

National Bank of Pakistan

**Unconsolidated Condensed Interim Financial Statements
For the Nine Months Period Ended September 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 nine months period ended September 30, 2015.

Financial Highlights

Profit pre-provision, for the nine months period amounted to Rs. 30.9 billion compared to Rs. 22.8 billion of corresponding period last year registering an increase of Rs. 8.1 billion or 35%. Pre-tax profit amounted to Rs. 22 billion which is higher by 23% from the corresponding period last year, however after-tax profit marginally increased to Rs 12.1 billion due to recording of prior year tax charge of Rs 2.3 billion, increase in current tax charge and reduction in compensation rate on delayed determined refunds. 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. The subsidized taxation rates on dividend income and capital gains of banks have been withdrawn and a uniform tax rate of 35% is made applicable. Further, rate of compensation on delayed determined refunds have also been reduced from 15% to KIBOR+0.5%. Accordingly, pre-tax profit growth was not translated into after tax profit. Earnings per share are Rs.5.69 as against Rs. 5.67 of the corresponding period last year. Pre- tax and after tax return on equity stand at 26.5% and 14.5% respectively whereas pre-tax and after tax return on assets are at 1.9% and 1.0% respectively.

SBP in its September monetary policy statement further reduced the discount rate by 50bps to 6.5%, with the Target Rate at 6% while the floor rate on savings deposits has also been reduced to 4%. Despite reduction in interest rates, net interest income increased from Rs. 29.8 billion in 3Q 2014 to Rs. 36.4 billion in 3Q of 2015 reflecting a healthy increase of 22% due to increase in balance sheet size and high yielding investments. 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 for the nine months increased to Rs. 26 billion, a growth of 17.8% over the same period last year. The bank recorded capital gains of Rs. 10.2 billion as against Rs. 6 billion of comparative periods last year as the bank realized some gains on Pakistan Investments Bonds and equity investments. Exchange income increased by Rs. 327 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 8% or Rs. 2.4 billion but declined slightly over the previous quarter, however as a result of strong revenue growth the cost to income ratio improved from 56.1% in September 2014 and 54% in Dec 2014 to 50.6% in September 2015.

The non-performing loans increased in quarter under review due to seasonal impact mainly in agriculture loans and were at Rs 130.6 billion as compared to Rs 120.9 billion in June 2015 and Rs 120.8 billion in Dec 2014, however provision charge against advances declined from 3.7 billion in 2Q2015 to 1.1 billion in 3Q2015. The overall charge is higher by Rs 4.6 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 4.14% as compared to 4.77% in September 2014 and 3.6% in Dec 2014 while provision coverage is at 84%.

Compared to September 2014, deposits have increased by Rs 94 billion while advances declined by 6% mainly due to seasonal adjustments and conversion of certain loans into Term Finance Certificates (included in investments). 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 unappropriated profits to a "General loan loss reserve to protect the equity base of the Bank from future contingencies in respect of the credit portfolio. The bank is strongly capitalized with capital and reserves of Rs. 167 billion, which translates into break-up value per share of Rs.79/- per share.

Future Outlook

Banking sector spreads are expected to remain under pressure, however Initiation of recently announced infrastructure and power projects will not only improve the overall investment outlook of the country, but would also assist economic growth in the country 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 focusing on consolidation and recoveries to bring down non-performing loans. Recovery of overdue payments from PSEs is our major challenge. Mobilizing low cost deposit especially CASA with major emphasis on increasing current accounts is one of the top focus areas. Our Islamic banking plans to convert 150 National Bank conventional branches to Islamic banking in next two years. As part of this plan, 29 conventional branches have successfully been converted to Islamic Banking Branches till September 2015 bringing total Islamic banking branches at 51. The bank plans to convert total of 35 more branches to Islamic banking branches in 2015. Core Banking Application (CBA) rollout in all the branches is under implementation to utilize maximum benefit of automation and facilitating NBP customers with enhanced services. We have converted 581 additional branches on CBA in year 2015 (till September 2015) taking total branches on the new platform at 854 as on September 30, 2015. The bank plans to add 1,000 ATMs to its network by 2015, out of which 309 ATM has been installed and remaining 691 ATMs are planned to be installed by the end of 2015.

