

QUARTERLY REPORT SEPTEMBER 2018

The Nation's Bank

PREPAID
CARD

CASH N GOLD

NBP
FOREX REMITTANCE

DIGITAL
BANKING

CORPORATE
LENDING

KISAN
DOST

AITEMAAD
AUTO FINANCE



National Bank of Pakistan
نیشنل بینک آف پاکستان

قوم کا اپنا بینک

National Bank of Pakistan
Unconsolidated Condensed Interim Financial Statements
For the Nine Months Period Ended September 30, 2018

Directors' Report to the Members

On behalf of the Board of Directors, we are pleased to present the financial statements of National Bank of Pakistan for the nine months period ended September 30, 2018.

Bank's Performance Highlights:

For the nine months period ended September 30, 2018, the Bank's unconsolidated pre-provision profit amounted to PKR 28.10 billion which is 13.15% higher as compared to PKR 24.83 billion for the corresponding period last year. Pre-tax profit amounted to PKR 23.12 billion as against PKR 23.22 billion for the corresponding period of 2017, registering a marginal decrease of 0.46%. After-tax profit increased by PKR 1.47 billion or 10% from PKR 14.71 billion to PKR 16.18 billion. This represents a return on average assets (RoA) of 0.89%, compared to the RoA of 0.93% in September 2017, and translates into pre-tax and after-tax return on equity of 22.95% and 16.1% respectively. Earnings per share amounted to Rs. 7.60 as against Rs. 6.91 for the nine month period ended September 30, 2017.

Mark-up/interest income: During the period under review, the Bank has earned mark-up/interest income amounting to PKR 105.22 billion, being 19.82% higher than PKR 87.82 billion earned during the corresponding period last year. This growth is achieved mainly through volumetric growth in both investment and advances coupled with the impact of so far of 2.75% increase in the policy rate. Net mark-up/interest income for the period under review amounted to PKR 43.55 billion, being 13.69% higher against PKR 38.31 billion earned during the corresponding period last year. During this period, the Bank booked provision charge against advances amounted to PKR 4.00 billion as against PKR 2.41 billion, and on account of investments Rs. 440 million as against a reversal of Rs. 2.39 billion during the similar period last year.

Cost of funds however increased during the 3rd quarter to 4.3% as compared to 3.9% till June 2018. Increase in cost of funds is mainly attributable to higher volume of Repo transactions which mainly constitutes borrowings against treasury bills. Cost of deposits was also higher mainly due to higher volume and rate impact of PLS saving and NIDA deposits. However, the increase is partially offset by lower cost of term deposits due to maturity of high cost TDRs. Cost of funds however increased during the 3rd quarter to 4.3% as compared to 3.9% till June 2018. Increase in cost of funds is mainly attributable to higher volume of Repo transactions which mainly constitutes borrowings against treasury bills. Cost of deposits was also higher mainly due to higher volume and rate impact of PLS saving and NIDA deposits. However, the increase is partially offset by lower cost of term deposits due to maturity of high cost TDRs.

Non mark-up/interest income: During the period under review, the Bank has focused on trade business as well as improvement of service quality. Despite a lacklustre performance by the stock market, non mark-up / interest income for the period has only marginally dropped by 2.15% to PKR 22.49 billion as against PKR 22.98 billion earned during the corresponding period last year. Despite a tough market competition, the Bank improved its earnings from fee & commission (PKR 12.55 billion) by 8.61%, and income from dealing in foreign currencies (PKR 3.03 billion) by 111.37% as against PKR 1.43 billion earnings for corresponding period last year. However, this growth was mostly off-set by the adverse performance of stock market as Bank's dividend income dropped by 18.86% to PKR 2.05 billion, and capital gains realised dropped by 48.78% to PKR 3.18 billion.

Expense Management: Administrative expenses for the nine months period amounted to PKR 37.92 billion being higher by 4.45% as compared to PKR 36.30 billion for the corresponding nine months period of 2017. Administrative expenses remained well controlled, and the periodic growth observed is in line with the industry norms. Major costs incurred during the period related to salaries &

allowances, branch uplift & renovation and IT infrastructure development & maintenance. The Bank has also invested in improving its customer service quality, corporate image and market visibility through advertisements and social services.

Balance Sheet Review:

The bank is expanding its market outreach and has become a PKR 2.47 trillion Bank by the balance sheet size. During the period under review, Bank's balance sheet recorded a 4.19% growth and reached to PKR 2,469.29 billion as of September 30, 2018 as against PKR 2,369.88 billion as of December 31, 2017.

The Bank is pursuing a strategy of improving its loan book through quality lending and effective post-disbursement monitoring to keep the NPL accretion at a minimal level. As of September 30, 2018, Bank's gross advances amounted to PKR 953.28 billion which is 11.24% higher than PKR 856.94 billion as of December 31, 2017. Growth was mainly achieved in domestic loan book. Bank's Islamic financing and related assets amounted to PKR. 23.50 billion, showing a 22.78% growth over that of December 31, 2017.

As of September 30, 2018, Bank's non-performing loans amounted to PKR 135.80 billion which is 12.42% higher than NPL amounting to PKR 120.80 billion as of December 31, 2017. Increase in NPL is mainly due to exchange rate impact of overseas NPL and classification of certain domestic loans. NPL to Gross Advances ratio is 14.25%, which is slightly higher than 14.10% as of December 31, 2017. NPL are adequately covered through the required specific provision amounting to PKR 118.04 billion and a general provision of PKR 6.79 billion.

As of September 30, 2018, Bank's investments at cost amount to PKR 1,230.59 billion, being 3.25% lower than PKR 1,271.94 billion as of December 31, 2017. Whereas, net of provisions investment as of September 30, 2018 amounted to PKR 1,215.46 billion which is 3.32% lower against PKR 1,257.26 billion as of December 31, 2017. Pursuant to our effective risk and capital adequacy management strategy, the investment portfolio is efficiently diversified across zero risk treasury instruments & bonds, high dividend yield equities and other interest bearing financial instruments.

With a 4.21% growth during the period under review, Bank's deposits have increased to PKR 1,799.79 billion as of September 30, 2018. Growth was also achieved in our Islamic banking branches network which increased from 169 branches as of December 31, 2017 to 180 branches as of September 30, 2018. Satisfactory growth is observed in Islamic Banking deposits as well as advances during the period under review.

Capital Strength & Adequacy:

NBP, being recently designated as a Systemically Important Bank by the State Bank of Pakistan, has developed effective plans to comply with the enhanced regulatory and supervisory requirements set by the SBP and Basel framework. During the period under review, Tier-I capital of the Bank has increased from PKR 101.30 billion as of December 31, 2017 to PKR 118.59 billion as of September 30, 2018. Bank's total capital & reserves amounted to PKR 188.31 billion as against PKR 175.38 billion as of December 31, 2017. Bank's capital adequacy ratio of the Bank stands improved from 15.95% in December 2017 to 18.05% as of September 30, 2018.

Credit Rating:

Bank's credit rating is carried out by both, JCR-VIS and PACRA credit rating agencies. In June 2018, they both reaffirmed Bank's credit rating at 'AAA/A-1+' (Triple A/A-One Plus) with a 'Stable' Outlook.

Contingency Regarding Pension Case:

As disclosed in Note 14.4.5 to the Financial Statements for the nine months period ended September 30, 2018, the Bank has filed a review petition with Honourable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the review petition, which has been accepted. Hearing of the review petition has not been fixed as yet. Pending the decision on review petition, financial impact of the subject case has not been included in the current financial statements as the Bank looks forward to a favourable outcome of the case.

Compliance with regulatory matters in USA operations:

The Bank and its New York Branch have entered into a written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services which, *inter-alia*, requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and deployment of adequate resources to ensure compliance with such requirements. The Bank has addressed all the clauses of the agreement and its validations are in process.

Appropriation of Profits:

Profit for the nine months period ended September 30, 2018 after carry forward of accumulated profit of 2017 is proposed to be appropriated as follows:

	<i>(PKR Million)</i>
Profit before tax for the nine months period ended September 30, 2018	23,116
Taxation:	
- Current	9,208
- Prior Year	(20,755)
- Deferred	18,486
	6,939
After tax profit for nine months period ended September 30, 2018	16,177
Un-appropriated profit brought forward	54,061
Other comprehensive income - net of tax	621
Transfer from surplus on revaluation of fixed assets – net of tax	77
Profit available for appropriations	70,936
Appropriation:	
Transfer to Statutory Reserve (10% of after-tax profit)	1,617
Un-appropriated profit carried forward	69,319

Economic Environment:

The GDP growth was recorded at 5.3% in fiscal year 2017, despite challenges Real GDP is expected to grow by 5.6% this year, supported by investment related to the China-Pakistan Economic Corridor (CPEC), strong consumption growth, and ongoing recovery in agriculture.

Despite growth in both workers' remittances and exports during the first two months of FY19, a notable increase in imports bill has kept the current account deficit at US\$ 2.7 billion, as compared to US\$ 2.5 billion, in the corresponding 2 months period last year despite non-oil imports declining during the period. Owing to these developments SBP's net liquid FX reserves have declined to US\$ 8.4 billion at the end of September, 2018 compared to US\$ 14 billion at beginning of the year 2018.

Increased imports have led to a widening current account deficit and a significant decline in international reserves. The Financial Year 2017-18 current account deficit could reach 4.8% of GDP, with gross international reserves further declining. The widening current account deficit coupled with sharp decline in country's foreign reserves has resulted into approx. 35% depreciation of Rupee. Given the pressures on current account and rising inflation, SBP recently increased policy rate by another 100 basis points to 8.5%. This raise is expected to support core earnings for the Banks.

Despite tightening of macro-financial conditions, financial institutions recorded fairly stable core incomes during the period. Pressure on non-interest income was however observed due to lacklustre performance of the Stock market. The banking sector has registered an asset expansion of 15.8% largely due to robust growth in advances to private sector. Consolidated asset base of the financial sector has expanded by 12.8% during CY '17.

Future Outlook:

At NBP, Strategic priority remains strengthening our industry position through enhanced market outreach, adding more to our product range, deploying technologically advanced business model and alternative delivery channels. With an ultimate objective of creating value for our stakeholders, particularly the shareholders, the Bank will effectively pursue its profit maximisation strategy through generating higher business volumes, prudent cost management, mobilising low cost deposits and tapping fee based income opportunities particularly those arising out of emerging internet based business.

For and on behalf of the Board of Directors

Tariq Jamali
President (A) & Chairman
Karachi
Date: October 23, 2018

Muhammad Imran Malik
Director

ڈائریکٹرز کی رپورٹ برائے ممبران

بورڈ آف ڈائریکٹرز کی جانب سے ہمیں پیش کیے جانے والے نوٹس اور رپورٹیں 30 ستمبر 2018 کو ختم والے نو ماہ کے عرصے کے لیے ہے۔

بینک کی کارکردگی کی جھلکیاں:

30 ستمبر 2018 کو ختم ہونے والے نو مہینے کے عرصے میں بینک کا پری پروڈن منافع 28.10 ارب روپے رہا جو کہ پچھلے سال کے اسی عرصے کے منافع 24.83 ارب روپے سے 13.15 فیصد زیادہ ہے۔ قبل از ٹیکس منافع 23.12 ارب روپے کے مقابلے میں معمولی 0.46 فیصد کم رہا۔ بعد از ٹیکس منافع 1.47 ارب روپے یعنی 10 فیصد زیادہ رہا جو کہ 14.71 ارب سے بڑھ کر 16.18 ارب روپے ہو گیا۔ یہ منافع ظاہر کرتا ہے کہ ریٹرن آن ایسٹ (ROA) 0.89 فیصد رہا۔ جو تھقلیٰ از ٹیکس اور بعد از ٹیکس ریٹرن آن ایکویٹی بالترتیب 22.95 فیصد اور 16.1 فیصد رہا۔ ستمبر 2017 کو ختم ہونے والے اسی عرصے میں فی شخص منافع 6.91 روپے تھا جب کہ اب فی شخص منافع 7.60 روپے ہے۔

مارک اپ/ سودی آمدنی:

زیر جائزہ عرصے کے لیے بینک نے 105.22 ارب روپے کا مارک اپ/ سودی آمدنی کمائی۔ جو کہ پچھلے سال کے اسی عرصے میں کمائی گئی 87.82 ارب روپے سے 19.82 فیصد زیادہ ہے۔ یہ اضافہ سرمایہ کاری اور قرضوں کے حجم میں اضافے کے اضافے کی وجہ سے ہوا ہے۔ زیر جائزہ عرصے میں خالص مارک اپ/ سودی آمدنی 43.55 ارب روپے رہی جو کہ پچھلے سال کے اسی عرصے میں کمائے گئے 38.31 ارب روپے سے 13.69 فیصد زیادہ ہے۔ اس عرصہ میں بینک نے قرضہ جات پچھلے سال 2.41 ارب روپے تھا۔ جب کہ سرمایہ کاری پر چارج 440 ملین روپے تھا جب کہ پچھلے سال اسی مدت میں 2.39 ارب روپے کا ریوآس ہوا۔

البتہ تیسری سرمایہ میں فنڈز کی لاگت بڑھ کر 4.3 فیصد ہو گئی ہے جو کہ جون 2018 تک 3.9 فیصد تھی۔ فنڈز کی لاگت میں اضافہ کی بڑی وجہ خزانہ کے لین دین ہیں جن میں زیادہ تر ڈیڑی بلز کے بدلے لیے گئے تھے ہیں۔ ڈپازٹس کی لاگت نقصان کی بنیاد پر ڈپازٹس اور NIDA ڈپازٹس اس کی وجہ سے بڑھ کر جزوی طور پر ٹرم ڈپازٹس کی کم لاگت اور زیادہ لاگت والے TDRs کی منچورٹی نے اس اضافے کے اثرات کو کم کر دیا۔

نان مارک اپ/ غیر سودی آمدنی:

زیر جائزہ عرصے کے دوران بینک نے اپنی توجہ تجارتی کاروبار اور اپنی سروس کوالٹی کی بہتری پر رکھی ہے۔ اسٹاک مارکیٹ کی خراب تر کارکردگی کے باوجود اس عرصے میں نان مارک اپ یا غیر سودی آمدنی میں معمولی کمی ہوئی ہے۔ 2.15 فیصد کمی کہ پچھلے سال اسی عرصے کے لیے 22.98 ارب روپے تھی۔ مارکیٹ میں سخت مقابلے کے باوجود بینک نے فیس اور کمیشن کے ذریعے اپنی آمدنی میں 8.61 فیصد اضافہ کیا جو کہ 12.55 ارب روپے ہے۔ زرمبادلہ کے لین دین سے 3.03 ارب عرصے میں 1.43 ارب روپے تھی یعنی 11.37 فیصد اضافہ۔ البتہ اس اضافے کے مثبت اثرات اسٹاک مارکیٹ کی خراب کارکردگی نے نقصان پہنچایا کیونکہ بینک کا منقسم منافع 18.86 فیصد کم ہو کر 2.05 ارب روپے رہ گیا اور حاصل شدہ کپٹیل گین رہا۔

اخراجات کی گمرانی:

نو مہینے کے عرصے کے لیے انتظامی اخراجات 37.92 ارب روپے رہے جو کہ 2017 کے اسی عرصے کے مقابلے میں ہونے والے 36.30 ارب روپے سے 4.45 فیصد زیادہ ہیں۔ انتظامی اخراجات مناسب حد تک کنٹرول میں رہے، جو اضافہ ہے۔ اس عرصے میں اخراجات میں اضافہ تھا انہوں اور الاؤنسز، برانچوں کی تزئین و آرائش اور IT انفراسٹرکچر کی بہتری کی وجہ سے ہوئے۔ بینک نے اپنی کسٹمر سروسز کو الٹری کو بہتر بنانے اور اس کے ساتھ بہتر کرنے اور اشتہارات اور سماجی کاموں کے بڑھانے کے لیے سرمایہ کاری بھی کی ہے۔

