

**National Bank of Pakistan  
Unconsolidated Condensed  
Interim Financial Statements  
June 30, 2015**

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

It gives me great pleasure to present on behalf of the Board of Directors, the financial statements of the bank for the six months period ended June 30, 2015.

### **Financial Highlights**

Pre-provision profit for the six months period amounted to Rs. 22.3 billion compared to Rs. 15.6 billion of corresponding period last year registering an increase of Rs. 6.7 billion or 43%. Pre-tax profit amounted to Rs. 15 billion which is higher by 23% from the corresponding period last year. Due to recent budgetary changes the bank recorded prior year tax charge of Rs 2.3 billion due to which pre-tax profit was not translated into after tax profit, which stood at Rs.7.5 billion as compared to Rs 8.1 billion for the same period last year. Earnings per share are Rs.3.54 as against Rs. 3.82 of the corresponding period last year. Pre- tax and after tax return on equity stand at 27.9% and 13.9% respectively whereas pre-tax and after tax return on assets are at 1.9% and 1.0% respectively.

The Federal Government vide Finance Act 2015 has imposed a onetime super tax at the rate of 4% on income of banks for the year ended December 31, 2014 (Tax Year 2015). This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Further, the subsidized taxation rates on dividend income and capital gains of banks have also been withdrawn and a uniform tax rate of 35% is made applicable. Accordingly, provisions of Rs. 2.3 billion have been made for the prior year in the results for the half year ended June 30, 2015.

Despite reduction in interest rates, net interest income increased from Rs. 19.4 billion in 1H 2014 to Rs. 24.1 billion in 1H of 2015 reflecting a healthy increase of 24% due to increase in balance sheet size and high yielding investments. The current and savings account (CASA) ratio improved to 75% compared to 72% at December 31, 2014 which helped in reducing the cost of funds and in improving net interest income of the bank. The bank is giving greater focus on getting low cost deposits and consequently improving cost of fund. In order to bolster net interest income, we are expanding into high yielding advance salary, agriculture financing and gold loans. Non-performing GoP guaranteed loans still remain a big drag on our profitability and are impacting our interest income.

Non-interest income amounted to Rs. 19 billion, higher by Rs. 3.8 billion or 24.5% mainly due to increase in capital gains. Capital gains are significantly higher at Rs. 7.9 billion as against Rs. 4.6 billion of comparative period last year as the bank realized some gains on Pakistan Investments Bonds and equity investments. Exchange income increased by Rs. 706 million due to better opportunities in 2015. Other income has reduced by almost 50% due to impact of reduction in rate of compensation on delayed refunds.

Administrative expenses remain well controlled with an increase of 9% or Rs. 1.7 billion mainly due to annual staff increments and other inflationary increases. This has translated into improved cost to income ratio from 55.3% in June 2014 and 54% in Dec 2014 to 48.6% in June 2015.

The bank is focusing on reducing the non-performing loans through restructuring. The non-performing loans are at the same level of Dec 2014. Provision charge against advances is higher by Rs 4.7 billion from comparative period last year on account of further downgrading of existing non-performing loans and discounting of forced sales value. The net NPL to advances ratio is 2.6% as compare to 3.3% in June 2014 and 3.6% in Dec 2014 while provision coverage is almost 90% as compared to 84% in Dec 2014.

Compared to June 2014, deposits have increased by Rs 135 billion. From December 2014, deposits have increased by Rs 41 billion while advances declined by 1.8% mainly due to seasonal adjustments and conversion of certain loans into Term Finance Certificates. Mobilizing low cost deposit especially CASA with major emphasis on increasing current accounts is one of the top focus areas and we believe that the bank can significantly improve the growth by leveraging its existing customer base and improving existing products delivery. The bank is strongly capitalized with capital and reserves of Rs. 168 billion, which translates into break- up value per share of Rs.79/- per share.

In order to cover the risk of potential credit losses on the portfolio which is presently not impaired as per the applicable Prudential Regulations, an aggregate amount of Rs. 12 billion has been appropriated from the un-appropriated profits to a "General loan loss reserve to protect the equity base of the Bank from future contingencies in respect of the credit portfolio.

### Future Outlook

Banking sector spreads are expected to remain under pressure. The bank is focusing on consolidation and recoveries to bring down non-performing loans. Recovery of overdue payments from PSEs is our major challenge. Our Islamic banking plans to convert 150 National Bank conventional branches to Islamic banking in next two years. As part of this plan, 27 conventional branches have successfully been converted to Islamic Banking Branches till first half 2015 bringing total Islamic banking branches at 49. The bank plans to convert total of 37 more branches to Islamic banking branches in 2015. Core Banking Application (CBA) rollout in 1,100 plus remaining NBP branches is under implementation in 2015 to utilize maximum benefit of automation and facilitating NBP customers with enhanced services. Up till June 30, 2015, we have converted 178 additional branches on CBA taking total branches on the new platform at 451 as on June 30, 2015. The bank plans to add 1,000 ATMs to its network by 2015, out of which 250 ATM project is under implementation and remaining 750 ATMs are planned to be installed by the end of 2015. The bank has accelerated its efforts to strengthen compliance culture in the organization. Special emphasis has been placed on following the regulations on Anti Money Laundering (AML) and Know Your Customer (KYC).

### Appropriation of Profit

The Profit for the six months period ended June 30, 2015 after carry forward of accumulated profit of 2014 is proposed to be appropriated as follows: -

	<b>Rs in millions</b>
Profit before tax for the six months period ended June 30, 2015	15,134
Taxation	
- Current	6,581
- Prior year (s)	2,298
- Deferred	<u>(1,285)</u>
	7,594
After tax profit tax for six months period ended June 30, 2015	<u>7,540</u>
Un-appropriated profit brought forward	57,007
Other comprehensive income - net of tax	544
Transfer from surplus on revaluation of fixed assets	<u>60</u>
Profit available for appropriations	65,151
Transfer to Statutory Reserve (10% of after tax profit)	(754)
Cash dividend – 2014	(11,701)
Creation of loan loss reserve	(12,000)
Un-appropriated profit carried forward	<u>40,695</u>

### Credit Rating

During the period under review the bank also engaged Pakistan Credit Rating Agency (PACRA) in addition to M/s JCR-VIS Credit Rating Company for the purpose of bank's credit rating and both have re-affirmed the bank's long term entity rating of "AAA" (Triple AAA) and short term rating of "A1+" (A one Plus) with "Stable" outlook. The AAA / A1+ rating is one of the highest by the company for any bank in Pakistan.

## **Acknowledgment**

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 trust in NBP.

On behalf of the Board of Directors

Syed Ahmed Iqbal Ashraf

President

Date: August 21, 2015

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

### ***Introduction***

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of National Bank of Pakistan (the Bank) as at June 30, 2015 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity and explanatory notes (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### ***Other Matters***

The figures of the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income for the quarter ended June 30, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

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**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

Engagement Partner:  
Arslan Khalid

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**KPMG Taseer Hadi & Co.**  
Chartered Accountants

Engagement Partner:  
Syed Iftikhar Anjum

**Karachi**

**Date: August 21, 2015, except as to Note 8.6, which is as of August 28, 2015**

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Statement of Financial Position (Un-Audited)**  
**As at June 30, 2015**

		(Un-audited) June 30, 2015	(Audited) December 31, 2014
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		<b>130,864,253</b>	97,971,501
Balances with other banks		<b>18,192,656</b>	12,108,025
Lendings to financial institutions - net		<b>51,704,992</b>	111,788,608
Investments - net	7	<b>636,532,180</b>	561,764,137
Advances - net	8	<b>607,107,162</b>	626,704,083
Operating fixed assets	9	<b>31,735,047</b>	31,795,539
Deferred tax assets	10	<b>3,010,361</b>	9,877,509
Other assets		<b>95,929,202</b>	91,044,915
		<b>1,575,075,853</b>	1,543,054,317
<b>LIABILITIES</b>			
Bills payable		<b>22,230,351</b>	11,011,827
Borrowings from financial institutions		<b>29,346,566</b>	37,541,497
Deposits and other accounts	11	<b>1,274,270,078</b>	1,233,525,490
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		<b>9,934</b>	12,738
Deferred tax liabilities		-	-
Other liabilities		<b>81,102,111</b>	82,633,864
		<b>1,406,959,040</b>	1,364,725,416
<b>NET ASSETS</b>		<b>168,116,813</b>	178,328,901
<b>REPRESENTED BY</b>			
Share capital		<b>21,275,131</b>	21,275,131
Reserves		<b>44,682,453</b>	32,073,606
Unappropriated profit		<b>40,695,078</b>	57,006,813
		<b>106,652,662</b>	110,355,550
Surplus on revaluation of assets - net	12	<b>61,464,151</b>	67,973,351
		<b>168,116,813</b>	178,328,901
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Profit and Loss Account (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	Quarter Ended June 30, 2015	Half Year Ended June 30, 2015	Quarter Ended June 30, 2014	Half Year Ended June 30, 2014
<b>Note</b>	----- (Rupees in '000') -----			
Mark-up / Return / Interest earned	28,149,430	57,405,001	28,425,961	53,681,978
Mark-up / Return / Interest expensed	14,551,779	33,328,531	17,578,573	34,209,921
Net mark-up / return / interest income	13,597,651	24,076,470	10,847,388	19,472,057
Provision against non-performing advances - net	3,724,382	6,771,302	1,187,747	1,989,833
(Reversal) / Provision for diminution in value of investments	(295,717)	(141,612)	690,901	863,727
Provision / (Reversal) against off-balance sheet obligations	25,750	140,238	(339,200)	(339,200)
Bad debts written off directly	-	-	-	-
	3,454,415	6,769,928	1,539,448	2,514,360
Net mark-up / interest income after provisions	10,143,236	17,306,542	9,307,940	16,957,697
<b>NON MARK-UP/ INTEREST INCOME</b>				
Fee, commission and brokerage income	3,054,008	5,710,857	3,281,607	5,924,936
Dividend income	1,207,926	1,942,668	304,665	1,059,719
Income from dealing in foreign currencies	1,345,870	2,801,615	1,065,822	2,095,978
Gain on sale and redemption of securities - net	4,386,322	7,883,063	3,827,967	4,570,455
Unrealized (loss) / Gain on revaluation of investments classified as held-for-trading	(4,533)	(734)	(2,177)	110
Other income	798,951	915,553	914,118	1,801,735
Total non mark-up / interest income	10,788,544	19,253,022	9,392,002	15,452,933
	20,931,780	36,559,564	18,699,942	32,410,630
<b>NON MARK-UP/ INTEREST EXPENSES</b>				
Administrative expenses	10,597,524	21,053,381	10,004,772	19,292,492
Other provisions / write-offs	202,584	354,535	803,033	815,142
Other charges	16,572	17,231	25,230	25,735
Total non mark-up / interest expenses	10,816,680	21,425,147	10,833,035	20,133,369
	10,115,100	15,134,417	7,866,907	12,277,261
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>10,115,100</b>	<b>15,134,417</b>	<b>7,866,907</b>	<b>12,277,261</b>
Taxation - current	3,841,706	6,580,509	1,849,715	3,332,148
- prior year(s)	2,298,465	2,298,465	-	-
- deferred	(288,271)	(1,284,585)	1,033,218	817,083
	5,851,900	7,594,389	2,882,933	4,149,231
<b>PROFIT AFTER TAXATION</b>	<b>4,263,200</b>	<b>7,540,028</b>	<b>4,983,974</b>	<b>8,128,030</b>
<b>Basic and diluted earnings per share (Rupees)</b>	<b>2.00</b>	<b>3.54</b>	<b>2.34</b>	<b>3.82</b>

The annexed notes 1 to 22 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 Half Year Ended June 30, 2015**