Appropriation of Profit

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

	Rs in millions
Profit before tax for the nine months period ended September 30, 2015	22,112
Taxation	
- Current	9,044
- Prior year (s)	2,298
- Deferred	<u>(1,335)</u>
	10,007
After tax profit tax for nine months period ended September 30, 2015	12,105

Un-appropriated profit brought forward	57,007
Other comprehensive income - net of tax	1,292
Transfer from surplus on revaluation of fixed assets	90
Profit available for appropriations	<u>70,494</u>
Transfer to Statutory Reserve (10% of after tax profit)	(1,211)
Cash dividend Paid– 2014	(11,701)
Creation of loan loss reserve	(12,000)
Un-appropriated profit carried forward	<u><u>45,582</u></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: October 28, 2015

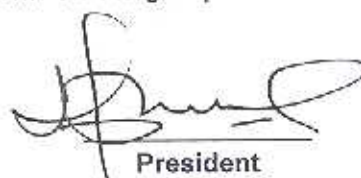
National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Financial Position (Un-Audited)
As at September 30, 2015

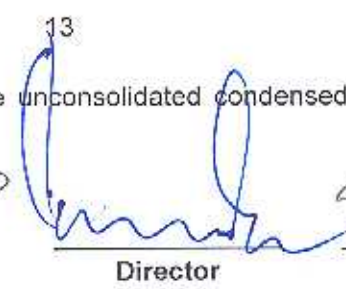
		(Un-audited) September 30, 2015	(Audited) December 31, 2014
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		144,723,557	97,971,501
Balances with other banks		21,269,294	12,108,025
Lendings to financial institutions - net		3,461,200	111,788,608
Investments - net	7	675,195,917	561,764,137
Advances - net	8	569,262,559	626,704,083
Operating fixed assets	9	31,973,386	31,795,539
Deferred tax assets	10	5,452,920	9,877,509
Other assets		89,862,205	91,044,915
		1,541,201,038	1,543,054,317
LIABILITIES			
Bills payable		11,205,803	11,011,827
Borrowings from financial institutions		86,337,823	37,541,497
Deposits and other accounts	11	1,190,866,530	1,233,525,490
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		24,738	12,738
Deferred tax liabilities		-	-
Other liabilities		85,522,424	82,633,864
		1,373,957,318	1,364,725,416
NET ASSETS		167,243,720	178,328,901
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		45,293,099	32,073,606
Unappropriated profit		45,582,162	57,006,813
		112,150,392	110,355,550
Surplus on revaluation of assets - net	12	55,093,328	67,973,351
		167,243,720	178,328,901

CONTINGENCIES AND COMMITMENTS

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


 Chairman


 President


 Director



 Director

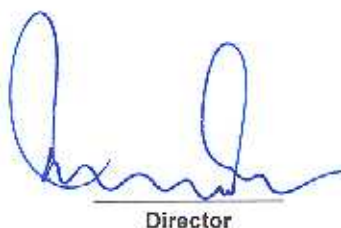
National Bank of Pakistan
Unconsolidated Condensed Interim Profit and Loss Account (Un-Audited)
For The Nine Months Period Ended September 30, 2015

