
	<b>814,851</b>	<b>867,140</b>

**Nine Months**    Nine Months  
**Period ended**    Period ended  
**September 30,**    September 30,  
**2014**                      2013  
----- (Rupees in '000') -----

**PROFIT AND LOSS ACCOUNT**

Profit / Return earned on financings, investments and placements	352,285	386,115
Profit / Return expensed on deposit	133,226	116,958
Profit equalization reserve		3,777
Net spread earned	<u>219,059</u>	<u>265,380</u>
Depreciation on assets given on ijarah	<u>(51,970)</u>	<u>(97,342)</u>
	<b>167,089</b>	<b>168,038</b>
Provision against advances and investments	-	-
Provision reversed against advances and investments	<u>7,380</u>	<u>2,708</u>
	<u>7,380</u>	<u>2,708</u>
Profit after provision	<b>174,469</b>	<b>170,746</b>
<b>Other income</b>		
Fee, commission and brokerage income	<u>50,608</u>	<u>2,805</u>
Income from dealing in foreign currencies	<u>(373)</u>	<u>2,241</u>
Other income	<u>(170)</u>	<u>147</u>
Total other income	<u>50,065</u>	<u>5,193</u>
	<b>224,534</b>	<b>175,939</b>
<b>Other expenses</b>		
Administrative expenses	<u>(211,163)</u>	<u>(112,985)</u>
<b>Profit before taxation</b>	<u><b>13,371</b></u>	<u><b>62,954</b></u>

**CASH FLOW STATEMENT**

**Cash Flow from Operating Activities**

Profit for the period	13,371	62,954
<b>Adjustments :</b>		
Depreciation - Own assets	<u>1,983</u>	<u>470</u>
Depreciation - Ijarah assets	<u>51,970</u>	<u>97,342</u>
Reversal against non performing financings	<u>(7,380)</u>	<u>(2,708)</u>
Profit equalization reserve		<u>3,777</u>
	<u>46,573</u>	<u>98,881</u>
	<b>59,944</b>	<b>161,835</b>
<b>(Increase) / Decrease in operating assets</b>		
Due from Financial Institutions	<u>(264)</u>	<u>753,832</u>
Financings	<u>2,482,085</u>	<u>(1,775,188)</u>
Other assets	<u>51,576</u>	<u>(38,833)</u>
	<u>2,533,397</u>	<u>(1,060,189)</u>
<b>(Increase) / Decrease in operating liabilities</b>		
Bills payable	<u>(5,254)</u>	<u>9,069</u>
Deposits and other accounts	<u>(2,803,818)</u>	<u>406,149</u>
Borrowings from Head Office	<u>77,650</u>	<u>482,946</u>
Other liabilities	<u>17,303</u>	<u>63,218</u>
	<u>(2,714,119)</u>	<u>961,382</u>
<b>Net cash (used in) / generated from operating activities</b>	<u><b>(120,778)</b></u>	<u><b>63,028</b></u>
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	<u>(2,996)</u>	<u>(40,424)</u>
Net cash used in investing activities	<u><b>(2,996)</b></u>	<u><b>(40,424)</b></u>
<b>Cash Flow from Financing Activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>(Decrease) / Increase in cash and cash equivalents</b>	<u><b>(123,774)</b></u>	<u><b>22,604</b></u>
Cash and cash equivalents at beginning of the Nine Months Period	<u>263,743</u>	<u>173,725</u>
<b>Cash and cash equivalents at the end of the Nine Months Period</b>	<u><b>139,969</b></u>	<u><b>196,329</b></u>

**20. DATE OF AUTHORIZATION FOR ISSUE**

The consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Group in their meeting held on October 29, 2014.

**21. GENERAL**

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

**21.2** The comparative figures in profit and loss account for the Nine Months Period ended September 30, 2013 has been restated due to retrospective adjustments made in respect of actuarial valuation of employee benefit obligations as explained in note 5.1.3 to the annual financial statements. The impact of such restatements is summarized below:

Increase in administrative expenses	<u>649,617</u>
Decrease in net profit for the period	<u>422,251</u>
Increase in other comprehensive income	<u>1,530,777</u>
Decrease in EPS (Rs.)	<u>0.20</u>

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**Chairman**

\_\_\_\_\_  
**President**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**