

**NATIONAL BANK OF PAKISTAN**

**Standalone Financial Statements**

**for**

**Quarter ended September 30, 2013**

## Directors' Report to the Shareholders

It gives me pleasure to present on behalf of the Board of Directors, the financial results of the bank for the nine months period ended September 30, 2013.

### **Financial Performance**

The Financial results of the bank are summarized below:

	<b>Rs in million</b>
Profit after tax	6,246
	=====
Other comprehensive income	(1,070)
Movement of Reserves	
Un-appropriated profit brought forward - restated	62,551
Profit attributable to shareholders	67,727
Transfer from surplus on revaluation of fixed assets – net of tax	76
Transfer to statutory reserves	(1,249)
Cash dividend paid	(12,950)
Bonus shares issued	<u>(2,775)</u>
Un-appropriated profit carried forward	50,829
	=====
Earnings per share (Basic & Diluted)	2.94
	=====

During the period as a result of change in accounting policy due to adoption of revised international Accounting standard 19 (IAS-19), pre tax and after tax profit for September 2012 were restated at Rs 17,977 and Rs. 12,574 million as against corresponding period reported amount of Rs. 16,802 and Rs. 11,810 million respectively.

The Board of Directors of the bank, reconstituted during the quarter under review, in its first meeting for approval of accounts emphasized on objective loan assessment of the entire portfolio, including international operations. The Board desired that the bank should have adequate provision against any portfolio risks and should create general provision. As portfolio review was underway, along with corrective measures to strengthen bank's operations. As such, during the quarter under review the bank provided further general provision of Rs.4.0 billion making total general provision held at Rs.6.8 billion. This charge reduced the pre-provision quarterly profit of Rs.4.632 billion to Rs. 57 million (pre-tax profit). For nine months pre-tax profit amounted to Rs. 8.06 billion as against Rs.17.977 billion of last year.

Operational profit (pre-provision profit) amounted to Rs. 20.476 billion for nine months; though lower by 10% but in line with banking sector due to impact of discount rate reduction as well as change in mechanism for calculation of profit from minimum balance of the month to average balance of the month on deposits. Total operating revenues are at the same level of corresponding period. Non-interest income increased by 15% compared to the corresponding period mainly due to higher fee based income, capital gain and compensation for tax refunds. Administrative expenses were kept under control which increased by 9% from corresponding period reported number in line with salary increase and inflation.

The bank's growth indicators are healthy. Deposits compared to September 2012, increased by Rs.131 billion or 15%, whereas advances increased by Rs. 71 billion including high yielding advance salary, gold and agriculture loans. Total assets show yearly increase of Rs.107 billion. The bank is well capitalized with capital and reserves of Rs. 145.850 billion and capital adequacy ratio of over 15%.

Lastly in a challenging and competitive environment we are confident that our employees through their commitment and hard work will maintain bank's leadership position. We would like to express our appreciation to the stakeholders, regulators and valued customers for their support and sustained level of trust in NBP.

On behalf of Board of Directors

Muneer Kamal  
Chairman Board of Directors  
Date: October 25, 2013

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

		(Un-audited) September 30, 2013	(Audited) December 31, 2012 (Restated)
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		<b>105,647,376</b>	158,332,708
Balances with other banks		<b>20,456,900</b>	30,222,338
Lendings to financial institutions - net		<b>38,454,106</b>	8,272,645
Investments - net	6	<b>351,952,616</b>	343,537,529
Advances - net	7	<b>639,632,019</b>	657,381,154
Operating fixed assets	8	<b>27,802,992</b>	27,949,833
Deferred tax assets - net	9	<b>11,288,484</b>	7,348,472
Other assets		<b>77,965,045</b>	76,410,975
		<b>1,273,199,538</b>	1,309,455,654
<b>LIABILITIES</b>			
Bills payable		<b>10,906,693</b>	14,367,639
Borrowings from financial institutions		<b>31,526,412</b>	50,250,684
Deposits and other accounts	10	<b>1,020,946,097</b>	1,037,784,947
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		<b>31,377</b>	29,619
Deferred tax liabilities		-	-
Other liabilities		<b>63,939,203</b>	61,909,781
		<b>1,127,349,782</b>	1,164,342,670
<b>NET ASSETS</b>			
		<b>145,849,756</b>	145,112,984
<b>REPRESENTED BY</b>			
Share capital		<b>21,275,131</b>	18,500,114
Reserves		<b>31,584,088</b>	28,818,528
Unappropriated profit		<b>50,829,308</b>	62,551,229
		<b>103,688,527</b>	109,869,871
Surplus on revaluation of assets - net	11	<b>42,161,229</b>	35,243,113
		<b>145,849,756</b>	145,112,984
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

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**Chairman**

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**President**

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**Director**

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**Director**

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

		Quarter Ended September 30, 2013	Nine Months Ended September 30, 2013	Quarter Ended September 30, 2012  (Restated)	Nine Months Ended September 30, 2012  (Restated)
Note		(Rupees in '000')			
	Mark-up / Return / Interest earned	23,276,262	72,856,410	25,194,134	75,241,090
	Mark-up / Return / Interest expensed	14,964,248	44,518,516	15,380,358	44,327,995
	Net mark-up / return / interest income	8,312,014	28,337,894	9,813,776	30,913,095
	Provision against non-performing advances - net	5,615,395	12,142,864	1,934,460	4,503,697
7.2					
	Provision for diminution in value of investments - net	(1,080,338)	(173,130)	(356,812)	422,478
6.2					
	Provision against off-balance sheet obligations	-	-	-	-
	Bad debts written off directly	58	2,971	-	-
		4,535,115	11,972,705	1,577,648	4,926,175
	Net mark-up / interest income after provisions	3,776,899	16,365,189	8,236,128	25,986,920
<b>NON MARK-UP / INTEREST INCOME</b>					
	Fee, commission and brokerage income	2,415,511	7,893,808	2,241,415	6,971,199
	Dividend income	773,522	2,282,176	1,090,906	2,382,922
	Income from dealing in foreign currencies	917,694	2,809,899	1,281,527	2,807,225
	Gain on sale and redemption of securities - net	632,867	3,416,062	681,094	2,550,271
	Unrealized loss on revaluation of investments classified as held-for-trading	(86,994)	(137,183)	45,561	15,055
	Other income	556,898	1,939,187	60,708	1,153,072
13					
	Total non mark-up / interest income	5,209,498	18,203,949	5,401,211	15,879,744
		8,986,397	34,569,138	13,637,339	41,866,664
<b>NON MARK-UP / INTEREST EXPENSES</b>					
	Administrative expenses	8,887,148	26,054,453	7,335,884	23,880,844
	Other provisions / write-offs	39,271	442,591	1,774	(6,872)
	Other charges	2,770	11,805	2,794	15,858
	Total non mark-up / interest expenses	8,929,189	26,508,849	7,340,452	23,889,830
		57,208	8,060,289	6,296,887	17,976,834
	Extra ordinary / unusual items	-	-	-	-
	<b>PROFIT BEFORE TAXATION</b>	57,208	8,060,289	6,296,887	17,976,834
	Taxation - current	1,657,116	5,031,136	970,517	5,615,370
	- prior year(s)	-	815,945	-	-
	- deferred	(1,825,207)	(4,033,110)	954,743	(212,148)
		(168,091)	1,813,971	1,925,260	5,403,222
	<b>PROFIT AFTER TAXATION</b>	225,299	6,246,318	4,371,627	12,573,612
	<b>Basic and diluted earnings per share (Rupees)</b>	0.11	2.94	2.05	5.91
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The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

	Quarter ended September 30, 2013	Nine Month Period ended September 30, 2013	Quarter ended September 30, 2012 <b>(Restated)</b>	Nine Month Period ended September 30, 2012 <b>(Restated)</b>
----- (Rupees in '000') -----				
Profit after taxation	225,299	6,246,318	4,371,627	12,573,612
<b>Other comprehensive income</b>				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange gain on translation of net assets of foreign branches	816,618	1,516,296	216,038	1,063,252
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Actuarial loss on defined benefit plans	455,766	(1,645,517)	(1,714,076)	(5,142,228)
Related tax effects	(159,518)	575,931	599,927	1,799,780
	296,248	(1,069,586)	(1,114,149)	(3,342,448)
Other comprehensive income - net of tax	1,112,866	446,710	(898,111)	(2,279,196)
<b>Total comprehensive income transferred to equity</b>	<b>1,338,165</b>	<b>6,693,028</b>	<b>3,473,516</b>	<b>10,294,416</b>

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

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Chairman

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President

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Director

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Director

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012 (Restated)
	----- (Rupees in '000') -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	8,060,289	17,976,834
Less: Dividend income	2,282,176	2,382,922
	<b>5,778,113</b>	<b>15,593,912</b>
<b>Adjustments</b>		
Depreciation	914,761	949,220
Provision against non-performing loans and advances	12,142,864	4,503,697
Provision for diminution in value of investments	(173,130)	422,478
Other provision / write-offs	442,591	(6,872)
Gain on sale of fixed assets	(6,279)	(31,771)
Financial charges on leased assets	7,725	7,613
	<b>13,328,532</b>	<b>5,844,365</b>
	<b>19,106,645</b>	<b>21,438,277</b>
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	(30,181,461)	32,642,223
Held-for-trading securities	189,425	2,249,828
Advances	5,606,271	(63,143,030)
Other assets	(4,791,754)	(15,376,391)
	<b>(29,177,519)</b>	<b>(43,627,370)</b>
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	(3,460,946)	668,465
Borrowings	(19,416,021)	40,103,687
Deposits and other accounts	(16,943,320)	(37,767,619)
Other liabilities (excluding current taxation)	1,195,650	3,256,376
	<b>(38,624,637)</b>	<b>6,260,909</b>
Income tax paid	(2,872,691)	(14,479,384)
Financial charges paid	(7,725)	(7,613)
	<b>(2,880,416)</b>	<b>(14,486,997)</b>
<b>Net cash generated from / (used in) operating activities</b>	<b>(51,575,927)</b>	<b>(30,415,181)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(8,143,644)	45,980,143
Net investments in held-to-maturity securities	(3,047,352)	316,959
Proceeds from / (purchase of) investments in associates and subsidiaries	10,346,400	(21,435,487)
Dividend received	2,282,176	2,382,922
Investments in operating fixed assets	(1,675,646)	(1,392,787)
Sale proceeds of operating fixed assets disposed off	33,030	31,771
<b>Net cash (used in) / generated from investing activities</b>	<b>(205,036)</b>	<b>25,883,521</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(32,242)	(37,329)
Dividend paid	(12,845,610)	(12,590,165)
<b>Net cash used in financing activities</b>	<b>(12,877,852)</b>	<b>(12,627,494)</b>
Effects of exchange rate changes on cash and cash equivalents	1,516,296	1,063,252
<b>Net decrease in cash and cash equivalents</b>	<b>(63,142,519)</b>	<b>(16,095,902)</b>
Cash and cash equivalents at beginning of the half year	188,054,806	158,883,208
<b>Cash and cash equivalents at the end of the half year</b>	<b>124,912,287</b>	<b>142,787,306</b>