	Quarter ended June 30, 2015	Half Year ended June 30, 2015	Quarter ended June 30, 2014	Half Year ended June 30, 2014
----- (Rupees in '000') -----				
<b>Profit after taxation</b>	<b>4,263,200</b>	<b>7,540,028</b>	4,983,974	8,128,030
<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	<b>(159,157)</b>	<b>(145,156)</b>	291,820	(1,145,727)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurements of defined benefit liability	<b>2,497,445</b>	<b>836,300</b>	(167,281)	(167,281)
Related tax effects	<b>(874,106)</b>	<b>(292,705)</b>	58,548	58,548
	<b>1,623,339</b>	<b>543,595</b>	(108,733)	(108,733)
<b>Other comprehensive income - net of tax</b>	<b>1,464,182</b>	<b>398,439</b>	183,087	(1,254,460)
<b>Total comprehensive income transferred to equity</b>	<b>5,727,382</b>	<b>7,938,467</b>	5,167,061	6,873,570
<b>Components of comprehensive income not reflected in equity:</b>				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Surplus on revaluation of available-for-sale securities	<b>1,912,566</b>	<b>1,500,683</b>	(5,153,659)	1,164,262
Related tax effects	<b>(6,314,801)</b>	<b>(7,859,028)</b>	870,412	(91,696)
<b>Other comprehensive income - net of tax</b>	<b>(4,402,235)</b>	<b>(6,358,345)</b>	(4,283,247)	1,072,566

The annexed notes 1 to 22 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 Half Year Ended June 30, 2015**

	Half Year Ended June 30, 2015	Half Year Ended June 30, 2014
	----- (Rupees in '000') -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	15,134,417	12,277,261
Less: Dividend income	1,942,668	1,059,719
	<b>13,191,749</b>	<b>11,217,542</b>
<b>Adjustments</b>		
Depreciation	912,889	1,020,330
Provision against non-performing loans and advances	6,771,302	1,989,833
Provision for diminution in value of investments	(141,612)	863,727
Provision against off-balance sheet obligations	140,238	(339,200)
Other provision / write-offs	354,535	815,142
Gain on sale of fixed assets	-	(2,495)
Financial charges on leased assets	1,064	4,100
	<b>8,038,416</b>	<b>4,351,437</b>
	<b>21,230,165</b>	<b>15,568,979</b>
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	47,883,616	21,351,292
Held-for-trading securities	(6,106,815)	190,865
Advances	12,825,619	(6,412,356)
Other assets	(7,439,734)	(14,888,504)
	<b>47,162,686</b>	<b>241,297</b>
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	11,218,524	17,015,596
Borrowings	(9,480,959)	12,151,993
Deposits and other accounts	40,744,588	37,529,234
Other liabilities (excluding current taxation)	(887,662)	7,245,565
	<b>41,594,491</b>	<b>73,942,388</b>
Income tax paid	(6,770,800)	(6,428,785)
Financial charges paid	(1,064)	(4,100)
	<b>(6,771,864)</b>	<b>(6,432,885)</b>
	<b>103,215,478</b>	<b>83,319,779</b>
<b>Net cash generated from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(57,547,822)	7,215,916
Net investments in held-to-maturity securities	(18,134,667)	(87,271,852)
Proceeds from investments in associates and subsidiaries	8,518,102	2,760,102
Dividend received	1,942,668	1,059,719
Investments in operating fixed assets	(852,397)	(791,350)
Sale proceeds of operating fixed assets disposed off	-	17,901
	<b>(66,074,116)</b>	<b>(77,009,564)</b>
<b>Net cash used in from investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(2,804)	(5,336)
Dividend paid	(11,502,047)	(4,231,602)
	<b>(11,504,851)</b>	<b>(4,236,938)</b>
<b>Net cash used in financing activities</b>		
Effects of exchange rate changes on cash and cash equivalents	(145,156)	(1,145,727)
	<b>25,491,355</b>	<b>927,550</b>
<b>Net decrease in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the half year	118,394,883	175,130,220
<b>Cash and cash equivalents at the end of the half year</b>	<b>143,886,238</b>	<b>176,057,770</b>

The annexed notes 1 to 22 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 Half Year Ended June 30, 2015**

Share Capital	Attributable to the Shareholders of the Bank					Unappropriated Profit	Total
	Reserves						
	Capital		General Loan Loss	Revenue General			
Exchange Translation	Statutory						
----- (Rupees in '000') -----							
Balance as at January 1, 2014	21,275,131	9,530,777	21,486,580	-	521,338	48,045,930	100,859,756
<b>Total Comprehensive Income for the half year ended June 30, 2014</b>							
Profit after tax	-	-	-	-	-	8,128,030	8,128,030
Other comprehensive income - net of tax	-	(1,145,727)	-	-	-	(108,733)	(1,254,460)
	-	(1,145,727)	-	-	-	8,019,297	6,873,570
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	62,615	62,615
Transfer to Statutory Reserve	-	-	812,803	-	-	(812,803)	-
<b>Transactions with Owners, recorded directly in equity</b>							
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)
	-	-	-	-	-	(4,255,026)	(4,255,026)
<b>Balance as at June 30, 2014</b>	<b>21,275,131</b>	<b>8,385,050</b>	<b>22,299,383</b>	<b>-</b>	<b>521,338</b>	<b>51,060,013</b>	<b>103,540,915</b>
<b>Total Comprehensive Income for the half year ended December 31, 2014</b>							
Profit after tax	-	-	-	-	-	6,900,199	6,900,199
Other comprehensive income - net of tax	-	177,815	-	-	-	(327,010)	(149,195)
	-	177,815	-	-	-	6,573,189	6,751,004
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	63,631	63,631
Transfer to Statutory Reserve	-	-	690,020	-	-	(690,020)	-
<b>Balance as at December 31, 2014</b>	<b>21,275,131</b>	<b>8,562,865</b>	<b>22,989,403</b>	<b>-</b>	<b>521,338</b>	<b>57,006,813</b>	<b>110,355,550</b>
<b>Total Comprehensive Income for the half year ended June 30, 2015</b>							
Profit after tax	-	-	-	-	-	7,540,028	7,540,028
Other comprehensive income - net of tax	-	(145,156)	-	-	-	543,595	398,439
	-	(145,156)	-	-	-	8,083,623	7,938,467
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	59,967	59,967
Transfer to Statutory Reserve	-	-	754,003	-	-	(754,003)	-
Transfer to General Loan Loss Reserve (refer note 20)	-	-	-	12,000,000	-	(12,000,000)	-
<b>Transactions with Owners, recorded directly in equity</b>							
Cash dividend (Rs. 5.5 per share)	-	-	-	-	-	(11,701,322)	(11,701,322)
<b>Balance as at June 30, 2015</b>	<b>21,275,131</b>	<b>8,417,709</b>	<b>23,743,406</b>	<b>12,000,000</b>	<b>521,338</b>	<b>40,695,078</b>	<b>106,652,662</b>

The annexed notes 1 to 22 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 Half Year Ended June 30, 2015**

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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. It's 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 1,358 (2014: 1,354) branches in Pakistan and 21 (2014: 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 condensed interim unconsolidated financial statements of the Bank for the six months period ended June 30, 2015 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan. In case where the requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives of the SBP have been followed.

**2.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

**2.3** The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2014.

**2.4** These condensed interim financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

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**3. BASIS OF MEASUREMENT**

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

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

**4. ACCOUNTING POLICIES**

The accounting policies adopted for preparation of these condensed interim unconsolidated financial statements are the same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014.

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

The bank has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current period:

**Standard or Interpretation**

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 19 –Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions
- IAS 27 - Separate Financial Statements

The above standards and amendments did not have any impact on the bank's separate financial statements for the current period.

In addition to the above standards and amendments, certain improvements to various accounting standards have also been issued by the IASB. Such improvements are effective for the current accounting period but did not have any material impact on the bank's separate financial statements.

**5. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The estimates/judgments and associated assumptions used in the preparation of these interim condensed unconsolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014.

**6. FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2014.

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

**7. INVESTMENTS - net**

	June 30, 2015			December 31, 2014		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
<b>Note</b>	----- (Rupees in '000') -----			----- (Rupees in '000') -----		
<b>7.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	14,939,931	-	14,939,931	4,644,243	-	4,644,243
Pakistan Investment Bonds	954,159	-	954,159	5,142,298	-	5,142,298
<b>Total held-for-trading securities</b>	<b>15,894,090</b>	<b>-</b>	<b>15,894,090</b>	<b>9,786,541</b>	<b>-</b>	<b>9,786,541</b>
<b>Available-for-sale securities</b>						
Ordinary Shares of Listed companies	24,178,310	-	24,178,310	24,644,518	-	24,644,518
Ordinary Shares of Unlisted companies	1,118,263	-	1,118,263	1,363,080	-	1,363,080
Market Treasury Bills	146,001,606	14,858,580	160,860,186	111,752,989	5,906,690	117,659,679
Pakistan Investment Bonds	198,990,949	-	198,990,949	194,478,241	-	194,478,241
GoP Foreign Currency Bonds	6,340,192	-	6,340,192	6,166,924	-	6,166,924
Foreign Currency Debt Securities	1,439,350	-	1,439,350	3,940,510	-	3,940,510
Term Finance Certificates / Musharika and Sukuk Bonds	33,667,002	-	33,667,002	19,088,145	-	19,088,145
Preference Shares	846,660	-	846,660	846,660	-	846,660
Investments in Mutual Funds	806,275	-	806,275	2,511,608	-	2,511,608
Investments Outside Pakistan	463,295	-	463,295	463,295	-	463,295
<b>Total available- for- sale securities</b>	<b>413,851,902</b>	<b>14,858,580</b>	<b>428,710,482</b>	<b>365,255,970</b>	<b>5,906,690</b>	<b>371,162,660</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	107,195,082	-	107,195,082	106,838,847	-	106,838,847
Market Treasury Bills	7,537,960	-	7,537,960	-	-	-
GoP Foreign Currency Bonds	1,550,713	-	1,550,713	1,540,658	-	1,540,658
Foreign Government Securities	19,282,342	-	19,282,342	8,959,455	-	8,959,455
Foreign Currency Debt Securities	394	-	394	389	-	389
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	2,955,849	-	2,955,849	3,048,324	-	3,048,324
<b>Total held-to-maturity securities</b>	<b>138,522,340</b>	<b>-</b>	<b>138,522,340</b>	<b>120,387,673</b>	<b>-</b>	<b>120,387,673</b>
<b>Investments in Associates</b>	<b>5,251,821</b>	<b>-</b>	<b>5,251,821</b>	<b>5,458,419</b>	<b>-</b>	<b>5,458,419</b>
<b>Investments in Joint Venture</b>	<b>2,362,433</b>	<b>-</b>	<b>2,362,433</b>	<b>2,362,433</b>	<b>-</b>	<b>2,362,433</b>
<b>Investments in Subsidiaries</b>	<b>4,406,750</b>	<b>-</b>	<b>4,406,750</b>	<b>12,718,254</b>	<b>-</b>	<b>12,718,254</b>
<b>Investments at cost</b>	<b>580,289,336</b>	<b>14,858,580</b>	<b>595,147,916</b>	<b>515,969,290</b>	<b>5,906,690</b>	<b>521,875,980</b>
<b>Less: Provision for diminution in value of investments</b>	<b>(17,376,371)</b>	<b>-</b>	<b>(17,376,371)</b>	<b>(17,517,983)</b>	<b>-</b>	<b>(17,517,983)</b>
<b>Investments (net of Provision)</b>	<b>562,912,965</b>	<b>14,858,580</b>	<b>577,771,545</b>	<b>498,451,307</b>	<b>5,906,690</b>	<b>504,357,997</b>
Unrealized loss on revaluation of investments classified as held-for-trading	(734)	-	(734)	145,454	-	145,454
Surplus on revaluation of available-for-sale securities	58,731,369	30,000	58,761,369	57,261,787	(1,101)	57,260,686
<b>Total investments</b>	<b>621,643,600</b>	<b>14,888,580</b>	<b>636,532,180</b>	<b>555,858,548</b>	<b>5,905,589</b>	<b>561,764,137</b>