بیلنس شیٹ کا جائزہ:

بینک مارکیٹ میں اپنی پوزیشن میں اضافہ کر رہا ہے اور بیلنس شیٹ کے سائز کی وجہ سے اب 2.47 کھرب کا بینک بن چکا ہے۔ زیر جائزہ عرصے میں بینک کی بیلنس شیٹ میں 4.19 فیصد اضافہ ہو کر 30 ستمبر 2018 کو 2,469.29 ارب روپے ہو ارب روپے تھی۔ بینک ایسی حکمت عملی پر عمل پیرا ہے جس کے ذریعے اس کے قرضوں کی کوالٹی بہتر ہو رہی ہے۔ اس حکمت عملی کے تحت قرضہ دینے کا معیار یا طریقہ اپنایا جاتا ہے اور رقم دینے کی گمرانی کی جاتی ہے تاکہ خراب قرضوں یا NPL کو کم سے بینک کے کل قرضہ جات 28.28 ارب روپے تھے جو کہ 31 دسمبر 2017 کے 856.94 ارب روپے میں 11.24 فیصد اضافہ ہے۔ یہ اضافہ زیادہ تر ملکی قرضوں میں ہے۔ بینک کی اسلامک فنانسنگ کے اثاثوں کا حجم 23.50 ارب روپے ہے 22.78 فیصد زیادہ ہے۔ 30 ستمبر 2018 تک بینک کے غیر فعال قرضوں کی رقم 135.80 ارب روپے ہے جو کہ 31 دسمبر 2017 کے 120.80 ارب روپے کے غیر فعال قرضوں سے 12.42 فیصد زیادہ ہے۔ غیر فعال قرضوں (NPL) فعال قرضوں میں روپے کی شرح مبادلہ کی وجہ سے بڑے والا اثر اور اندرون ملک کچھ قرضوں کی غیر فعال قرضوں میں ہندو جی کے باعث ہوا ہے۔

غیر فعال قرضوں کا تناسب 14.25 فیصد ہے جو کہ 31 دسمبر 2017 کے 14.10 فیصد سے معمولی زیادہ ہے۔ غیر فعال قرضوں (NPL) کی مدتیں کبھی گئی خصوصی رقم 118.04 ارب روپے اور عمومی رکھی گئی 6.79 ارب روپے کی مدد سے غیر ہے۔ 30 ستمبر 2018 کو بینک کی سرمایہ کاری 1,230.59 ارب روپے ہے جو کہ 31 دسمبر 2017 کے 1,271.94 ارب روپے کی سرمایہ کاری سے 3.25 فیصد زیادہ ہے۔ جبکہ 30 ستمبر 2018 تک کی گئی خالص سرمایہ کاری 1,215.46 ارب 1,257.26 ارب سے 3.20 فیصد زیادہ ہے۔ سرمایہ کاری کے خطرات سے نمٹنے اور سرمائے کے مناسب تحفظ کے لیے اپنائی گئی ہماری حکمت عملی کے تحت ہم متنوع شعبوں میں سرمایہ کاری کرتے ہیں جن میں زیر درجہ والے ڈیڑی بلز اور بونڈ دینے والے مالی طریقے شامل ہیں۔

زیر جائزہ عرصہ کے دوران بینک کے ڈپازٹس میں 4.21 فیصد اضافہ ہو کر 30 ستمبر 2018 کو بینک کے ڈپازٹس 1,799.79 ارب روپے ہو گئے ہیں۔ ہماری اسلامک بینکنگ برانچوں میں بھی اضافہ ہوا ہے، 31 دسمبر 2017 تک ہماری 69 ستمبر 2018 تک 180 برانچز ہو گئی ہیں۔ زیر جائزہ عرصہ کے دوران اسلامک بینکنگ کے ڈپازٹس اور قرضوں میں تسلی بخش اضافہ ہوا ہے۔

سرمایہ کی سکت و موزونیت:

اسٹیٹ بینک آف پاکستان کی طرف سے حال ہی میں پیش کیے گئے Systemically اہم بینک قرار دیے جانے کے بعد بینک نے ایسے اثر پذیر منصوبے بنائے ہیں جن کا مقصد بڑھے ہوئے قانونی تقاضوں کو پورا کرنا ہے جو اسٹیٹ بینک آف پاکستان۔ زیر جائزہ عرصہ کے دوران بینک آف پاکستان Tier-I سرمایہ 30 ستمبر 2018 کو 118.59 ارب روپے ہو گیا جبکہ 31 دسمبر 2017 کو یہ سرمایہ 101.30 ارب روپے تھا۔ بینک کا کل سرمایہ محفوظ رقم 188.31 ارب روپے ہو گیا جو کہ روپے تھی۔ بینک کے سرمائے کا کفایتی تناسب بہتر ہو کر 30 ستمبر 2018 کو 18.05 فیصد ہو گیا جبکہ یہ 31 دسمبر 2017 کو 15.95 فیصد تھا۔

کرڈٹ ریٹنگ:

نیشنل بینک آف پاکستان کی کرڈٹ ریٹنگ دو کرڈٹ ریٹنگ ایجنسیز JCR-VIS اور PACRA کرتی ہیں۔ جون 2018 میں ان دونوں نے بینک کی Stable Outlook کے ساتھ AAA/A1 (ٹرپل اے) اے ون پلس) دی

متنیشن کیس کا امکان:

جیسا کہ 30 ستمبر 2018 کو ختم ہونے والے عرصے کی مالیاتی گوشوارے کے نوٹ نمبر 14.45 میں بتایا گیا ہے، بینک نے عزت مآب سپریم کورٹ آف پاکستان میں ایک ریویو پٹیشن داخل کی ہے اور یہ بھی درخواست کی ہے کہ ریویو پٹیشن سننے جائے، ہماری یہ درخواست منظور کر لی گئی ہے۔ ریویو پٹیشن سننے کی تاریخ ابھی طے نہیں ہوئی جیسا کہ ریویو پٹیشن پر ابھی فیصلہ نہیں ہوا اس لیے فیصلے کے امکانی اثرات کو اس مالیاتی اسٹیٹمنٹ میں شامل نہیں کیا گیا کیونکہ بینک پر امید ہے کہ فیصلہ اس کے

امریکیاں بینک کے آپریٹنگ میں قانونی تقاضوں پر عمل درآمد:

نیشنل بینک آف پاکستان اور اس کی نیویارک برانچ نے فیڈرل ریزرو بینک آف نیویارک اور نیویارک اسٹیٹ ڈپازٹمنٹ آف فنانشل سروسز کے ساتھ ایک تحریری معاہدہ کیا ہے۔ جس کے مطابق منجملہ دیگر باتوں کے بینک کے لیے ضروری ہے کہ رسک منجمنٹ سے متعلق معاملات، مئی لانڈرنگ کے خلاف اقدامات معلومات خفیہ رکھنے کی امریکی قانونی ضروریات کو پورا کرنے اور کنٹرول کرنے کا نظام شامل ہیں، اس مقصد کے لیے مطلوبہ وسائل مہیا کرنا اور یہ یقینی بنانا ہے کہ اس نظام کی تمام بینک نے معاہدے کی تمام شرطوں پر عمل درآمد شروع کر دیا ہے اور ان کی توثیق کا عمل جاری ہے۔

منافع کا تصرف:

30 ستمبر 2018 کو ختم ہونے والے نو مہینے کے عرصہ میں ہونے والے منافع اور 2017 کے جمع ہونے والے منافع کو درج ذیل انداز میں زیر تصرف لانے کی تجویز ہے

ملین روپے	
23,116	30 ستمبر 2018 تک نو مہینے کا قبل از ٹیکس منافع
	ٹیکس:
9,208	- موجودہ سال
(20,755)	- پچھلے سال
18,486	- موخر شدہ
6,939	
16,177	بعد از ٹیکس 30 ستمبر 2018 تک نو مہینے کا منافع
54,061	پچھلا منافع جس کا تصرف نہیں کیا گیا
621	ٹیکس کی ادائیگی کے بعد دیگر خالص آمدنی
77	ٹیکس کی ادائیگی کے بعد اثاثوں کی قدر میں اضافہ
70,936	تصرف کے لئے دستیاب منافع
	تصرف:
1,617	قانونی ضرورت کے تحت محفوظ سرمائے میں منتقلی (ٹیکس کے بعد منافع کا 10 فیصد)
69,319	غیر تصرف شدہ منافع جس کو آگے لے جایا جائے

معاشی ماحول:

مالیاتی سال 2017 میں GDP کی شرح نمو 5.3 فیصد تھی، مسائل کے باوجود اس سال اصل GDP کی شرح نمو 5.6 فیصد رہنے کی توقع ہے، اس کی وجہ پاک چائنا اکٹنا کم کوریڈور (CPEC)، کھپت میں اضافہ، اور ذریعے شعبے میں جاری بحالی پہلے دو ماہ میں بیرون ملک سے بھیجی گئی ترسیلات زر میں اضافے اور برآمدات میں اضافے کے باوجود، درآمدات میں اضافے کی وجہ سے کرنٹ اکاؤنٹ ڈیفیسیٹ 2.7 بلین ڈالر رہا ہے۔ جو کہ پچھلے سال کے اس عرصے میں 2.5 بلین ڈالر تھا، باوجود تیل کے علاوہ دیگر درآمدات میں کمی ہوئی۔ اس صورت حال کے نتیجے میں سٹیٹ بینک آف پاکستان کا نقد زرمبادلہ کے ذخائر کم ہو کر ستمبر 2018 کے آخر میں 8.4 ارب ڈالر رہ گئے جو کہ 2018 کے شروع میں 14 ارب ڈالر تھا۔

بڑھتی ہوئی درآمدات سے کرنٹ اکاؤنٹ خسارہ بڑھ رہا ہے۔ اور بین الاقوامی محفوظ ذخائر میں قابل ذکر کمی ہوئی ہے۔ مالی سال 2017-18 کے لئے کرنٹ اکاؤنٹ خسارہ GDP کا 4.8 فیصد تک بڑھ سکتا ہے۔ بین الاقوامی محفوظ ذخائر کی وجہ سے کمی ہوئی ہے کرنٹ اکاؤنٹ پر دباؤ اور مہنگائی میں اضافہ کی وجہ سے سٹیٹ بینک آف پاکستان نے حال ہی میں پالیسی ریٹ میں 100 بیس پوائنٹس کا اضافہ کر کے 8.5 فیصد کر دیا ہے۔ اس اضافے سے بینک کی آمدن میں اضافہ متوقع ہے۔ سخت بھی اس عرصے میں مالیاتی اداروں نے کافی پائیدار آمدنی حاصل کی ہے۔ البتہ اسٹاک مارکیٹ کی مایوس کن کارکردگی کی وجہ سے غیر سودی آمدنی میں کمی کا دباؤ محسوس کیا گیا۔ بینکنگ سیکٹر کے کل اثاثوں میں 15.8 فیصد کا اضافہ ہوا یہ پرائیویٹ سیکٹر کو میں نمایاں اضافے کی وجہ سے ہوا۔ مالیاتی شعبے کے اثاثوں میں مالی سال 2017 میں 12.8 فیصد اضافہ ہوا تھا۔

مستقبل کا اندازہ:

نیشنل بینک آف پاکستان میں ہماری ترقیاتی ترجیح یہ ہے کہ انڈسٹری میں اپنی پوزیشن کو مستحکم کیا جائے اس کے لئے مارکیٹ میں اپنی پہنچ بڑھانا، اپنی پراڈکٹ رینج میں مزید اضافہ کرنا، ٹیکنیکی طور پر نئی یافتہ برنس ماڈل اپنانا اور متبادل ڈیوری جینٹلو مقصد اپنے اسٹیک ہولڈر کے لئے قدر میں اضافہ کرنا خاص طور پر اسٹیک ہولڈرز کے لئے بینک موثر انداز میں زیادہ سے زیادہ منافع حاصل کرنے کی حکمت عملی پر عمل کرے گا۔ اس کے لئے کاروباری حجم بڑھایا جائے گا، اخراجات پر کنٹرول کیا جائے متحرک کیا جائے گا اور فیس سے حاصل ہونے والی آمدنی کے مواقع سے فائدہ اٹھایا جائے گا خاص طور پر انٹرنیٹ کے بڑھتے ہوئے استعمال سے پیدا ہونے والے کاروباری مواقع۔

بورڈ آف ڈائریکٹرز کے لئے اور ان کی جانب سے

محمد عمران ملک

ڈائریکٹر

طارق جمالی

قائم مقام صدر اور چیئر مین

کراچی


تاریخ: 23 اکتوبر 2018

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018

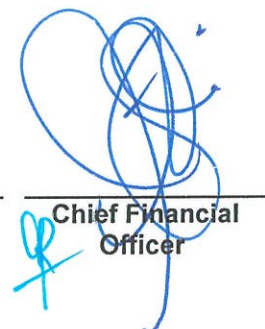
		(Un-audited) September 30, 2018	(Audited) December 31, 2017
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		214,278,400	159,765,271
Balances with other banks		15,836,084	26,403,906
Lendings to financial institutions		13,408,145	26,916,113
Investments	7	1,247,077,887	1,295,719,550
Advances	8	828,459,876	739,771,983
Operating fixed assets	9	32,541,555	32,752,003
Deferred tax assets	10	-	7,316,833
Other assets		117,692,426	81,239,837
		<u>2,469,294,373</u>	<u>2,369,885,496</u>
LIABILITIES			
Bills payable		12,400,586	13,195,054
Borrowings from financial institutions	11	360,894,176	360,105,674
Deposits and other accounts	12	1,799,787,144	1,727,102,019
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	14,509
Deferred tax liabilities	10	8,844,160	-
Other liabilities		99,060,332	94,086,159
		<u>2,280,986,398</u>	<u>2,194,503,415</u>
NET ASSETS		<u><u>188,307,975</u></u>	<u><u>175,382,081</u></u>
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		52,294,711	50,356,895
Unappropriated profit		69,318,612	54,060,653
		<u>142,888,454</u>	<u>125,692,679</u>
Surplus on revaluation of assets - net	13	45,419,521	49,689,402
		<u><u>188,307,975</u></u>	<u><u>175,382,081</u></u>
CONTINGENCIES AND COMMITMENTS			
	14		