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

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

	Attributable to the Shareholders of the Bank						Total
	Share Capital	Reserves			Revenue General	Unappropriated Profit	
		Exchange Translation	Capital Reserve for Issue of Bonus Shares	Statutory			
----- (Rupees in '000') -----							
Balance as at January 1, 2012 - as previously reported	16,818,285	6,051,168	-	18,770,311	521,338	68,358,910	110,520,012
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 3.1	-	-	-	-	-	(2,726,053)	(2,726,053)
Balance as at January 1, 2012 - (restated)	16,818,285	6,051,168	-	18,770,311	521,338	65,632,857	107,793,959
<b>Total Comprehensive Income for the period</b>							
Profit after tax for the nine months period ended September 30, 2012 - (restated)	-	-	-	-	-	12,573,612	12,573,612
Other comprehensive income - net of tax (restated)	-	1,063,252	-	-	-	(3,342,448)	(2,279,196)
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	73,693	73,693
Transfer to Statutory Reserve	-	-	-	1,181,020	-	(1,181,020)	-
<b>Transactions with Owners, recorded directly in equity</b>							
Issue of Bonus Shares (10%)	1,681,829	-	-	-	-	(1,681,829)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,613,714)	(12,613,714)
	1,681,829	-	-	-	-	(14,295,543)	(12,613,714)
<b>Balance as at September 30, 2012 - (restated)</b>	<b>18,500,114</b>	<b>7,114,420</b>	<b>-</b>	<b>19,951,331</b>	<b>521,338</b>	<b>59,461,151</b>	<b>105,548,354</b>
<b>Total Comprehensive Income for the period</b>							
Profit after tax for the three months period ended December 31, 2012 - (restated)	-	-	-	-	-	4,606,907	4,606,907
Other comprehensive income - net of tax (restated)	-	796,195	-	-	-	(1,114,149)	(317,954)
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	3,492,758	4,288,953
Transfer to Statutory Reserve	-	-	-	435,244	-	(435,244)	-
<b>Balance as at December 31, 2012 - (restated)</b>	<b>18,500,114</b>	<b>7,910,615</b>	<b>-</b>	<b>20,386,575</b>	<b>521,338</b>	<b>62,551,229</b>	<b>109,869,871</b>
<b>Total Comprehensive Income for the period</b>							
Profit after tax for the nine months period ended September 30, 2013	-	-	-	-	-	6,246,318	6,246,318
Other comprehensive income - net of tax	-	1,516,296	-	-	-	(1,069,586)	446,710
	-	1,516,296	-	-	-	5,176,732	6,693,028
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	75,708	75,708
Transfer to Statutory Reserve	-	-	-	1,249,264	-	(1,249,264)	-
<b>Transactions with Owners, recorded directly in equity</b>							
Issue of Bonus Shares (15%)	2,775,017	-	-	-	-	(2,775,017)	-
Cash dividend (Rs. 7 per share)	-	-	-	-	-	(12,950,080)	(12,950,080)
	2,775,017	-	-	-	-	(15,725,097)	(12,950,080)
<b>Balance as at September 30, 2013</b>	<b>21,275,131</b>	<b>9,426,911</b>	<b>-</b>	<b>21,635,839</b>	<b>521,338</b>	<b>50,829,308</b>	<b>103,688,527</b>

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

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

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**1. STATUS AND NATURE OF BUSINESS**

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,321 (December 31, 2012: 1,294) branches in Pakistan and 23 (December 31, 2012: 23) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

**2. STATEMENT OF COMPLIANCE**

- 2.1** These unconsolidated condensed interim financial statements of the Bank for the nine months period ended September 30, 2013 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 'Financial Instruments: Disclosures' has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2012.
- 2.4** These condensed interim financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.

**National Bank of Pakistan**  
**Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

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**3. ACCOUNTING POLICIES**

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

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

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

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

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

**3.1 Change in accounting policy - Employee Benefits**

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

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

**Defined benefit plans**

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

**National Bank of Pakistan**  
**Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

**3.1.3 Change in assumptions and actuarial valuations**

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

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

	December 31, 2012			December 31, 2011		
	As previously reported	Impact due to change in policy and assumptions	As Restated	As previously reported	Impact due to change in policy and assumptions	As Restated
----- (Rupees in '000') -----						
<b>Impact on unconsolidated condensed interim statement of financial position</b>						
Defined benefit liability	3,577,269	9,484,257	13,061,526	1,563,867	4,193,928	5,757,795
Deferred tax asset	1,883,725	3,867,580	5,751,305	1,468,297	1,467,875	2,936,172
Provision for taxation	21,137,199	(548,090)	20,589,109	5,901,554	-	5,901,554
Unappropriated profit	68,715,995	(6,164,766)	62,551,229	68,358,910	(2,726,053)	65,632,857
<b>Nine Months Period Ended September 30, 2013</b>						
<b>Nine Months Period Ended September 30, 2012</b>						
----- (Rupees in '000') -----						
<b>Impact on unconsolidated condensed interim profit and loss account</b>						
Increase in profit before tax due to reclassification of actuarial gains and losses to other comprehensive income					148,191	148,191
Increase in profit before tax due to recognition of past service cost immediately i.e. in prior periods					365,837	365,837
Increase in profit before tax due to change in actuarial assumptions					833,536	660,453
Increase in tax expenses					(471,647)	(411,068)
					<b>875,917</b>	<b>763,413</b>
<b>Impact on other comprehensive income</b>						
Recognition of actuarial losses					(1,645,517)	(5,142,228)
Recognized deferred tax					575,931	1,799,780
					<b>(1,069,586)</b>	<b>(3,342,448)</b>
<b>Impact on total comprehensive income</b>						
					<b>(193,669)</b>	<b>(2,579,035)</b>
The effect on earning per share related to the restatement is as follows:						
Basic and diluted earnings per share (Rupees)						
					<b>0.41</b>	<b>0.36</b>

**3.2 Staff retirement benefits**

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

	September 30, 2013				December 31, 2012			
	Pension Fund	Benevolent Scheme	Post Retirement Medical	Gratuity Scheme	Pension Fund	Benevolent Scheme	Post Retirement Medical	Gratuity Scheme
----- (Rupees in '000') -----								
<b>Reconciliation of Payable to Defined Benefit Plan</b>								
Present Value of Defined Benefit Obligation	35,777,477	1,777,691	7,874,505	532,915	32,482,954	1,633,055	6,723,234	492,063
Fair Value of Plan assets	(30,048,443)	-	-	-	(28,269,780)	-	-	-
	<b>5,729,034</b>	<b>1,777,691</b>	<b>7,874,505</b>	<b>532,915</b>	<b>4,213,174</b>	<b>1,633,055</b>	<b>6,723,234</b>	<b>492,063</b>
<b>Charge / (prepaid) for the Defined Benefit Plan</b>								
Current Service Cost	770,885	39,126	200,754	64,572	643,399	36,078	182,883	96,266
Interest cost	348,133	143,331	597,025	42,101	(160,268)	191,626	600,760	47,673
	<b>1,119,018</b>	<b>182,457</b>	<b>797,779</b>	<b>106,673</b>	<b>483,131</b>	<b>227,704</b>	<b>783,643</b>	<b>143,939</b>
<b>Movement in net liability / (asset) recognized</b>								
Opening net liability / (asset)	4,213,174	1,633,055	6,723,233	492,063	(791,452)	1,486,439	4,695,232	367,576
Expense	1,119,018	182,457	797,779	106,673	483,131	227,704	783,643	143,939
Contribution / benefits paid during the year	(690,056)	(80,972)	(179,244)	(48,552)	(882,754)	(24,781)	(148,000)	(1,715)
Other Comprehensive Income (OCI)	1,086,898	43,151	532,737	(17,269)	5,404,249	(56,307)	1,392,358	(17,737)
	<b>5,729,034</b>	<b>1,777,691</b>	<b>7,874,505</b>	<b>532,915</b>	<b>4,213,174</b>	<b>1,633,055</b>	<b>6,723,233</b>	<b>492,063</b>
<b>Actuarial Valuation Assumptions:</b>								
- Valuation discount rate	11.5%	11.5%	11.5%	11.5%	12%	12%	12%	12%
- Salary increase rate	11.5%	11.5%	11.5%	11.5%	12%	12%	12%	12%
- Indexation in pension	8.5%	-	8.5%	-	8.5%	-	8.5%	-
- Expected return on plan assets	11.5%	-	-	-	12%	-	-	-
- Medical inflation rate	-	-	9%	-	-	-	9%	-
- Exposure inflation rate	-	-	3%	-	-	-	3%	-

**4. ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**5. FINANCIAL RISK MANAGEMENT**

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

## National Bank of Pakistan

### Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For The Nine Months Period Ended September 30, 2013

#### 6. INVESTMENTS - net

	September 30, 2013			December 31, 2012		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
Note	----- (Rupees in '000') -----			----- (Rupees in '000') -----		
<b>6.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	-	-	-	535,438	-	535,438
Pakistan Investment Bonds	-	-	-	154,514	-	154,514
Foreign Government Securities	110,779	-	110,779	-	-	-
Ordinary Shares of Listed companies	994,420	-	994,420	467,489	-	467,489
<b>Total held-for-trading securities</b>	<b>1,105,199</b>	<b>-</b>	<b>1,105,199</b>	<b>1,157,441</b>	<b>-</b>	<b>1,157,441</b>
<b>Available-for-sale securities</b>						
Ordinary Shares of Listed companies	28,492,190	-	28,492,190	30,853,052	-	30,853,052
Ordinary Shares of Unlisted companies	1,102,019	-	1,102,019	1,065,173	-	1,065,173
Market Treasury Bills	29,594,209	-	29,594,209	31,918,225	-	31,918,225
Preference Shares	150,804,265	11,575,876	162,380,141	108,536,255	37,088,149	145,624,404
Foreign Government Securities	1,236,900	-	1,236,900	886,924	-	886,924
Pakistan Investment Bonds	482,659	-	482,659	-	-	-
GoP Foreign Currency Bonds	40,570,075	342,086	40,912,161	47,194,206	-	47,194,206
Foreign Currency Debt Securities	5,782,591	-	5,782,591	5,692,943	-	5,692,943
Term Finance Certificates / Musharika and Sukuk Bonds	5,781,428	-	5,781,428	4,378,206	-	4,378,206
Investments in Mutual Funds	22,857,720	-	22,857,720	24,893,961	-	24,893,961
Investments Outside Pakistan	3,486,668	-	3,486,668	3,781,964	-	3,781,964
<b>Total available- for- sale securities</b>	<b>261,059,810</b>	<b>11,917,962</b>	<b>272,977,772</b>	<b>227,745,979</b>	<b>37,088,149</b>	<b>264,834,128</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	23,498,320	-	23,498,320	23,491,729	-	23,491,729
GoP Foreign Currency Bonds	1,592,847	-	1,592,847	871,555	-	871,555
Foreign Government Securities	5,896,406	-	5,896,406	4,701,451	-	4,701,451
Foreign Currency Debt Securities	410	-	410	376	-	376
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	3,021,292	-	3,021,292	1,896,812	-	1,896,812
<b>Total held-to-maturity securities</b>	<b>34,009,275</b>	<b>-</b>	<b>34,009,275</b>	<b>30,961,923</b>	<b>-</b>	<b>30,961,923</b>
<b>Investments in Associates</b>	<b>6.5</b>	<b>20,874,837</b>	<b>-</b>	<b>20,874,837</b>	<b>-</b>	<b>20,874,837</b>
<b>Investments in Joint Venture</b>		<b>1,244,835</b>	<b>-</b>	<b>1,244,835</b>	<b>-</b>	<b>1,244,835</b>
<b>Investments in Subsidiaries</b>		<b>4,406,750</b>	<b>-</b>	<b>4,406,750</b>	<b>-</b>	<b>4,406,750</b>
<b>Investments at cost</b>		<b>322,700,706</b>	<b>11,917,962</b>	<b>334,618,668</b>	<b>296,738,165</b>	<b>37,088,149</b>
<b>Less: Provision for diminution in value of investments</b>	<b>6.2</b>	<b>(13,711,016)</b>	<b>-</b>	<b>(13,711,016)</b>	<b>(13,717,228)</b>	<b>-</b>
<b>Investments (net of Provision)</b>		<b>308,989,690</b>	<b>11,917,962</b>	<b>320,907,652</b>	<b>283,020,937</b>	<b>37,088,149</b>
Unrealized loss on revaluation of investments classified as held-for-trading		(137,183)	-	(137,183)	(2,472)	-
Surplus on revaluation of available-for-sale securities		31,187,477	(5,330)	31,182,147	23,423,696	7,219
<b>Total investments</b>		<b>340,039,984</b>	<b>11,912,632</b>	<b>351,952,616</b>	<b>306,442,161</b>	<b>37,095,368</b>