		Quarter Ended September 30, 2015	Nine Months Period Ended September 30, 2015	Quarter Ended September 30, 2014	Nine Months Period Ended September 30, 2014
	Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest earned		26,084,518	83,489,519	28,902,909	82,584,887
Mark-up / Return / Interest expensed		13,768,201	47,096,732	18,552,474	52,762,395
Net mark-up / return / interest income		12,316,317	36,392,787	10,350,435	29,822,492
Provision against non-performing advances - net	8.2	1,088,706	7,860,008	1,332,381	3,322,194
(Reversal) / Provision for diminution in value of investments	7.2	334,168	192,556	(423,694)	440,033
Provision / (Reversal) against off-balance sheet obligations		-	140,238	-	(339,200)
Bad debts written off directly		-	-	-	-
		1,422,874	8,192,802	908,667	3,423,027
Net mark-up / interest income after provisions		10,893,443	28,199,985	9,441,768	26,399,465
NON MARK-UP/ INTEREST INCOME					
Fee, commission and brokerage income		2,569,088	8,279,943	2,457,269	8,382,225
Dividend income		642,814	2,585,482	597,699	1,657,418
Income from dealing in foreign currencies		819,817	3,621,432	1,198,721	3,294,899
Gain on sale and redemption of securities - net		2,295,985	10,179,048	1,435,639	6,006,094
Unrealized (loss) / Gain on revaluation of investments classified as held-for-trading		3,797	3,063	(117)	(7)
Other income	14	458,989	1,374,542	972,392	2,774,127
Total non mark-up / interest income		6,790,488	26,043,510	6,661,623	22,114,556
		17,683,931	54,243,495	16,103,391	48,514,021
NON MARK-UP/ INTEREST EXPENSES					
Administrative expenses		10,474,166	31,527,547	9,820,614	29,113,106
Other provisions / write-offs		210,836	565,371	563,629	1,378,771
Other charges		21,543	38,774	(17,295)	8,440
Total non mark-up / interest expenses		10,706,545	32,131,692	10,366,948	30,500,317
		6,977,386	22,111,803	5,736,443	18,013,704
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		6,977,386	22,111,803	5,736,443	18,013,704
Taxation - current		2,463,518	9,044,027	2,151,304	5,483,452
- prior year(s)	15	-	2,298,465	-	-
- deferred		(51,245)	(1,335,830)	(352,219)	464,864
		2,412,273	10,006,662	1,799,085	5,948,316
PROFIT AFTER TAXATION		4,565,113	12,105,141	3,937,358	12,065,388
Basic and diluted earnings per share (Rupees)	16	2.15	5.69	1.85	5.67

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

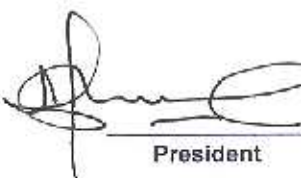
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)

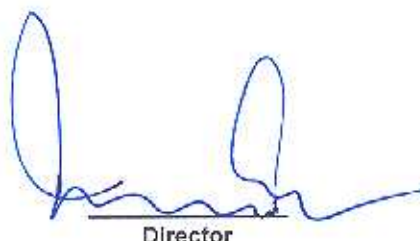
For The Nine Months Period Ended September 30, 2015

	Quarter ended September 30, 2015	Nine months Period ended September 30, 2015	Quarter ended September 30, 2014	Nine months Period ended September 30, 2014
	----- (Rupees in '000') -----			
Profit after taxation	4,565,113	12,105,141	3,937,358	12,065,388
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange gain on translation of net assets of foreign branches	154,135	8,979	102,526	(1,043,201)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurements of defined benefit liability	1,151,537	1,987,837	(148,395)	(315,676)
Related tax effects	(403,038)	(695,743)	51,839	110,487
	748,499	1,292,094	(96,456)	(205,189)
Other comprehensive income - net of tax	902,634	1,301,073	6,070	(1,248,390)
Total comprehensive income transferred to equity	5,467,747	13,406,214	3,943,428	10,816,998
Components of comprehensive income not reflected in equity:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Surplus on revaluation of available-for-sale securities	(9,185,000)	(7,684,317)	3,572,959	4,737,221
Related tax effects	2,794,352	(5,064,676)	(1,093,822)	(1,185,518)
Other comprehensive income - net of tax	(6,390,648)	(12,748,993)	2,479,137	3,551,703

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Chairman


President


Director


Director

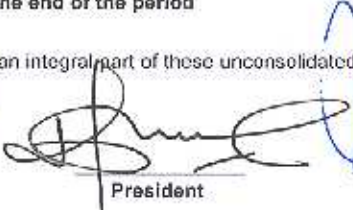


National Bank of Pakistan
Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)
For The Nine Months Period Ended September 30, 2015