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


**President (A) and
Chairman**


Director

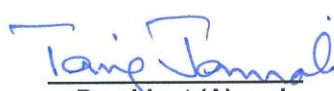

Director



**Chief Financial
Officer**


NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

		Quarter Ended September 30, 2018	Nine Months Ended September 30, 2018	Quarter Ended September 30, 2017	Nine Months Ended September 30, 2017
Note		(Rupees in '000')			
	Mark-up / return / interest earned	38,809,423	105,217,136	31,290,197	87,815,882
	Mark-up / return / interest expensed	25,402,031	61,666,047	19,030,913	49,508,240
	Net mark-up / return / interest income	13,407,392	43,551,089	12,259,284	38,307,642
	Provision against non-performing advances - net	8.2 1,832,574	4,000,474	265,291	2,410,138
	Provision / (reversal of provision) for diminution in value of investments - net	7.2 127,292	440,910	(2,044,907)	(2,386,473)
	Provision against off-balance sheet obligations	-	-	-	-
	Bad debts written off directly	-	-	-	-
		1,959,866	4,441,384	(1,773,616)	23,655
	Net mark-up / interest income after provisions	11,447,526	39,109,705	14,037,900	38,283,977
NON MARK-UP / INTEREST INCOME					
	Fee, commission and brokerage income	3,551,768	12,549,489	3,929,689	11,554,956
	Dividend income	920,729	2,048,832	665,675	2,525,008
	Income from dealing in foreign currencies	1,312,714	3,032,423	129,231	1,434,623
	Gain on sale and redemption of securities - net	678,295	3,184,492	2,069,061	6,217,523
	Unrealized loss on revaluation of investments classified as held-for-trading	57,757	(11,283)	49,349	14,789
	Other income	15 716,706	1,687,960	461,846	1,239,779
	Total non mark-up / interest income	7,237,969	22,491,913	7,304,851	22,986,678
		18,685,495	61,601,618	21,342,751	61,270,655
NON MARK-UP / INTEREST EXPENSES					
	Administrative expenses	12,511,722	37,920,897	11,557,687	36,305,832
	Other provisions / write-offs	203,458	541,779	44,909	1,587,040
	Other charges	13,895	22,398	132,189	155,312
	Total non mark-up / interest expenses	12,729,075	38,485,074	11,734,785	38,048,184
		5,956,420	23,116,544	9,607,966	23,222,471
	Extra ordinary / unusual items	-	-	-	-
	PROFIT BEFORE TAXATION	5,956,420	23,116,544	9,607,966	23,222,471
	Taxation - current	2,323,629	9,208,020	2,530,254	5,794,688
	- prior period	-	(20,755,128)	-	271,678
	- deferred	17 & 14.4.2 10.1 (52,971)	18,486,216	925,761	2,450,694
		2,270,658	6,939,108	3,456,015	8,517,060
	PROFIT AFTER TAXATION	3,685,762	16,177,436	6,151,951	14,705,411
	Basic and diluted earnings per share (Rupees)	18 1.73	7.60	2.89	6.91

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


Tariq Jamil
President (A) and
Chairman


Director


Director


Chief Financial
Officer

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018


	Quarter Ended September 30, 2018	Nine Months Ended September 30, 2018	Quarter Ended September 30, 2017	Nine Months Ended September 30, 2017
	(Rupees in '000')			
Profit after taxation	3,685,762	16,177,436	6,151,951	14,705,411
Other comprehensive income:				
<i>Items to be reclassified to profit and loss in subsequent periods:</i>				
Exchange gain on translation of net assets of foreign branches	(29,485)	320,072	113,626	647,675
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>				
Remeasurements of defined benefit liability	19,044	955,610	(4,624)	(1,784,738)
Related tax effects	(6,666)	(334,464)	1,618	624,639
	12,378	621,146	(3,006)	(1,160,099)
Other comprehensive income / (loss) - net of tax	(17,107)	941,218	110,620	(512,424)
Total comprehensive income transferred to equity	3,668,655	17,118,654	6,262,571	14,192,987

Components of comprehensive income not reflected in equity:

*Items to be reclassified to profit and loss in
subsequent periods:*

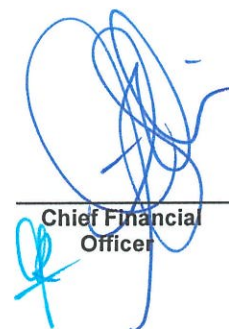
(Deficit) / surplus on revaluation of available-for-sale securities	(5,152,655)	(6,852,449)	(4,546,908)	(2,999,486)
Related tax effects	1,797,715	2,659,689	1,751,223	1,272,144
Other comprehensive (loss) / income - net of tax	(3,354,940)	(4,192,760)	(2,795,685)	(1,727,342)

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


President (A)
and Chairman


Director


Director


Chief Financial
Officer

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	----- (Rupees in '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	23,116,544	23,222,471
Less: dividend income	(2,048,832)	(2,525,008)
	21,067,712	20,697,463
Adjustments:		
Depreciation and amortization	1,948,894	2,296,382
Provision against non-performing loans and advances	4,000,474	2,410,138
Provision / (reversal) for diminution in value of investments	440,910	(2,386,473)
Other provision / write-offs	541,779	1,587,040
Unrealised loss on revaluation of investments classified as held-for-trading	11,283	(14,789)
Charge for defined benefit plans - net	4,222,979	3,912,741
Gain on sale of fixed assets	(54,558)	(78,337)
Financial charges on leased assets	310	1,205
	11,112,071	7,727,907
	32,179,783	28,425,370
(Increase) / decrease in operating assets		
Lendings to financial institutions	12,107,968	103,571,991
Held-for-trading securities	533,945,158	(290,317,733)
Advances	(92,688,368)	(15,355,503)
Other assets	(17,991,607)	(8,118,270)
	435,373,151	(210,219,515)
Increase / (decrease) in operating liabilities		
Bills payable	(794,468)	7,130,709
Borrowings	(20,508,835)	221,639,290
Deposits and other accounts	72,685,125	27,492,585
Other liabilities	1,404,355	(1,100,337)
	52,786,177	255,162,247
Income tax paid	(5,304,861)	(9,340,711)
Financial charges paid	(310)	(1,205)
Benefits paid	(1,969,704)	(2,445,706)
	(7,274,875)	(11,787,622)
Net cash generated from operating activities	513,064,236	61,580,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(482,173,669)	(73,704,981)
Net investments in held-to-maturity securities	(10,434,468)	42,751,235
Net investments in associates and subsidiaries	-	(110,191)
Dividend received	2,048,832	2,525,008
Investments in operating fixed assets	(1,661,848)	(2,065,593)
Sale proceeds of operating fixed assets disposed off	99,322	89,094
Net cash used in investing activities	(492,121,831)	(30,515,428)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(14,509)	(8,261)
Dividend paid	-	(15,940,511)
Net cash used in financing activities	(14,509)	(15,948,772)
Effects of exchange rate changes on cash and cash equivalents	320,072	647,675
Net increase in cash and cash equivalents	21,247,968	15,763,955
Cash and cash equivalents at beginning of the period	166,307,426	146,453,389
Cash and cash equivalents at the end of the period	187,555,394	162,217,344

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


President (A)
and Chairman


Director


Director


Chief Financial
Officer

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

Share capital	Attributable to the shareholders of the Bank					Unappropriated profit	Total
	Reserves						
	Capital			Revenue			
	Exchange translation	Statutory	Amalgamation reserves	General loan loss	General		

(Rupees in '000')

Balance as at January 1, 2017	21,275,131	7,092,485	27,186,518	-	12,000,000	521,338	51,939,151	120,014,623
Total comprehensive income for the nine months period ended september 30, 2017								
Profit after tax	-	-	-	-	-	-	14,705,411	14,705,411
Other comprehensive loss - net of tax	-	647,675	-	-	-	-	(1,160,099)	(512,424)
	-	647,675	-	-	-	-	13,545,312	14,192,987
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	81,180	81,180
Transfer to statutory reserve	-	-	1,470,541	-	-	-	(1,470,541)	-
Amalgamation of NBP Leasing Limited				343,802				343,802
Transactions with owners, recorded directly in equity								
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	-	(15,956,348)	(15,956,348)
Balance as at September 30, 2017	21,275,131	7,740,160	28,657,059	343,802	12,000,000	521,338	48,138,754	118,676,243
Total comprehensive income for the for the threemonths period ended December 31, 2017								
Profit after tax	-	-	-	-	-	-	8,322,576	8,322,576
Other comprehensive loss - net of tax	-	262,278	-	-	-	-	(1,595,480)	(1,333,202)
	-	262,278	-	-	-	-	6,727,096	6,989,374
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	27,061	27,061
Transfer to statutory reserve	-	-	832,258	-	-	-	(832,258)	-
Balance as at December 31, 2017	21,275,131	8,002,438	29,489,317	343,802	12,000,000	521,338	54,060,653	125,692,679
Total comprehensive income for the nine months ended september 30, 2018								
Profit after tax	-	-	-	-	-	-	16,177,436	16,177,436
Other comprehensive income - net of tax	-	320,072	-	-	-	-	621,146	941,218
	-	320,072	-	-	-	-	16,798,582	17,118,654
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	77,121	77,121
Transfer to statutory reserve	-	-	1,617,744	-	-	-	(1,617,744)	-
Balance as at September 30, 2018	21,275,131	8,322,510	31,107,061	343,802	12,000,000	521,338	69,318,612	142,888,454

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


President (A) and
Chairman


Director


Director


Chief Financial
Officer

NATIONAL BANK OF PAKISTAN
NOTES TO UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE HALF YEAR ENDED SEPTEMBER 30, 2018

1. STATUS AND NATURE OF BUSINESS

- 1.1 National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange. It's registered and head office is situated at I.I. Chundrigar Road, Karach . 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 1,502 (Dec 31, 2017: 1,498) branches in Pakistan and 21 (Dec 31, 2017: 21) 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 unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.2 The SBP vide BSD Circular letter No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments (IAS 39): Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular No.4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards IFAS 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I) /2008 dated April 28, 2008. International Financial Reporting Standard IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Further, segment information is being disclosed in accordance with SBP's prescribed format as per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8 Operating Segments.

- 2.3 SECP vide its notification SRO 633 (I) /2014 dated July 10, 2014, adopted IFRS 10 Consolidated Financial Statements (IFRS 10) effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I)/2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 237 of the repealed Companies Ordinance, 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

The Companies Ordinance, 1984 was repealed after enactment of the Companies Act, 2017, on May 30, 2017. The SECP vide its Circular No.23 of 2017, dated October 04, 2017 allowed all those companies whose financial year closed on or before December 31, 2017, were required to prepare financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these unconsolidated condensed interim financial statements have been prepared in accordance with Companies Act, 2017. Change to the significant accounting policy, as a result of the enactment of the Companies Act, 2017, has been detailed in note 4.1.

2.4 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2017.

2.5 These unconsolidated 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.

2.6 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 9 'Financial Instruments' (IFRS 9) - effective date: July 01, 2018

The Bank is currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performa financial statements for the year ended December 31, 2017. The Bank is required to submit its impact assessment to the SBP in due course of time. For certain overseas branches, the Bank has adopted IFRS 9 in respect of provision for impairment as more fully explained in note 4.1.2.

IFRS 15 'Revenue from contracts with customers' - effective date: July 01, 2018

The IASB has issued a new standard for the recognition of revenue. This will replace IAS18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

IFRS 16 'Leases' (IFRS 16) - effective date: January 01, 2019

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

3. BASIS OF MEASUREMENT

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention except that certain fixed assets as non-banking assets acquired in satisfaction of claims 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 unconsolidated condensed interim financial statements are presented in Pak rupees which is the Bank's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted for presentation of these unconsolidated condensed interim financial information are the same as those followed in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2017, except for;

4.1.1 Surplus on revaluation of fixed assets

The Companies Act, 2017 is applicable for financial periods beginning on January 01, 2018 and require a change in accounting policy related to surplus on revaluation of fixed assets. Under the new requirement, the treatment of such surplus shall be in line with the requirements of IAS 16 - Property, Plant and Equipment (IAS 16), since Section 235 of the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. The Bank has revised its accounting policy in respect of measurement of surplus on revaluation of fixed assets which are now accounted for in accordance with IAS -16. The Bank is in process to carry out revaluation of its assets and accordingly the impact will be accounted for as per revised policy in the annual financial statements of the Bank for the year ending December 31, 2018.

The management of the Bank believes that the impact of change in accounting policy for the prior period is not material for the purpose of these unconsolidated condensed interim financial statements.

4.1.2 Impairment of financial assets

The Bank is currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performance financial statements for the year ended December 31, 2017. The Bank is required to submit its impact assessment to the SBP in due course of time. Accordingly the Bank has started the process for such assessment.

As per accounting policy of the Bank, general provision against loan losses of overseas branches is made as per the requirements of the respective central banks. During the current year, IFRS 9 became applicable in few overseas branches of the bank and was implemented in Bahrain branch of the Bank. Application of this standard in Bahrain and Riyadh branch resulted in additional provision charge of Rs.130 million as at September 30, 2018 which is included in general provision against non-performing advances.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates and judgements used in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2017.

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, 2017.

7. INVESTMENTS - net

Note	September 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000')			(Rupees in '000')		
7.1 Investments by type:						
Held-for-trading securities						
Market Treasury Bills	150,883,330	-	150,883,330	371,720,614	311,339,019	683,059,633
Pakistan Investment Bonds	315,282	-	315,282	2,638,247	-	2,638,247
Ordinary shares of listed companies	540,281	-	540,281	-	-	-
Total held-for-trading securities	151,738,893	-	151,738,893	374,358,861	311,339,019	685,697,880
Available-for-sale securities						
Ordinary shares of listed companies	25,397,474	-	25,397,474	23,202,143	-	23,202,143
Ordinary shares of unlisted companies	2,005,182	-	2,005,182	1,381,912	-	1,381,912
Market Treasury Bills	275,438,523	269,278,195	544,716,718	138,558,842	-	138,558,842
Pakistan Investment Bonds	187,943,255	6,100,000	194,043,255	124,897,777	7,700,000	132,597,777
GoP Foreign Currency Bonds	21,084,477	-	21,084,477	16,823,587	-	16,823,587
Foreign Currency Debt Securities	1,685,365	-	1,685,365	1,612,104	-	1,612,104
Foreign Government Securities	617,982	-	617,982	548,752	-	548,752
Term Finance Certificates / Musharika and Sukuk Bonds	72,329,535	-	72,329,535	64,664,793	-	64,664,793
Preference Shares	570,535	-	570,535	556,944	-	556,944
Investments in Mutual Funds	819,646	-	819,646	1,149,646	-	1,149,646
Investments Outside Pakistan	463,295	-	463,295	463,295	-	463,295
Total available-for-sale securities	588,355,269	275,378,195	863,733,464	373,859,795	7,700,000	381,559,795
Held-to-maturity securities						
Pakistan Investment Bonds	157,770,856	-	157,770,856	169,476,489	-	169,476,489
Market Treasury Bills	19,916,906	-	19,916,906	-	-	-
GoP Foreign Currency Bonds	2,575,611	-	2,575,611	2,309,720	-	2,309,720
Foreign Government Securities	22,911,915	-	22,911,915	20,942,215	-	20,942,215
Foreign Currency Debt Securities	477	-	477	424	-	424
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	698,264	-	698,264	710,713	-	710,713
Total held-to-maturity securities	203,874,029	-	203,874,029	193,439,561	-	193,439,561
Investments in associates	4,970,863	-	4,970,863	4,970,863	-	4,970,863
Investments in joint venture	2,362,433	-	2,362,433	2,362,433	-	2,362,433
Investments in subsidiaries	3,906,750	-	3,906,750	3,906,750	-	3,906,750
Investments at cost	955,208,237	275,378,195	1,230,586,432	952,898,263	319,039,019	1,271,937,282
Less: Provision for diminution in value of investments	(15,120,475)	-	(15,120,475)	(14,679,565)	-	(14,679,565)
Investments - net of provision	940,087,762	275,378,195	1,215,465,957	938,218,698	319,039,019	1,257,257,717
Unrealized loss on revaluation of investments classified as held-for-trading	(11,283)		(11,283)	(13,829)	-	(13,829)
Surplus on revaluation of available-for-sale securities	31,532,735	90,478	31,623,213	38,432,157	43,505	38,475,662
Total investments	971,609,214	275,468,673	1,247,077,887	976,637,026	319,082,524	1,295,719,550