**National Bank of Pakistan**

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**

**For The Nine Months Period Ended September 30, 2013**

	Nine Months Ended September 30, 2013 ----- (Rupees in '000') -----	Year ended December 31, 2012
<b>6.2 Particulars of provision for diminution in value of investments</b>		
Opening balance	13,717,228	10,080,358
Charge for the period / year	2,039,955	2,843,395
Reversals	(2,213,085)	(2,001,284)
	(173,130)	842,111
Transfer in	-	2,182,251
Amount written off	-	(977)
Other movement (transferred from interest suspense)	166,919	613,485
Closing balance	<u>13,711,016</u>	<u>13,717,228</u>

**6.2.1 Particulars of provision in respect of type**

**Available-for-sale securities**

Ordinary shares of listed companies and mutual funds	4,897,056	4,911,618
Ordinary shares of unlisted companies	272,298	228,347
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	5,283,035	5,986,861
Preference shares	836,924	836,924

**Held-to-maturity securities**

Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	650,670	672,281
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**Investment in associates**

	1,719,788	1,029,952
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**Investment in subsidiaries**

	51,245	51,245
	<u>13,711,016</u>	<u>13,717,228</u>

**6.3** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments which resulted in decrease in provision for diminution in value of investments by Rs.1,287 million (December 31, 2012: Rs. 1,646 million). Accordingly, as of September 30, 2013, the accumulated increase in profit after tax of Rs.837 million (December 31, 2012: Rs. 1,070 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

**6.4** The SBP through its letter No. BPRD/BRD-(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the impairment arising on shares of Agritech Limited and provision against overdue exposures of Term Finance Certificates. As of September 30, 2013, 40% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs.1,557 million (December 31, 2012: Rs. 2,365 million) and the profit before taxation would have been lower by the same amount.

**6.5** During the period, the Bank has invested and redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 9,890 million and Rs. 20,692 million respectively.

<b>7. ADVANCES - net</b>	<b>Note</b>	September 30, 2013 ----- (Rupees in '000') -----	December 31, 2012
Loans, cash credits, running finances, etc.			
In Pakistan		625,920,826	637,872,682
Outside Pakistan		64,782,396	57,758,224
		690,703,222	695,630,906
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		13,451,723	15,032,338
Payable outside Pakistan		20,414,336	19,477,785
		33,866,059	34,510,123
Advances - gross		724,569,281	730,141,029
Less: Provision against non-performing loans - specific	7.1	(75,058,393)	(69,451,296)
- general		(9,878,869)	(3,308,579)
		(84,937,262)	(72,759,875)
Advances - net of provision		<u>639,632,019</u>	<u>657,381,154</u>

## National Bank of Pakistan

### Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For The Nine Months Period Ended September 30, 2013

- 7.1 Advances include Rs. 95,569 million (December 31, 2012: Rs. 88,742 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2013				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	3,043,787	-	3,043,787	21,175	21,175
Substandard	6,735,594	1,471,232	8,206,826	1,619,756	1,619,756
Doubtful	6,386,730	1,123,742	7,510,472	3,567,028	3,567,028
Loss	73,042,007	3,765,441	76,807,448	69,850,434	69,850,434
	<b>89,208,118</b>	<b>6,360,415</b>	<b>95,568,533</b>	<b>75,058,393</b>	<b>75,058,393</b>
	----- (Rupees in '000') -----				
Category of Classification	December 31, 2012				
	Domestic	Overseas	Total	Provision Required	Provision Held
Other Assets Especially Mentioned	779,608	-	779,608	-	-
Substandard	4,196,981	1,025,647	5,222,628	1,100,211	1,100,211
Doubtful	7,176,908	386,455	7,563,363	3,405,252	3,405,252
Loss	72,382,426	2,794,312	75,176,738	64,945,833	64,945,833
	<b>84,535,923</b>	<b>4,206,414</b>	<b>88,742,337</b>	<b>69,451,296</b>	<b>69,451,296</b>

#### 7.2 Particulars of provision against non-performing advances

	Nine months ended September 30, 2013			Year ended December 31, 2012		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	69,451,296	3,308,579	72,759,875	63,476,311	3,843,823	67,320,134
Exchange adjustments	371,013	203,436	574,449	40,450	41,641	82,091
Charge for the period / year	<b>7,823,868</b>	<b>7,185,030</b>	<b>15,008,898</b>	10,867,491	22,527	10,890,018
Reversals	<b>(2,047,858)</b>	<b>(818,176)</b>	<b>(2,866,034)</b>	(2,703,783)	(1,031,086)	(3,734,869)
	<b>5,776,010</b>	<b>6,366,854</b>	<b>12,142,864</b>	8,163,708	(1,008,559)	7,155,149
Transfer out	-	-	-	(2,182,251)	-	(2,182,251)
Amounts written off	(511,102)	-	(511,102)	(828)	-	(828)
Amount charged off	(28,824)	-	(28,824)	(281,094)	-	(281,094)
Other adjustments	-	-	-	235,000	431,674	666,674
Closing balance	<b>75,058,393</b>	<b>9,878,869</b>	<b>84,937,262</b>	69,451,296	3,308,579	72,759,875

- 7.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs.4,557 million (December 31, 2012: Rs. 6,696 million). Accordingly, as of September 30, 2013, the accumulated profit after tax of Rs.2,962 million (December 31, 2012: Rs. 4,353 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

- 7.4 General provision against consumer loans represents provision maintained at an amount ranging from 1.5% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP. In addition, a general provision of Rs. 6,958 million (December 31, 2012: Rs. 736 million against domestic portfolio) has also been made by the Bank for potential loan losses in respect of certain overseas operations of the Bank.

- 7.5 The SBP vide IH&SMEFD Circular No. 8 dated May 7, 2013 has issued Revised Prudential Regulations for Small and Medium Enterprise (SME) financing, effective September 30, 2013, which among other things require bank to maintain general provision at 1% of secured performing portfolio and 2% of un-secured performing portfolio against Small Enterprises (SE) financing and 10% specific provisioning against OAEM category, where principal / mark-up is overdue by 90 days. Had there been no change, the specific provision would have been higher by Rs 153.072 million and general provision would have been lower by Rs 61.893 million and the profit before tax would have been higher / lower by the same amount.

- 7.6 The SBP through its letter No. BPRD/BRD-(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Agritech Limited. As of September 30, 2013, 40% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs.1,370 million (December 31, 2012: Rs. 330 million) and the profit before taxation would have been lower by the same amount.

- 7.7 The SBP through its letter No. BPRD/BRD-(Policy)/2013-1857 dated February 15, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Azgard Nine Limited. As of September 30, 2013, 75% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2013. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs.85 million (December 31, 2012: Rs. 224 million) and the profit before taxation would have been lower by the same amount.

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

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

	September 30, 2013	December 31, 2012
	----- (Rupees in '000') -----	
<b>8. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	2,610,697	2,373,901
Property and equipment	25,173,512	25,534,646
Intangible assets	18,783	41,286
	<u>27,802,992</u>	<u>27,949,833</u>

**8.1** Additions and disposals during the period amounted to Rs.1,473 million (September 30, 2012: Rs.1,036 million) and Rs. 17.5 million (September 30, 2012: Rs. 69.8 million) respectively.

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

	September 30, 2013	December 31, 2012 (Restated)
	----- (Rupees in '000') -----	
<b>9. DEFERRED TAX ASSETS - net</b>		
<b>Deferred tax assets arising in respect of</b>		
Provision for diminution in value of investments	2,933,687	2,994,282
Provision against non-performing advances	6,434,554	4,057,188
Other provisions	1,108,874	953,967
Charge against defined benefits plans	7,806,572	5,751,305
Unrealized loss on derivatives	198,408	198,408
Provision against off-balance sheet obligations	116,622	116,622
	<u>18,598,717</u>	<u>14,071,772</u>
<b>Deferred tax liabilities arising in respect of</b>		
Excess of accounting book value of leased assets over lease liabilities	(16,877)	(15,525)
Difference between accounting book value of fixed assets and tax base	(419,535)	(462,217)
Revaluation of securities	(5,818,475)	(5,149,446)
Revaluation of fixed assets	(1,055,346)	(1,096,112)
	<u>(7,310,233)</u>	<u>(6,723,300)</u>
Net deferred tax assets	<u>11,288,484</u>	<u>7,348,472</u>

**10. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	308,891,117	235,122,460
Savings deposits	293,192,349	313,013,489
Current accounts - remunerative	114,075,094	96,510,387
Current accounts - non-remunerative	222,375,536	229,071,513
	<u>938,534,096</u>	<u>873,717,849</u>

**Financial Institutions**

Remunerative deposits	38,805,302	76,043,464
Non-remunerative deposits	43,606,699	88,023,634
	<u>82,412,001</u>	<u>164,067,098</u>
	<u>1,020,946,097</u>	<u>1,037,784,947</u>

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

	September 30, 2013	December 31, 2012
	----- (Rupees in '000') -----	
<b>11. SURPLUS ON REVALUATION OF ASSETS - net</b>		
Surplus on revaluation of fixed assets - net of tax	16,797,557	16,961,644
<b>Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax</b>		
Federal Government Securities	593,234	3,101,128
Term Finance Certificates	(16,121)	33,546
Shares and mutual funds	15,242,449	8,226,765
GoP Foreign Currency Bonds	458,582	525,995
Foreign Currency Debt Securities	222,126	175,672
Investments outside Pakistan	14,681,877	11,367,809
	<b>31,182,147</b>	<b>23,430,915</b>
Deferred tax liability	<b>(5,818,475)</b>	<b>(5,149,446)</b>
	<b>42,161,229</b>	<b>35,243,113</b>

**12. CONTINGENCIES AND COMMITMENTS**

**12.1 Direct credit substitutes**

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

- Government	999,302	1,103,476
- Financial institutions	2,664,692	2,942,475
- Others	21,514,768	23,757,593
	<b>25,178,763</b>	<b>27,803,544</b>

**12.2 Transaction-related contingent liabilities**

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

- Government	16,323,577	16,025,989
- Financial institutions	12,377,715	12,152,062
- Others	23,463,675	23,035,919
	<b>52,164,966</b>	<b>51,213,970</b>

**12.3 Trade-related contingent liabilities**

Letters of credit issued in favour of:

- Government	167,006,551	127,279,552
- Financial institutions	775	591
- Others	51,390,494	39,165,883
	<b>218,397,820</b>	<b>166,446,026</b>

**12.4 Other contingencies**

**12.4.1** Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 186 million (December 31, 2012: Rs. 185 million) and claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (December 31, 2012: Rs. 965 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably.