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	Half year ended June 30, 2015	Year ended December 31, 2014
	----- (Rupees in '000') -----	
<b>7.2 Particulars of provision for diminution in value of investments</b>		
Opening balance	17,517,983	15,416,719
Charge for the period / year	587,511	3,024,804
Reversals	(729,123)	(2,582,457)
	(141,612)	442,347
Transfer in	-	1,366,790
Transferred from suspended interest	-	292,127
Closing balance	<u>17,376,371</u>	<u>17,517,983</u>
	June 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
<b>7.2.1 Particulars of provision in respect of type</b>		
<b>Available-for-sale securities</b>		
Ordinary shares of listed companies and mutual funds	3,336,651	3,702,638
Ordinary shares of unlisted companies	395,505	376,135
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	8,860,767	8,980,511
Preference shares	446,444	446,444
<b>Held-to-maturity securities</b>		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	624,037	629,884
<b>Investment in associates</b>	3,661,722	3,330,221
<b>Investment in subsidiaries</b>	51,245	52,150
	<u>17,376,371</u>	<u>17,517,983</u>
<b>7.2.2 Particulars of provision in respect of segments</b>		
Fully Paid up Ordinary Shares	3,658,400	3,984,307
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,484,804	9,610,395
Other investments	520,200	540,910
Investments in associates	3,661,722	3,330,221
Investments in subsidiaries	51,245	52,150
	<u>17,376,371</u>	<u>17,517,983</u>
<b>7.2.2</b> 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.1,214 million (December 31, 2014: Rs. 1,191 million). Accordingly, as of June 30, 2015, the accumulated increase in profit after tax of Rs.789 million (December 31, 2014: Rs. 774 million) shall not be available for payment of cash or stock dividend or bonus to employees as required by aforementioned SBP directive.		
<b>7.2.3</b> 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. Last year SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of June 30, 2015, 85% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs. 536 million (December 31, 2014: Rs. 892 million) and the profit before taxation would have been lower by the same amount.		
<b>7.3</b> These carry fixed mark-up at the rate ranging from 9% to 12% per annum (December 31, 2014: 8% to 12% per annum) having maturity ranging from 3 to 10 years.		
<b>7.4</b> During the period, the Bank has redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 8,516 million which has resulted in capital gain of Rs. 836 million.		

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

8. ADVANCES - net	Note	June 30, 2015	December 31, 2014
		----- (Rupees in '000') -----	
Loans, cash credits, running finances, etc.			
In Pakistan		638,142,395	648,391,732
Outside Pakistan		51,676,659	53,702,449
		<b>689,819,054</b>	702,094,181
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		15,465,094	15,419,949
Payable outside Pakistan		10,183,999	10,549,928
		<b>25,649,093</b>	25,969,877
Advances - gross		<b>715,468,147</b>	728,064,058
Less: Provision against non-performing loans - specific	8.2	105,371,557	98,158,511
- general	8.2	2,989,428	3,201,464
		<b>108,360,985</b>	101,359,975
Advances - net of provision		<b>607,107,162</b>	626,704,083

8.1 Advances include Rs.120,909 million (December 31, 2014: Rs. 120,841 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2015			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	2,790,577	-	2,790,577	47,194	47,194
Substandard	4,322,714	73,915	4,328,686	970,812	970,812
Doubtful	6,237,987	354,207	6,269,233	2,849,806	2,849,806
Loss	76,119,727	31,009,600	107,520,227	101,503,745	101,503,745
	<b>89,471,005</b>	<b>31,437,722</b>	<b>120,908,723</b>	<b>105,371,557</b>	<b>105,371,557</b>
	December 31, 2014				
Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	1,228,018	-	1,228,018	1,348	1,348
Substandard	9,892,979	62,851	9,955,830	2,234,398	2,234,398
Doubtful	4,613,073	10,887,971	15,501,044	6,649,676	6,649,676
Loss	74,921,485	19,234,992	94,156,477	89,273,089	89,273,089
	<b>90,655,555</b>	<b>30,185,814</b>	<b>120,841,369</b>	<b>98,158,511</b>	<b>98,158,511</b>

8.2 Particulars of provision against non-performing advances

	Half year ended June 30, 2015			Year ended December 31, 2014		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	98,158,511	3,201,464	101,359,975	89,736,638	2,858,447	92,595,085
Exchange adjustments	251,238	1,429	252,667	(495,074)	(25,920)	(520,994)
Charge for the period	9,843,928	-	9,843,928	14,777,114	368,937	15,146,051
Reversals	(2,859,161)	(213,465)	(3,072,626)	(4,172,083)	-	(4,172,083)
	<b>6,984,767</b>	<b>(213,465)</b>	<b>6,771,302</b>	10,605,031	368,937	10,973,968
Transfer (out) / in	-	-	-	(1,650,189)	-	(1,650,189)
Amounts written off	(18,515)	-	(18,515)	(32,623)	-	(32,623)
Amount charged off	(4,444)	-	(4,444)	(5,272)	-	(5,272)
Closing balance	<b>105,371,557</b>	<b>2,989,428</b>	<b>108,360,985</b>	98,158,511	3,201,464	101,359,975

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

- 8.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 2,552 million (December 31, 2014: Rs. 3,542 million). Accordingly, as of June 30, 2015, the accumulated profit after tax of Rs.1,659 million (December 31, 2014: Rs.2,302 million) shall not be available for payment of cash or stock dividend or bonus to employees as required by aforementioned SBP directive.
- 8.4 General provision against consumer loans and Small and Medium Enterprise (SME) financing, represents provision maintained at an amount ranging from 1% to 5% of the performing portfolio as required by the Prudential Regulations issued by the SBP.
- 8.5 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Agritech Limited. Last year SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 had further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of June 30, 2015, 85% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 397 million (December 31, 2014: Rs. 635 million) and the profit before taxation would have been lower by the same amount.
- 8.6 The State Bank of Pakistan has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2015. Accordingly such loans are not included in non-performing loan. Such relaxation was received on August 28, 2015.

**9. OPERATING FIXED ASSETS**

	June 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
Capital work-in-progress	1,296,656	1,196,896
Property and equipment	29,658,612	29,688,180
Intangible assets	779,779	910,463
	<u>31,735,047</u>	<u>31,795,539</u>

- 9.1 Additions and disposals during the period amounted to Rs. 754 million (June 30, 2014: Rs. 750 million) and Rs. 6 million (June 30, 2014: Rs. 77 million) respectively.

**10. DEFERRED TAX ASSETS - net**

**Deferred tax assets arising in respect of**

Provision for diminution in the value of investments	3,587,089	3,636,653
Provision against non-performing advances	7,561,913	7,092,841
Other provisions	1,886,887	1,762,799
Provision against defined benefits plans	9,366,397	9,031,229
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
	<u>23,210,815</u>	<u>22,332,051</u>

**Deferred tax liabilities arising in respect of**

Excess of accounting book value of leased assets over lease liabilities	1,462	(3,720)
Revaluation of securities	(19,032,778)	(11,173,750)
Operating fixed assets	(1,169,138)	(1,277,072)
	<u>(20,200,454)</u>	<u>(12,454,542)</u>

Net deferred tax assets

	<u>3,010,361</u>	<u>9,877,509</u>
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**11. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	266,339,606	289,069,976
Savings deposits	360,677,590	348,098,999
Current accounts - remunerative	178,070,583	159,042,873
Current accounts - non-remunerative	293,094,294	267,450,272
	<u>1,098,182,073</u>	<u>1,063,662,120</u>

**Financial Institutions**

Remunerative deposits	55,509,063	61,329,041
Non-remunerative deposits	120,578,942	108,534,329
	<u>176,088,005</u>	<u>169,863,370</u>
	<u>1,274,270,078</u>	<u>1,233,525,490</u>

## National Bank of Pakistan

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

For The Half Year Ended June 30, 2015

	June 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
<b>12. SURPLUS ON REVALUATION OF ASSETS - net</b>		
Surplus on revaluation of fixed assets	21,735,560	21,886,415
<b>Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax</b>		
Federal Government Securities	12,283,816	10,377,882
Term Finance Certificates	(9,299)	(31,121)
Shares and mutual funds	28,410,308	29,556,505
GoP Foreign Currency Bonds	462,681	380,738
Foreign Currency Debt Securities	85,853	81,092
Investments outside Pakistan	17,528,010	16,895,590
	58,761,369	57,260,686
Deferred Tax liability	12.1 (19,032,778)	(11,173,750)
	39,728,591	46,086,936
	<b>61,464,151</b>	<b>67,973,351</b>

12.1 The subsidized taxation rates on dividend income and capital gains of banks have been withdrawn retrospectively with effect from tax year 2015 and a uniform tax rate of 35% is made applicable.

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Direct credit substitutes

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

- Government	5,871,126	5,110,261
- Financial institutions	4,187,302	11,135,929
- Others	16,444,887	32,227,405
	<b>26,503,315</b>	<b>48,473,595</b>

### 13.2 Transaction-related contingent liabilities

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

- Government	12,259,123	11,879,063
- Financial institutions	4,595,758	5,239,234
- Others	7,218,186	22,403,390
	<b>24,073,067</b>	<b>39,521,687</b>

### 13.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	105,625,179	129,493,436
- Others	29,305,781	27,137,972
	<b>134,930,960</b>	<b>156,631,408</b>

## National Bank of Pakistan

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

For The Half Year Ended June 30, 2015

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#### 13.4 Other contingencies

**13.4.1** Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.196 million (2014: Rs. 194 million) and claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (2014: Rs. 1,597 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably

**13,628,310**

**13,407,883**

#### 13.4.2 Taxation

The status of various tax related contingencies is as follows:

- The tax returns of the Bank have been filed and amended by the tax authorities up to Tax Year 2014. For Azad Kashmir Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2014.
- During February 2015, tax authorities amended original assessment for the Tax Year 2014 and raised tax demand of Rs. 9.6 billion. The bank obtained stay order from Sindh High Court against tax demand and filed appeal before Commissioner (Appeals). Subsequently, the tax department rectified the above order which resulted in tax demand of Rs. 2.5 billion. The Bank has paid this amount to the tax department and subsequently filed appeal before Income Tax Appellate Tribunal.
- Show cause notice for amendment of assessment for tax years 2009 to 2011 issued by tax authorities, which were already assessed and finalized, had been received during the period with tax demand of Rs. 8.99 billion. However, the bank has obtained stay from Honourable High Court of Sindh against the proceedings initiated by tax authorities.
- As a result of various appellate orders from assessment year 1998-1999 till tax year 2013, the bank has aggregate refunds in excess of Rs. 24.560 billion due from tax department. During the period, the order for the tax years 2001-02, 2003 and 2007 was rectified which resulted in decrease in determined refunds amounting to Rs. 901 million. The Bank considers that the tax department neither has served proper notice nor has provided adequate opportunity of being heard. An appeal is also pending before tribunal name on legal grounds.
- During the period, the tax authorities imposed default surcharge u/s 161 & 205 amounting to Rs. 6.9 billion for monitoring of withholding tax for the Tax Year 2014 for expenses related to salary, profit on debt, rent and purchase of goods and services. Subsequently, the Commissioner (Appeals) reverted back the order and reassessed the total amount payable of Rs. 22.6 million.
- The status of the appeals filed for the recovery of FED on the commission income derived from the treasury services provided to the State Bank of Pakistan/ Federal Government of Pakistan is same as disclosed in the note 21 of the annual financial statements.
- During the period the bank's petition was dismissed in respect of levy of Sindh Sales Tax on services provided to Federal Government through State Bank of Pakistan in the province of Sindh and the Bank had deposited the Sindh Sales Tax on services of Rs. 604.37 million for the period from July, 2011 to December, 2013 to Sindh Revenue Board in respect of Sindh sales Tax on these services.

The other tax matters under contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on June 30, 2015 amounts to Rs.15.4 billion (December 31, 2014: Rs. 10.5 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

## **National Bank of Pakistan**

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

**For The Half Year Ended June 30, 2015**

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#### **13.4.3 Other contingencies**

The status of contingencies as disclosed in note 21 to the annual financial statements is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2014, except for the following.