	Nine months Period Ended September 30, 2015	Nine months Period Ended September 30, 2014
	----- (Rupees in '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,111,803	18,013,704
Less: Dividend income	2,585,482	1,657,418
	<u>19,526,321</u>	<u>16,356,286</u>
Adjustments		
Depreciation	1,539,766	1,784,837
Provision against non-performing loans and advances	7,860,008	3,322,194
Provision for diminution in value of investments	192,556	440,033
Provision against off-balance sheet obligations	140,238	(339,200)
Other provision / write-offs	565,371	1,378,771
Gain on sale of fixed assets	(1,015)	(20,048)
Financial charges on leased assets	5,867	5,678
	<u>10,302,781</u>	<u>6,572,265</u>
	<u>29,829,102</u>	<u>22,928,551</u>
(Increase) / Decrease in operating assets		
Lendings to financial institutions	96,127,408	1,836,691
Held-for-trading securities	3,465,643	1,984,502
Advances	49,581,516	5,071,208
Other assets	(754,682)	(4,332,060)
	<u>148,419,885</u>	<u>4,362,341</u>
Increase / (Decrease) in operating liabilities		
Bills payable	193,976	(248,960)
Borrowings	48,605,320	22,879,793
Deposits and other accounts	(42,658,960)	(4,259,285)
Other liabilities (excluding current taxation)	4,636,948	1,187,071
	<u>10,776,284</u>	<u>19,558,619</u>
Income tax paid	(9,783,308)	(7,056,728)
Financial charges paid	(5,867)	(5,678)
	<u>(9,789,175)</u>	<u>(7,062,406)</u>
Net cash generated from operating activities	<u>179,236,096</u>	<u>39,787,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(113,834,984)	(22,176,538)
Net investments in held-to-maturity securities	(19,602,868)	(88,345,876)
Proceeds from investments in associates and subsidiaries	8,518,102	2,019,622
Dividend received	2,585,482	1,657,418
Investments in operating fixed assets	(1,717,603)	(1,573,856)
Sale proceeds of operating fixed assets disposed off	1,015	37,281
Net cash used in from investing activities	<u>(124,050,856)</u>	<u>(108,381,949)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(9,845)	(5,330)
Dividend paid	(11,662,055)	(4,238,554)
Net cash used in financing activities	<u>(11,671,900)</u>	<u>(4,243,890)</u>
Effects of exchange rate changes on cash and cash equivalents	8,979	(1,043,201)
Net decrease in cash and cash equivalents	<u>43,522,319</u>	<u>(73,881,935)</u>
Cash and cash equivalents at beginning of the period	<u>118,394,883</u>	<u>175,349,074</u>
Cash and cash equivalents at the end of the period	<u>161,917,202</u>	<u>101,467,139</u>

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


Chairman


President


Director


Director

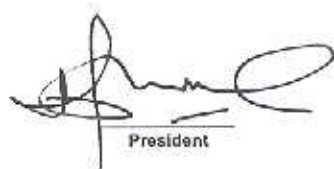


National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-Audited)
For The Nine Months Period Ended September 30, 2015

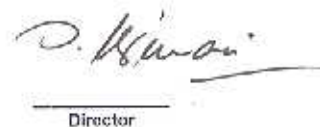
	Attributable to the Shareholders of the Bank						Total
	Share Capital	Reserves			Unappropriated Profit		
		Exchange Translation	Statutory	General Loan Loss			
(Rupees in '000')							
Balance as at January 1, 2014	21,275,131	9,530,777	21,486,580	-	521,338	48,045,830	100,859,750
Total Comprehensive Income for the nine months period ended September 30, 2014							
Profit after tax	-	-	-	-	-	12,065,388	12,065,388
Other comprehensive income - net of tax	-	(1,043,201)	-	-	-	(205,189)	(1,248,390)
	-	(1,043,201)	-	-	-	11,860,199	10,816,998
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	93,923	93,923
Transfer to Statutory Reserve	-	-	1,206,539	-	-	(1,206,539)	-
Transactions with Owners, recorded directly in equity							
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)
	-	-	-	-	-	(4,255,026)	(4,255,026)
Balance as at September 30, 2014	21,275,131	8,487,576	22,693,119	-	521,338	54,538,487	107,515,651
Total Comprehensive Income for the nine months period ended December 31, 2014							
Profit after tax	-	-	-	-	-	2,962,841	2,962,841
Other comprehensive income - net of tax	-	75,289	-	-	-	(230,554)	(155,265)
	-	75,289	-	-	-	2,732,287	2,807,576
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	32,323	32,323
Transfer to Statutory Reserve	-	-	290,204	-	-	(295,284)	-
Balance as at December 31, 2014	21,275,131	8,562,865	22,989,403	-	521,338	57,006,813	110,355,550
Total Comprehensive Income for the nine months ended September 30, 2015							
Profit after tax	-	-	-	-	-	12,105,141	12,105,141
Other comprehensive income - net of tax	-	8,979	-	-	-	1,292,094	1,301,073
	-	8,979	-	-	-	13,397,235	13,406,214
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	89,950	89,950
Transfer to Statutory Reserve	-	-	1,210,514	-	-	(1,210,514)	-
Transfer to General Loan Loss Reserve (refer note 20)	-	-	-	12,000,000	-	(12,000,000)	-
Transactions with Owners, recorded directly in equity							
Cash dividend (Rs. 5.5 per share)	-	-	-	-	-	(11,701,322)	(11,701,322)
Balance as at September 30, 2015	21,275,131	8,571,844	24,199,917	12,000,000	521,338	45,682,162	112,150,392