7.2

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
Note	----- (Rupees in '000') -----	
7.2 Particulars of provision for diminution in value of investments - net		
Opening balance	14,679,565	17,404,984
Charge for the period / year	887,140	1,537,553
Reversals	(446,230)	(3,281,087)
	440,910	(1,743,534)
Other transfer	-	22,268
Transfer to advances	-	(1,004,153)
Closing balance	15,120,475	14,679,565
7.2.1 Particulars of provision in respect of type		
Available-for-sale securities		
Ordinary shares of listed companies and mutual funds	3,436,748	2,715,147
Ordinary shares of unlisted companies	398,923	398,923
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	5,625,160	5,925,187
Preference shares	433,444	433,444
Held-to-maturity securities		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	424,833	424,833
Investment in associates	3,791,181	3,771,845
Investment in subsidiaries	1,010,186	1,010,186
	15,120,475	14,679,565
7.2.2 Particulars of provision in respect of segments		
Fully Paid up Ordinary Shares	3,799,670	3,078,069
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	6,049,993	6,350,020
Other investments	469,445	469,445
Investments in associates	3,791,181	3,771,845
Investments in subsidiaries	1,010,186	1,010,186
	15,120,475	14,679,565
8. ADVANCES - net		
Loans, cash credits, running finances, etc.		
In Pakistan	840,478,955	746,153,332
Outside Pakistan	67,986,505	65,775,775
	908,465,460	811,929,107
Islamic financing and related assets	23,498,026	19,138,198
Net investment in finance lease	284,307	584,569
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	11,043,810	12,901,944
Payable outside Pakistan	9,991,553	12,383,952
	21,035,363	25,285,896
Advances - gross	953,283,156	856,937,770
Less: Provision against non-performing advances - specific	18,037,052	110,650,721
- general	6,786,228	6,515,063
	24,823,280	117,165,787
Advances - net of provision	828,459,876	739,771,983

- 8.1 Advances include Rs.135,798 million (December 31, 2017: Rs. 120,798 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2018 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision Held
(Rupees in '000')					
Other Assets Especially Mentioned	3,666,688	-	3,666,688	90,406	90,406
Substandard	15,964,664	-	15,964,664	3,807,952	3,807,952
Doubtful	1,695,034	-	1,695,034	819,864	819,864
Loss	79,238,100	35,233,272	114,471,372	113,318,829	113,318,829
	100,564,485	35,233,272	135,797,757	118,037,052	118,037,052

Category of Classification	December 31, 2017 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision Held
(Rupees in '000')					
Other Assets Especially Mentioned	1,272,524	-	1,272,524	44,587	44,587
Substandard	5,623,565	55,531	5,679,096	1,362,851	1,362,851
Doubtful	2,442,003	25,767	2,467,770	1,194,486	1,194,486
Loss	79,712,318	31,665,916	111,378,234	108,048,797	108,048,797
	89,050,410	31,747,214	120,797,624	110,650,721	110,650,721

8.2 Particulars of provision against non-performing advances

	September 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000')						
Opening balance	110,650,721	6,515,066	117,165,787	109,655,106	4,431,206	114,086,312
Exchange adjustments	3,605,540	51,478	3,657,018	950,912	15,533	966,445
Charge for the period / year	12,017,590	346,883	12,364,473	2,994,241	2,558,971	5,553,212
Reversals	(8,236,800)	(127,198)	(8,363,998)	(3,994,298)	(490,644)	(4,484,942)
	3,780,790	219,684	4,000,474	(1,000,057)	2,068,327	1,068,270
Transfer from investments	-	-	-	1,004,153	-	1,004,153
Other transfers	-	-	-	44,487	-	44,487
Amounts written off	-	-	-	(899)	-	(899)
Amount charged off	-	-	-	(2,981)	-	(2,981)
Closing balance	118,037,052	6,786,228	124,823,280	110,650,721	6,515,066	117,165,787

- 8.3 The SBP 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 up till December 31, 2017. The Bank believes that extension will be allowed in due course.

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
9. OPERATING FIXED ASSETS		
Capital work-in-progress	1,935,607	1,823,691
Property and equipment	30,281,492	30,386,388
Intangible assets	324,456	541,924
	<u>32,541,555</u>	<u>32,752,003</u>

9.1 Additions and disposals during the period amounted to Rs 1,523 million (September 30, 2017: Rs. 1,374 million) and Rs. 119 million (September 30, 2017: Rs. 62 million) respectively.

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
10. DEFERRED TAX LIABILITIES / ASSETS - net		
Deferred tax assets arising in respect of		
Provision for diminution in the value of investments	236,751	3,278,835
Provision against non-performing advances	622,390	622,390
Other provisions	105,416	2,186,076
Provision against defined benefits plans	2,516,943	13,615,636
Unrealized loss on derivatives	-	439,026
Provision against off-balance sheet obligations	115,222	116,622
Excess of accounting book value of leased assets over lease liabilities	-	5,073
Carried forward unabsorbed tax losses of merged subsidiary	10,705	10,705
	<u>3,607,427</u>	<u>20,274,368</u>
Deferred tax liabilities arising in respect of		
Revaluation of available-for-sale securities	(9,845,243)	(12,504,929)
Non-banking assets	(89,981)	(89,981)
Operating fixed and non-banking assets	(201,534)	(362,625)
Others	(2,314,832)	-
	<u>(12,451,587)</u>	<u>(12,957,535)</u>
Net deferred tax (liabilities) / assets	<u>(8,844,160)</u>	<u>7,316,833</u>

10.1 The Bank has received favorable ATIR decision in respect of Tax Years 2011-2014 and CIR (A) order for the tax year 2015 during the period which resulted in increase in determined refunds by Rs. 20.3 billion and prior year tax provision reversal of Rs. 2.11 billion. Accordingly, deferred tax assets recognized in prior years are no longer required therefore reversed, which amounted to Rs. 16.3 billion.

11. BORROWINGS FROM FINANCIAL INSTITUTIONS

Borrowings include repurchase agreement borrowings amounting to Rs. 275,378 million (December 31, 2017: Rs. 320,039 million).

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	292,998,217	336,226,013
Savings deposits	518,452,327	476,795,758
Current accounts - remunerative	314,214,592	278,684,284
Current accounts - non-remunerative	459,800,699	361,576,224
	<u>1,585,465,835</u>	<u>1,453,282,279</u>
Financial Institutions		
Remunerative deposits	25,458,835	62,381,311
Non-remunerative deposits	188,862,474	211,438,429
	<u>214,321,309</u>	<u>273,819,740</u>
	<u>1,799,787,144</u>	<u>1,727,102,019</u>

	(Un-audited) September 30, 2018 ----- (Rupees in '000') -----	(Audited) December 31, 2017 ----- (Rupees in '000') -----
13. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets	21,467,182	21,544,303
Surplus on revaluation of non-banking assets	2,174,366	2,174,366
	<u>23,641,548</u>	<u>23,718,669</u>
Surplus on revaluation of available-for-sale securities - net of tax		
Federal Government Securities	(5,233,116)	953,651
Term Finance Certificates and Sukuks	75,207	128,291
Shares and units of mutual funds	23,014,172	26,194,363
GoP Foreign Currency Bonds	(190,415)	292,789
Foreign Currency Debt Securities	(91,116)	62,855
Investments outside Pakistan	14,048,481	10,843,713
	<u>31,623,213</u>	<u>38,475,662</u>
	55,264,761	62,194,331
Deferred tax liability		
Surplus on revaluation of available-for-sale securities	(9,845,240)	(12,504,929)
	<u>45,419,521</u>	<u>49,689,402</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 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:		
	(Un-audited) September 30, 2018 ----- (Rupees in '000') -----	(Audited) December 31, 2017 ----- (Rupees in '000') -----
- Government	8,977,026	18,841,970
- Financial institutions	4,636,477	2,836,911
- Others	28,219,883	27,834,214
	<u>41,833,386</u>	<u>49,513,095</u>
14.2 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:		
	(Un-audited) September 30, 2018 ----- (Rupees in '000') -----	(Audited) December 31, 2017 ----- (Rupees in '000') -----
- Government	23,367,993	15,084,426
- Financial institutions	26,150,602	33,247,316
- Others	23,298,855	17,111,631
	<u>72,817,450</u>	<u>65,443,373</u>
14.3 Trade-related contingent liabilities		
Letters of credit issued in favour of:		
- Government	627,087,927	326,644,898
- Financial institutions	2,593,734	2,647,619
- Others	76,864,150	89,200,608
	<u>706,545,811</u>	<u>418,493,125</u>

		(Un-audited) September 30, 2018 ----- (Rupees in '000') -----	(Audited) December 31, 2017
14.4	Other contingencies		
14.4.1	Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2017 Rs. 1,597 million).	19,876,661	16,747,536
14.4.2	Taxation		

The current status of tax contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2017, except for:

- The tax returns of the Bank have been filed upto Tax Year 2017 and amended by the tax authorities up to Tax Year 2017. For Azad Kashmir and Gilgit Baltistan 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 2017.
- Against ATIR orders for the Tax Years 2011 to 2014, the Bank has obtained appeal effect orders which has resulted in net increase in determined refunds by Rs. 18.358 billion and prior year tax reversal of Rs. 1.914 billion. Further, as a result of appeal effect order passed under section 124 / 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2015, the net refund have increased by Rs.1.899 billion and tax reversal of Rs. 0.198 billion. Therefore, the aggregate refunds increased by Rs.20.257 billion and prior year tax reversal of Rs. 2.113 billion.
- The aggregate effect of contingencies as at September 30, 2018 amounts to Rs.10.731 billion (December 31, 2017: Rs. 14.243 billion). 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.

14.4.3 Barter Trade Agreements

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2017.

14.4.4 Golden Handshake / Encashment of Unavailed Leaves / Outsourcing / Medical

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2017.

14.4.5 Pensionary benefits to retired employees

In 1977 the Federal Govt. vide letter No 17 (9) 17 XI / 77 dated November 30, 1977 addressed to the Pakistan Banking Council, directed that all executives / officers of all nationalized banks would be paid pension as calculated @ 70% of average emoluments on completion of 30 years of qualifying service and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was dissolved and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the revised pay structure for the officers / executives of the Bank with effect from January 01, 1999 vide Circular No.37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing basic pay and existing formula was protected.

A number of bank's employees, after attaining the age of superannuation filed writ petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010-11.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by aches and that the Petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

Lahore High Court, vide its judgment dated January 15, 2016, allowed the writ petitions on the same matter and the Bank was directed to release the pensionary benefits of the Petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by Lahore High Court, Lahore, through its judgment dated January 16, 2017. The Bank assailed the said judgment by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both Parties, vide its judgement dated September 25, 2017 has upheld the decision of a Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (c) of 1977. Under this Circular, the pension of employees was to be calculated @ 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank has filed review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the review petition, which has been accepted. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its review petition. The Bank has a reasonably strong case on merits to convince the Supreme Court for reversal of its decision.

In case this matter is decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 54.3 billion excluding any penalty interest / profit payment due to delayed payment in case of unfavorable decision. Pension expense for the year 2018 onward will also increase by Rs 7.5 billion due to this decision. No provision has been made in these unconsolidated condensed interim financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter based on the opinion of the legal advisor.

14.4.6 Litigation related to management trainee program

The Bank started Management Trainee Officers (MTOs) program in the year 2003 and from 2003 to 2013, 14 batches of MTOs were inducted in the Bank's regular service in general banking, human resource, audit and information technology departments. In the year 2010, one Mr. Ashfaq Ali and 2 others filed a CP No. D-417/2010 before the Sindh High Court (SHC), Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination. The SHC order was assailed by the Bank before the Apex Court through CP No. 805/2013. The Bank was granted Leave, however subsequently, Bank's civil appeal was dismissed vide order dated September 21, 2016 in terms of which the order of the Sindh High Court was upheld, however, the respondents were held to be entitled for same salary, perks and emoluments as are applicable and payable to the MTOs working in contemporary grades from the date of judgment of the SHC effective from 13.03.2013. Review Petition filed by the Bank was also dismissed by the Supreme Court, vide order dated 14.04.2017. The Bank settled the claims of three employees during the year 2017.

Subsequent to the aforesaid order other employees of the Bank also approached various High Courts, seeking benefit of the said judgment. The Lahore High Court, Lahore (LHC) vide order dated March 30, 2018, allowed two of those Writ Petitions however the Bank assailed that order through an Intra Court Appeal and a Division Bench of LHC vide order dated May 14, 2018 remanded the case back to the Single bench where it is still pending adjudication. In another similar Petition filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated May 30, 2018 in the light of the aforesaid judgment of Supreme Court. The Bank has assailed that order before the Apex Court which is yet to be fixed for hearing.

A large number of Constitutional petitions filed before the Sindh High Court, Karachi, on the same matter were disposed of vide order dated September 09, 2018 and the Bank was directed to constitute a committee which will examine the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgment given by the honorable Supreme court of Pakistan dated 21.09.2016, preferably within three months. The Bank has filed a Review Petition in the matter while praying to limit the judgment to the extent of the Petitioners only. The other Benches of the Sindh High Court have also referred the matters back to the Bank for considering the same in the light of the Supreme court order under reference.

As advised by our counsel, the Bank has a reasonable case on merits to convince the courts that the decision of the Apex Court cannot be applied outrightly and instead each case is to be assessed on its facts and merits.

14.4.7 Compliance and risk matters relating to anti-money laundering

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2017.

	(Un-audited) September 30, 2018 ----- (Rupees in '000') -----	(Audited) December 31, 2017 -----
14.5 Commitments in respect of forward exchange contracts		
Purchase	263,707,059	202,309,263
Sale	168,209,084	142,915,579
14.6 Other commitments		
Professional services to be received	13,500	23,115
14.7 Commitments in respect of financings		
Undrawn committed facilities (which are not cancellable)	14,165,304	41,261,434
Unconditionally cancellable commitments (which can be cancelled at any time without notice)	98,859,944	116,441,330
14.8 Commitments for the acquisition of operating fixed assets	501,656	826,727

15. OTHER INCOME

Other income includes Rs. 1,574 million (September 30, 2017: Rs. 1,071 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

16. OTHER PROVISIONS / WRITE - OFFS

This mainly represents provision made on account of reported instances of financial improprieties for which investigation are in progress.

17. TAXATION

The Federal Government vide Finance Act 2018 has imposed a super tax at the rate of 4% on income of Banks for the year ending December 31, 2018 (Tax Year 2019). Accordingly, provisions of Rs. 944 million for the Super Tax has been made for the nine months.

18. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended September 30, 2018	Nine Months Ended September 30, 2018	Quarter Ended September 30, 2017	Nine Months Ended September 30, 2017
Profit after taxation (Rupees in '000')	3,685,762	16,177,436	6,151,951	14,705,411
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)	1.73	7.60	2.89	6.91

19. OTHER DISCLOSURES

19.1 Segment details with respect to business activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	(Rupees in '000')						
Nine months period ended September 30, 2018							
(Un-audited)							
Total income	214,573	14,632,018	1,801,080	42,033,788	631,894	6,729,648	66,043,002
Inter segment revenue	-	(14,345,859)	19,505,288	(5,159,429)	-	-	-
Total expenses	43,763	73,353	11,055,070	27,765,536	114,605	3,874,131	42,926,458
Net income	170,810	212,806	10,251,298	9,108,822	517,290	2,855,517	23,116,544
Segment assets (Gross)	-	151,498,609	197,981,209	2,120,114,555	-	-	2,469,294,375
Segment non - performing loans	-	-	9,684,121	126,113,636	-	-	135,797,757
Segment provision required	-	-	10,047,121	114,776,159	-	-	124,823,280
Segment liabilities	-	-	713,474,351	1,567,512,047	-	-	2,280,986,398
Segment return on assets (ROA) (%)	0.00%	0.10%	7.03%	0.67%	0.00%	0.00%	1.30%
Segment cost of funds (%)	0.00%	0.00%	3.40%	4.56%	0.00%	0.00%	4.26%
Nine months period ended September 30, 2017							
(Un-audited)							
Total income	543,249	3,534,098	2,267,966	48,152,770	494,203	6,302,033	61,294,320
Inter segment revenue	-	(2,952,192)	16,719,612	(13,767,421)	-	-	-
Total expenses	119,699	96,127	9,925,106	23,849,831	137,296	3,943,790	38,071,849
Net income	423,550	485,779	9,062,473	10,535,517	356,907	2,358,244	23,222,471
Segment assets (Gross)	-	300,365,243	182,548,434	1,741,157,491	-	-	2,224,071,168
Segment non - performing loans	-	-	10,779,419	118,129,231	-	-	128,908,650
Segment provision required	-	-	9,318,203	107,791,017	-	-	117,109,220
Segment liabilities	-	-	598,054,781	1,452,462,217	-	-	2,050,516,998
Segment return on assets (ROA) (%)	0.00%	0.26%	6.46%	0.81%	0.00%	0.00%	1.45%
Segment cost of funds (%)	0.00%	0.00%	3.06%	4.24%	0.00%	0.00%	3.91%

19.2 Fair value of financial instruments

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates and subsidiaries is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings can not be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short term in nature or, in the case of customer loans and deposits, are frequently repriced.