- In case of pensionary benefits to retired employees, Lahore High Court had reserved, but not announced, the judgment in respect of one major case. However, during the period, Lahore high Court has reopened the case, and in July 2015, the Court had again reserved judgment over this case which is yet to be announced. Remaining cases of pensionary benefits are adjourned for hearing till October 2015.
- In respect of Golden Hand Shake (GHS), Lahore High Court have set aside seven, out of twenty nine petitions pending as per the annual financial statements, in favour of the Bank.

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	June 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
<b>13.5 Commitments in respect of forward exchange contracts</b>		
Purchase	202,948,035	233,021,148
Sale	139,197,930	120,265,758
<b>13.6 Other Commitments</b>		
Professional services to be received	85,795	99,450
<b>13.7 Commitments for the acquisition of operating fixed assets</b>	<b>1,694,031</b>	<b>1,798,160</b>

**14. OTHER INCOME**

Other Income includes Rs 827 million (June 30: 2014 Rs 1,729 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

**15. TAXATION**

The Federal Government vide Finance Act 2015 has imposed a onetime super tax at the rate of 4% on income of banks for the year ended December 31, 2014 (Tax Year 2015). This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Further, the taxation rates on dividend income and capital gains of banks have also been revised with effect from the tax year 2015 and a uniform tax rate of 35% is made applicable. Accordingly, provisions of Rs. 1.03 billion and Rs. 1.26 billion for Super tax and Dividend income/Capital gains respectively have been made for the prior year.

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

	Quarter ended June 30, 2015	Half Year ended June 30, 2015	Quarter ended June 30, 2014	Half Year ended June 30, 2014
Profit after taxation (Rupees in '000')	4,263,200	7,540,028	4,983,974	8,128,030
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)	2.00	3.54	2.34	3.82

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- (Rupees in '000') -----						
<b>Half year ended June 30, 2015</b>							
Total income	156,183	172,586	1,809,197	36,598,958	1,370,278	3,222,290	43,329,492
Inter segment revenue	-	(27,135)	9,028,655	(9,001,520)	-	-	-
Total expenses	16,165	-	9,872,026	14,002,783	1,089,212	3,214,889	28,195,075
<b>Net income</b>	<b>140,018</b>	<b>145,451</b>	<b>965,826</b>	<b>13,594,655</b>	<b>281,066</b>	<b>7,401</b>	<b>15,134,417</b>
Segment assets (Gross)	-	15,894,090	256,901,900	1,279,355,745	-	22,924,118	1,575,075,853
Segment non - performing loans	-	-	12,687,949	108,220,774	-	-	120,908,723
Segment provision required	-	-	7,007,905	101,353,080	-	-	108,360,985
Segment liabilities	-	-	423,894,943	983,064,097	-	-	1,406,959,040
Segment return on assets (ROA) (%)	0.00%	10.05%	0.84%	2.14%	0.00%	0.12%	
Segment cost of funds (%)	0.00%	0.00%	5.32%	5.15%	0.00%	0.00%	
<b>Half year ended June 30, 2014</b>							
Total income	274,084	205,694	5,240,905	25,191,203	977,117	3,035,988	34,924,991
Inter segment revenue	-	(27,374)	4,991,640	(4,964,266)	-	-	-
Total expenses	10,519	33,447	9,592,267	10,027,490	806,558	2,177,449	22,647,730
<b>Net income</b>	<b>263,565</b>	<b>144,873</b>	<b>640,278</b>	<b>10,199,447</b>	<b>170,559</b>	<b>858,539</b>	<b>12,277,261</b>
Segment assets (Gross)	-	1,811,261	238,037,167	1,182,403,872	-	19,580,689	1,441,832,989
Segment non - performing loans	-	-	9,478,506	99,941,040	-	-	109,419,546
Segment provision required	-	-	8,372,488	83,651,533	-	-	92,024,021
Segment liabilities	-	-	357,685,377	924,194,576	-	-	1,281,879,953
Segment return on assets (ROA) (%)	0.00%	12.76%	0.57%	1.82%	0.00%	3.37%	
Segment cost of funds (%)	0.00%	0.00%	6.40%	6.01%	0.00%	0.00%	

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

**18. RELATED PARTY TRANSACTIONS**

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

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

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

	2015				2014			
	At January 01,	Given during the half year	Repaid during the half year	At June 30,	At January 01,	Given during the year	Repaid during the year	At December 31,
	----- (Rupees in '000) -----							
<b>Advances</b>								
Key Management Executives	186,667	-	(18,739)	167,928	144,607	115,044	(21,260)	238,391
Adjustments*	34,419	-	-	34,419	(51,724)	-	-	(51,724)
	<b>221,086</b>	<b>-</b>	<b>(18,739)</b>	<b>202,347</b>	<b>92,883</b>	<b>115,044</b>	<b>(21,260)</b>	<b>186,667</b>
Subsidiaries	603,556	6,781	(14,278)	596,059	819,035	-	(215,479)	603,556
Associates	5,410,612	777,392	(12,825)	6,175,179	5,433,806	-	(23,194)	5,410,612
Debts due by Company in which director is interested as director	9,115,000	1,860,000	(2,832,000)	8,143,000	9,613,756	11,577,858	(12,424,576)	8,767,038
* Adjustment	(1,154,000)	-	-	(1,154,000)	347,962	-	-	347,962
	<b>7,961,000</b>	<b>1,860,000</b>	<b>(2,832,000)</b>	<b>6,989,000</b>	<b>9,961,718</b>	<b>11,577,858</b>	<b>(12,424,576)</b>	<b>9,115,000</b>
	<b>14,196,254</b>	<b>2,644,173</b>	<b>(2,877,842)</b>	<b>13,962,585</b>	<b>16,307,442</b>	<b>11,692,902</b>	<b>(12,684,509)</b>	<b>15,315,835</b>

	2015				2014			
	At January 01,	Received during the half year	Withdrawals during the half year	At June 30,	At January 01,	Received during the year	Withdrawals during the year	At December 31,
	----- (Rupees in '000) -----							
<b>Deposits</b>								
Subsidiaries	411,597	166,318	(59,288)	518,627	298,668	170,258	(57,329)	411,597
Associates	26,038	-	(26,038)	-	12,038,914	-	(12,012,876)	26,038
Key Management Executives	19,309	154,309	(158,684)	14,934	13,402	303,914	(296,813)	20,503
Adjustments*	10,198	-	-	10,198	(1,194)	-	-	(1,194)
	<b>29,507</b>	<b>154,309</b>	<b>(158,684)</b>	<b>25,132</b>	<b>12,208</b>	<b>303,914</b>	<b>(296,813)</b>	<b>19,309</b>
Pension Fund (Current)	4,248	3,976,866	(3,977,914)	3,200	4,393	24,573,301	(24,573,446)	4,248
Pension Fund (Fixed Deposit)	7,300,000	2,000,000	(7,000,000)	2,300,000	11,500,000	7,300,000	(11,500,000)	7,300,000
Pension Fund (N.I.D.A A/c)	1,056,675	2,771,607	(1,156,470)	2,671,812	270,228	12,614,720	(11,828,273)	1,056,675
Provident Fund (Current)	13,123,803	1,198,297	(817,710)	13,504,390	12,886,715	2,749,149	(2,512,061)	13,123,803
	<b>21,951,868</b>	<b>10,267,397</b>	<b>(13,196,104)</b>	<b>19,023,161</b>	<b>37,011,126</b>	<b>47,711,342</b>	<b>(62,780,798)</b>	<b>21,941,670</b>

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

	June 30, 2015	December 31, 2014
	----- (Rupees in '000) -----	
<b>Placements with:</b>		
Joint Venture	1,282,265	156,864
<b>Repo Borrowing from:</b>		
Joint Venture	124,502	73,695
<b>Other receivables from subsidiaries</b>	<b>119,944</b>	<b>77,044</b>
<b>Other payables to subsidiaries</b>	<b>-</b>	<b>316</b>
<b>Off-Balance sheet items - Joint Venture</b>	<b>27,878</b>	<b>825,636</b>
<b>Investments in associates</b>	<b>20,614</b>	<b>700,770</b>
<b>Investments in subsidiaries</b>	<b>394,846</b>	<b>7,550,384</b>
<b>Redemption / sale of investment in associates</b>	<b>224,712</b>	<b>100,000</b>
<b>Redemption / sale of investment in subsidiaries</b>	<b>8,705,445</b>	<b>10,170,777</b>
	<b>Half Year ended June 30, 2015</b>	<b>Half Year ended June 30, 2014</b>
	----- (Rupees in '000) -----	
<b>Income for the period</b>		
On advances / placements with:		
Subsidiaries	11,527	22,433
Joint Venture	1,172	132
Key management executives	-	1,061
Debts due by company in which a director of the Bank is interested as director	519,000	556,730

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	Half Year ended June 30, 2015	Half Year ended June 30, 2014
	----- (Rupees in '000) -----	
Dividend income from:		
Subsidiaries	394,846	-
Associates	20,613	-
Joint Venture	68,701	-
<b>Expenses for the period</b>		
Remuneration to key management executives	128,444	126,641
Charge for defined benefit plan	15,413	41,033
<b>Mark-up on Deposits of:</b>		
Subsidiaries	2,590	14,932
Associates	-	49,476
Provident fund	977,932	1,117,405
Pension fund	382,728	40,475
Key management executives	-	1,006
<b>Commission paid to subsidiaries</b>	10,885	1,570
<b>Mark-up on Borrowing (Repo / Call):</b>		
Joint Venture	65	304

**18.1 Transactions with Government-related entities**

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 3,156 million for the six months period ended June 30, 2015. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 248,086 million and Rs. 347,550 million respectively.

**19. ISLAMIC BANKING BUSINESS**

The Bank is operating 49 (December 31, 2014: 22) Islamic banking branches as at June 30, 2015. Statement of financial position and profit and loss account are as under:

	June 30, 2015	December 31, 2014
	----- (Rupees in '000) -----	
<b><u>STATEMENT OF FINANCIAL POSITION</u></b>		
<b>Assets</b>		
Cash and balances with treasury banks	719,400	173,676
Balances with other banks / amounts due from financial institutions	3,865,206	266
Investments	3,326,655	2,428,587
Islamic financing and related assets	659,991	978,542
Operating fixed assets	32,404	58,418
Due from Head Office	3,308,203	-
Other assets	703,665	173,781
	<b>12,615,524</b>	<b>3,813,270</b>
<b>Liabilities</b>		
Bills Payable	33,287	12,100
Deposits and other accounts		
- Current accounts	6,747,183	768,879
- Saving accounts	3,999,804	1,048,266
- Term deposits	929,286	672,802
Due to Head Office	-	433,959
Other liabilities	97,061	62,687
	<b>11,806,621</b>	<b>2,998,693</b>
<b>Net Assets</b>	<b>808,903</b>	<b>814,577</b>
<b>Represented By</b>		
Islamic Banking Fund	800,000	800,000
Unappropriated profit	6,571	14,237
	<b>806,571</b>	<b>814,237</b>
Surplus on revaluation of investments	2,332	340
	<b>808,903</b>	<b>814,577</b>

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	Half year ended June 30, 2015	Half year ended June 30, 2014
	----- (Rupees in '000') -----	
<b><u>PROFIT AND LOSS ACCOUNT</u></b>		
Profit / Return earned on financings, investments and placements	312,438	244,558
Profit / Return expensed on deposit	83,053	97,904
Net spread earned	229,385	146,654
Depreciation on assets given on ijarah	(47,529)	(34,628)
	181,856	112,026
Provision against advances and investments	20,627	-
Provision reversed against advances and investments	-	7,931
	20,627	7,931
Profit after provision	202,483	119,957
<b>Other income</b>		
Fee, commission and brokerage income	29,018	19,302
Income from dealing in foreign currencies	140	(850)
Other income	146	(175)
Total other income	29,304	18,277
	231,787	138,234
<b>Other expenses</b>		
Administrative expenses	(225,216)	(124,318)
<b>Profit before taxation</b>	<b>6,571</b>	<b>13,916</b>
<b><u>CASH FLOW STATEMENT</u></b>		
<b>Cash Flow from Operating Activities</b>		
Profit for the period	6,571	13,916
Adjustments :		
Depreciation - Own assets	43,615	1,571
Depreciation - Ijarah assets	-	34,628
Reversal of provision against non performing financings	(20,627)	(7,931)
	22,988	28,268
	29,559	42,184
(Increase) / Decrease in operating assets		
Due from Financial Institutions	-	(260)
Financings	(604,427)	2,950,679
Other assets	(529,884)	27,415
	(1,134,311)	2,977,834
Increase / (Decrease) in operating liabilities		
Bills payable	21,187	(2,592)
Deposits and other accounts	9,186,326	(2,937,210)
Borrowings from Head Office	(3,726,471)	(194,003)
Other liabilities	34,374	(19,148)
	5,515,416	(3,152,953)
Net cash generated / (used in) from operating activities	4,410,664	(132,935)
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	-	-
Net cash used in investing activities	-	-
<b>Cash Flow from Financing Activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>4,410,664</b>	<b>(132,935)</b>
Cash and cash equivalents at beginning of the half year	173,942	263,743
<b>Cash and cash equivalents at the end of the half year</b>	<b>4,584,606</b>	<b>130,808</b>

**National Bank of Pakistan**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

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**20. GENERAL LOAN LOSS RESERVE**

The Bank is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 have decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General loan loss reserve". This appropriation has been made on the basis of the management's best estimates and judgment regarding the inherent portfolio risks as of 30 June 2015.