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 Nine Months Period Ended September 30, 2015

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 1,363 (2014: 1,349) branches in Pakistan and 21 (2014: 23) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim unconsolidated financial statements of the Bank for the nine months period ended September 30, 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 Nine Months Period Ended September 30, 2015

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 Nine Months Period Ended September 30, 2015

7. INVESTMENTS - net

	September 30, 2015			December 31, 2014		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
Note	----- (Rupees in '000') -----			----- (Rupees in '000') -----		
7.1 Investments by type:						
Held-for-trading securities						
Market Treasury Bills	5,315,190	-	5,315,190	4,644,243	-	4,644,243
Pakistan Investment Bonds	1,002,645	-	1,002,645	5,142,298	-	5,142,298
Total held-for-trading securities	6,317,835	-	6,317,835	9,786,541	-	9,786,541
Available-for-sale securities						
Ordinary Shares of Listed companies	23,527,830		23,527,830	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	172,064,986	61,404,192	233,469,178	111,752,989	5,906,690	117,659,679
Pakistan Investment Bonds	170,134,072	9,944,630	180,078,702	194,478,241	-	194,478,241
GoP Foreign Currency Bonds	7,603,693		7,603,693	6,166,924	-	6,166,924
Foreign Currency Debt Securities	3,778,787		3,778,787	3,940,510	-	3,940,510
Term Finance Certificates / Musharika and Sukuk Bonds	33,324,961		33,324,961	19,088,145	-	19,088,145
Preference Shares	846,660		846,660	846,660	-	846,660
Investments in Mutual Funds	786,275		786,275	2,511,608	-	2,511,608
Investments Outside Pakistan	463,295		463,295	463,295	-	463,295
Total available- for- sale securities	413,648,822	71,348,822	484,997,644	365,255,970	5,906,690	371,162,660
Held-to-maturity securities						
Pakistan Investment Bonds	107,334,347		107,334,347	106,838,847	-	106,838,847
Market Treasury Bills	7,679,648		7,679,648	-	-	-
GoP Foreign Currency Bonds	1,584,799		1,584,799	1,540,658	-	1,540,658
Foreign Government Securities	20,551,588		20,551,588	8,959,455	-	8,959,455
Foreign Currency Debt Securities	405		405	389	-	389
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	2,839,754		2,839,754	3,048,324	-	3,048,324
Total held-to-maturity securities	139,990,541	-	139,990,541	120,387,673	-	120,387,673
Investments in Associates	5,251,821	-	5,251,821	5,458,419	-	5,458,419
Investments in Joint Venture	2,362,433	-	2,362,433	2,362,433	-	2,362,433
Investments in Subsidiaries	4,406,750	-	4,406,750	12,718,254	-	12,718,254
Investments at cost	571,978,202	71,348,822	643,327,024	515,969,290	5,906,690	521,875,980
Less: Provision for diminution in value of investments	(17,710,539)	-	(17,710,539)	(17,517,983)	-	(17,517,983)
Investments (net of Provision)	554,267,663	71,348,822	625,616,485	498,451,307	5,906,690	504,357,997
Unrealized loss on revaluation of investments classified as held-for-trading	3,063	-	3,063	145,454	-	145,454
Surplus on revaluation of available-for-sale securities	49,579,085	(2,716)	49,576,369	57,261,787	(1,101)	57,260,686
Total investments	603,849,811	71,346,106	675,195,917	555,858,548	5,905,589	561,764,137