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

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

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

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

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

	September 30, 2018 (Un-audited)			
Carrying values	Fair value			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000')			

On balance sheet financial instruments

Financial assets measured at fair value

Held for trading securities

Market Treasury Bills	150,872,853	-	150,872,853	-	150,872,853
Pakistan Investment Bonds	314,475	-	314,475	-	314,475
Ordinary shares of listed companies	540,281	540,281	-	-	540,281

Available for sale securities

Ordinary shares of listed companies	44,974,898	44,974,898	-	-	44,974,898
Ordinary shares of unlisted companies	1,606,259	-	1,606,259	-	1,606,259
Market Treasury Bills	544,627,704	-	544,627,704	-	544,627,704
Pakistan Investment Bonds	188,899,153	-	188,899,153	-	188,899,153
GoP Foreign Currency Bonds	20,894,062	-	20,894,062	-	20,894,062
Foreign Currency Debt Securities	1,594,249	-	1,594,249	-	1,594,249
Foreign Government Securities	617,982	-	617,982	-	617,982
Term Finance Certificates / Musharika and Sukuk Bonds	66,779,582	-	66,779,582	-	66,779,582
Preference Shares	137,091	137,091	-	-	137,091
Investments in Mutual Funds	819,646	819,646	-	-	819,646
Investments Outside Pakistan	14,511,776	14,511,776	-	-	14,511,776

Off balance sheet financial instruments

Foreign exchange contracts purchase and sale	431,916,143	-	1,035,176	-	1,035,176
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Carrying values	December 31, 2017 (Audited)			
	Fair value			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000')			

On balance sheet financial instruments

Financial assets measured at fair value

Held for trading securities

Market Treasury Bills	683,040,159	-	683,040,159	-	683,040,159
Pakistan Investment Bonds	2,643,892	-	2,643,892	-	2,643,892

Available for sale securities

Ordinary shares of listed companies	46,681,359	46,681,359	-	-	46,681,359
Ordinary shares of unlisted companies	982,989	-	982,989	-	982,989
Market Treasury Bills	138,560,516	-	138,560,516	-	138,560,516
Pakistan Investment Bonds	133,549,754	-	133,549,754	-	133,549,754
GoP Foreign Currency Bonds	17,116,376	-	17,116,376	-	17,116,376
Foreign Currency Debt Securities	1,674,959	-	1,674,959	-	1,674,959
Foreign Government Securities	548,752	-	548,752	-	548,752
Term Finance Certificates / Musharika and Sukuk Bonds	58,867,897	-	58,867,897	-	58,867,897
Preference Shares	123,500	123,500	-	-	123,500
Investments in Mutual Funds	1,149,646	1,149,646	-	-	1,149,646
Investments Outside Pakistan	11,307,008	11,307,008	-	-	11,307,008

Off balance sheet financial instruments

Foreign exchange contracts purchase and sale	345,224,842	-	1,239,755	-	1,239,755
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Certain categories of operating fixed assets (land and buildings) and non-banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuer based on their assessment of the market values.

19.3 Basel III liquidity requirements

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000')	
Liquidity coverage ratio		
Total high quality liquid assets	824,500,213	984,828,182
Total net cash outflow	553,638,183	580,370,735
Liquidity coverage ratio %	149%	170%
Net stable funding ratio		
Total available stable funding	1,705,565,767	1,531,580,508
Total required stable funding	468,260,652	419,276,880
Net stable funding ratio %	364%	365%

20. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, subsidiary companies, joint-venture, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 7.

Transactions between the Bank and its related parties are carried out under normal course of business as per terms of contract, except employees staff loans, employees sale of assets and provident fund, that are as per agreement.

There are no transactions with key management personnel other than under advance salary.

	September 30, 2018 (Un-audited)				2017 (Audited)			
	At January 01, 2018	Given during the period	Repaid during the period	At September 30, 2018	At January 01, 2017	Given during the year	Repaid during the year	At December 31, 2017
(Rupees in '000)								
Advances								
Key Management Executives	145,369	4,939	(20,057)	130,252	185,830	11,782	(19,962)	177,650
Adjustments*	85,323	-	-	85,323	(32,281)	-	-	(32,281)
	230,692	4,939	(20,057)	215,575	153,549	11,782	(19,962)	145,369
Subsidiaries	398,914	-	(20,733)	378,181	494,147	34,299	(129,532)	398,914
Associates	3,314,085	18,750	(190,260)	3,142,575	3,297,168	18,750	(1,833)	3,314,085
Debts due by Company in which director is interested as director	-	103,150,913	(103,448,862)	(297,949)	-	2,000,000	(2,000,000)	-
Adjustments*	4,491,100	-	-	4,491,100	-	-	-	-
	4,491,100	103,150,913	(103,448,862)	4,193,151	-	2,000,000	(2,000,000)	-
	8,434,792	103,174,602	(103,679,912)	7,929,482	3,944,864	2,064,831	(2,151,327)	3,858,368

	September 30, 2018 (Un-audited)				2017 (Audited)			
	At January 01, 2018	Received during the period	Repaid during the period	At September 30, 2018	At January 01, 2017	Received during the year	Repaid during the year	At December 31, 2017
(Rupees in '000)								
Deposits								
Subsidiaries	885,251	142,607	(1,135)	1,026,723	1,278,332	7,395	(400,476)	885,251
Adjustments*	(553,569)	-	-	(553,569)	-	-	-	-
	331,682	142,607	(1,135)	473,154	1,278,332	7,395	(400,476)	885,251
Key Management Executives	62,047	389,387	(331,953)	119,481	28,838	430,392	(408,116)	51,114
Adjustments*	(13,718)	-	-	(13,718)	10,933	-	-	10,933
	48,329	389,387	(331,953)	105,763	39,771	430,392	(408,116)	62,047
Directors	15,614	24,180	(21,956)	17,838	4,655	37,321	(27,127)	14,849
Adjustments*	(244)	-	-	(244)	765	-	-	765
	15,370	24,180	(21,956)	17,594	5,420	37,321	(27,127)	15,614
Pension Fund (Current)	1,248	3,611,082	(3,578,633)	33,697	1,363	3,781,571	(3,781,686)	1,248
Pension Fund (Fixed Deposit)	10,300,000	14,300,000	(14,300,000)	10,300,000	8,800,000	10,300,000	(8,800,000)	10,300,000
Pension Fund (N.I.D.A A/c)	514,539	14,393,527	(14,040,257)	867,808	1,035,959	2,744,580	(3,266,000)	514,539
Provident Fund	12,749,309	13,533,226	(14,065,908)	12,216,626	13,137,045	1,808,033	(2,195,769)	12,749,309
	23,960,477	46,594,009	(46,339,842)	24,014,643	24,297,890	19,109,292	(18,879,174)	24,528,008

* Adjustments due to changes in key management executives.

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	----- Rupees in '000 -----	
Placements with:		
Joint venture	685,058	675,870
Borrowing from:		
Joint venture	65,467	87,920
Subsidiary	448,168	553,569
Mark-up receivables from subsidiaries	194,252	194,971
Mark-up receivables from associates	1,708,184	2,082,323
Other receivables from subsidiaries	73,280	78,133
Other payables to subsidiaries	3,806	5,292
Investment in associates	600,000	600,000
Lease finance liabilities paid to subsidiaries	-	7,968
	(Un-audited) September 30, 2018	(Un-audited) September 30, 2017
	----- Rupees in '000 -----	
Income for the period		
On advances / placements with:		
- Subsidiaries	8,686	17,251
- Joint Venture	188	34
Debts due by company in which director of the bank is interested as director	290,891	5,242
Dividend from joint venture	-	134,870
Dividend from subsidiary	109,125	7,875
Dividend from Funds	-	45,764
Financial charges paid on lease assets to subsidiaries	465	654
Expenses for the period		
Remuneration to key management executives	272,675	290,928
Charge for defined benefit plan	37,223	31,171
Mark-up on deposits of:		
Subsidiaries	10,622	19,739
Provident fund	844,102	1,092,802
Pension fund	561,931	533,241
Transaction fee paid to company in which directors of the bank are interested as director	5,874	5,298
Commission paid to subsidiaries	5,891	2,025
Mark-up on borrowing / deposits		
Joint ventures	896	1,013

Transactions with Government-related entities

The Federal Government through the State Bank of Pakistan holds controlling interest (75.60% 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. 6,738 million for the nine months ended September 30, 2018. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 336,584 million, Rs. 644,942 million and Rs. 659,433 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 13,995 million and Rs. 18,094 million respectively

21. ISLAMIC BANKING BUSINESS

The Bank is operating 180 (December 31, 2017: 169) islamic banking branches as at September 30, 2018. Statement of financial position, profit and loss account and cash flow statements are as under:

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	----- ('Rupees in '000') -----	
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	3,710,313	3,019,664
Balances with other banks	24,118	2,809,667
Investments	24,492,914	17,854,897
Islamic financing and related assets	23,306,036	18,946,404
Operating fixed assets	258,396	195,431
Other assets	1,738,628	1,149,381
	53,530,405	43,975,444
Liabilities		
Bills payable	177,978	126,099
Deposits and other accounts		
- Current accounts	13,679,035	11,935,097
- Saving accounts	26,488,707	18,380,007
- Term deposits	1,671,887	2,593,239
- Deposit from financial institutions-Remunerative	-	4,000,000
- Deposit from financial institutions-Non-Remunerative	381,900	-
Due to Head Office	8,572,209	5,120,098
Other liabilities	546,955	257,113
	51,518,671	42,411,653
Net Assets	2,011,734	1,563,791
Represented by		
Islamic Banking Fund	2,200,000	1,700,000
Unremitted loss	(67,209)	(228,135)
	2,132,791	1,471,865
(Deficit)/Surplus on revaluation of Investments	(121,057)	91,926
	2,011,734	1,563,791

21.1 Investments

Sukuk	22,623,721	15,985,704
Leasing Certificate	2,000,000	2,000,000
Provision against investments	(130,807)	(130,807)
	24,492,914	17,854,897

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
21.2 Islamic financing and related assets		
Murabaha		
Financings	4,257,631	1,221,869
Advance	7,011	3,011,394
Provisions	(188,400)	(188,400)
	<u>4,076,242</u>	<u>4,044,863</u>
Diminishing Musharaka		
Financings	9,225,424	5,137,063
Advance	7,765	291,992
Provisions	(196)	-
	<u>9,232,993</u>	<u>5,429,055</u>
Ijarah assets		
Assets	500,195	307,253
Advance	-	168,627
Provisions	(3,394)	(3,394)
	<u>496,801</u>	<u>472,486</u>
Istasna		
Advance	1,000,000	500,000
Wakala tul Istismaar	8,500,000	8,500,000
	<u>23,306,036</u>	<u>18,946,404</u>

(Un-audited) Nine Months Ended September 30, 2018	(Un-audited) Nine Months Ended September 30, 2017
----- (Rupees in '000') -----	

PROFIT AND LOSS ACCOUNT

Profit / return earned on financings, investments and placements	2,364,655	1,533,584
Profit / return expensed on deposit	(1,035,089)	(685,693)
Net spread earned	1,329,566	847,891
Direct expenses other than return on deposits	(198,157)	(52,033)
	<u>1,131,409</u>	<u>795,858</u>
General provision against consumer financing	(196)	-
Profit after provision	<u>1,131,213</u>	<u>795,858</u>
Other income		
Fee, commission and brokerage income	178,745	176,144
Profit from dealing in foreign currencies	17,037	249
Other income	30,525	16,011
Total other income	<u>226,307</u>	<u>192,404</u>
	<u>1,357,520</u>	<u>988,262</u>
Other expenses		
Administrative expenses	(1,424,729)	(1,098,759)
Loss before taxation	<u>(67,209)</u>	<u>(110,497)</u>

(Un-audited) Nine Months Ended September 30, 2018 ----- (Rupees in '000') -----	(Un-audited) Nine Months Ended September 30, 2017
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CASH FLOW STATEMENT

Cash flow from operating activities

Loss for the period	(67,209)	(110,497)
---------------------	----------	-----------

Adjustments:

Depreciation - Own assets
Depreciation - Ijarah assets
General provision against consumer financing

60,574	51,386
198,110	51,116
196	-
258,877	103,002
191,668	(7,495)

(Increase) / decrease in operating assets

Balance with other banks
Due from financial institutions
Financings and investments
Other assets

2,785,549	2,531,388
-	7,687,313
(11,408,938)	(13,863,386)
(589,247)	(345,114)
(9,212,636)	(3,989,799)

Increase / (decrease) in operating liabilities

Bills payable
Deposits and other accounts
Borrowings from Head Office
Other liabilities

51,879	592
5,313,186	(6,264,685)
3,680,246	10,454,599
289,842	62,025
9,335,153	4,252,531
314,185	255,237

Net cash generated from / (used in) operating activities

Cash flow from investing activities

Investment in operating fixed assets
Net cash used in investing activities

(123,536)	(103,140)
(123,536)	(103,140)

Cash flow from financing activities

Islamic banking fund

500,000	-
---------	---

Increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the period

690,649	152,097
3,019,664	2,678,218

Cash and cash equivalents at the end of the period

3,710,313	2,830,315
-----------	-----------

22. DATE OF AUTHORIZATION FOR ISSUE

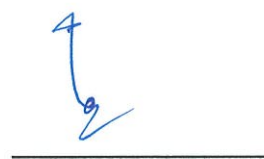
The unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on October 23, 2018.

23. GENERAL


23.1 Comparative information has been reclassified, rearranged or additionally incorporated in these unconsolidated condensed interim financial statements for the purpose of better presentation.

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


President (A)
and Chairman


Director


Director


Chief Financial
Officer

National Bank of Pakistan
Consolidated Condensed Interim Financial Statements
For the Nine Months Period Ended September 30, 2018

Directors' Report to the Shareholders Consolidated Financial Statements

We are pleased to present, on behalf of the Board of Directors, the consolidated financial statements of the Bank and its Subsidiaries for the nine months period ended September 30, 2018.

These consolidated financial statements have been prepared in accordance with the applicable International Financial Reporting Standards and Islamic Financial Accounting Standards and other applicable directives.

Consolidated after-tax profit for the nine months period ended September 30, 2018 amounted to PKR 16.25 billion which is 9.5% higher than PKR 14.83 billion for the corresponding period of 2017. During this period, our subsidiaries contributed PKR 338 million to Group's profitability, whereas share of profit/(loss) from associates amounted to PKR 9 million and from joint ventures amounted to PKR (188) million. Consolidated assets registered a 4.1% growth and reached to PKR 2,474.22 billion as of September 30, 2018 as against PKR 2,376.02 billion as of December 31, 2017. Consolidated Earnings per Share for the nine months period under review amounted to Rs. 7.59 as against Rs. 6.91 for the same period of 2017.