**21. DATE OF AUTHORIZATION FOR ISSUE**

The unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 21, 2015.

**22. GENERAL**

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

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

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

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

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

**National Bank of Pakistan  
& Its Subsidiary Companies  
Consolidated Condensed  
Interim Financial Statements  
June 30, 2015**

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

It gives me great pleasure to present on behalf of the Board of Directors, the consolidated report of the National Bank of Pakistan for the six months period ended June 30, 2015.

Securities and Exchange Commission of Pakistan (SECP) has notified IFRS 10 'Consolidated Financial Statements' and this has become applicable for annual periods beginning on or after 01 January 2015. This standard introduces a new approach to consolidation. The control analysis under the standard requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Bank has adopted IFRS 10 'Consolidated Financial Statements' which became effective from January 01, 2015. As a consequence, the Bank has changed its accounting policy retrospectively related to consolidation of NAFA Funds where bank's holding is 20% or above.

The impact on balance sheet and profit & loss account has been disclosed in notes to the consolidated financial statements of the bank for the six months period ended June 30, 2015.

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

	<b>Rs in millions</b>
Profit before tax for the six months period ended June 30, 2015	15,514
Taxation	
- Current	6,634
- Prior year (s)	2,298
- Deferred	<u>(1,278)</u>
	7,654
After tax profit tax for six months period ended June 30, 2015	<u>7,860</u>
Non Controlling interest	(819)
Un-appropriated profit brought forward	59,885
Other comprehensive income - net of tax	544
Transfer from surplus on revaluation of fixed assets	<u>60</u>
Profit available for appropriations	67,530
Transfer to Statutory Reserve (10% of after tax profit)	(754)
Cash dividend – 2014	(11,701)
Creation of loan loss reserve	(12,000)
Un-appropriated profit carried forward	<u>43,075</u>
Earnings per Share (Rs.)	3.69

On behalf of the Board of Directors

Syed Ahmed Iqbal Ashraf

President

Date: August 21, 2015

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Financial Position (Un-Audited)**  
**As at June 30, 2015**

	(Un-audited) June 30, 2015	(Audited) December 31, 2014 (Restated)
Note	----- (Rupees in '000') -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	<b>131,188,906</b>	98,246,783
Balances with other banks	<b>19,247,610</b>	32,081,383
Lendings to financial institutions - net	<b>51,704,992</b>	111,794,127
Investments - net	7 <b>635,469,189</b>	562,058,271
Advances - net	8 <b>610,392,378</b>	630,229,649
Operating fixed assets	9 <b>33,194,508</b>	33,353,526
Deferred tax assets	10 <b>3,009,985</b>	9,884,256
Other assets	<b>98,572,022</b>	91,997,837
	<b>1,582,779,589</b>	1,569,645,832
<b>LIABILITIES</b>		
Bills payable	<b>22,230,351</b>	11,011,827
Borrowings from financial institutions	<b>29,929,302</b>	38,208,413
Deposits and other accounts	11 <b>1,275,271,863</b>	1,234,398,178
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	<b>73,333</b>	1,691
Deferred tax liabilities	-	-
Other liabilities	<b>83,391,447</b>	103,302,431
	<b>1,410,896,296</b>	1,386,922,540
<b>NET ASSETS</b>	<b>171,883,293</b>	<b>182,723,292</b>
<b>REPRESENTED BY</b>		
Share capital	<b>21,275,131</b>	21,275,131
Reserves	<b>45,479,953</b>	32,996,496
Unappropriated profit	<b>43,074,703</b>	59,884,901
	<b>109,829,787</b>	114,156,528
Minority Interest	<b>752,483</b>	717,018
	<b>110,582,269</b>	114,873,546
Surplus on revaluation of assets - net	12 <b>61,301,024</b>	67,849,746
	<b>171,883,293</b>	<b>182,723,292</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13	

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Profit and Loss Account (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

		Quarter Ended June 30, 2015	Half Year Ended June 30, 2015	Quarter Ended June 30, 2014 (Restated)	Half Year Ended June 30, 2014 (Restated)
	Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest earned		29,199,581	59,280,839	30,105,321	55,676,595
Mark-up / Return / Interest expensed		14,686,347	33,358,632	17,244,451	33,913,766
Net mark-up / return / interest income		14,513,234	25,922,207	12,860,870	21,762,829
Provision against non-performing advances - net	8.2	3,722,907	6,753,358	1,178,671	1,989,833
Provision for diminution in value of investments - net	7.2	(452,657)	(489,666)	690,901	863,727
Provision against off-balance sheet obligations		25,750	140,238	(339,200)	(339,200)
Bad debts written off directly		-	-	-	-
		3,296,000	6,403,930	1,530,372	2,514,360
Net mark-up / interest income after provisions		11,217,234	19,518,277	11,330,498	19,248,469
<b>NON MARK-UP/ INTEREST INCOME</b>					
Fee, commission and brokerage income		3,326,216	6,256,900	3,474,140	6,326,881
Dividend income		724,499	1,459,701	304,665	1,059,719
Income from dealing in foreign currencies		1,405,746	2,942,119	1,088,757	2,167,098
Gain on sale and redemption of securities - net		3,550,613	7,047,354	3,833,555	4,576,043
Unrealized loss on revaluation of investments classified as held-for-trading		(4,533)	(734)	(2,177)	110
Gain on sale of subsidiary companies		232,236	232,236	-	-
Share of profit from joint ventures		65,255	171,999	8,651	19,159
Share of loss from associates		(104,749)	(467,762)	(597,773)	(595,989)
Other income	14	836,065	982,211	907,716	1,801,350
Total non mark-up / interest income		10,031,347	18,624,024	9,017,534	15,354,371
		21,248,581	38,142,300	20,348,032	34,602,840
<b>NON MARK-UP/ INTEREST EXPENSES</b>					
Administrative expenses		11,178,055	22,261,676	10,754,785	20,489,968
Other provisions / write-offs		191,725	348,976	803,033	815,142
Other charges		16,572	17,231	25,230	25,735
Total non mark-up / interest expenses		11,386,352	22,627,883	11,583,048	21,330,845
		9,862,229	15,514,418	8,764,984	13,271,995
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		9,862,229	15,514,418	8,764,984	13,271,995
Taxation - current		3,880,310	6,633,562	1,855,381	3,337,814
- prior year(s)	15	2,298,465	2,298,465	(116)	(116)
- deferred		(286,818)	(1,277,984)	1,036,288	820,153
		5,891,957	7,654,043	2,891,553	4,157,851
<b>PROFIT AFTER TAXATION</b>		3,970,272	7,860,375	5,873,431	9,114,144
Share holders of the bank		3,570,760	7,041,565	5,405,271	8,631,895
Minority Interest		399,512	818,810	468,160	482,249
		3,970,272	7,860,375	5,873,431	9,114,144
<b>Basic and diluted earnings per share (Rupees)</b>	16	1.87	3.69	2.76	4.28

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	Quarter ended June 30, 2015	Half Year ended June 30, 2015	Quarter ended June 30, 2014  (Restated)	Half Year ended June 30, 2014  (Restated)
	----- (Rupees in '000') -----			
<b>Profit after taxation attributable to shareholders of the bank and minority interest</b>	<b>3,596,331</b>	<b>7,077,030</b>	5,171,400	8,662,786
<b>Other comprehensive income:</b>				
<b>Items to be reclassified to profit or loss in subsequent periods:</b>				
Exchange gain on translation of net assets of foreign branches	<b>(86,146)</b>	<b>(270,546)</b>	293,113	(2,007,326)
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>				
Remeasurements of defined benefit liability	<b>2,497,445</b>	<b>836,300</b>	(167,281)	(167,281)
Related tax effects	<b>(874,106)</b>	<b>(292,705)</b>	58,548	58,548
	<b>1,623,339</b>	<b>543,595</b>	(108,733)	(108,733)
<b>Other comprehensive income - net of tax</b>	<b>1,537,193</b>	<b>273,049</b>	184,380	(2,116,059)
<b>Total comprehensive income transferred to equity</b>	<b>5,133,524</b>	<b>7,350,079</b>	5,355,780	6,546,727
<b>Components of comprehensive income not reflected in equity:</b>				
<b>Items to be reclassified to profit or loss in subsequent periods:</b>				
Surplus on revaluation of available-for-sale securities	<b>1,912,566</b>	<b>1,454,183</b>	(5,153,659)	1,164,262
Related tax impact	<b>(6,314,801)</b>	<b>(7,859,028)</b>	870,412	(91,696)
	<b>(4,402,235)</b>	<b>(6,404,845)</b>	(4,283,247)	1,072,566

The annexed notes 1 to 22 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**  
**Consolidated Condensed Interim Cash Flow Statement (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	Half Year Ended June 30, 2015	Half Year Ended June 30, 2014 (Restated)
	----- (Rupees in '000') -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	15,514,418	13,271,995
Less: Dividend income	1,459,701	1,059,719
	<u>14,054,717</u>	<u>12,212,276</u>
<b>Adjustments</b>		
Depreciation	1,106,315	1,253,617
Provision against non-performing loans and advances	6,753,358	1,989,833
Provision for diminution in value of investments	(489,666)	863,727
Provision against off-balance sheet obligations	140,238	(339,200)
Other provision / write-offs	348,976	815,142
Gain on sale of fixed assets	-	(2,495)
Financial charges on leased assets	4,403	4,100
Share of (gain)/ loss from joint ventures	(171,999)	(19,159)
Share of loss from associates	467,762	595,989
	<u>8,159,387</u>	<u>5,161,554</u>
	<u>22,214,103</u>	<u>17,373,830</u>
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	47,889,135	21,902,723
Held-for-trading securities	(1,380,899)	144,678
Advances	13,083,914	(5,460,327)
Other assets	(9,552,052)	(15,770,410)
	<u>50,040,098</u>	<u>816,664</u>
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	11,218,524	17,015,596
Borrowings	(9,823,857)	11,683,787
Deposits and other accounts	40,873,685	37,690,166
Other liabilities (excluding current taxation)	(10,918,017)	7,019,534
	<u>31,350,335</u>	<u>73,409,083</u>
Income tax paid	(6,823,853)	(5,875,582)
Financial charges paid	(4,403)	(4,100)
	<u>(6,828,256)</u>	<u>(5,879,682)</u>
<b>Net cash generated from / (used in) operating activities</b>	<u>96,776,280</u>	<u>85,719,896</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(57,705,344)	6,897,096
Net investments in held-to-maturity securities	(13,512,405)	(87,015,799)
Proceeds from / (purchased of) investments in associates and subsidiaries	985,391	3,116,277
Dividend received	1,459,701	1,059,719
Investments in operating fixed assets	(872,297)	(867,836)
Sale proceeds of operating fixed assets disposed off	-	17,901
<b>Net cash (used in) / generated from investing activities</b>	<u>(69,644,954)</u>	<u>(76,792,642)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(3,358)	(154)
Dividend paid	(11,502,047)	(4,231,602)
<b>Net cash used in financing activities</b>	<u>(11,505,405)</u>	<u>(4,231,756)</u>
Effects of exchange rate changes on cash and cash equivalents	(270,546)	(2,007,326)
<b>Net decrease in cash and cash equivalents</b>	<u>15,355,375</u>	<u>2,688,172</u>
Cash and cash equivalents at beginning of the half year	129,910,470	176,361,171
<b>Cash and cash equivalents at the end of the half year</b>	<u>145,265,845</u>	<u>179,049,344</u>