<b>10,030,512</b>	<b>9,791,338</b>
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**12.4.2 Taxation**

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

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

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

**12.4.3 Pensionary benefits to retired employees**

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

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

**12.4.4 Barter Trade Agreements / Golden Handshake**

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

**12.4.5 Encashment of unavailed leave**

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

	September 30, 2013	December 31, 2012
	----- (Rupees in '000') -----	
<b>12.5 Commitments in respect of forward exchange contracts</b>		
Purchase	205,896,080	176,517,384
Sale	139,127,669	96,414,777
<b>12.6 Other Commitments</b>		
Professional services to be received	1,463,466	78,237
<b>12.7 Commitments for the acquisition of operating fixed assets</b>	<b>1,761,724</b>	<b>1,626,783</b>

**13. OTHER INCOME**

Other income includes Rs.1,803 million (September 30, 2012: Rs. 985 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

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

	Quarter ended September 30, 2013	Nine months ended September 30, 2013	Quarter ended September 30, 2012 (Restated)	Nine months ended September 30, 2012 (Restated)
Profit after taxation (Rupees in '000')	225,299	6,246,318	4,371,627	12,573,612
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)	0.11	2.94	2.05	5.91

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

**15. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- (Rupees in '000') -----						
<b>Nine months period ended September 30, 2013</b>							
Total income	267,329	338,338	8,407,778	32,162,349	1,375,274	3,990,775	46,541,843
Inter segment revenue	-	85,768	7,057,949	(7,143,717)	-	-	-
Total expenses	15,209	50,991	11,197,960	22,273,815	1,141,028	3,802,551	38,481,554
<b>Net income</b>	<b>252,120</b>	<b>373,115</b>	<b>4,267,767</b>	<b>2,744,817</b>	<b>234,246</b>	<b>188,224</b>	<b>8,060,289</b>
Segment assets	-	1,105,199	229,154,923	1,025,693,802	-	17,245,614	1,273,199,538
Segment non - performing loans	-	-	11,632,429	83,936,104	-	-	95,568,533
Segment provision required	-	-	7,637,257	77,300,005	-	-	84,937,262
Segment liabilities	-	-	246,747,018	869,578,170	-	11,024,594	1,127,349,782
Segment return on assets (ROA) (%)	0.00%	23.69%	2.77%	0.24%	0.00%	1.98%	
Segment cost of funds (%)	0.00%	0.00%	5.70%	5.81%	0.00%	0.00%	
<b>Nine months period ended September 30, 2012 - Restated</b>							
Total income	335,652	1,081,870	5,593,657	34,981,744	1,235,914	3,564,002	46,792,839
Inter segment revenue	-	(470,656)	8,163,534	(7,692,878)	-	-	-
Total expenses	14,312	37,315	9,589,587	14,636,197	1,063,199	3,475,395	28,816,005
<b>Net income</b>	<b>321,340</b>	<b>573,899</b>	<b>4,167,604</b>	<b>12,652,669</b>	<b>172,715</b>	<b>88,607</b>	<b>17,976,834</b>
Segment assets	-	27,452,495	199,896,666	920,946,658	-	17,292,809	1,165,588,628
Segment non - performing loans	-	-	11,480,045	83,586,969	-	-	95,067,014
Segment provision required	-	-	7,293,378	62,840,145	-	-	70,133,523
Segment liabilities	-	-	262,528,128	754,658,199	-	10,142,857	1,027,329,184
Segment return on assets (ROA) (%)	0.00%	8.05%	3.87%	1.68%	0.00%	1.02%	
Segment cost of funds (%)	0.00%	0.00%	5.27%	6.49%	0.00%	0.00%	

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

**16. RELATED PARTY TRANSACTIONS**

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

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

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

	2013				2012			
	At January 01, 2013	Given during the half year	Repaid during the half year	At September 30, 2013	At January 01, 2012	Given during the year	Repaid during the year	At December 31, 2012
----- (Rupees in '000') -----								
<b>Advances</b>								
Key Management Executives Adjustments*	48,375	27,777	(24,924)	227,499	82,110	8,000	(41,735)	48,375
	176,271	-	-	-	-	-	-	-
	224,646	27,777	(24,924)	227,499	82,110	8,000	(41,735)	48,375
Subsidiaries Adjustments*	980,523	339,521	(154,273)	1,165,771	330,414	733,603	(83,494)	980,523
	980,523	339,521	(154,273)	1,165,771	330,414	733,603	(83,494)	980,523
Associates Adjustments*	4,122,053	1,311,753	-	5,433,806	1,281,029	-	(61,045)	1,219,984
	-	-	-	-	-	-	-	2,902,069
	4,122,053	1,311,753	-	5,433,806	1,281,029	-	(61,045)	4,122,053
Debts due by Company in which director is interested as director Adjustments*	5,711,940	11,288,000	(20,714,872)	8,650,000	10,007,468	662,638	(1,959,757)	8,710,349
	12,364,932	-	-	-	-	-	-	(2,998,409)
	18,076,872	11,288,000	(20,714,872)	8,650,000	10,007,468	662,638	(1,959,757)	5,711,940
	23,404,094	12,967,050	(20,894,069)	15,477,075	11,701,021	1,404,241	(2,146,031)	10,862,891

	2013				2012			
	At January 01,	Received during the half year	Repaid during the half year	At September 30,	At January 01,	Received during the year	Repaid during the year	At December 31,
----- (Rupees in '000') -----								
<b>Deposits</b>								
Subsidiaries	546,928	16,458	(125,829)	437,557	329,897	256,553	(39,522)	546,928
Associates	46,527	15,000,000	-	15,046,527	23,240	23,287	-	46,527
Key Management Executives Adjustments*	15,416	380,154	(370,403)	39,956	14,750	309,084	(308,418)	15,416
	14,789	-	-	-	-	-	-	-
	30,205	380,154	(370,403)	39,956	14,750	309,084	(308,418)	15,416
Pension Fund (Current)	4,676	50,046,009	(50,050,053)	631	5,856	40,389,368	(40,390,548)	4,676
Pension Fund (Fixed Deposit)	13,600,000	21,657,100	(24,757,100)	10,500,000	16,100,000	16,000,000	(18,500,000)	13,600,000
Pension Fund (Current Remunerative)	49,300	13,475,186	(13,454,882)	69,605	381,500	11,393,756	(11,725,956)	49,300
Provident Fund (Current)	12,448,399	1,410,023	(1,986,073)	11,872,349	10,224,455	3,595,145	(1,371,201)	12,448,399
	26,726,035	101,984,931	(90,744,341)	37,966,625	27,079,698	71,967,193	(72,335,645)	26,711,246

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

	September 30,	December 31,
	2013	2012
----- (Rupees in '000') -----		
Deposits of Companies in which directors are interested as director	-	5,000,000
<b>Placements with:</b>		
Joint Venture	879,445	290,859
<b>Reverse Repo lending to:</b>		
Subsidiaries	186,000	-
Pension Fund	-	2,000,000
<b>Borrowing from:</b>		
Joint Venture	106,931	324,420
<b>Other receivables from subsidiaries</b>	61,047	46,796
<b>Other payables to subsidiaries</b>	2,716	5,414
<b>Off-Balance sheet items - Joint Venture</b>	268,233	-
<b>Investment in associates</b>	9,890,010	21,000
<b>Redemption / sale of investment in associates</b>	20,691,730	400,861
<b>Dividend from associates</b>	522,281	275,890

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

	Nine months ended September 30, 2013 ------(Rupees in '000')-----	Nine months ended September 30, 2012
<b>Income for the period</b>		
On advances / placements with:		
Subsidiaries	15,886	441
Joint Venture	2,136	3,095
Key management executives	1,517	2,308
Debts due by company in which a director of the Bank is interested as director	1,086,000	880,706
<b>On Reverse Repo / Lendings with:</b>		
Subsidiaries	8,692	5,182
<b>Expenses for the period</b>		
Remuneration to key management executives	196,310	225,874
Charge for defined benefit plan	64,989	13,731
<b>Mark-up on Deposits of:</b>		
Subsidiaries	18,113	14,677
Provident fund	1,274,729	1,478,434
Pension fund	270,562	254,673
Key management executives	656	1,424
Companies in which director are interested as director	63,103	-
<b>Commission paid to subsidiaries</b>	1,783	3,394
<b>Mark-up on Borrowing (Repo / Call):</b>		
Joint Venture	154	980

**16.1 Transactions with Government-related entities**

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

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

The Bank also earns commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs.4,050 million for the nine months ended September 30, 2013. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 241,072 million, Rs.367,884 million and Rs. 167,817million respectively.

**16.2 Benazir Employees' Stock Option Sheme**

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

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

**17. ISLAMIC BANKING BUSINESS**

The Bank is operating 10 (December 31, 2012: 8) Islamic banking branches as at September 30, 2013. Statement of financial position and profit and loss account is as under:

	September 30, 2013 ----- (Rupees in '000') -----	December 31, 2012
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Assets</b>		
Cash and balances with treasury banks	196,329	173,725
Balances with other banks	125	753,957
Investments	3,180,631	1,220,635
Islamic financing and related assets	1,042,838	1,322,280
Operating fixed assets	52,495	12,541
Other assets	108,321	69,488
	<b>4,580,739</b>	<b>3,552,626</b>
<b>Liabilities</b>		
Bills Payable	11,508	2,439
Deposits and other accounts		
- Current accounts	1,490,183	1,476,882
- Saving accounts	1,122,957	369,579
- Term deposits	715,287	669,092
- Deposit from financial institutions - Remunerative	602	407,327
Due to Head Office	758,278	352,927
Other liabilities	115,193	51,975
	<b>4,214,008</b>	<b>3,330,221</b>
<b>Net Assets</b>	<b>366,731</b>	<b>222,405</b>
<b>Represented By</b>		
Islamic Banking Fund	300,000	300,000
Profit Equalization Reserves	3,777	
Unappropriated profit / (loss)	62,954	(77,595)
	<b>366,731</b>	<b>222,405</b>
Surplus on revaluation of assets - net	-	-
	<b>366,731</b>	<b>222,405</b>

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

	Nine months ended Sep-13	Nine months ended Sep-13
----- (Rupees in '000') -----		
<b><u>PROFIT AND LOSS ACCOUNT</u></b>		
Profit / Return earned on financings, investments and placements	386,115	357,743
Profit / Return expensed on deposit	116,958	183,405
Profit Equalization Reserve	(3,777)	-
Net spread earned	265,380	174,338
Depreciation on assets given on ijarah	(97,342)	(104,064)
	168,038	70,274
Provision against advances and investments	-	(105,457)
Provision reversed against advances and investments	2,708	37,666
	2,708	(67,791)
Profit after provision	170,746	2,483
<b>Other income</b>		
Fee, commission and brokerage income	2,805	2,549
Income from dealing in foreign currencies	2,241	(1)
Other income	147	-
Total other income	5,193	2,548
	175,939	5,031
<b>Other expenses</b>		
Administrative expenses	(112,985)	(81,269)
<b>Profit / (loss) before taxation</b>	<b>62,954</b>	<b>(76,238)</b>
<b><u>CASH FLOW STATEMENT</u></b>		
<b>Cash Flow from Operating Activities</b>		
Profit / (loss) for the period	62,954	(76,238)
Adjustments :		
Depreciation - Own assets	470	953
Depreciation - Ijarah assets	97,342	104,064
(Reversal) / provision against non performing financings	(2,708)	67,791
Profit equalization reserve	3,777	-
	98,881	172,808
	161,835	96,570
(Increase) / Decrease in operating assets		
Due from Financial Institutions	753,832	-
Financings	(1,775,188)	317,593
Other assets	(38,833)	(22,410)
	(1,060,189)	295,183
(Increase) / Decrease in operating liabilities		
Bills payable	9,069	(2,790)
Deposits and other accounts	406,149	(68,364)
Borrowings from Head Office	482,946	(413,070)
Other liabilities	63,218	41,785
	961,382	(442,439)
Net cash generated / (used in) from operating activities	63,028	(50,686)
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	(40,424)	(785)
Net cash used in investing activities	(40,424)	(785)
<b>Cash Flow from Financing Activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>22,604</b>	<b>(51,471)</b>
Cash and cash equivalents at beginning of the period	173,725	141,873
<b>Cash and cash equivalents at the end of the period</b>	<b>196,329</b>	<b>90,402</b>

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For The Nine Months Period Ended September 30, 2013**

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**18. DATE OF AUTHORIZATION FOR ISSUE**

The unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on October 25, 2013.