The consolidated operating results and appropriation of profits as recommended by the Board are given below:

	<i>Rs. Million</i>
Pre-tax profit for nine months period ended September 30, 2018	23,318
Taxation:	
- Current	9,347
- Prior Year(s)	(20,756)
- Deferred	18,481
	7,072
After-tax profit for nine months period ended September 30, 2018	16,246
Un-appropriated profit brought forward	58,069
Other comprehensive income - net of tax	622
Non-controlling interest	(106)
Transfer from surplus on revaluation of fixed assets	77
Profit available for appropriations	74,908
Appropriation:	
Transfer to Statutory Reserve	(1,618)
Un-appropriated profit carried forward	73,290
Basic and diluted earnings per share (Rupees)	7.59

For and on behalf of the Board of Directors

Tariq Jamali
President (A) & Chairman
Karachi
Date: October 23, 2018

Muhammad Imran Malik
Director

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

مجمع مالیاتی گوشوارے

ہم بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر، 2018 کو ختم ہونے والی نو ماہ کی مدت کے لیے بینک اور اس کے ذیلی اداروں کے مجمع (consolidated) مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

مجمع مالیاتی گوشوارے متعلقہ بین القوامی مالیاتی رپورٹنگ معیارات اور اسلامک اکاؤنٹنگ معیارات اور دیگر لاگو ہونے والے ہدایتی ضوابط کو مد نظر رکھتے ہوئے تیار کیے گئے ہیں۔

نو ماہ کی مدت کے اختتام، 30 ستمبر، 2018 کا مجمع بعد از ٹیکس منافع، 16.25 بلین پاکستانی روپے ہے جو کہ سال 2017 کی اسی مدت کے منافع 14.83 بلین پاکستانی روپے سے 9.5 فیصد زیادہ ہے۔ اس مدت کے دوران ہمارے ذیلی اداروں نے گروپ کے منافع میں 338 ملین پاکستانی روپے جوڑے، جبکہ ایسوسی ایٹس نے 9 ملین پاکستانی روپے کا منافع / (نقصان) شیئر کیا اور مشترکہ منصوبوں سے (188) ملین پاکستانی روپے ریکارڈ کیا گیا۔ مجمع اثاثوں کی نمو 4.1 فیصد رہی اور 30 ستمبر، 2018 میں 2,474.22 بلین پاکستانی روپے تک پہنچ گئی، جو کہ 31 دسمبر، 2017 میں 2,376.02 بلین پاکستانی روپے تھی۔ زیر جائزہ نو ماہ کی مجمع فی شیئر آمدنی 7.59 پاکستانی روپے تھی جبکہ 2017 کی اسی مدت میں 6.91 پاکستانی روپے تھی۔

انضمام شدہ عملی (Operating) نتائج اور رقوم کے استعمال کے لیے تجاویز بورڈ کی سفارش کے مطابق درج ذیل ہیں:

رقم ملین روپوں میں

23,318

30 ستمبر 2018 کو ختم ہونے والی نو ماہ کی مدت کے لیے قبل از ٹیکس منافع

ٹیکس:

- موجودہ سال

- گزشتہ سال (سالوں) کا

- مؤخر شدہ

9,347

(20,756)

18,481

7,072

16,246

30 ستمبر 2018 کو ختم ہونے والی نو ماہ کی مدت کے لیے بعد از ٹیکس منافع

58,069

622

(106)

77

74,908

پچھلے سال سے لایا گیا غیر استعمال شدہ منافع

دیگر جامع آمدن - بعد از ٹیکس

نان کنٹروولنگ انٹرسٹ

جامدا اثاثہ جات کی تخمینہ اندازی پر اضافی منتقلی

مخصصات کے لیے دستیاب منافع

مخصصات:

مالیاتی ذخائر کی منتقلی

آگے منتقل کیا گیا غیر استعمال شدہ منافع

(1,618)

73,290

7.59 روپے

بنیادی اور تخفیف شدہ فی شیئر آمدنی

بورڈ آف ڈائریکٹرز کی جانب سے اور ان کے لیے

محمد عمران ملک

ڈائریکٹر

طارق جمالی

قائم مقام صدر اور چیئرمین

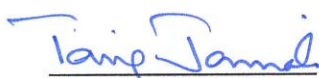
کراچی


تاریخ: 23 اکتوبر، 2018

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018

		(Un-audited) September 30, 2018	(Audited) December 31, 2017
Note		(Rupees in '000)	
ASSETS			
		214,608,176	160,080,735
		16,527,971	26,992,279
		13,408,145	26,916,113
	7	1,247,658,241	1,296,537,064
	8	828,861,649	740,344,934
	9	33,586,583	33,822,237
	10	-	7,342,482
		119,564,980	83,980,565
		2,474,215,744	2,376,016,409
LIABILITIES			
		12,400,586	13,195,055
	11	360,894,176	360,105,674
	12	1,799,532,503	1,727,059,246
		-	-
		69,441	56,799
	10	8,808,446	-
		100,287,895	95,923,921
		2,281,993,048	2,196,340,695
NET ASSETS		192,222,697	179,675,714
REPRESENTED BY			
		21,275,131	21,275,131
		52,001,057	49,887,328
		73,290,227	58,069,393
		146,566,415	129,231,852
		825,342	811,427
		147,391,756	130,043,279
	13	44,830,941	49,632,435
		192,222,697	179,675,714
CONTINGENCIES AND COMMITMENTS			
	14		

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


President (A) and
Chairman


Director

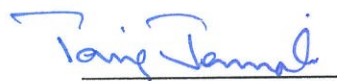

Director



Chief Financial
Officer

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

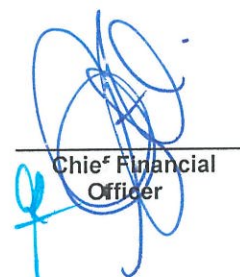
	Quarter ended September 30, 2018	Nine Months ended September 30, 2018	Quarter ended September 30, 2017	Nine Months ended September 30, 2017
	(Rupees in '000)			
Profit after taxation	3,502,940	16,246,102	6,186,509	14,831,780
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange gain / (loss) on translation of net assets of foreign branches, subsidiaries and joint venture	(49,840)	495,985	144,365	857,480
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurements of defined benefit liability	19,044	955,610	(4,624)	(1,784,763)
Related tax effects	(6,666)	(334,464)	1,318	624,669
	12,378	621,146	(3,006)	(1,160,099)
Other comprehensive income / (loss) - net of tax	(37,462)	1,117,131	141,660	(302,619)
Total comprehensive income transferred to equity	3,465,478	17,363,233	6,328,169	14,529,160
Components of comprehensive income not reflected in equity:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
(Deficit) / surplus on revaluation of available-for-sale securities	(5,158,393)	(6,830,418)	(4,546,818)	(3,000,292)
Related tax effects	1,797,715	2,659,689	1,751,223	1,272,144
Other comprehensive (loss) / income - net of tax	(3,360,678)	(4,170,729)	(2,795,595)	(1,728,148)

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


President (A) and
Chairman


Director

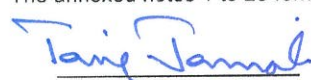

Director

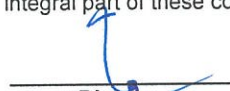

Chief Financial
Officer

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

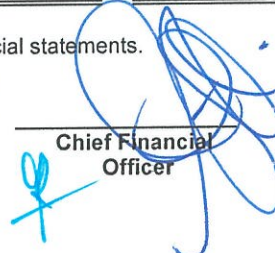
	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	23,317,940	23,532,295
Less: Dividend income	<u>(1,939,788)</u>	<u>(2,336,739)</u>
	21,378,152	21,195,557
Adjustments:		
Depreciation and amortization	2,033,383	2,405,438
Provision against non-performing loans and advances	3,997,372	2,480,060
Provision / (reversal of provision) for diminution in value of investments	421,574	(2,799,769)
Other provisions / write offs	541,779	1,587,040
Unrealised loss on revaluation of investments classified as held for trading	10,167	(14,789)
Charge / (reversal) for defined benefit plan- net	4,222,979	3,912,741
Gain on sale of fixed assets	(58,481)	(83,255)
Share of loss / (profit) from joint venture	188,427	(67,305)
Share of (profit) / loss from associates	(8,553)	499,867
Financial charges on leased assets	310	1,205
	<u>11,348,958</u>	<u>7,921,232</u>
	32,727,110	29,116,789
(Increase) / decrease in operating assets		
Lendings to financial institutions	12,107,968	103,571,991
Held-for-trading securities	533,703,042	(290,275,271)
Advances	(92,514,087)	(14,739,371)
Other assets	<u>(17,924,137)</u>	<u>(8,277,386)</u>
	435,372,786	(209,720,037)
Increase / (decrease) in operating liabilities		
Bills payable	(794,469)	7,130,709
Borrowings	(20,508,834)	221,639,290
Deposits and other accounts	72,473,257	27,580,560
Other liabilities	<u>793,841</u>	<u>(1,801,014)</u>
	51,963,794	254,549,545
Income tax paid	(5,468,890)	(9,514,411)
Financial charges paid	(310)	(1,205)
Benefits paid	<u>(1,969,704)</u>	<u>(2,445,706)</u>
	<u>(7,438,904)</u>	<u>(11,961,322)</u>
	512,624,785	61,984,974
Net cash flow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(482,173,060)	(73,478,627)
Net investments in held-to-maturity securities	(10,381,155)	42,749,054
Net investments in associates and joint venture	467,279	(552,167)
Dividend received	1,939,788	2,336,739
Investments in operating fixed assets	(1,807,596)	(2,217,450)
Sale proceeds of operating fixed assets disposed off	187,128	180,529
Net cash (used) in investing activities	<u>(491,767,616)</u>	<u>(30,981,923)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	12,642	(14,687)
Dividend paid	-	(15,940,511)
Net cash used in financing activities	12,642	(15,955,198)
Effects of exchange rate changes on cash and cash equivalents	495,985	857,480
Net increase in cash and cash equivalents	21,365,796	15,905,333
Cash and cash equivalents at beginning of the period	167,211,263	147,270,173
Cash and cash equivalents at the end of the period	<u>188,577,059</u>	<u>163,175,509</u>

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


President (A) and
Chairman


Director


Director


Chief Financial
Officer

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	Share capital	Attributable to the shareholders of the bank					Sub Total	Non Controlling Interest	Total
		Reserves				Unappropriated profit			
		Capital		Revenue					
		Exchange Translation	Statutory	General Loan Loss	General				
(Rupees in '000)									
Balance as at January 1, 2017	21,275,131	6,226,174	27,283,563	12,000,000	521,338	55,795,351	123,101,558	737,972	123,839,530
Total comprehensive income for the nine months period ended September 30, 2017									
Profit after tax	-	-	-	-	-	14,691,540	14,691,540	140,240	14,831,780
Other comprehensive income - net of tax	-	857,480	-	-	-	(1,160,099)	(302,619)	-	(302,619)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	857,480	-	-	-	13,531,441	14,388,920	140,240	14,529,160
Transfer to statutory reserve	-	-	1,470,541	-	-	(1,470,541)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(15,956,348)	(15,956,348)	-	(15,956,348)
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(5,628)	(5,628)
Balance as at September 30, 2017	21,275,131	7,083,654	28,754,104	12,000,000	521,338	51,981,082	121,615,310	872,584	122,487,894
Total comprehensive income for the three months period ended December 31, 2017									
Profit after tax	-	-	-	-	-	8,488,989	8,488,989	25,094	8,514,082
Other comprehensive income - net of tax	-	695,974	-	-	-	(1,595,480)	(899,506)	-	(899,506)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	695,974	-	-	-	6,893,509	7,589,483	25,094	7,614,576
Transfer to statutory reserve	-	-	832,258	-	-	(832,258)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(86,250)	(86,250)
Balance as at December 31, 2017	21,275,131	7,779,628	29,586,362	12,000,000	521,338	58,069,393	129,231,852	811,427	130,043,279
Total comprehensive income for the nine months period ended September 30, 2018									
Profit after tax	-	-	-	-	-	16,140,310	16,140,310	105,792	16,246,102
Other comprehensive income - net of tax	-	495,985	-	-	-	621,146	1,117,131	-	1,117,131
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	495,985	-	-	-	16,761,456	17,257,441	105,792	17,363,233
Transfer to statutory reserve	-	-	1,617,744	-	-	(1,617,744)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(91,878)	(91,878)
Balance as at September 30, 2018	21,275,131	8,275,613	31,204,106	12,000,000	521,338	73,290,227	146,566,415	825,342	147,391,756

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

Tariq Jamil
President (A) and
Chairman

Director

Director

Chief Financial
Officer

NATIONAL BANK OF PAKISTAN
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

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 Exchange Company Limited
- National Bank Modaraba Management Company Limited
- Taurus Securities Limited
- NBP Fund Management Limited (formerly NBP Fullerton Asset Management Limited) - NBP Funds
- 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 Pakistan Stock Exchange. 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 1,502 (Dec 31, 2017: 1,498) branches in Pakistan and 21 (Dec 31, 2017: 21) overseas branches (including the Export Processing Zone branch, Karachi). The holding company also provides services as trustee to Long Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

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

1.2 Basis of Consolidation

The consolidated condensed interim financial statements include the condensed interim 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 consolidated condensed interim financial statements.

Non-controlling interest / 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 financial statements of Cast-N-Link Products Limited (CNL) are not available since the year 1997. Accordingly, the management of the Group had applied to the Securities and Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 228 of the Companies Act, 2017 (the Act) in respect of consolidating its subsidiary CNL. The SECP, vide its letter EMD/233/627/2002-419 dated November 7, 2017, based on the fact that investments of the Group in CNL are not material and comprise of 0.000056% of the total assets of the Bank and the investment have been fully provided for, granted the exemption from consolidation of CNL in its consolidated financial statements.

2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.2 The SBP vide BSD Circular letter No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular No.4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards IFAS 3, Profit and Loss Sharing on Deposits. Further according to the notification of the SECP issued vide SRO 411(I) /2008 dated April 28, 2008, International Financial Reporting Standard IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Further, segment information is being disclosed in accordance with SBP's prescribed format as per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8 Operating Segments.
- 2.3 SECP vide its notification SRO 633 (I) /2014 dated July 10, 2014, adopted IFRS 10 Consolidated Financial Statements (IFRS 10) effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I)/2016 dated January 28 2016, it has been notified that the requirements of IFRS 10 and section 237 of the repealed Companies Ordinance, 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

The Companies Ordinance, 1984 was repealed after enactment of the Companies Act, 2017, on May 30, 2017. The SECP vide its Circular No.23 of 2017, dated October 04, 2017 allowed all those companies whose financial year closed on or before December 31, 2017, were required to prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. Accordingly, these consolidated condensed interim financial statements have been prepared in accordance with Companies Act, 2017. Change to the significant accounting policy, as a result of the enactment of the Companies Act, 2017, has been detailed in note 4.1.

- 2.4 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 financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2017.
- 2.5 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 9 'Financial Instruments' - effective date: July 01, 2018

The Bank is currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performance financial statements for the year ended December 31, 2017. The Bank is required to submit its impact assessment to the SBP in due course of time. For certain overseas branches, the Bank has adopted IFRS 9 in respect of provision for impairment as more fully explained in note 4.1.2.

IFRS 15 'Revenue from contracts with customers' - effective date: July 01, 2018

The IASB has issued a new standard for the recognition of revenue. This will replace IAS18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

IFRS 16 'Leases' - effective date: January 01, 2019

IFRS16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

3. BASIS OF MEASUREMENT

These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued 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 consolidated condensed interim financial statements are presented in Pak rupees which is the Group's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted for presentation of these consolidated condensed interim financial information are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2017, except for;

4.1.1 Surplus on revaluation of fixed assets

The Companies Act, 2017 is applicable for financial periods beginning on January 01, 2018 and require a change in accounting policy related to surplus on revaluation of fixed assets. Under the new requirement, the treatment of such surplus shall be in line with the requirements of IAS 16 – Property, Plant and Equipment, since Section 235 of the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. The Bank has revised its accounting policy in respect of measurement of surplus on revaluation of fixed assets which are now accounted for in accordance with IAS -16. The Bank is in process to carry out revaluation of its properties and accordingly the impact will be accounted for as per revised policy in the annual financial statements of the bank for the year ending December 31, 2018.