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	9 months ended September 30, 2015	Year ended December 31, 2014
	----- (Rupees in '000') -----	
7.2 Particulars of provision for diminution in value of investments		
Opening balance	17,517,983	15,416,719
Charge for the period / year	1,085,929	3,024,804
Reversals	(893,373)	(2,582,457)
	192,556	442,347
Transfer in	-	1,366,790
Transferred from suspended interest	-	292,127
Closing balance	<u>17,710,539</u>	<u>17,517,983</u>
	September 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
7.2.1 Particulars of provision in respect of type		
Available-for-sale securities		
Ordinary shares of listed companies and mutual funds	3,311,085	3,702,638
Ordinary shares of unlisted companies	392,287	376,135
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,342,383	8,980,511
Preference shares	446,444	446,444
Held-to-maturity securities		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	493,230	629,884
Investment in associates	3,673,865	3,330,221
Investment in subsidiaries	51,245	52,150
	<u>17,710,539</u>	<u>17,517,983</u>
7.2.2 Particulars of provision in respect of segments		
Fully Paid up Ordinary Shares	3,703,372	3,984,307
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,835,613	9,610,395
Other investments	446,444	540,910
Investments in associates	3,673,865	3,330,221
Investments in subsidiaries	51,245	52,150
	<u>17,710,539</u>	<u>17,517,983</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.829 million (December 31, 2014: Rs. 1,191 million). Accordingly, as of September 30, 2015, the accumulated increase in profit after tax of Rs.539 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 September 30, 2015, 90% 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. 312 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. 836 million.

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	Note	September 30, 2015	December 31, 2014
		----- (Rupees in '000') -----	
8. ADVANCES - net			
Loans, cash credits, running finances, etc.			
In Pakistan		604,705,771	648,391,732
Outside Pakistan		55,018,841	53,702,449
		659,724,612	702,094,181
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		10,116,653	15,419,949
Payable outside Pakistan		9,430,316	10,549,928
		19,546,969	25,969,877
Advances - gross		679,271,581	728,064,058
Less: Provision against non-performing loans - specific	8.2	107,107,059	98,158,511
- general	8.2	2,901,963	3,201,464
		110,009,022	101,359,975
Advances - net of provision		569,262,559	626,704,083

8.1 Advances include Rs. 130,648 million (December 31, 2014: Rs. 120,841 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2015				
	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000') -----					
Other Assets Especially Mentioned	9,413,349	-	9,413,349	81,135	81,135
Substandard	7,627,203	145,189	7,772,392	1,509,934	1,509,934
Doubtful	6,296,031	458,706	6,754,737	3,107,260	3,107,260
Loss	75,312,265	31,395,450	106,707,715	102,408,730	102,408,730
	98,648,848	31,999,345	130,648,193	107,107,059	107,107,059
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
	90,655,555	30,185,814	120,841,369	98,158,511	98,158,511

8.2 Particulars of provision against non-performing advances

	September 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	795,466	16,849	812,315	(495,074)	(25,920)	(520,994)
Charge for the period	11,834,407	42,335	11,876,742	14,777,114	368,937	15,146,051
Reversals	(3,658,049)	(358,685)	(4,016,734)	(4,172,083)	-	(4,172,083)
	8,176,358	(316,350)	7,860,008	10,605,031	368,937	10,973,968
Transfer (out) / in			-	(1,650,189)		(1,650,189)
Amounts written off	(18,794)		(18,794)	(32,623)	-	(32,623)
Amount charged off	(4,482)		(4,482)	(5,272)	-	(5,272)
Closing balance	107,107,059	2,901,963	110,009,022	98,158,511	3,201,464	101,359,975

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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.1,700 million (December 31, 2014: Rs. 3,542 million). Accordingly, as of September 30, 2015, the accumulated profit after tax of Rs.1,105 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 September 30, 2015, 90% 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. 265 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.

September 30, **December 31,**
2015 **2014**
----- (Rupees in '000') -----

9. OPERATING FIXED ASSETS

Capital work-in-progress	1,355,346	1,196,896
Property and equipment	30,156,582	29,688,180
Intangible assets	461,458	910,463
	31,973,386	31,795,539

9.1 Additions and disposals during the period amounted to Rs. 1,566 million (September 30, 2014: Rs.1,315 million) and Rs. 32 million (September 30, 2014: Rs. 106 million) respectively.