**19. GENERAL**

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

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

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

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

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

**NATIONAL BANK OF PAKISTAN**

**Consolidated Financial Statements**

**for**

**Quarter ended September 30, 2013**

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

		<b>(Un-Audited)</b> <b>September 30</b> <b>2013</b>	<b>(Audited)</b> <b>December 31</b> <b>2012</b> <b>(Restated)</b>
	<b>Note</b>	<b>----- (Rupees in '000') -----</b>	
<b>ASSETS</b>			
Cash and Balances with Treasury Banks		<b>105,904,487</b>	158,756,638
Balances with other Banks		<b>21,598,016</b>	30,895,173
Lendings to Financial Institutions		<b>38,459,802</b>	8,280,997
Investments - net	6	<b>351,705,406</b>	342,964,635
Advances - net	7	<b>644,225,796</b>	661,344,807
Operating Fixed Assets - net	8	<b>29,618,834</b>	29,714,221
Deferred Tax Assets	9	<b>11,279,269</b>	7,334,083
Other Assets		<b>78,853,787</b>	76,986,251
		<b>1,281,645,397</b>	1,316,276,805
<b>LIABILITIES</b>			
Bills Payable		<b>10,906,693</b>	14,367,639
Borrowings		<b>32,407,906</b>	51,112,248
Deposits and other Accounts	10	<b>1,021,511,325</b>	1,038,094,985
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		<b>58,639</b>	38,353
Deferred Tax Liabilities		-	-
Other Liabilities		<b>65,103,945</b>	62,650,283
		<b>1,129,988,508</b>	1,166,263,508
<b>NET ASSETS</b>			
		<b>151,656,890</b>	150,013,297
<b>REPRESENTED BY</b>			
Share capital		<b>21,275,131</b>	18,500,114
Reserves		<b>33,505,737</b>	30,305,210
Unappropriated profit		<b>53,705,071</b>	64,464,710
		<b>108,485,939</b>	113,270,034
Minority Interest		<b>836,839</b>	790,878
		<b>109,322,778</b>	114,060,912
Surplus on Revaluation of Assets - net	11	<b>42,334,112</b>	35,952,385
		<b>151,656,890</b>	150,013,297
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

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

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

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

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

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

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

		Quarter Ended September 30 2013	Nine Months Ended September 30 2013	Quarter Ended September 30 2012 (Restated)	Nine Months Ended September 30 2012 (Restated)
	Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest earned		23,342,306	73,454,821	25,197,289	75,728,970
Mark-up / Return / Interest expensed		14,981,557	44,567,185	15,384,293	44,377,760
Net Mark-up / Interest income		8,360,749	28,887,636	9,812,996	31,351,210
Provision against non-performing advances- net	7.2	5,615,395	12,142,864	1,934,460	4,503,697
Provision for diminution in the value of investments- net	6.2	(1,076,042)	(168,830)	(356,812)	422,478
Provision against off balance sheet obligations		-	-	-	-
Bad debts written off directly		58	2,971	-	-
Net Mark-up / Interest Income after Provisions		4,539,411	11,977,005	1,577,648	4,926,175
		3,821,338	16,910,631	8,235,348	26,425,035
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission & brokerage income		2,605,705	8,456,597	2,421,997	7,428,535
Dividend income		706,025	2,018,547	170,870	1,462,886
Income from dealing In foreign currencies		961,677	2,906,312	1,302,481	2,872,396
Gain on sale and redemption of securities - net		632,867	3,416,062	718,981	2,588,158
Unrealized(loss) on revaluation of investments classified as held-for-trading		(86,994)	(137,183)	45,561	15,055
Share of profit from joint ventures		36,041	419,192	62,229	85,624
Share of profit/ (loss) from associates		46,149	552,470	528,692	1,467,417
Other income	13	564,202	1,960,316	65,935	1,172,229
Total non mark-up / interest income		5,465,672	19,592,313	5,316,746	17,092,300
		9,287,010	36,502,944	13,552,094	43,517,335
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		9,062,756	26,903,531	7,421,642	24,578,055
Other provisions / write offs		39,271	442,591	1,774	(6,872)
Other charges		2,770	11,805	2,794	15,858
Total non mark-up / interest expenses		9,104,797	27,357,927	7,426,210	24,587,041
		182,213	9,145,017	6,125,884	18,930,294
Extra ordinary items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		182,213	9,145,017	6,125,884	18,930,294
Taxation - Current		1,663,128	5,102,156	1,001,693	5,646,546
- Prior year(s)		1,898	817,843	-	-
- Deferred		(1,821,639)	(4,029,542)	969,270	(197,621)
		(156,613)	1,890,457	1,970,963	5,448,925
<b>PROFIT AFTER TAXATION</b>		338,826	7,254,560	4,154,921	13,481,369
Share holders of the bank		323,851	7,208,599	4,131,168	13,424,177
Minority Interest		14,975	45,961	23,753	57,192
		338,826	7,254,560	4,154,921	13,481,369
<b>Basic and Diluted Earnings per Share (Rupees)</b>	14	0.16	3.41	1.95	6.34

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

Chairman

President

Director

Director

**National Bank of Pakistan**

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

For the Quarter ended September 30, 2013

	Quarter Ended September 30 2013	Nine Months Ended September 30 2013	Quarter Ended September 30 2012 (Restated)	Nine Months Ended September 30 2012 (Restated)
----- (Rupees in '000') -----				
<b>Profit after taxation for the period</b>	338,826	7,254,560	4,154,921	13,481,369
<b>Other comprehensive income:</b>				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange adjustments on translation of net assets of foreign branches subsidiaries & joint venture	836,026	1,951,264	269,034	1,510,109
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Actuarial loss on defined benefit plans	455,766	(1,645,517)	(1,714,076)	(5,142,228)
Income tax effect	(159,518)	575,931	599,926	1,799,780
	296,248	(1,069,586)	(1,114,149)	(3,342,448)
Other comprehensive income - net of tax	<u>1,132,274</u>	<u>881,678</u>	<u>(845,115)</u>	<u>(1,832,339)</u>
<b>Comprehensive income transferred to equity</b>	<u>1,471,100</u>	<u>8,136,238</u>	<u>3,309,806</u>	<u>11,649,030</u>

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
President

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Director

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Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)**  
**For the Quarter ended September 30, 2013**

	Share capital	Attributable to the shareholders of the bank					Sub Total	Non Controlling Interest	Total
		Reserves				Unappropriated profit			
		Exchange Translation	Capital		Revenue General				
Bonus Shares Issue	Statutory								
(Rupees in '000)									
Balance as at January 1, 2012	16,818,285	6,823,811	-	18,867,356	521,338	69,640,893	112,671,683	720,518	113,392,201
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 3.1						(2,726,053)	(2,726,053)		(2,726,053)
Balance as at January 1, 2012- (restated)	16,818,285	6,823,811	-	18,867,356	521,338	66,914,840	109,945,630	720,518	110,666,148
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the nine months period ended September 30, 2012	-	-	-	-	-	13,424,177	13,424,177	57,192	13,481,369
Other comprehensive income - net of tax (restated)	-	1,510,109	-	-	-	(3,342,448)	(1,832,339)	-	(1,832,339)
	-	1,510,109	-	-	-	10,081,729	11,591,838	57,192	11,649,030
Transferred from surplus on revaluation of fixed assets to unappropriated profit- net of tax	-	-	-	-	-	73,693	73,693	-	73,693
Transfer to Statutory Reserve	-	-	-	1,181,020	-	(1,181,020)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Issue of Bonus shares (10%)	1,681,829					(1,681,829)			
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,613,714)	(12,613,714)	-	(12,613,714)
	-	-	-	-	-	(14,295,542)	(12,613,714)		(12,613,714)
<b>Balance as at September 30, 2012- (restated)</b>	<b>18,500,114</b>	<b>8,333,920</b>	<b>-</b>	<b>20,048,376</b>	<b>521,338</b>	<b>61,593,700</b>	<b>111,723,500</b>	<b>777,710</b>	<b>112,501,210</b>
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the three months period ended December 31, 2012- (restated)	-	-	-	-	-	4,387,839	4,387,839	35,733	4,423,572
Other comprehensive income - net of tax- (restated)	-	966,332	-	-	-	(1,114,149)	(147,817)	-	(147,817)
	-	966,332	-	-	-	3,273,690	4,240,022	35,733	4,275,755
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	32,564	32,564	-	32,564
Transfer to Statutory Reserve	-	-	-	435,244	-	(435,244)	-	-	-
Cash dividend paid/ profit distribution by subsidiaries								(22,565)	(22,565)
<b>Balance as at December 31, 2012- (restated)</b>	<b>18,500,114</b>	<b>9,300,252</b>	<b>-</b>	<b>20,483,620</b>	<b>521,338</b>	<b>64,464,710</b>	<b>113,270,034</b>	<b>790,878</b>	<b>114,060,912</b>
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the nine months period ended September 30, 2013	-	-	-	-	-	7,208,598	7,208,598	45,961	7,254,560
Other comprehensive income - net of tax	-	1,951,264	-	-	-	(1,069,586)	881,678	-	881,678
	-	1,951,264	-	-	-	6,139,012	8,090,277	45,961	8,136,238
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	75,708	75,708	-	75,708
Transfer to Statutory Reserve	-	-	-	1,249,264	-	(1,249,264)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Issue of Bonus Shares (15%)	2,775,017					(2,775,017)			
Cash dividend (Rs. 7 per share)	-	-	-	-	-	(12,950,080)	(12,950,080)	-	(12,950,080)
	2,775,017	-	-	-	-	(15,725,097)	(12,950,080)	-	(12,950,080)
<b>Balance as at September 30, 2013</b>	<b>21,275,131</b>	<b>11,251,516</b>	<b>-</b>	<b>21,732,883</b>	<b>521,338</b>	<b>53,705,071</b>	<b>108,485,939</b>	<b>836,839</b>	<b>109,322,778</b>

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

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)**  
**For the Quarter ended September 30, 2013**

	<b>Nine Months Ended September 30 2013</b>	<b>Nine Months Ended September 30 2012 (Restated)</b>
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,145,017	18,930,294
Less: Dividend income	2,018,547	1,462,886
	<u>7,126,470</u>	<u>17,467,408</u>
<b>Adjustments:</b>		
Depreciation	994,900	1,068,495
Provision against non-performing advances	12,142,864	4,503,697
Provision for diminution in value of investments	(168,830)	422,478
Other provisions / write offs	442,591	(6,872)
Gain on sale of fixed assets	(6,279)	(31,771)
Financial charges on leased assets	9,187	7,613
Share of (gain)/ loss from joint ventures	(419,192)	(85,624)
Share of profit from associates	(552,470)	(1,467,417)
	<u>12,442,771</u>	<u>4,410,599</u>
	<b>19,569,241</b>	<b>21,878,007</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(30,178,805)	30,786,624
Held-for-trading securities	(195,707)	2,370,216
Advances	4,976,147	(59,543,460)
Other assets	(5,105,220)	(10,418,697)
	<u>(30,503,585)</u>	<u>(36,805,317)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(3,460,946)	668,465
Borrowings	(19,396,091)	39,651,358
Deposits and other accounts	(16,583,660)	(37,031,773)
Other liabilities (excluding current taxation)	1,619,890	(2,163,199)
	<u>(37,820,807)</u>	<u>1,124,851</u>
Income tax paid	(3,041,234)	(14,921,628)
Financial charges paid	(9,187)	(7,613)
	<u>(3,050,421)</u>	<u>(14,929,241)</u>
<b>Net cash flow from operating activities</b>	<b>(51,805,572)</b>	<b>(28,731,701)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from / (Net investments) in available-for-sale securities	(7,905,259)	45,849,366
Proceeds from / (Net investments) held-to-maturity securities	(2,892,539)	465,848
Dividend income received	2,018,547	1,462,886
Proceeds from / (purchase of) investments in associates	10,346,400	(22,493,098)
Investments in operating fixed assets	(1,705,438)	(1,388,897)
Sale proceeds of operating fixed assets disposed off	33,030	31,771
<b>Net cash (used) in investing activities</b>	<b>(105,259)</b>	<b>23,927,877</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of lease obligations	(35,880)	(43,395)
Dividend paid	(12,845,610)	(12,590,165)
<b>Net cash used in financing activities</b>	<b>(12,881,490)</b>	<b>(12,633,560)</b>
Effects of exchange rate changes on cash and cash equivalents	1,951,264	1,510,109
<b>Net increase in cash and cash equivalents</b>	<b>(62,841,057)</b>	<b>(15,927,276)</b>
Cash and cash equivalents at beginning of the period	189,151,571	159,539,273
Cash and cash equivalents at the end of the period	<u>126,310,514</u>	<u>143,611,997</u>

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

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Notes to the condensed consolidated financial statements - unaudited**  
**For the nine months period ended September 30, 2013**

**1. THE GROUP AND ITS OPERATIONS**

**1.1 The "Group" Consist of:**

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,321 (2012: 1,294) branches in Pakistan and 23 (2012: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT), Long Term Credit Fund (LTCF), & Endowment Fund for Student Loan Scheme

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

**1.2 Basis of Consolidation**

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

## 2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements of the Group for the nine months period ended September 30, 2013 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual consolidated financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual consolidated financial statements of the group for the year ended December 31, 2012.