The management of the Bank believes that the impact of change in accounting policy for the prior year is not material for the purpose of these condensed interim financial information.

4.1.2 Impairment of financial assets

The Bank is currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performa financial statements for the year ended December 31, 2017. The Bank is required to submit its impact assessment to the SBP in due course of time. Accordingly the Bank has started the process for such assessment.

As per accounting policy of the Bank, general provision against loan losses of overseas branches is made as per the requirements of the respective central banks. During the current year, IFRS 9 became applicable in few overseas branches of the bank and was implemented in Bahrain branch of the Bank. Application of this standard in Bahrain and Riyadh branch resulted in additional provision charge of Rs.130 million as at September 30, 2018 which is included in general provision against non-performing advances.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates and judgements used in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2017.

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, 2017.

7. INVESTMENTS - net

	September 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)			(Rupees in '000)		
Note						
	151,869,459	-	151,869,459	372,602,079	311,339,019	683,941,098
	315,282	-	315,282	2,638,247	-	2,638,247
	401,072	-	401,072	316,131	-	316,131
	684,181	-	684,181	67,244	-	67,244
	153,269,994	-	153,269,994	375,623,701	311,339,019	686,962,720
	25,402,626	-	25,402,626	23,238,801	-	23,238,801
	2,005,182	-	2,005,182	1,381,912	-	1,381,912
	275,438,523	269,278,195	544,716,718	138,558,842	-	138,558,842
	187,943,255	6,100,000	194,043,255	124,897,777	7,700,000	132,597,777
	21,084,477	-	21,084,477	16,823,587	-	16,823,587
	1,685,365	-	1,685,365	1,612,104	-	1,612,104
	617,982	-	617,982	548,752	-	548,752
	72,360,432	-	72,360,432	64,664,793	-	64,664,793
	570,535	-	570,535	556,944	-	556,944
	819,646	-	819,646	1,449,646	-	1,449,646
	463,295	-	463,295	463,295	-	463,295
	588,391,318	275,378,195	863,769,513	373,896,453	7,700,000	381,596,453
	157,916,394	-	157,916,394	169,476,489	-	169,476,489
	19,916,906	-	19,916,906	148,246	-	148,246
	2,575,611	-	2,575,611	2,309,720	-	2,309,720
	23,092,301	-	23,092,301	21,173,206	-	21,173,206
	477	-	477	424	-	424
	698,264	-	698,264	710,713	-	710,713
	204,199,953	-	204,199,953	193,818,798	-	193,818,798
	1,237,973	-	1,237,973	1,227,086	-	1,227,086
	4,488,438	-	4,488,438	4,966,604	-	4,966,604
	1,245	-	1,245	1,245	-	1,245
	951,588,922	275,378,195	1,226,967,117	949,533,887	319,039,019	1,268,572,906
7.2	(10,943,442)	-	(10,943,442)	(10,521,310)	-	(10,521,310)
	940,645,480	275,378,195	1,216,023,675	939,012,577	319,039,019	1,258,051,596
	(10,167)	-	(10,167)	10,317	-	10,317
13	31,554,255	90,478	31,644,733	38,431,646	43,505	38,475,151
	972,189,568	275,468,673	1,247,658,241	977,454,540	319,082,524	1,296,537,064

7.2

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8.1 Advances include Rs. 136,960 million (2017: Rs.121,941 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2018 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	(Rupees In '000)				
Other Assets Especially Mentioned	3,666,688	-	3,666,688	90,406	90,406
Substandard	15,966,733	11,561	15,978,294	3,810,552	3,810,552
Doubtful	1,738,778	-	1,738,778	819,864	819,864
Loss	79,654,528	35,921,333	115,575,861	114,014,719	114,014,719
	101,026,727	35,932,895	136,959,622	118,735,541	118,735,541

Category of Classification	December 31, 2017 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	(Rupees In '000)				
Other Assets Especially Mentioned	1,279,934	-	1,279,934	44,589	44,589
Substandard	5,623,565	67,479	5,691,044	1,362,851	1,362,851
Doubtful	2,494,799	477,229	2,972,028	1,325,361	1,325,361
Loss	80,102,779	31,895,539	111,998,318	108,614,974	108,614,974
	89,501,077	32,440,247	121,941,324	111,347,775	111,347,775

8.2 Particulars of provision against non-performing advances

	September 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000')					
Opening balance	111,347,775	6,515,068	117,862,843	110,239,938	4,431,207	114,671,145
Foreign exchange adjustments	3,610,078	51,478	3,661,556	952,122	15,534	967,656
Charge for the period	12,031,200	346,883	12,378,082	3,177,831	2,558,971	5,736,802
Reversal for the period	(8,253,512)	(127,198)	(8,380,710)	(4,001,550)	(490,644)	(4,492,194)
	<u>3,777,688</u>	<u>219,684</u>	<u>3,997,372</u>	<u>(823,719)</u>	<u>2,068,327</u>	<u>1,244,608</u>
Transfer from investments	-	-	-	1,004,153	-	1,004,153
Other transfer	-	-	-	(44,875)	-	(44,875)
Amounts charged off	-	-	-	(2,981)	-	(2,981)
Amounts written off	-	-	-	(899)	-	(899)
Other adjustments	-	-	-	24,036	-	24,036
Closing balance	<u>118,735,541</u>	<u>6,786,230</u>	<u>125,521,771</u>	<u>111,347,775</u>	<u>6,515,068</u>	<u>117,862,843</u>

8.3 The SBP 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 up till December 31, 2017. The Bank believes that extension will be allowed in due course.

9. OPERATING FIXED ASSETS

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000')	
Capital work-in-progress	1,935,607	1,823,691
Property and equipment	30,714,404	30,848,109
Intangible assets	936,572	1,150,437
	<u>33,586,583</u>	<u>33,822,237</u>

9.1 Additions and disposals during the period amounted to Rs. 1,669 million (September 30, 2017: Rs. 1,547 million) and Rs. 394 million (September 30, 2017: Rs. 395 million) respectively.

(Un-audited) September 30, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----	

10. DEFERRED TAX (LIABILITIES) / ASSETS - net

Deferred tax assets arising in respect of

Provision for diminution in the value of investments	236,751	3,278,835
Provision against non-performing advances	622,390	622,390
Other provisions	105,416	2,187,036
Provision against defined benefits plans	2,561,091	13,649,979
Unrealized loss on derivatives	-	439,026
Provision against off balance sheet obligations	115,222	116,622
Excess of accounting book value of leased assets over lease liabilities	-	3,872
Carried forward unabsorbed tax losses	10,705	10,705
Others	1,898	3,584
	3,653,473	20,312,049

Deferred tax liabilities arising in respect of

Revaluation of available-for-sale securities	(9,845,240)	(12,504,929)
Non-banking assets	(89,981)	(89,981)
Operating fixed assets	(211,866)	(374,657)
Others	(2,314,832)	-
	(12,461,919)	(12,969,567)

Net deferred tax (liabilities) / assets

	(8,808,446)	7,342,482
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- 10.1 The Bank has received favorable ATIR decision in respect of Tax Years 2011-2014 and CIR(A) order for the tax year 2015 during the period which resulted in increase in determined refunds by Rs. 20.3 billion and prior year tax provision reversal of Rs. 2.11 billion. Accordingly, deferred tax assets recognized in prior years are no longer required therefore reversed, which amounted to Rs. 16.3 billion.

11. BORROWINGS FROM FINANCIAL INSTITUTIONS

Borrowings include repurchase agreement borrowings amounting to Rs. 275,378 million (December 31, 2017: Rs. 320,039 million).

(Un-audited) September 30, 2018	(Audited) December 31, 2017
Note ----- (Rupees in '000) -----	

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	293,034,136	336,280,253
Savings deposits	518,539,738	476,860,650
Current accounts - remunerative	314,214,592	278,684,284
Current accounts - non-remunerative	460,343,889	362,299,286
	1,586,132,356	1,454,124,473

Financial Institutions

Remunerative deposits	25,019,463	61,988,674
Non-remunerative deposits	188,380,684	210,946,099
	213,400,147	272,934,773
	1,799,532,503	1,727,059,246

13. SURPLUS ON REVALUATION OF ASSETS - net

Surplus on revaluation of fixed assets	21,869,083	21,946,203
Surplus on revaluation of non-banking assets	2,174,366	2,174,366
	24,043,449	24,120,569

Surplus on revaluation of available-for-sale securities - net of tax

Federal Government Securities	(5,233,116)	953,651
Term Finance Certificates and Sukuks	75,207	126,291
Shares and units of mutual funds	23,035,692	26,193,852
GoP Foreign Currency Bonds	(190,415)	292,789
Foreign Currency Debt Securities	(91,116)	62,855
Investment outside Pakistan	14,048,481	10,843,713
	31,644,733	38,475,151
	55,688,182	62,595,720

Deferred tax liability

Surplus on revaluation of available-for-sale securities	(9,845,240)	(12,504,929)
Share of revaluation loss on securities of associates	(1,012,002)	(456,356)
	44,830,941	49,632,435

14. CONTINGENCIES AND COMMITMENTS

14.1 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	8,977,026	18,841,970
- Financial institutions	4,636,477	2,836,911
- Others	28,219,883	27,834,214
	<u>41,833,386</u>	<u>49,513,095</u>

14.2 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	23,367,993	15,084,426
- Financial institutions	26,150,602	33,247,316
- Others	23,298,855	17,111,631
	<u>72,817,450</u>	<u>65,443,373</u>

14.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	627,087,527	326,644,898
- Financial institutions	2,593,734	2,647,619
- Others	76,864,150	89,200,608
	<u>706,545,811</u>	<u>418,493,125</u>

14.4 Other contingencies

14.4.1 Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2017: Rs. 1,597 million)

<u>19,876,661</u>	<u>16,747,536</u>
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14.4.2 Taxation

The current status of tax contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2017, except for:

- The tax returns of the Bank have been filed upto Tax Year 2017 and amended by the tax authorities up to Tax Year 2017. For Azad Kashmir and Gilgit Baltistan 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 2017.
- Against ATIR orders for the Tax Years 2011 to 2014, the Bank has obtained appeal effect orders which has resulted in net increase in determined refunds by Rs. 18.358 billion and prior year tax reversal of Rs. 1.914 billion. Further, as a result of appeal effect order passed under section 124 / 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2015, the net refund have increased by Rs.1.899 billion and tax reversal of Rs. 0.198 billion. Therefore, the aggregate refunds increased by Rs.20.257 billion and prior year tax reversal of Rs. 2.113 billion.
- The aggregate effect of contingencies as on September 30, 2018 amounts to Rs.10.731 billion (December 31, 2017: Rs. 14.243 billion). 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.

14.4.3 Barter Trade Agreements

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2017.

14.4.4 Golden Handshake / Encashment of Unavailed Leaves / Outsourcing / Medical

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2017.

14.4.5 Pensionary benefits to retired employees

In 1977 the Federal Govt. vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977 addressed to the Pakistan Banking Council, directed that all executives / officers of all nationalized banks would be paid pension as calculated @ 70% of average emoluments on completion of 30 years of qualifying service and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was dissolved and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the revised pay structure for the officers / executives of the Bank with effect from January 01, 1999 vide Circular No.37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing basic pay and existing formula was protected.

A number of bank's employees, after attaining the age of superannuation filed writ petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010-11.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by laches and that the Petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

Lahore High Court, vide its judgment dated January 15, 2016, allowed the writ petitions on the same matter and the Bank was directed to release the pensionary benefits of the Petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by Lahore High Court, Lahore, through its judgment dated January 16, 2017. The Bank assailed the said judgment by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both Parties, vide its judgement dated September 25, 2017 has upheld the decision of a Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (c) of 1977. Under this Circular, the pension of employees was to be calculated @ 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank has filed review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the review petition, which has been accepted. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its review petition. The Bank has a reasonably strong case on merits to convince the Supreme Court for reversal of its decision.

In case this matter is decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 54.3 billion excluding any penalty interest / profit payment due to delayed payment in case of unfavorable decision. Pension expense for the year 2018 onward will also increase by Rs 7.5 billion due to this decision. No provision has been made in these consolidated condensed interim financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter based on the opinion of the legal advisor.

14.4.6 Litigation related to management trainee program

The Bank started Management Trainee Officers (MTOs) program in the year 2003 and from 2003 to 2013, 14 batches of MTOs were inducted in the Bank's regular service in general banking, human resource, audit and information technology departments. In the year 2010, one Mr. Ashfaq Ali and 2 others filed a CP No. D-417/2010 before the Sindh High Court (SHC), Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination. The SHC order was assailed by the Bank before the Apex Court through CP No. 805/2013. The Bank was granted Leave, however subsequently, Bank's civil appeal was dismissed vide order dated September 21, 2016 in terms of which the order of the Sindh High Court was upheld, however, the respondents were held to be entitled for same salary, perks and emoluments as are applicable and payable to the MTOs working in contemporary grades from the date of judgment of the SHC effective from 13.03.2013. Review Petition filed by the Bank was also dismissed by the Supreme Court, vide order dated 14.04.2017. The Bank settled the claims of three employees during the year 2017.

Subsequent to the aforesaid order other employees of the Bank also approached various High Courts, seeking benefit of the said judgment. The Lahore High Court, Lahore (LHC) vide order dated March 30, 2018, allowed two of those Writ Petitions however the Bank assailed that order through an Intra Court Appeal and a Division Bench of LHC vide order dated May 14, 2018 remanded the case back to the Single bench where it is still pending adjudication.. In another similar Petition filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated May 30, 2018 in the light of the aforesaid judgment of Supreme Court. The Bank has assailed that order before the Apex Court which is yet to be fixed for hearing.

A large number of Constitutional petitions filed before the Sindh High Court, Karachi, on the same matter were disposed of vide order dated September 09, 2018 and the Bank was directed to constitute a committee which will examine the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgment given by the honorable Supreme Court of Pakistan dated 21.09.2016, preferably within three months. The Bank has filed a Review Petition in the matter while praying to limit the judgment to the extent of the Petitioners only. The other Benches of the Sindh High Court have also referred the matters back to the Bank for considering the same in the light of the Supreme Court order under reference.

As advised by our counsel, the Bank has a reasonable case on merits to convince the courts that the decision of the Apex Court cannot be applied out rightly and instead each case is to be assessed on its facts and merits.

14.4.7 Compliance and risk matters relating to anti-money laundering

The current status of these contingencies is same as disclosed in the financial statements of the Group for the year ended December 31, 2017.

	(Un-Audited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
14.5 Commitments in respect of forward exchange contracts		
Purchase	265,707,059	202,309,263
Sale	168,209,084	142,915,579
14.6 Commitments in respect of financing		
Undrawn committed facilities (which are not cancellable)	14,165,304	41,261,434
Unconditionally cancellable commitments (which can be cancelled at any time without notice)	98,859,944	116,441,330
14.7 Commitments for the acquisition of operating fixed assets	501,656	826,727
14.8 Other Commitments		
Professional services to be received	13,500	23,115

15. OTHER INCOME

Other Income includes Rs. 1,574 million (September 30: 2017: Rs. 1,071 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

16. OTHER PROVISIONS AND WRITE - OFFS

This mainly represents provision made on account of reported instances of financial improprieties for which investigation are in progress.

17. TAXATION

The Federal Government vide Finance Act 2018 has imposed a super tax at the rate of 4% on income of Banks for the year ending December 31, 2018 (Tax Year 2019). Accordingly, provisions of Rs. 944 million for the Super Tax has been made for the nine months.