September 30, **December 31,**
2015 **2014**
----- (Rupees in '000') -----

10. DEFERRED TAX ASSETS - net

Deferred tax assets arising in respect of

Provision for diminution in the value of investments	3,704,048	3,636,653
Provision against non-performing advances	7,092,841	7,092,841
Other provisions	1,960,679	1,762,799
Provision against defined benefits plans	9,211,110	9,031,229
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
	22,777,207	22,332,051

Deferred tax liabilities arising in respect of

Excess of accounting book value of leased assets over lease liabilities	(6,592)	(3,720)
Revaluation of securities	(16,238,426)	(11,173,750)
Operating fixed assets	(1,079,269)	(1,277,072)
	(17,324,287)	(12,454,542)
Net deferred tax assets	5,452,920	9,877,509

11. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	255,792,359	289,069,976
Savings deposits	366,985,685	348,098,999
Current accounts - remunerative	160,286,069	159,042,873
Current accounts - non-remunerative	263,141,381	267,450,272
	1,046,205,494	1,063,662,120

Financial Institutions

Remunerative deposits	88,858,622	61,329,041
Non-remunerative deposits	55,802,414	108,534,329
	144,661,036	169,863,370
	1,190,866,530	1,233,525,490

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	September 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
12. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets	21,755,385	21,886,415
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government Securities	12,187,040	10,377,882
Term Finance Certificates	2,681	(31,121)
Shares and mutual funds	24,231,600	29,556,505
GoP Foreign Currency Bonds	349,585	380,738
Foreign Currency Debt Securities	81,999	81,092
Investments outside Pakistan	12,723,464	16,895,590
	49,576,369	57,260,686
Deferred Tax liability	12.1 (16,238,426)	(11,173,750)
	33,337,943	46,086,936
	<u>55,093,328</u>	<u>67,973,351</u>

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	6,624,829	5,110,261
- Financial institutions	10,802,698	11,135,929
- Others	20,053,373	32,227,405
	<u>37,480,900</u>	<u>48,473,595</u>

13.2 Transaction-related contingent liabilities

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

- Government	13,309,039	11,879,063
- Financial institutions	9,777,721	5,239,234
- Others	6,636,911	22,403,390
	<u>29,723,671</u>	<u>39,521,687</u>

13.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	155,799,660	129,493,436
- Others	23,276,266	27,137,972
	<u>179,075,926</u>	<u>156,631,408</u>

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

14,391,250	13,407,883
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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 Inland Revenue (Appeals) - CIR(A). 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 Appellate Tribunal Inland Revenue (ATIR).
- 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 has neither served proper notice nor has provided adequate opportunity of being heard. An appeal has been filed before the CIR(A) which is pending.
- 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 CIR(A) reverted back the order and reassessed the total amount payable of Rs. 22.6 million which has been paid.
- 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 withdrawn 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 on behalf of SBP and accordingly the claim was lodged to SBP.

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 September 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 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.

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	September 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
13.5 Commitments in respect of forward exchange contracts		
Purchase	229,397,855	233,021,148
Sale	174,511,264	120,265,758
13.6 Other Commitments		
Professional services to be received	85,795	99,450
13.7 Commitments for the acquisition of operating fixed assets	1,812,978	1,798,160

14. OTHER INCOME

Other Income includes Rs 1,220 million (September 30: 2014 Rs 2,626 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 September 30, 2015	Half Year ended September 30, 2015	Quarter ended September 30, 2014	Half Year ended September 30, 2014
Profit after taxation (Rupees in '000')	4,565,113	12,105,141	3,937,358	12,065,388
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)	2.15	5.69	1.85	5.67