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Changes in Equity (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

Share Capital	Attributable to the Shareholders of the Bank					Sub Total	Non Controlling Interest	Total	
	Reserves				Unappropriated Profit				
	Capital		General Loan Loss	Revenue General					
Exchange Translation	Statutory								
----- (Rupees in '000') -----									
Balance as at January 1, 2014 - as previously reported	21,275,131	11,431,750	21,583,625	-	521,338	49,734,161	104,546,005	820,663	105,366,668
Effect of retrospective change in accounting policy with respect to accounting for consolidated financial statements referred to in note 4.1						(379,784)	(379,784)		(379,784)
Balance as at January 1, 2014 - as restated	21,275,131	11,431,750	21,583,625	-	521,338	49,354,377	104,166,221	820,663	104,986,884
<b>Total Comprehensive Income for the half year ended June 30, 2014 - restated</b>									
Profit after tax	-	-	-	-	-	8,631,895	8,631,895	30,891	8,662,786
Other comprehensive income - net of tax	-	(2,007,326)	-	-	-	(108,733)	(2,116,059)		(2,116,059)
	-	(2,007,326)	-	-	-	8,523,163	6,515,837	30,891	6,546,727
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	62,615	62,615		62,615
Transfer to Statutory Reserve	-	-	812,803	-	-	(812,803)	-		-
<b>Transactions with Owners, recorded directly in equity</b>									
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)		(4,255,026)
	-	-	-	-	-	(4,255,026)	(4,255,026)		(4,255,026)
<b>Balance as at June 30, 2014 - restated</b>	<b>21,275,131</b>	<b>9,424,424</b>	<b>22,396,428</b>	<b>-</b>	<b>521,338</b>	<b>52,872,326</b>	<b>106,489,647</b>	<b>851,554</b>	<b>107,341,200</b>
<b>Total Comprehensive Income for the half year ended December 31, 2014 - restated</b>									
Profit after tax	-	-	-	-	-	7,965,975	7,965,975	(44,469)	7,921,506
Other comprehensive income - net of tax	-	(35,714)	-	-	-	(327,010)	(362,724)		(362,724)
	-	(35,714)	-	-	-	7,638,964	7,603,250	(44,469)	7,558,782
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	63,631	63,631		63,631
Adjustment to Statutory Reserve	-	-	690,020	-	-	(690,020)	-		-
Cash dividend paid/ profit distribution by subsidiaries								(90,067)	(90,067)
<b>Balance as at December 31, 2014 - restated</b>	<b>21,275,131</b>	<b>9,388,710</b>	<b>23,086,448</b>	<b>-</b>	<b>521,338</b>	<b>59,884,901</b>	<b>114,156,528</b>	<b>717,018</b>	<b>114,873,546</b>
<b>Total Comprehensive Income for the half year ended June 30, 2015</b>									
Profit after tax	-	-	-	-	-	7,041,565	7,041,565	35,465	7,077,030
Other comprehensive income - net of tax	-	(270,546)	-	-	-	543,595	273,049		273,049
	-	(270,546)	-	-	-	7,585,160	7,314,614	35,465	7,350,079
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	59,967	59,967		59,967
Transfer to Statutory Reserve	-	-	754,003	-	-	(754,003)	-		-
Transfer to General Loan Loss Reserve (refer note 20)				12,000,000		(12,000,000)	-		-
<b>Transactions with Owners, recorded directly in equity</b>									
Cash dividend (Rs. 5.5 per share)	-	-	-	-	-	(11,701,322)	(11,701,322)		(11,701,322)
<b>Balance as at June 30, 2015</b>	<b>21,275,131</b>	<b>9,118,164</b>	<b>23,840,451</b>	<b>12,000,000</b>	<b>521,338</b>	<b>43,074,703</b>	<b>109,829,787</b>	<b>752,483</b>	<b>110,582,269</b>

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

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**1. THE GROUP AND ITS OPERATIONS**

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

Holding Company

- National Bank of Pakistan

Subsidiary Companies

- CJSB Subsidiary Bank of NBP in Kazakhstan
- CJSB 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 1,358 (2014: 1,354) branches in Pakistan and 21 (2014: 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, CJSB Subsidiary Bank of NBP in Kazakhstan, CJSB 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
- 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/233/627/2002-539 dated November 05, 2014 allowed exemption under Section 237(8) of the Companies Ordinance, 1984, based on the fact that investments of the bank in CNL are not material and comprise of 0.00095% of the total assets of the bank and the investment have been fully provided.

## **2. STATEMENT OF COMPLIANCE**

- 2.1** These consolidated condensed interim financial statements of the Group for the quarter ended March 31, 2015 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where the requirements differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 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 interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2014.

## **3. BASIS OF MEASUREMENT**

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

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

## **4. 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, 2014 except as for change in accounting policy due to adoption of IFRS 10 'Consolidated Financial Statements' as fully explained in note 4.1 below:

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

IFRS 11 – Joint Arrangements  
IFRS 12 – Disclosure of Interests in Other Entities  
IFRS 13 – Fair Value Measurement  
IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions □

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

### **4.1 Change in accounting policy - Consolidated Financial Statements**

- 4.1.1** With effect from January 1, 2015, the IFRS 10 'Consolidated Financial Statements' became effective. As a result of IFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

### **4.1.2 Revised accounting policy of Consolidated Financial Statements is as follows:**

In accordance with the provisions of IFRS 10, the Group reassessed the control conclusion for its investees at 1 January 2013. As a consequence, the Group has changed its control conclusion in respect of its investment in following entities which were previously accounted for as an associates using the equity method.

NAFA Financial Sector Income Fund  
NAFA Government Securities Liquid Fund  
NAFA Money Market Fund  
NAFA Riba Free Savings Fund  
NAFA Savings Plus Fund

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

**4.1.3 Change in statement of financial position and Profit & Loss Account**

The following tables summarise the impacts of the above changes on the Group's statement of financial position and profit and loss account. The impacts relate to the consolidation of additional subsidiaries.

	December 31, 2014			December 31, 2013		
	As previously reported	Impact due to change in policy and	As Restated	As previously reported	Impact due to change in policy and	As Restated
<b>Impact on consolidated condensed interim statement of financial position</b>						
Balances with other banks	12,543,964	19,537,419	32,081,383	18,388,738	15,748,634	34,137,372
Investments - net	561,767,518	290,753	562,058,271	396,411,825	7,650,998	404,062,823
Other assets	91,839,258	158,579	91,997,837	81,576,084	(455,620)	81,120,464
Other liabilities	83,439,108	19,863,323	103,302,431	72,583,176	20,871,233	93,454,409
Unappropriated profit	59,751,578	133,323	59,884,901	49,734,161	(379,784)	49,354,377

	Half Year ended June 30, 2015	Half Year ended June 30, 2014
----- (Rupees in '000') -----		

**Impact on consolidated condensed interim profit and loss account**

Increase in profit due to additional Mark-up / return / interest earned from new subsidiaries	1,415,072	1,386,642
Increase in profit due to additional other income from new subsidiaries	52,289	(10,314)
Decrease in profit due to additional administrative expenses of new subsidiaries	264,070	323,977
Decrease in profit due to elimination of shares of profit form associates on consolidation	385,866	(13,898)
	<u>2,117,297</u>	<u>1,686,407</u>

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

Basic and diluted earnings per share (Rupees)	<u>0.80</u>	<u>1.20</u>
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**5. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The estimates/judgments and associated assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the group for the year ended December 31, 2014.

**6. FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual consolidated financial statements of the group for the year ended December 31, 2014.

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

**7. INVESTMENTS - net**

	June 30, 2015			December 31, 2014		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
<b>Note</b>	----- (Rupees in '000') -----			----- (Rupees in '000') -----		
<b>7.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	16,092,871	-	16,092,871	6,235,161	-	6,235,161
Ordinary shares of listed companies	149,107	-	149,107	110,835	-	110,835
Investment in mutual funds	381,449	-	381,449	144,368	-	144,368
Pakistan Investment Bonds	954,159	-	954,159	9,706,323	-	9,706,323
<b>Total held-for-trading securities</b>	<b>17,577,586</b>	<b>-</b>	<b>17,577,586</b>	<b>16,196,687</b>	<b>-</b>	<b>16,196,687</b>
<b>Available-for-sale securities</b>						
Ordinary Shares of Listed companies	24,187,440	-	24,187,440	24,653,741	-	24,653,741
Ordinary Shares of Unlisted companies	1,129,263	-	1,129,263	1,374,080	-	1,374,080
Market Treasury Bills	146,001,606	14,858,580	160,860,186	111,752,989	5,906,690	117,659,679
Pakistan Investment Bonds	198,990,949	-	198,990,949	194,478,241	-	194,478,241
GoP Foreign Currency Bonds	6,340,192	-	6,340,192	6,166,924	-	6,166,924
Foreign Currency Debt Securities	1,439,350	-	1,439,350	3,940,510	-	3,940,510
Term Finance Certificates / Musharika and Sukuk Bonds	33,688,704	-	33,688,704	19,109,924	-	19,109,924
Preference Shares	869,160	-	869,160	869,160	-	869,160
Investments in Mutual Funds	1,013,967	-	1,013,967	2,561,608	-	2,561,608
Investments Outside Pakistan	463,295	-	463,295	463,295	-	463,295
<b>Total available- for- sale securities</b>	<b>414,123,926</b>	<b>14,858,580</b>	<b>428,982,506</b>	<b>365,370,472</b>	<b>5,906,690</b>	<b>371,277,162</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	107,195,082	-	107,195,082	106,838,847	-	106,838,847
Market Treasury Bills	7,537,960	-	7,537,960	4,622,262	-	4,622,262
GoP Foreign Currency Bonds	1,550,713	-	1,550,713	1,540,658	-	1,540,658
Foreign Government Securities	19,282,342	-	19,282,342	8,959,455	-	8,959,455
Foreign Currency Debt Securities	394	-	394	389	-	389
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	2,955,849	-	2,955,849	3,048,324	-	3,048,324
<b>Total held-to-maturity securities</b>	<b>138,522,340</b>	<b>-</b>	<b>138,522,340</b>	<b>125,009,935</b>	<b>-</b>	<b>125,009,935</b>
<b>Investments in Associates</b>	<b>2,156,186</b>	<b>-</b>	<b>2,156,186</b>	<b>3,346,292</b>	<b>-</b>	<b>3,346,292</b>
<b>Investments in Joint Venture</b>	<b>4,693,902</b>	<b>-</b>	<b>4,693,902</b>	<b>4,489,187</b>	<b>-</b>	<b>4,489,187</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>Investments at cost</b>	<b>577,075,185</b>	<b>14,858,580</b>	<b>591,933,765</b>	<b>514,413,817</b>	<b>5,906,690</b>	<b>520,320,507</b>
<b>Less: Provision for diminution in value of investments</b>	<b>(15,178,711)</b>	<b>-</b>	<b>(15,178,711)</b>	<b>(15,668,377)</b>	<b>-</b>	<b>(15,668,377)</b>
<b>Investments (net of Provision)</b>	<b>561,896,474</b>	<b>14,858,580</b>	<b>576,755,054</b>	<b>498,745,441</b>	<b>5,906,690</b>	<b>504,652,131</b>
Unrealized loss on revaluation of investments classified as held-for-trading	(734)	-	(734)	145,454	-	145,454
Surplus on revaluation of available-for-sale securities	58,684,869	30,000	58,714,869	57,261,787	(1,101)	57,260,686
<b>Total investments</b>	<b>620,580,609</b>	<b>14,888,580</b>	<b>635,469,189</b>	<b>556,152,682</b>	<b>5,905,589</b>	<b>562,058,271</b>