## 3. ACCOUNTING POLICIES

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

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

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

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

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

### 3.1 Change in accounting policy - Employee benefits

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

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

##### Defined benefit plans

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

#### 3.1.3 Change in assumptions and actuarial valuations

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

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

	December 31, 2012			December 31, 2011		
	As previously reported	Impact due to change in policy and assumptions	As Restated	As previously reported	Impact due to change in policy and assumptions	As Restated
----- (Rupees in '000) -----						
<b>Impact on consolidated condensed interim statement of financial position</b>						
Defined benefit liability	3,577,269	9,484,257	13,061,526	1,563,867	4,193,928	5,757,795
Deferred tax asset	1,883,725	3,867,580	5,751,305	1,468,297	1,467,875	2,936,172
Provision for taxation	21,257,815	(548,090)	20,709,725	6,070,402	-	6,070,402
Unappropriated profit	70,629,475	(6,164,765)	64,464,710	69,640,893	(2,726,053)	66,914,840
----- (Rupees in '000) -----						
<b>Impact on unconsolidated condensed interim profit and loss account</b>						
Increase in profit before tax due to reclassification of actuarial gains and losses to other comprehensive income					148,191	148,191
Increase in profit before tax due to recognition of past service cost immediately i.e. in prior periods					365,837	365,837
Increase in profit before tax due to change in actuarial assumptions					833,536	660,453
Increase in tax expenses					(471,647)	(411,068)
					<b>875,917</b>	<b>763,413</b>
----- (Rupees in '000) -----						
<b>Impact on other comprehensive income</b>						
Recognition of actuarial losses					(1,645,517)	(5,142,228)
Recognized deferred tax					575,931	1,799,780
					<b>(1,069,586)</b>	<b>(3,342,448)</b>
----- (Rupees in '000) -----						
<b>Impact on total comprehensive income</b>						
					<b>(193,669)</b>	<b>(2,579,035)</b>
----- (Rupees in '000) -----						
The effect on earning per share related to the restatement is as follows:						
Basic and diluted earnings per share (Rupees)						
					<b>0.41</b>	<b>0.36</b>

### 3.2 Staff retirement benefits

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

	September 30, 2013				December 31, 2012			
	Pension Fund	Benevolent Scheme	Post Retirement Medical	Gratuity Scheme	Pension Fund	Benevolent Scheme	Post Retirement Medical	Gratuity Scheme
----- (Rupees in '000) -----								
<b>Reconciliation of Payable to Defined Benefit Plan</b>								
Present Value of Defined Benefit Obligation	35,777,477	1,777,691	7,874,505	532,915	32,482,954	1,633,055	6,723,234	492,063
Fair Value of Plan assets	(30,048,443)	-	-	-	(28,269,780)	-	-	-
	<b>5,729,034</b>	<b>1,777,691</b>	<b>7,874,505</b>	<b>532,915</b>	<b>4,213,174</b>	<b>1,633,055</b>	<b>6,723,234</b>	<b>492,063</b>
<b>Charge / (prepaid) for the Defined Benefit Plan</b>								
Current Service Cost	770,885	39,126	200,754	64,572	643,399	36,078	182,883	96,266
Interest cost	348,133	143,331	597,025	42,101	(160,268)	191,626	600,760	47,673
	<b>1,119,018</b>	<b>182,457</b>	<b>797,779</b>	<b>106,673</b>	<b>483,131</b>	<b>227,704</b>	<b>783,643</b>	<b>143,939</b>
<b>Movement in net liability / (asset) recognized</b>								
Opening net liability / (asset)	4,213,174	1,633,055	6,723,233	492,063	(791,452)	1,486,439	4,695,232	367,576
Expense	1,119,018	182,457	797,779	106,673	483,131	227,704	783,643	143,939
Contribution / benefits paid during the year	(690,056)	(80,972)	(179,244)	(48,552)	(882,754)	(24,781)	(148,000)	(1,715)
Other Comprehensive Income (OCI)	1,086,898	43,151	532,737	(17,269)	5,404,249	(56,307)	1,392,358	(17,737)
	<b>5,729,034</b>	<b>1,777,691</b>	<b>7,874,505</b>	<b>532,915</b>	<b>4,213,174</b>	<b>1,633,055</b>	<b>6,723,233</b>	<b>492,063</b>
<b>Actuarial Valuation Assumptions:</b>								
- Valuation discount rate	11.5%	11.5%	11.5%	11.5%	12%	12%	12%	12%
- Salary increase rate	11.5%	11.5%	11.5%	11.5%	12%	12%	12%	12%
- Indexation in pension	8.5%	-	8.5%	-	8.5%	-	8.5%	-
- Expected return on plan assets	11.5%	-	-	-	12%	-	-	-
- Medical inflation rate	-	-	9%	-	-	-	9%	-
- Exposure inflation rate	-	-	3%	-	-	-	3%	-

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

## 5. FINANCIAL RISK MANAGEMENT

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

## 6. INVESTMENTS-net

	September 30, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Held by	Given as	Total	Held by	Given as	Total
	bank	collateral		bank	collateral	
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
<b>Note</b>						
<b>6.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Ordinary shares of listed companies	1,118,917	-	1,118,917	553,764	-	553,764
Market Treasury Bills	-	-	-	535,438	-	535,438
Foreign Government Securities	110,779	-	110,779	-	-	-
Investment in mutual funds	298,957	-	298,957	151,994	-	151,994
Pakistan Investment Bonds	199,947	-	199,947	154,514	-	154,514
<b>Total Held-for-Trading Securities</b>	<b>1,728,600</b>	<b>-</b>	<b>1,728,600</b>	<b>1,395,710</b>	<b>-</b>	<b>1,395,710</b>
<b>Available- for- sale securities</b>						
Ordinary shares of listed companies	28,492,942	-	28,492,942	30,851,276	-	30,851,276
Ordinary shares of unlisted companies	1,113,019	-	1,113,019	1,087,173	-	1,087,173
	29,605,961	-	29,605,961	31,938,449	-	31,938,449
Market Treasury Bills	150,804,265	11,575,876	162,380,141	108,536,255	37,088,149	145,624,404
Preference shares	1,255,225	-	1,255,225	909,424	-	909,424
Pakistan Investment Bonds	40,570,075	342,086	40,912,161	47,396,814	-	47,396,814
Foreign Government Securities	482,659	-	482,659	-	-	-
GoP Foreign Currency Bonds	5,782,591	-	5,782,591	5,692,943	-	5,692,943
Foreign Currency Debt Securities	5,781,428	-	5,781,428	4,378,206	-	4,378,206
Term Finance Certificates / Musharika and Sukuk Bonds	22,886,526	-	22,886,526	24,918,467	-	24,918,467
Investment in Mutual funds	3,641,286	-	3,641,286	3,964,012	-	3,964,012
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
<b>Total Available- for- sale securities</b>	<b>261,273,311</b>	<b>11,917,962</b>	<b>273,191,273</b>	<b>228,197,865</b>	<b>37,088,149</b>	<b>265,286,014</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	23,498,320	-	23,498,320	23,491,729	-	23,491,729
Market Treasury Bills	304,117	-	304,117	528,930	-	528,930
GoP Foreign Currency Bonds	1,592,847	-	1,592,847	871,555	-	871,555
Foreign Government Securities	5,896,406	-	5,896,406	4,701,451	-	4,701,451
Foreign Currency Debt Securities	410	-	410	376	-	376
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	3,091,292	-	3,091,292	1,896,812	-	1,896,812
<b>Total Held-to-maturity securities</b>	<b>34,383,392</b>	<b>-</b>	<b>34,383,392</b>	<b>31,490,853</b>	<b>-</b>	<b>31,490,853</b>
<b>Investments in joint venture</b>	<b>3,556,868</b>	<b>-</b>	<b>3,556,868</b>	<b>3,470,563</b>	<b>-</b>	<b>3,470,563</b>
<b>Investments in associates</b>	<b>21,539,527</b>	<b>-</b>	<b>21,539,527</b>	<b>31,595,058</b>	<b>-</b>	<b>31,595,058</b>
<b>Investments in subsidiaries</b>	<b>1,245</b>	<b>-</b>	<b>1,245</b>	<b>1,245</b>	<b>-</b>	<b>1,245</b>
<b>Investment at cost</b>	<b>322,482,943</b>	<b>11,917,962</b>	<b>334,400,905</b>	<b>296,151,294</b>	<b>37,088,149</b>	<b>333,239,443</b>
<b>Less: Provision for diminution in value of Investments</b>	<b>(13,740,359)</b>	<b>-</b>	<b>(13,740,359)</b>	<b>(13,742,270)</b>	<b>-</b>	<b>(13,742,270)</b>
<b>Investments (net of provisions)</b>	<b>308,742,584</b>	<b>11,917,962</b>	<b>320,660,546</b>	<b>282,409,024</b>	<b>37,088,149</b>	<b>319,497,173</b>
Deficit / Surplus on revaluation of Held-for-trading securities	(137,183)	-	(137,183)	976	-	976
Surplus on revaluation of Available-for-sale securities	31,187,373	(5,330)	31,182,043	23,459,267	7,219	23,466,486
<b>Total investments</b>	<b>339,792,774</b>	<b>11,912,632</b>	<b>351,705,406</b>	<b>305,869,267</b>	<b>37,095,368</b>	<b>342,964,635</b>

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

**6.2 Particulars of provision for diminution in value of investments**

Opening balance	13,742,270	10,081,084
Charge for the year	2,044,255	2,910,981
Reversals	(2,213,085)	(2,046,685)
	(168,830)	864,296
Transfer in	-	2,184,382
Amount written off	-	(977)
other movement (Transferred from interest expense)	166,919	613,485
Closing balance	13,740,359	13,742,270

**6.2.1 Particulars of provision in respect of type**

**Available-for-sale securities**

Ordinary shares of listed companies and mutual funds	4,926,399	4,911,618
Ordinary shares of unlisted companies	272,298	253,389
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	5,283,035	5,986,861
Preference shares	836,924	836,924

**Held-to-maturity securities**

Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	650,670	672,281
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**Investment in associates**

Investment in subsidiaries	1,719,788	1,029,952
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	51,245	51,245
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	13,740,359	13,742,270
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- 6.3** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Group has availed the benefit of Forced Sale Value (FSV) against non-performing investments which resulted in decrease in provision for diminution in value of investments by Rs.1,287 million (December 31, 2012: Rs. 1,646 million). Accordingly, as of September 30, 2013, the accumulated increase in profit after tax of Rs.837 million (December 31, 2012: Rs. 1,070 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.
- 6.4** The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the impairment arising on shares of Agritech Limited and provision against overdue exposures of Term Finance Certificates. As of September 30, 2013, 40% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs.1,557 million (December 31, 2012: Rs. 2,365 million) and the profit before taxation would have been lower by the same amount.
- 6.5** During the period, the Group has invested and redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 9,890 million and Rs. 20,692 million respectively.