	Quarter Ended September 30, 2018	Nine Months Ended September 30, 2018	Quarter Ended September 30, 2017	Nine Months Ended September 30, 2017
18. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation	(Rupees in '000) 3,484,050	16,148,310	6,174,999	14,691,540
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) 1.64	7.59	2.90	6.91

19. OTHER DISCLOSURES

19.1 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	Assets Management	Retail Brokerage	Total
	Rupees in '000'								
Nine months period ended September 30, 2018 (Un-audited)									
Total income	214,573	14,632,018	1,801,080	42,135,786	631,894	6,729,648	1,160,491	84,618	67,390,109
Inter segment revenue	-	(14,345,859)	19,505,288	(5,159,429)	-	-	-	-	-
Total expenses	43,763	73,353	11,055,070	27,989,339	114,605	3,874,131	832,059	89,849	44,072,169
Net income	170,810	212,806	10,251,298	8,987,017	517,290	2,855,517	328,432	(5,231)	23,317,940
Segment assets (Gross)	-	151,198,609	197,981,209	2,122,151,157	-	-	2,316,669	568,101	2,474,215,744
Segment non-performing loans	-	-	9,684,121	126,813,258	-	-	462,242	-	136,959,622
Segment provision required	-	-	10,047,121	115,138,097	-	-	336,554	-	125,521,771
Segment liabilities	-	-	713,474,351	1,566,925,897	-	-	1,337,443	255,356	2,281,993,048
Segment return on assets (FOA) (%)	0.00%	0.10%	7.03%	0.67%	0.00%	0.00%	14.69%	-0.58%	1.30%
Segment cost of funds (%)	0.00%	0.00%	3.40%	4.56%	0.00%	0.00%	3.29%	1.56%	4.26%
	Rupees in '000'								
Nine months period ended September 30, 2017 (Un-audited)									
Total income	543,249	3,534,088	2,267,966	47,820,686	494,203	6,302,033	1,288,491	147,889	62,398,615
Inter segment revenue	-	(2,952,192)	16,719,612	(13,767,421)	-	-	-	-	-
Total expenses	119,699	96,127	9,925,106	23,702,355	137,296	3,943,790	851,663	90,285	38,866,320
Net income	423,550	485,779	9,062,473	10,350,910	356,907	2,358,244	436,828	57,604	23,532,295
Segment assets (Gross)	-	300,365,243	182,548,434	1,743,195,156	-	-	2,815,157	523,596	2,229,447,586
Segment non-performing loans	-	-	10,779,419	118,840,806	-	-	443,557	-	130,063,782
Segment provision required	-	-	9,318,203	108,039,178	-	-	336,855	-	117,694,237
Segment liabilities	-	-	598,054,781	1,452,198,369	-	-	1,746,970	190,485	2,052,190,604
Segment return on assets (ROA) (%)	0.00%	0.26%	6.46%	0.81%	0.00%	0.00%	16.20%	6.78%	1.45%
Segment cost of funds (%)	0.00%	0.00%	3.06%	4.24%	0.00%	0.00%	6.47%	1.57%	3.91%

19.2 Fair value of financial instruments

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates and subsidiaries is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings can not be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short term in nature or, in the case of customer loans and deposits, are frequently repriced.

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

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

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

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

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

	September 30, 2018 (Un-audited)				
Carrying Value	Fair Value				Total
	Level 1	Level 2	Level 3		
	Rupees in '000'				
On balance sheet financial instruments					
Financial assets measured at fair value					
Held for trading securities					
Market Treasury Bills	151,858,982	-	151,858,982	-	151,858,982
Pakistan Investment Bonds	314,475	-	314,475	-	314,475
Investments in mutual funds	402,188	402,188	-	-	402,188
Ordinary shares of listed companies	684,181	684,181	-	-	684,181
Available for sale securities					
Ordinary shares of listed companies	45,037,013	45,037,013	-	-	45,037,013
Ordinary shares of unlisted companies	1,606,259	-	1,606,259	-	1,606,259
Market Treasury Bills	544,627,704	-	544,627,704	-	544,627,704
Pakistan Investment Bonds	188,899,153	-	188,899,153	-	188,899,153
GoP Foreign Currency Bonds	20,894,062	-	20,894,062	-	20,894,062
Foreign Currency Debt Securities	1,594,249	-	1,594,249	-	1,594,249
Foreign Government Securities	617,982	-	617,982	-	617,982
Term Finance Certificates / Musharika and Sukuk Bonds	66,810,479	-	66,810,479	-	66,810,479
Preference shares	137,091	137,091	-	-	137,091
Investments in mutual funds	783,645	783,645	-	-	783,645
Investments outside Pakistan	14,511,776	14,511,776	-	-	14,511,776
Off balance sheet financial instruments					
Foreign exchange contracts purchase and sale	431,916,143	-	1,035,176	-	1,035,176

December 31, 2017 (Audited)					
Carrying Value	Fair Value				Total
	Level 1	Level 2	Level 3		
Rupees in '000'					
On balance sheet financial instruments					
Financial assets measured at fair value					
Held for trading securities					
Market Treasury Bills	683,921,624	-	683,921,624	-	683,921 624
Pakistan Investment Bonds	2,643,892	-	2,643,892	-	2,643 892
Investments in mutual funds	340,121	340,121	-	-	340 121
Ordinary shares of listed companies	67,399	67,399	-	-	67.399
Available for sale securities					
Ordinary shares of listed companies	46,717,506	46,717,506	-	-	46,717,506
Ordinary shares of unlisted companies	982,989	-	982,989	-	982.989
Market Treasury Bills	138,560,516	-	138,560,516	-	138,560,516
Pakistan Investment Bonds	133,549,754	-	133,549,754	-	133,549,754
GoP Foreign Currency Bonds	17,116,376	-	17,116,376	-	17,116,376
Foreign Currency Debt Securities	1,674,959	-	1,674,959	-	1,674,959
Foreign Government Securities	548,752	-	548,752	-	548,752
Term Finance Certificates / Musharika and Sukuk Bonds	58,867,897	-	58,867,897	-	58,867,897
Preference shares	123,500	123,500	-	-	123,500
Investments in mutual funds	1,149,646	1,149,646	-	-	1,149,646
Investments outside Pakistan	11,307,008	11,307,008	-	-	11,307,008
Off balance sheet financial instruments					
Foreign exchange contracts purchase and sale	345,224,842	-	1,239,755	-	1,239,755

Certain categories of operating fixed assets (land and buildings) and non-banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuer based on their assessment of the market values.

19.3 Basel III liquidity requirements

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----		
Liquidity coverage ratio		
Total high quality liquid assets	824,500,213	984,828,182
Total net cash outflow	553,638,183	580,370,735
Liquidity coverage ratio %	149%	170%
Net stable funding ratio		
Total available stable funding	1,705,565,767	1,531,580,508
Total required stable funding	468,260,692	419,276,880
Net stable funding ratio %	364%	365%

20. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings, subsidiary companies, joint-venture, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 7.

Transactions between the Group and its related parties are carried out under normal course of business as per terms of contract, except employees staff loans, employees sale of assets and provident fund, that are as per agreement.

There are no transactions with key management personnel other than under advance salary.

	2018 (Un-audited)			2017 (Audited)				
	At January 01, 2018	Given during the period	Repaid during the period	At September 30, 2018	At January 01, 2017	Given during the year	Repaid during the year	At December 31, 2017
	(Rupees in '000)							
Advances								
Associates	3,314,085	18,750	(190,260)	3,142,575	3,297,168	18,750	(1,833)	3,314,085
Key Management Executives	145,369	4,939	(20,057)	130,252	185,830	11,782	(19,962)	177,650
Adjustments*	85,323	-	-	85,323	(32,281)	-	-	(32,281)
	230,692	4,939	(20,057)	215,575	153,549	11,782	(19,962)	145,369
Debts due by Company in which director is interested as director	-	103,150,913	(103,448,862)	(297,949)	-	2,000,000	(2,000,000)	-
Adjustments*	4,491,100	-	-	4,491,100	-	-	-	-
	4,491,100	103,150,913	(103,448,862)	4,193,151	-	2,000,000	(2,000,000)	-
	8,035,878	103,174,602	(103,659,179)	7,551,301	3,450,717	2,030,532	(2,021,795)	3,459,454

	2018 (Un-audited)				2017 (Audited)			
	At January 01, 2018	Received during the period	Repaid during the period	At September 30, 2018	At January 01, 2017	Received during the year	Repaid during the year	At December 31, 2017
	(Rupees in '000)							
Deposits								
Key Management Executives	62,047	389,387	(331,953)	119,481	28,838	430,392	(408,116)	51,114
Adjustments*	(13,718)	-	-	(13,718)	10,933	-	-	10,933
	48,329	389,387	(331,953)	105,763	39,771	430,392	(408,116)	62,047
Directors	15,614	24,180	(21,956)	17,838	4,655	37,321	(27,127)	14,849
Adjustments*	(244)	-	-	(244)	765	-	-	765
	15,370	24,180	(21,956)	17,594	5,420	37,321	(27,127)	15,614
Pension Fund (Current)	1,248	3,611,082	(3,578,633)	33,697	1,363	3,781,571	(3,781,686)	1,248
Pension Fund (Fixed Deposit)	10,300,000	14,300,000	(14,300,000)	10,300,000	8,800,000	10,300,000	(8,800,000)	10,300,000
Pension Fund (N.I.D.A A/c)	514,539	14,393,527	(14,040,257)	867,808	1,035,959	2,744,580	(3,266,000)	514,539
Provident Fund	12,749,309	13,533,226	(14,065,908)	12,216,626	13,137,045	1,808,033	(2,95,769)	12,749,309
	23,628,795	46,261,401	(46,338,707)	23,541,489	23,019,558	19,101,897	(18,478,698)	23,642,757

* Adjustments due to changes in key management executives.

	(Un-audited) September 30, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017 ----- (Rupees in '000) -----
Placements with:		
Joint venture	685,058	675 870
Borrowing from:		
Joint venture	65,467	87 920
Mark-up receivables from associates	1,708,184	2,082 323
Investment in associates	600,000	600 000
	(Un-audited) Nine Months ended September 30, 2018 ----- (Rupees in '000) -----	(Un-audited) Nine Months ended September 30, 2017 ----- (Rupees in '000) -----

Income for the period		
On advances / placements with:		
Joint Venture	188	34
Debt due by company in which director of the bank is interested as director	290,891	5,242
Dividend from joint venture	-	134,870
Dividend from Funds	-	45,764
Expenses for the period		
Remuneration to key management executives	272,675	290,928
Charge for defined benefit plan	37,223	31,171
Mark-up on Deposits of:		
Provident fund	844,102	1,092,802
Pension fund	561,931	533,241
Mark-up on Borrowing / Deposits		
Joint Venture	896	1,013
Transaction Fee paid to company in which directors of the bank are interested as director	5,874	5,298

Transactions with Government-related entities

The Federal Government through the State Bank of Pakistan holds controlling interest (75.60% 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. 6,738 million for the nine months ended September 30, 2018. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 336,584 million, Rs. 644,942 million and Rs. 659,433 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 13,995 million and Rs. 18,094 million respectively

21. ISLAMIC BANKING BUSINESS

The Bank is operating 180 (December 31, 2017: 169) islamic banking branches as at September 30, 2018. Statement of financial position, profit and loss account and cash flow statements are as under:

		(Un-audited) September 30, 2018	(Audited) December 31, 2017
		----- (Rupees in '000') -----	
STATEMENT OF FINANCIAL POSITION			
Assets			
Cash and balances with treasury banks		3,710,313	3,019,664
Balances with other banks		24,118	2,809,667
Investments	21.1	24,492,914	17,854,897
Islamic financing and related assets	21.2	23,306,036	18,946,404
Operating fixed assets		258,396	195,431
Other assets		1,738,628	1,149,381
		53,530,405	43,975,444
Liabilities			
Bills payable		177,978	126,099
Deposits and other accounts			
-Current accounts		13,679,035	11,935,097
-Saving accounts		26,488,707	18,380,007
-Term deposits		1,671,887	2,593,239
-Deposit from financial institutions-Remunerative		-	4,000,000
-Deposit from financial institutions-Non-Remunerative		381,900	-
Due to Head Office		8,572,209	5,120,098
Other liabilities		546,955	257,113
		51,518,671	42,411,653
Net Assets			
		2,011,734	1,563,791
Represented By			
Islamic Banking Fund		2,200,000	1,700,000
Unremitted loss		(67,209)	(228,135)
		2,132,791	1,471,865
(Deficit) / Surplus on revaluation of investments		(121,057)	91,926
		2,011,734	1,563,791
Investments			
Sukuk		22,623,721	15,985,704
Leasing Certificate		2,000,000	2,000,000
Provision against investments		(130,807)	(130,807)
		24,492,914	17,854,897
Islamic financing and related assets			
Murabaha			
Financings		4,257,631	1,221,869
Advance		7,011	3,011,394
Provisions		(188,400)	(188,400)
		4,076,242	4,044,863
Diminishing Musharaka			
Financings		9,225,424	5,137,063
Advance		7,765	291,992
Provisions		(196)	-
		9,232,993	5,429,055
Ijarah assets			
Assets		500,195	307,253
Advance		-	168,627
Provisions		(3,394)	(3,394)
		496,801	472,486
Istisna			
Advance		1,000,000	500,000
Wakala tul Istisna			
		8,500,000	8,500,000
		23,306,036	18,946,404

(Un-audited) Nine Months Ended September 30, 2018	(Un-audited) Nine Months Ended September 30, 2017
----- (Rupees in '000') -----	

PROFIT AND LOSS ACCOUNT

Profit / Return earned on financings, investments and placements	2,364,655	1,533,584
Profit / Return expensed on deposit	(1,035,089)	(685,693)
Net spread earned	1,329,566	847,891
Direct expenses other than return on deposits	(198,157)	(52,033)
	1,131,409	795,858
General Provision against consumer financing	(196)	-
Profit after provision	1,131,213	795,858
Other Income		
Fee, commission and brokerage income	178,745	176,144
Profit from dealing in foreign currencies	17,037	249
Other income	30,525	16,011
Total other income	226,307	192,404
	1,357,520	988,262
Other expenses		
Administrative expenses	(1,424,729)	(1,098,759)
Loss before taxation	(67,209)	(110,497)

CASH FLOW STATEMENT

Cash Flow from Operating Activities		
Loss for the period	(67,209)	(110,497)
Adjustments :		
Depreciation - Own assets	60,571	51,886
Depreciation - Ijarah assets	198,110	51,116
General Provision against consumer financing	196	-
	258,877	103,002
	191,668	(7,495)
(Increase) / decrease in operating assets		
Balance with other banks	2,785,549	2,531,388
Due from Financial Institutions	-	7,687,313
Financings and investments	(11,408,938)	(13,863,386)
Other assets	(589,247)	(345,114)
	(9,212,636)	(3,989,799)
Increase / (decrease) in operating liabilities		
Bills payable	51,879	592
Deposits and other accounts	5,313,186	(6,264,685)
Borrowings from Head Office	3,680,246	10,454,599
Other liabilities	289,842	62,025
	9,335,153	4,252,531
Net cash generated from operating activities	314,185	255,237
Cash flow from investing activities		
Investment in operating fixed assets	(123,536)	(103,140)
Net cash used in investing activities	(123,536)	(103,140)
Cash flow from financing activities		
Islamic banking fund	500,000	-
Increase / (decrease) in cash and cash equivalents	690,649	152,097
Cash and cash equivalents at beginning of the period	3,019,664	2,678,218
Cash and cash equivalents at the end of the period	3,710,313	2,830,315

22. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on October 23, 2018.


23. GENERAL

23.1 Comparative information has been reclassified, rearranged or additionally incorporated in these consolidated condensed interim financial statements for the purpose of better presentation.

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



President (A) and
Chairman



Director



Director



Chief Financial
Officer



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