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	Half year ended June 30, 2015 ----- (Rupees in '000') -----	Year ended December 31, 2014
<b>7.2 Particulars of provision for diminution in value of investments</b>		
Opening balance	15,668,377	15,445,884
Charge for the period / year	587,511	1,641,247
Reversals	(1,077,177)	(3,083,005)
	(489,666)	(1,441,758)
Transfer in	-	1,366,790
Transferred from suspended interest	-	297,461
Closing balance	<u>15,178,711</u>	<u>15,668,377</u>
	June 30, 2014	December 31, 2014
	----- (Rupees in '000') -----	
<b>7.2.1 Particulars of provision in respect of type</b>		
<b>Available-for-sale securities</b>		
Ordinary shares of listed companies and mutual funds	3,415,380	3,781,567
Ordinary shares of unlisted companies	395,505	376,135
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	8,860,767	8,978,475
Preference shares	446,444	446,444
<b>Held-to-maturity securities</b>		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	624,037	631,920
<b>Investment in associates</b>	1,435,333	1,452,591
<b>Investment in subsidiaries</b>	1,245	1,245
	<u>15,178,711</u>	<u>15,668,377</u>
<b>7.2.2 Particulars of provision in respect of segments</b>		
Fully Paid up Ordinary Shares	3,737,129	4,063,236
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,484,804	9,610,395
Other investments	520,200	540,910
Investments in associates	1,435,333	1,452,591
Investments in subsidiaries	1,245	1,245
	<u>15,178,711</u>	<u>15,668,377</u>

**7.2.2** 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.1,214 million (December 31, 2014: Rs. 1,191 million). Accordingly, as of June 30, 2015, the accumulated increase in profit after tax of Rs.789 million (December 31, 2014: Rs. 774 million) shall not be available for payment of cash or stock dividend or bonus to employees as required by aforementioned SBP directive.

**7.2.3** 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. Last year SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of June 30, 2015, 85% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs. 493 million (December 31, 2014: Rs. 892 million) and the profit before taxation would have been lower by the same amount.

**7.3** These carry fixed mark-up at the rate ranging from 9% to 12% per annum (December 31, 2014: 8 to 12% per annum) having maturity ranging from 3 to 10 years.

**7.4** During the period, the Bank has redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 8,516 million which has resulted in capital gain of Rs. 232 million.



**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

- 8.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 2,552 million (December 31, 2014: Rs. 3,542 million). Accordingly, as of June 30, 2015, the accumulated profit after tax of Rs.1,659 million (December 31, 2014: Rs.2,302 million) shall not be available for payment of cash or stock dividend or bonus to employees as required by aforementioned SBP directive.
- 8.4 General provision against consumer loans and Small and Medium Enterprise (SME) financing, represents provision maintained at an amount ranging from 1% to 5% of the performing portfolio as required by the Prudential Regulations issued by the SBP.
- 8.5 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Agritech Limited. Last year SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 had further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of June 30, 2015, 85% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015 Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 397 million (December 31, 2014: Rs. 635 million) and the profit before taxation would have been lower by the same amount.
- 8.6 The State Bank of Pakistan has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2015. Accordingly such loans are not included in non-performing loan. Such relaxation was received on August 28, 2015.

	June 30, 2015	December 31, 2014
	----- (Rupees in '000) -----	
<b>9. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	1,305,626	1,215,686
Property and equipment	30,542,908	30,658,251
Intangible assets	1,345,974	1,479,589
	<u>33,194,508</u>	<u>33,353,526</u>

- 9.1 Additions and disposals during the period amounted to Rs. 754 million (June 30, 2014: Rs. 750 million) and Rs. 6 million (June 30, 2014: Rs. 77 million) respectively.

	June 30, 2015	December 31, 2014
	----- (Rupees in '000) -----	
<b>10. DEFERRED TAX ASSETS - net</b>		
<b>Deferred tax assets arising in respect of</b>		
Provision for diminution in the value of investments	3,587,089	3,636,653
Provision against non-performing advances	7,561,913	7,092,841
Other provisions	1,886,511	1,769,167
Provision against defined benefits plans	9,366,397	9,031,229
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
	<u>23,210,439</u>	<u>22,338,419</u>
<b>Deferred tax liabilities arising in respect of</b>		
Excess of accounting book value of leased assets over lease liabilities	1,462	(3,720)
Revaluation of securities	(19,032,778)	(11,150,220)
Operating fixed assets	(1,169,138)	(1,300,223)
	<u>(20,200,454)</u>	<u>(12,454,163)</u>
Net deferred tax assets	<u>3,009,985</u>	<u>9,884,256</u>

**11. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	266,588,400	289,729,861
Savings deposits	360,718,851	348,098,999
Current accounts - remunerative	164,566,193	159,042,873
Current accounts - non-remunerative	412,238,487	268,081,544
	<u>1,204,111,931</u>	<u>1,064,953,277</u>

**Financial Institutions**

Remunerative deposits	55,545,854	61,200,944
Non-remunerative deposits	15,614,078	108,243,957
	<u>71,159,931</u>	<u>169,444,901</u>
	<u>1,275,271,863</u>	<u>1,234,398,178</u>

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	June 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
<b>12. SURPLUS ON REVALUATION OF ASSETS - net</b>		
Surplus on revaluation of fixed assets	<b>22,162,856</b>	22,288,314
<b>Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax</b>		
Federal Government Securities	<b>12,283,816</b>	10,377,882
Term Finance Certificates	<b>(9,299)</b>	(31,121)
Shares and mutual funds	<b>28,363,808</b>	29,556,505
GoP Foreign Currency Bonds	<b>462,681</b>	380,738
Foreign Currency Debt Securities	<b>85,853</b>	81,092
Investments outside Pakistan	<b>17,528,010</b>	16,895,590
	<b>58,714,869</b>	57,260,686
Deferred Tax liability	<b>(19,032,778)</b>	(11,173,750)
Share of Revaluation Loss on Securities of Associates & Joint Venture	<b>(543,923)</b>	(525,504)
	<b>39,138,168</b>	45,561,432
	<b>61,301,024</b>	67,849,746

**12.1** The subsidized taxation rates on dividend income and capital gains of banks have been withdrawn retroactively w.e.f. year ended December 31, 2014 and a uniform tax rate of 35% is made applicable.

**13. CONTINGENCIES AND COMMITMENTS**

**13.1 Direct credit substitutes**

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

- Government	<b>5,871,126</b>	5,110,261
- Financial institutions	<b>4,187,302</b>	11,135,929
- Others	<b>16,444,887</b>	32,227,405
	<b>26,503,315</b>	48,473,595

**13.2 Transaction-related contingent liabilities**

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

- Government	<b>12,259,123</b>	11,879,063
- Financial institutions	<b>4,595,758</b>	5,239,234
- Others	<b>7,218,186</b>	22,403,390
	<b>24,073,067</b>	39,521,687

**13.3 Trade-related contingent liabilities**

Letters of credit issued in favour of:

- Government	<b>105,625,179</b>	129,493,436
- Others	<b>29,305,781</b>	27,137,972
	<b>134,930,960</b>	156,631,408

**13.4 Other contingencies**

**13.4.1** Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.196 million (2014: Rs. 194 million) and claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (2014: Rs. 1,597 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably

<b>13,628,310</b>	13,407,883
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**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

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**13.4.2 Taxation**

The status of various tax related contingencies is as follows:

- The tax returns of the Bank have been filed and amended by the tax authorities up to Tax Year 2014. For Azad Kashmir Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2014.
- During February 2015, tax authorities amended original assessment for the Tax Year 2014 and raised tax demand of Rs. 9.6 billion. The bank obtained stay order from Sindh High Court against tax demand and filed appeal before Commissioner (Appeals). Subsequently, the tax department rectified the above order which resulted in tax demand of Rs. 2.5 billion. The Bank has paid this amount to the tax department and subsequently filed appeal before Income Tax Appellate Tribunal.
- Show cause notice for amendment of assessment for tax years 2009 to 2011 issued by tax authorities, which were already assessed and finalized, had been received during the period with tax demand of Rs. 8.99 billion. However, the bank has obtained stay from Honourable High Court of Sindh against the proceedings initiated by tax authorities.
- As a result of various appellate orders from assessment year 1998-1999 till tax year 2013, the bank has aggregate refunds in excess of Rs. 24.560 billion due from tax department. During the period, the order for the tax years 2001-02, 2003 and 2007 was rectified which resulted in decrease in determined refunds amounting to Rs. 901 million. The Bank considers that the tax department neither has served proper notice nor has provided adequate opportunity of being heard. An appeal is also pending before tribunal name on legal grounds.
- During the period, the tax authorities imposed default surcharge u/s 161 & 205 amounting to Rs. 6.9 billion for monitoring of withholding tax for the Tax Year 2014 for expenses related to salary, profit on debt, rent and purchase of goods and services. Subsequently, the Commissioner (Appeals) reverted back the order and reassessed the total amount payable of Rs. 22.6 million.
- The status of the appeals filed for the recovery of FED on the commission income derived from the treasury services provided to the State Bank of Pakistan/ Federal Government of Pakistan is same as disclosed in the note 21 of the annual financial statements.
- During the period the bank's petition was dismissed in respect of levy of Sindh Sales Tax on services provided to Federal Government through State Bank of Pakistan in the province of Sindh and the Bank had deposited the Sindh Sales Tax on services of Rs. 604.37 million for the period from July, 2011 to December, 2013 to Sindh Revenue Board in respect of Sindh sales Tax on these services.

The other tax matters under contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on June 30, 2015 amounts to Rs.15.4 billion (December 31, 2014: Rs. 10.5 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

**13.4.3 Other contingencies**

The status of contingencies as disclosed in note 21 to the annual financial statements is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2014, except for the

- In case of pensionary benefits to retired employees, Lahore High Court had reserved, but not announced, the judgment in respect of one major case. However, during the period, Lahore high Court has reopened the case, and in July 2015, the Court had again reserved judgment over this case which is yet to be announced. Remaining cases of pensionary benefits are adjourned for hearing till October 2015.
- In respect of Golden Hand Shake (GHS), Lahore High Court have set aside seven, out of twenty nine petitions pending as per the annual financial statements, In favour of the Bank.

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	June 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
<b>13.5 Commitments in respect of forward exchange contracts</b>		
Purchase	202,948,035	233,021,148
Sale	139,197,930	120,265,758
<b>13.6 Other Commitments</b>		
Professional services to be received	85,795	99,450
<b>13.7 Commitments for the acquisition of operating fixed assets</b>	<b>1,694,031</b>	<b>1,798,160</b>

14. Other Income includes Rs 827 million (June 30: 2014 Rs 1,729 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

15. The Federal Government vide Finance Act 2015 has imposed a onetime super tax at the rate of 4% on income of banks for the year ended December 31, 2014 (Tax Year 2015). This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Further, the subsidized taxation rates on dividend income and capital gains of banks have also been withdrawn retroactively w.e.f. year ended December 31, 2014 and a uniform tax rate of 35% is made applicable. Accordingly, provisions of Rs. 1.03 billion and Rs. 1.26 billion for Super tax and Dividend income/Capital gains respectively have been made for the prior year.