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

**7. ADVANCES -net**

	<b>Note</b>		
Loans, cash credits, running finances, etc.			
In Pakistan		626,745,469	637,886,013
Outside Pakistan		67,464,195	60,841,964
		694,209,664	698,727,977
Net investment in finance lease			
In Pakistan		1,379,863	1,111,274
Outside Pakistan		-	-
		1,379,863	1,111,274
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		13,466,595	15,032,338
Payable outside Pakistan		20,414,336	19,477,785
		33,880,931	34,510,123
Advances - gross		729,470,458	734,349,374
Less: Provision against non-performing loans - specific	7.1	(75,341,350)	(69,695,989)
- general		(9,903,312)	(3,308,578)
		(85,244,662)	(73,004,567)
Advances - net of provision		644,225,796	661,344,807

7.1 Advances include Rs. 95,851 million (2012: Rs.89,159 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2013 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	3,043,787	-	3,043,787	21,175	21,175
Substandard	6,735,594	1,471,232	8,206,826	1,619,756	1,619,756
Doubtful	6,386,730	1,123,742	7,510,472	3,567,028	3,567,028
Loss	73,324,964	3,765,441	77,090,405	70,133,391	70,133,391
	<b>89,491,075</b>	<b>6,360,415</b>	<b>95,851,490</b>	<b>75,341,350</b>	<b>75,341,350</b>

  

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

## 7.2 Particulars of provision against non-performing advances

	September 30, 2013 (Un-Audited)			December 31, 2012 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	69,695,989	3,308,578	73,004,567	63,660,617	3,848,742	67,509,359
Foreign exchange adjustments	371,013	203,436	574,449	99,183	41,641	140,824
Charge for the period	7,823,868	7,185,030	15,008,898	10,871,276	22,527	10,893,803
Reversals	(2,047,858)	(818,176)	(2,866,034)	(2,703,783)	(1,035,220)	(3,739,003)
	5,776,010	6,366,854	12,142,864	8,167,493	(1,012,693)	7,154,800
Transfer (out) / in	-	-	-	(2,184,382)	-	(2,184,382)
Amounts written off	(511,102)	-	(511,102)	(828)	-	(828)
Amounts charged off	(28,824)	-	(28,824)	(281,094)	-	(281,094)
Other adjustments	38,264	24,444	62,708	235,000	430,888	665,888
Closing balance	<b>75,341,350</b>	<b>9,903,312</b>	<b>85,244,662</b>	<b>69,695,989</b>	<b>3,308,578</b>	<b>73,004,567</b>

7.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs.4,557 million (December 31, 2012: Rs. 6,696 million). Accordingly, as of September 30, 2013, the accumulated profit after tax of Rs.2,962 million (December 31, 2012: Rs. 4,353 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

7.4 General provision against consumer loans represents provision maintained at an amount ranging from 1.5% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP. In addition, a general provision of Rs. 6,958 million (December 31, 2012: Rs. 736 million against domestic portfolio) has also been made by the Bank for potential loan losses in respect of certain overseas operations of the Bank.

7.5 The SBP vide IH&SMEFD Circular No. 8 dated May 7, 2013 has issued Revised Prudential Regulations for Small and Medium Enterprise (SME) financing, effective September 30, 2013, which among other things require bank to maintain general provision at 1% of secured performing portfolio and 2% of un-secured performing portfolio against Small Enterprises (SE) financing and 10% specific provisioning against OAEM category, where principal / mark-up is overdue by 90 days. Had there been no change, the specific provision would have been higher by Rs 153.072 million and general provision would have been lower by Rs 61.893 million and the profit before tax would have been higher / lower by the same amount.

7.6 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Agritech Limited. As of September 30, 2013, 40% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs.1,370 million (December 31, 2012: Rs. 330 million) and the profit before taxation would have been lower by the same amount.

7.7 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Azgard Nine Limited. As of September 30, 2013, 75% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2013. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs.85 million (December 31, 2012: Rs. 224 million) and the profit before taxation would have been lower by the same amount.

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

8. OPERATING FIXED ASSETS	Note	September 30	December 31
		2013	2012
		(Un-audited)	(Audited)
		----- (Rupees in '000') -----	
Capital work-in-progress		2,708,269	2,470,431
Property and equipment		26,332,958	26,642,109
Intangible assets		577,607	601,681
		<b>29,618,834</b>	<b>29,714,221</b>

8.1 Additions and disposals during the period amounted to Rs.1,705 million (September 30, 2012: Rs.1,036 million) and Rs. 17.5 million (September 30, 2012: Rs. 69.8 million) respectively.

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

	September 30 2013 (Un-audited)	December 31 2012 (Audited) (Restated)
<b>9. DEFERRED TAX ASSETS - net</b>		
<b>Deductible temporary differences on:</b>		
Provision for diminution in the value of investments	2,933,687	2,994,526
Provision against advances	6,434,554	4,057,645
Other provision	1,108,874	955,115
Charge against defined benefits plans	7,806,572	5,751,305
Unrealized loss on derivatives	198,408	198,408
Provision against off balance sheet obligation	116,622	116,622
	<u>18,598,717</u>	<u>14,073,621</u>
<b>Taxable temporary differences on:</b>		
Excess of accounting book value of leased assets over lease liabilities	(16,877)	(15,525)
Difference between accounting book value of fixed assets and tax base	(419,535)	(478,455)
Revaluation of securities	(5,818,475)	(5,149,446)
Revaluation of operating fixed assets	(1,055,346)	(1,096,112)
Others	(9,215)	-
	<u>(7,319,448)</u>	<u>(6,739,538)</u>
Net deferred tax liabilities	<u>11,279,269</u>	<u>7,334,083</u>
<b>10. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	309,173,674	235,732,712
Savings deposits	293,192,349	313,013,489
Current accounts - remunerative	114,795,322	96,548,988
Current accounts - non-remunerative	222,375,536	229,279,625
	<u>939,536,881</u>	<u>874,574,814</u>
<b>Financial Institutions</b>		
Remunerative deposits	38,661,766	75,631,737
Non-remunerative deposits	43,312,678	87,888,434
	<u>81,974,444</u>	<u>163,520,171</u>
	<u>1,021,511,325</u>	<u>1,038,094,985</u>
<b>11. SURPLUS ON REVALUATION OF ASSETS - net</b>		
<b>Surplus on Revaluation of Fixed Assets - net of Tax</b>	17,269,608	17,412,234
<b>Surplus on Revaluation of Securities - net of Tax</b>		
Federal Government securities	593,130	3,096,608
Term Finance Certificates	(16,121)	33,546
Shares and Mutual Funds	15,242,449	8,266,856
GoP Foreign Currency Bonds	458,582	525,995
Foreign Government Securities	222,126	175,672
Investment outside Pakistan	14,681,877	11,367,809
	<u>31,182,043</u>	<u>23,466,486</u>
Deferred tax Liability Recognized	(5,818,475)	(5,149,446)
Share of Revaluation Loss on Securities of Associates	(299,064)	223,111
	<u>42,334,112</u>	<u>35,952,385</u>
<b>12. CONTINGENCIES AND COMMITMENTS</b>		
<b>12.1 Direct credit substitutes</b>		
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	999,302	1,103,476
- Financial institutions	2,664,692	2,942,475
- Others	21,514,768	23,757,593
	<u>25,178,762</u>	<u>27,803,544</u>

<b>September 30</b>	December 31
<b>2013</b>	2012
<b>(Un-audited)</b>	(Audited)

## 12.2 Transaction-related contingent liabilities

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

- Government
- Financial institutions
- Others

<b>16,323,577</b>	16,025,989
<b>12,377,715</b>	12,152,062
<b>23,463,675</b>	23,035,919
<b><u>52,164,966</u></b>	<b><u>51,213,970</u></b>

## 12.3 Trade-related contingent liabilities

Letters of credit  
Issued on behalf of

- Government
- Financial institutions
- Others

<b>167,006,551</b>	127,279,552
<b>775</b>	591
<b>51,390,494</b>	39,165,883
<b><u>218,397,820</u></b>	<b><u>166,446,026</u></b>

## 12.4 Other contingencies

**12.4.1** Claims against the Group not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 186 million (December 31, 2012: Rs. 185 million) and claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (December 31, 2012: Rs. 965 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably.

<b><u>10,030,512</u></b>	<b><u>9,791,338</u></b>
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### 12.4.2 Taxation

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

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

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

### 12.4.3 Pensionary benefits to retired employees

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

### 12.4.4 Barter Trade Agreements / Golden Handshake

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

### 12.4.5 Encashment of unavailed leave

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

	(Un-Audited) June 30, 2013	(Audited) December 31, 2012
	----- (Rupees in '000) -----	
<b>12.5 Commitments in respect of forward exchange contracts</b>		
Purchase	205,896,080	176,517,384
Sale	139,127,669	96,414,777
<b>12.6 Other Commitments</b>		
Professional services to be received	1,463,466	78,237
<b>12.7 Commitments for the acquisition of operating fixed assets</b>	1,761,724	1,626,783

### 13. OTHER INCOME

Other income includes Rs.1,803 million (September 30, 2012: Rs. 985 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

	Quarter Ended September 30 2013	Nine Months Ended September 30 2013	Quarter Ended September 30 2012	Nine Months Ended September 30 2012
Profit after taxation (Rupees in '000)	<u>338,826</u>	<u>7,254,560</u>	<u>4,154,921</u>	<u>13,481,369</u>
Weighted average number of ordinary shares (Number '000)	<u>2,127,513</u>	<u>2,127,513</u>	<u>2,127,513</u>	<u>2,127,513</u>
Basic and diluted earnings per share (Rupees)	<u>0.16</u>	<u>3.41</u>	<u>1.95</u>	<u>6.34</u>

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

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	----- Rupees in '000 -----								
<b>Sep 30, 2013-Unaudited</b>									
Total income	267,329	1,043,349	8,407,778	32,710,089	1,375,274	3,990,775	596,489	88,866	48,479,949
Inter segment revenue	-	85,768	7,057,949	(7,143,717)	-	-	-	-	-
Total expenses	<u>15,209</u>	<u>47,969</u>	<u>11,197,960</u>	<u>22,626,108</u>	<u>1,141,028</u>	<u>3,802,551</u>	<u>439,857</u>	<u>64,250</u>	<u>39,334,932</u>
<b>Net income</b>	<u>252,120</u>	<u>1,081,148</u>	<u>4,267,767</u>	<u>2,940,264</u>	<u>234,246</u>	<u>188,224</u>	<u>156,632</u>	<u>24,616</u>	<u>9,145,017</u>
Segment Assets	<u>-</u>	<u>1,105,199</u>	<u>229,154,923</u>	<u>1,030,582,673</u>	<u>-</u>	<u>17,245,614</u>	<u>2,923,630</u>	<u>633,358</u>	<u>1,281,645,397</u>
Segment Non-Performing Loans	<u>-</u>	<u>-</u>	<u>11,632,429</u>	<u>84,219,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,851,490</u>
Segment Specific Provision Required	<u>-</u>	<u>-</u>	<u>7,637,257</u>	<u>77,607,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,244,662</u>
Segment Liabilities	<u>-</u>	<u>-</u>	<u>246,747,018</u>	<u>869,907,049</u>	<u>-</u>	<u>11,024,594</u>	<u>1,981,000</u>	<u>328,847</u>	<u>1,129,988,508</u>
Segment Return on Assets (ROA) (%)	0.00%	23.69%	2.77%	0.24%	0.00%	1.98%	5.36%	3.89%	
Segment Cost of Fund (%)	0.00%	0.00%	5.70%	5.81%	0.00%	0.00%	0.18%	0.42%	
<b>Sep 30, 2012-Restated (Unaudited)</b>									
Total income	335,652	1,711,481	5,593,657	35,420,500	1,235,914	3,564,002	514,046	68,258	48,443,510
Inter segment revenue	-	(470,656)	8,163,534	(7,692,878)	-	-	-	-	-
Total expenses	<u>14,312</u>	<u>33,921</u>	<u>9,589,587</u>	<u>14,902,521</u>	<u>1,063,199</u>	<u>3,475,395</u>	<u>385,246</u>	<u>49,035</u>	<u>29,513,216</u>
<b>Net income</b>	<u>321,340</u>	<u>1,206,904</u>	<u>4,167,604</u>	<u>12,825,101</u>	<u>172,715</u>	<u>88,607</u>	<u>128,800</u>	<u>19,223</u>	<u>18,930,294</u>
Segment Assets	<u>-</u>	<u>25,230,215</u>	<u>199,896,666</u>	<u>927,164,042</u>	<u>-</u>	<u>17,292,809</u>	<u>2,625,495</u>	<u>375,615</u>	<u>1,172,584,842</u>
Segment Non-Performing Loans	<u>-</u>	<u>-</u>	<u>11,480,045</u>	<u>83,772,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,252,295</u>
Segment Specific Provision Required	<u>-</u>	<u>-</u>	<u>7,293,378</u>	<u>63,040,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,334,051</u>
Segment Liabilities	<u>-</u>	<u>-</u>	<u>262,528,128</u>	<u>754,901,114</u>	<u>-</u>	<u>10,142,857</u>	<u>1,784,378</u>	<u>85,565</u>	<u>1,029,442,041</u>
Segment Return on Assets (ROA) (%)	0.00%	8.05%	3.87%	1.68%	0.00%	1.02%	4.57%	2.63%	
Segment Cost of Fund (%)	0.00%	0.00%	5.27%	6.49%	0.00%	0.00%	0.18%	0.00%	

## 16. RELATED PARTY TRANSACTIONS

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

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

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

	2013 - Un-Audited				2012 - Audited			
	At January 01, 2013	Given during the nine months	Repaid during the nine months	At September 30, 2013	At January 01, 2012	Given during the year	Repaid during the year	At December 31, 2012
	----- (Rupees in '000) -----							
<b>Advances</b>								
Key Management Executives	48,375	27,777	(24,924)	227,499	82,110	8,000	(41,735)	48,375
Adjustments*	176,271	-	-	-	-	-	-	-
	<b>224,646</b>	<b>27,777</b>	<b>(24,924)</b>	<b>227,499</b>	<b>82,110</b>	<b>8,000</b>	<b>(41,735)</b>	<b>48,375</b>
Associates	4,122,053	1,311,753	-	5,433,806	1,281,029	-	(61,045)	1,219,984
Adjustments*	-	-	-	-	-	-	-	2,902,069
	<b>4,122,053</b>	<b>1,311,753</b>	<b>-</b>	<b>5,433,806</b>	<b>1,281,029</b>	<b>-</b>	<b>(61,045)</b>	<b>4,122,053</b>
Debts due by Company in which director is interested as director	5,711,940	11,288,000	(20,714,872)	8,650,000	10,007,468	662,638	(1,959,757)	8,710,349
* Adjustment	12,364,932	-	-	-	-	-	-	(2,998,409)
	<b>18,076,872</b>	<b>11,288,000</b>	<b>(20,714,872)</b>	<b>8,650,000</b>	<b>10,007,468</b>	<b>662,638</b>	<b>(1,959,757)</b>	<b>5,711,940</b>
	<b>22,423,571</b>	<b>12,627,530</b>	<b>(20,739,796)</b>	<b>14,311,305</b>	<b>11,370,607</b>	<b>670,638</b>	<b>(2,062,537)</b>	<b>9,882,368</b>

	2013 - Un-Audited				2012 - Audited			
	At January 01, 2013	Received during the nine months	Repaid during the nine months	At September 30, 2013	At January 01, 2012	Received during the year	Repaid during the year	At December 31, 2012
	----- (Rupees in '000) -----							
<b>Deposits</b>								
Associates	46,527	15,000,000	-	15,046,527	23,240	23,287	-	46,527
Key Management Executives	15,416	380,154	(370,403)	39,956	14,750	309,084	(308,418)	15,416
Adjustments*	14,789	-	-	-	-	-	-	-
	<b>30,205</b>	<b>380,154</b>	<b>(370,403)</b>	<b>39,956</b>	<b>14,750</b>	<b>309,084</b>	<b>(308,418)</b>	<b>15,416</b>
Pension Fund (Current)	4,676	50,046,009	(50,050,053)	631	5,856	40,389,368	(40,390,548)	4,676
Pension Fund (Fixed Deposit)	13,600,000	21,657,100	(24,757,100)	10,500,000	16,100,000	16,000,000	(18,500,000)	13,600,000
Pension Fund (Current Remunerative)	49,300	13,475,186	(13,454,882)	69,605	381,500	11,393,756	(11,725,956)	49,300
Provident Fund (Current)	12,448,399	1,410,023	(1,986,073)	11,872,349	10,224,455	3,595,145	(1,371,201)	12,448,399
	<b>26,179,107</b>	<b>101,968,473</b>	<b>(90,618,512)</b>	<b>37,529,068</b>	<b>26,749,801</b>	<b>71,710,640</b>	<b>(72,296,123)</b>	<b>26,164,318</b>

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

	Un-Audited September 30, 2013	Audited December 31, 2012
	--(Rupees in '000') --	
<b>Deposits of Companies in which directors are interested as director</b>	-	5,000,000
<b>Placements with:</b>		
Joint venture	879,445	290,859
<b>Reverse Repo lending to:</b>		
Pension Fund	-	2,000,000
<b>Borrowing from:</b>		
Joint Ventures	106,931	324,420
<b>Off-Balance Sheet Items - Joint Venture</b>	<b>268,233</b>	-
<b>Investment in associates</b>	<b>9,890,010</b>	21,000
<b>Redemption / sale of investment in associates</b>	<b>20,691,730</b>	400,861
<b>Dividend from associates</b>	<b>522,281</b>	275,890
	<b>Un-Audited Nine Month ended September 30, 2013</b>	<b>Un-Audited Nine Month ended September 30, 2012</b>
	--(Rupees in '000') --	
<b>Income for the period</b>		
On advances / placements with:		
Joint Venture	2,136	3,095
Key management executives	1,517	2,308
Debts due by company in which a director of the Bank is interested as director	1,086,000	880,706
<b>Expenses for the period</b>		
Remuneration to key management executives	196,310	225,874
Charge for defined benefit plan	64,989	13,731
<b>Mark-up on Deposits of:</b>		
Provident fund	1,274,729	1,478,434
Pension fund	270,562	254,673
Key management executives	656	1,424
Companies in which directors are interested as director	63,103	-
<b>Mark-up on Borrowing (Repo / Call):</b>		
Joint Ventures	154	980

## 16.1 Transactions with Government-related entities

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

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

The Group also earns commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs.4,050 million for the nine months ended September 30, 2013. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 241,072 million, Rs.367,884 million and Rs. 167,817million respectively.

## 16.2 Benazir Employees' Stock Option Scheme

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

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

## 17. ISLAMIC BANKING BUSINESS

The Group is operating 10 (December 31, 2012: 8) Islamic banking branches as at September 30, 2013. Statement of financial position and profit and loss account is as under:

	September 30, 2013 (Un-audited)	December 31 2012 (Audited)
	----- (Rupees in '000) -----	
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Assets</b>		
Cash and balances with treasury banks	196,329	173,725
Balances with other banks	125	753,957
Investments	3,180,631	1,357,536
Islamic financing and related assets	1,042,838	1,185,379
Operating fixed assets	52,495	12,541
Other assets	108,321	69,488
	<b>4,580,739</b>	<b>3,552,626</b>
<b>Liabilities</b>		
Bills Payable	11,508	2,439
Deposits and other accounts		
-Current accounts	1,490,183	1,476,882
-Saving accounts	1,122,957	369,579
-Term deposits	715,287	669,092
-Deposit from financial institutions-Remunerative	602	407,327
Due to Head Office	758,278	352,927
Other liabilities	115,193	51,975
	<b>4,214,008</b>	<b>3,330,221</b>
<b>Net Assets</b>	<b>366,731</b>	<b>222,405</b>
<b>Represented By</b>		
Islamic Banking Fund	300,000	300,000
	3,777	-
Unappropriated profit / (loss)	62,954	(77,595)
	<b>366,731</b>	<b>222,405</b>
Surplus on revaluation of assets - net	-	-
	<b>366,731</b>	<b>222,405</b>
	<b>Nine Months ended September 30, 2013 Un-Audited</b>	<b>Nine Months ended September 30, 2012 Un-Audited</b>
	----- (Rupees in '000) -----	
<b>PROFIT AND LOSS ACCOUNT</b>		
Profit / Return earned on financings, investments and placements	386,115	357,743
Profit / Return expensed on deposit	116,958	183,405
Profit Equalization Reserve	(3,777)	-
Net spread earned	265,380	174,338
Depreciation on assets given on ijarah	(97,342)	(104,064)
	<b>168,038</b>	<b>70,274</b>
Provision against advances and investments	-	(105,457)
Provision reversed against advances and investments	2,708	37,666
	<b>2,708</b>	<b>(67,791)</b>
Profit after provision	170,746	2,483
Other income		
Fee, commission and brokerage income	2,805	2,549
Income from dealing in foreign currencies	2,241	(1)
Other income	147	-
Total other income	5,193	2,548
	<b>175,939</b>	<b>5,031</b>
Other expenses		
Administrative expenses	(112,985)	(81,269)
Profit /(Loss) before taxation	<b>62,954</b>	<b>(76,238)</b>

**Cash Flow Statement**

(Un-audited) (Un-audited)  
September 30, September 30,  
2013 2012  
----- (Rupees in '000) -----

**Cash Flow from Operating Activities**

Profit /(Loss) for the period	62,954	(76,238)
Adjustments :		
Depreciation - Own assets	470	953
Depreciation - Ijarah assets	97,342	104,064
Provision against non performing financings	(2,708)	67,791
Profit equalization reserve	3,777	-
	98,881	172,808
	161,835	96,570
(Increase) / Decrease in operating assets		
Due from Financial Institutions	753,832	-
Financings	(1,775,188)	317,593
Other assets	(38,833)	(22,410)
	(1,060,189)	295,183
(Increase) / Decrease in operating liabilities		
Bills payable	9,069	(2,790)
Deposits and other accounts	406,149	(68,364)
Borrowings from Head Office	482,946	(413,070)
Other liabilities	63,218	41,785
	961,382	(442,439)
Net cash (used in) / generated from operating activities	63,028	(50,686)
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	(40,424)	(785)
Net cash used in investing activities	(40,424)	(785)
<b>Cash Flow from Financing Activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>(Decrease) / Increase in cash and cash equivalents</b>	22,604	(51,471)
Cash and cash equivalents at beginning of the half year	173,725	141,873
<b>Cash and cash equivalents at the end of the period</b>	196,329	90,402

**18. DATE OF AUTHORIZATION FOR ISSUE**

The consolidated condensed interim financial statements were authorized for issue on October 25, 2013 by the Board of Directors of the Holding Company.

**19. GENERAL**

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
President

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director