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

	Quarter ended June 30, 2015	Half Year ended June 30, 2015	Quarter ended June 30, 2014 (Restated)	Half Year ended June 30, 2014 (Restated)
Profit after taxation (Rupees in '000')	<u>3,970,272</u>	<u>7,860,375</u>	<u>5,873,431</u>	<u>9,114,144</u>
Weighted average number of ordinary shares (in '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>1.87</u>	<u>3.69</u>	<u>2.76</u>	<u>4.28</u>

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	----- (Rupees in '000') -----								
<b>Half year ended June 30, 2015</b>									
Total income	156,183	290,392	1,809,197	35,617,774	1,370,278	3,222,290	2,145,661	66,047	44,677,822
Inter segment revenue	-	(26,394)	9,028,651	(9,002,257)	-	-	-	-	-
Total expenses	15,815	27,805	9,872,026	14,130,585	1,067,337	3,152,589	850,541	46,707	29,163,404
<b>Net income</b>	<u>140,368</u>	<u>236,193</u>	<u>965,822</u>	<u>12,484,932</u>	<u>302,941</u>	<u>69,701</u>	<u>1,295,120</u>	<u>19,340</u>	<u>15,514,418</u>
Segment assets (Gross)	-	17,703,660	252,969,822	1,289,261,309	-	19,580,689	2,690,126	573,984	1,582,779,589
Segment non - performing loans	-	-	10,347,877	110,933,577	-	-	-	-	121,281,454
Segment provision required	-	-	7,227,259	101,506,457	-	-	-	-	108,733,716
Segment liabilities	-	-	417,265,678	959,359,107	-	32,055,692	1,956,070	259,749	1,410,896,296
Segment return on assets (ROA) (%)	<u>0.00%</u>	<u>10.05%</u>	<u>0.84%</u>	<u>2.14%</u>	<u>0.00%</u>	<u>0.12%</u>	<u>3.41%</u>	<u>3.37%</u>	
Segment cost of funds (%)	<u>0.00%</u>	<u>0.00%</u>	<u>5.32%</u>	<u>5.15%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.18%</u>	<u>0.42%</u>	
<b>Half year ended June 30, 2014 - Restated</b>									
Total income	274,084	205,694	5,240,905	24,982,647	977,117	3,035,988	2,339,292	61,473	37,117,200
Inter segment revenue	-	(27,374)	4,991,640	(4,964,266)	-	-	-	-	-
Total expenses	10,519	641,995	9,592,267	9,706,477	806,558	2,177,449	863,908	46,032	23,845,205
<b>Net income</b>	<u>263,565</u>	<u>(463,675)</u>	<u>640,278</u>	<u>10,311,904</u>	<u>170,559</u>	<u>858,539</u>	<u>1,475,384</u>	<u>15,441</u>	<u>13,271,995</u>
Segment assets (Gross)	-	2,666,291	238,037,167	1,183,996,915	-	19,580,689	33,282,880	749,051	1,478,312,993
Segment non - performing loans	-	-	9,478,506	100,222,332	-	-	-	-	109,700,838
Segment provision required	-	-	8,372,488	83,935,496	-	-	-	-	92,307,984
Segment liabilities	-	-	286,917,377	963,168,860	-	32,180,884	31,207,183	430,140	1,313,904,444
Segment return on assets (ROA) (%)	<u>0.00%</u>	<u>12.76%</u>	<u>0.57%</u>	<u>1.82%</u>	<u>0.00%</u>	<u>3.37%</u>	<u>2.10%</u>	<u>3.51%</u>	
Segment cost of funds (%)	<u>0.00%</u>	<u>0.00%</u>	<u>6.40%</u>	<u>6.01%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.18%</u>	<u>0.42%</u>	

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

**18. RELATED PARTY TRANSACTIONS**

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

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

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

	2015				2014			
	At January 01,	Given during the half year	Repaid during the half year	At June 30,	At January 01,	Given during the year	Repaid during the year	At December 31,
	----- (Rupees in '000') -----							
<b>Advances</b>								
Key Management Executives	186,667	-	(18,739)	167,928	144,607	115,044	(21,260)	238,391
Adjustments*	34,419	-	-	34,419	(51,724)	-	-	(51,724)
	<b>221,086</b>	<b>-</b>	<b>(18,739)</b>	<b>202,347</b>	<b>92,883</b>	<b>115,044</b>	<b>(21,260)</b>	<b>186,667</b>
Associates	5,410,612	777,392	(12,825)	6,175,179	5,433,806	-	(23,194)	5,410,612
Debts due by Company in which director is interested as director	9,115,000	1,860,000	(2,832,000)	6,989,000	9,613,756	11,577,858	(12,424,576)	9,115,000
* Adjustment	(1,154,000)	-	-	-	347,962	-	-	-
	<b>7,961,000</b>	<b>1,860,000</b>	<b>(2,832,000)</b>	<b>6,989,000</b>	<b>9,961,718</b>	<b>11,577,858</b>	<b>(12,424,576)</b>	<b>9,115,000</b>
	<b>13,592,698</b>	<b>2,637,392</b>	<b>(2,863,564)</b>	<b>13,366,526</b>	<b>15,488,407</b>	<b>11,692,902</b>	<b>(12,469,030)</b>	<b>14,712,279</b>

	2015				2014			
	At January 01,	Received during the half year	Withdrawals during the half year	At June 30,	At January 01,	Received during the year	Withdrawals during the year	At December 31,
	----- (Rupees in '000') -----							
<b>Deposits</b>								
Associates	26,038	-	(26,038)	-	12,038,914	-	(12,012,876)	26,038
Key Management Executives	19,309	154,309	(158,684)	25,132	13,402	303,914	(296,813)	20,503
Adjustments*	10,198	-	-	-	(1,194)	-	-	(1,194)
	<b>29,507</b>	<b>154,309</b>	<b>(158,684)</b>	<b>25,132</b>	<b>12,208</b>	<b>303,914</b>	<b>(296,813)</b>	<b>19,309</b>
Pension Fund (Current)	4,248	3,976,866	(3,977,914)	3,200	4,393	24,573,301	(24,573,446)	4,248
Pension Fund (Fixed Deposit)	7,300,000	2,000,000	(7,000,000)	2,300,000	11,500,000	7,300,000	(11,500,000)	7,300,000
Pension Fund (N.I.D.A A/c)	1,056,675	2,771,607	(1,156,470)	2,671,812	270,228	12,614,720	(11,828,273)	1,056,675
Provident Fund (Current)	13,123,803	1,198,297	(817,710)	13,504,390	12,886,715	2,749,149	(2,512,061)	13,123,803
	<b>21,540,271</b>	<b>10,101,079</b>	<b>(13,136,816)</b>	<b>18,504,534</b>	<b>36,712,458</b>	<b>47,541,084</b>	<b>(62,723,469)</b>	<b>21,530,073</b>

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

	June 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
<b>Placements with:</b>		
Joint Venture	1,282,265	156,864
<b>Repo Borrowing from:</b>		
Joint Venture	124,502	73,695
<b>Off-Balance sheet items - Joint Venture</b>	<b>27,878</b>	<b>825,636</b>
<b>Investments in associates</b>	<b>-</b>	<b>2,156,186</b>
	<b>Half Year ended June 30, 2015</b>	<b>Half Year ended June 30, 2014</b>
	----- (Rupees in '000') -----	
<b>Income for the period</b>		
On advances / placements with:		
Joint Venture	1,172	132
Key management executives	-	1,061
Debts due by company in which a director of the Bank is interested as director	519,000	556,730

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	Half Year ended June 30, 2015	Half Year ended June 30, 2014
	----- (Rupees in '000') -----	
Dividend income from:		
Joint Venture	68,701	-
<b>Expenses for the period</b>		
Remuneration to key management executives	128,444	126,641
Charge for defined benefit plan	15,413	41,033
<b>Mark-up on Deposits of:</b>		
Associates	-	49,476
Provident fund	977,932	1,117,405
Pension fund	382,728	40,475
Key management executives	-	1,006
<b>Mark-up on Borrowing (Repo / Call):</b>		
Joint Venture	65	304

**18.1 Transactions with Government-related entities**

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 3,156 million for the six months period ended June 30, 2015. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 248,086 million and Rs. 347,550 million respectively.

**19. ISLAMIC BANKING BUSINESS**

The Bank is operating 49 (December 31, 2014: 22) Islamic banking branches as at June 30, 2015. Statement of financial position and profit and loss account are as under:

	June 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Assets</b>		
Cash and balances with treasury banks	719,400	173,676
Balances with other banks / amounts due from financial institutions	3,865,206	266
Investments	3,326,655	2,428,587
Islamic financing and related assets	659,991	978,542
Operating fixed assets	32,404	58,418
Due from Head Office	3,308,203	-
Other assets	703,665	173,781
	<b>12,615,524</b>	<b>3,813,270</b>
<b>Liabilities</b>		
Bills Payable	33,287	12,100
Deposits and other accounts		
- Current accounts	6,747,183	768,879
- Saving accounts	3,999,804	1,048,266
- Term deposits	929,286	672,802
Due to Head Office	-	433,959
Other liabilities	97,061	62,687
	<b>11,806,621</b>	<b>2,998,693</b>
<b>Net Assets</b>	<b>808,903</b>	<b>814,577</b>
<b>Represented By</b>		
Islamic Banking Fund	800,000	800,000
Unappropriated profit	6,571	14,237
	<b>806,571</b>	<b>814,237</b>
Surplus on revaluation of investments	2,332	340
	<b>808,903</b>	<b>814,577</b>

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

	Half year ended June 30, 2015	Half year ended June 30, 2014
	----- (Rupees in '000') -----	
<b><u>PROFIT AND LOSS ACCOUNT</u></b>		
Profit / Return earned on financings, investments and placements	312,438	244,558
Profit / Return expensed on deposit	83,053	97,904
Net spread earned	229,385	146,654
Depreciation on assets given on ijarah	(47,529)	(34,628)
	181,856	112,026
Provision against advances and investments	20,627	-
Provision reversed against advances and investments	20,627	7,931
Profit after provision	202,483	119,957
<b>Other income</b>		
Fee, commission and brokerage income	29,018	19,302
Income from dealing in foreign currencies	140	(850)
Other income	146	(175)
Total other income	29,304	18,277
	231,787	138,234
<b>Other expenses</b>		
Administrative expenses	(225,216)	(124,318)
<b>Profit / (loss) before taxation</b>	<b>6,571</b>	<b>13,916</b>
<b><u>CASH FLOW STATEMENT</u></b>		
<b>Cash Flow from Operating Activities</b>		
Profit for the period	6,571	13,916
Adjustments :		
Depreciation - Own assets	43,615	1,571
Depreciation - Ijarah assets	-	34,628
(Reversal) / provision against non performing financings	(20,627)	(7,931)
	22,988	28,268
	29,559	42,184
(Increase) / Decrease in operating assets		
Financings	(604,427)	2,950,679
Other assets	(529,884)	27,415
	(1,134,311)	2,978,094
Increase / (Decrease) in operating liabilities		
Bills payable	21,187	(2,592)
Deposits and other accounts	9,186,326	(2,937,210)
Borrowings from Head Office	(3,726,471)	(194,003)
Other liabilities	34,374	(19,148)
	5,515,416	(3,152,953)
Net cash (used in) / generated from operating activities	4,410,664	(132,675)
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	-	-
Net cash used in investing activities	-	-
<b>Cash Flow from Financing Activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>(decrease) / Increase in cash and cash equivalents</b>	<b>4,410,664</b>	<b>(132,675)</b>
Cash and cash equivalents at beginning of the half year	173,942	263,823
<b>Cash and cash equivalents at the end of the half year</b>	<b>4,584,606</b>	<b>131,148</b>

**National Bank of Pakistan**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For The Half Year Ended June 30, 2015**

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**20. GENERAL LOAN LOSS RESERVE**

The Bank is cognizant of the fact that its a part of its credit or loan portfolio of credit (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. inherently exposed to potential risk of credit losses. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 have decided to transfer an aggregate amount of Rs. 12 million from the unappropriated profits to a "General Reserve for potential loan losses". This appropriation has been made on the basis of the management's best estimates and judgment regarding the inherent portfolio risks as of 30 June 2015.

**21. DATE OF AUTHORIZATION FOR ISSUE**

The consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 21, 2015.

**22. GENERAL**

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

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

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

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

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