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') -----						
Nine months period ended September 30, 2015							
Total income	171,919	218,609	6,905,150	49,406,128	1,349,658	4,384,835	62,436,297
Inter segment revenue / Expense	-	(141,952)	11,927,359	(11,785,407)	-	-	-
Total expenses	16,275	-	14,282,849	20,498,195	1,284,261	4,242,913	40,324,494
Net income	155,643	76,657	4,549,660	17,122,525	65,397	141,921	22,111,803
Segment assets (Gross)	-	6,317,835	253,662,770	1,256,975,099	-	24,245,334	1,541,201,038
Segment non - performing loans	-	-	20,157,035	110,491,158	-	-	130,648,193
Segment provision required	-	-	6,539,559	103,469,463	-	-	110,009,022
Segment liabilities	-	-	426,835,272	947,122,046	-	-	1,373,957,318
Segment return on assets (ROA) (%)	0.00%	-0.49%	2.54%	1.67%	0.00%	1.49%	
Segment cost of funds (%)	0.00%	0.00%	3.65%	5.52%	0.00%	0.00%	
Nine months period ended September 30, 2014							
Total income	439,883	235,019	7,549,729	38,148,844	1,301,688	4,261,885	51,937,048
Inter segment revenue / Expense	-	(40,502)	10,024,390	(9,983,888)	-	-	-
Total expenses	16,515	46,064	12,914,372	15,683,637	1,241,123	4,021,633	33,923,344
Net income	423,368	148,453	4,659,747	12,481,319	60,565	240,252	18,013,704
Segment assets (Gross)	-	1,811,262	237,398,767	1,153,520,766	-	19,580,689	1,412,311,484
Segment non - performing loans	-	-	19,304,403	99,822,800	-	-	119,127,203
Segment provision required	-	-	6,220,629	83,987,550	-	-	90,208,179
Segment liabilities	-	-	281,323,795	964,684,592	-	-	1,246,008,387
Segment return on assets (ROA) (%)	0.00%	8.72%	2.09%	1.58%	0.00%	2.51%	
Segment cost of funds (%)	0.00%	0.00%	6.65%	6.00%	0.00%	0.00%	

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18. RELATED PARTY TRANSACTIONS

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

Transactions between the Bank and its related parties are carried out under normal course of business, except employee staff loans, employees sale of assets 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 Sep 30,	At January 01,	Given during the year	Repaid during the year	At December 31,
	(Rupees in '000')							
Advances								
Key Management Executives	186,667	-	(27,556)	159,111	144,607	115,044	(21,260)	238,391
Adjustments*	34,419	-	-	34,419	(51,724)	-	-	(51,724)
	221,086	-	(27,556)	193,530	92,883	115,044	(21,260)	186,667
Subsidiaries	603,556	68	(180,555)	423,069	819,035	-	(215,479)	603,556
Associates	5,410,612	783,873	(12,825)	6,181,660	5,433,806	-	(23,194)	5,410,612
Adjustments*								
Debts due by Company in which director is interested as director	9,115,000	2,713,647	(4,785,680)	7,042,967	9,613,756	11,577,858	(12,424,576)	8,767,038
* Adjustment	(1,154,000)	-	-	(1,154,000)	347,962	-	-	347,962
	7,961,000	2,713,647	(4,785,680)	5,888,967	9,961,718	11,577,858	(12,424,576)	9,115,000
	14,196,254	3,497,588	(5,006,616)	12,687,226	16,307,442	11,692,902	(12,684,509)	15,315,835

	2015				2014			
	At January 01,	Received during the half year	Withdrawals during the half year	At Sep 30,	At January 01,	Received during the year	Withdrawals during the year	At December 31,
	(Rupees in '000')							
Deposits								
Subsidiaries	411,597	363,815	(76,436)	698,976	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	291,549	(261,858)	49,000	13,402	303,914	(296,813)	20,503
Adjustments*	12,014	-	-	12,014	(1,194)	-	-	(1,194)
	31,323	291,549	(261,858)	61,014	12,208	303,914	(296,813)	19,309
Pension Fund (Current)	4,248	26,654,292	(26,654,754)	3,786	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	13,196,889	(13,209,790)	1,043,774	270,228	12,614,720	(11,828,273)	1,056,675
Provident Fund (Current)	13,123,803	1,411,011	(1,449,637)	13,085,176	12,886,715	2,749,149	(2,512,061)	13,123,803
	21,953,684	43,917,556	(48,678,513)	17,192,727	37,011,126	47,711,342	(62,780,798)	21,941,670

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

	September 30, 2015	December 31, 2014
	(Rupees in '000')	
Placements with:		
Joint Venture	572,178	156,864
Repo Borrowing from:		
Joint Venture	87,813	73,695
Other receivables from subsidiaries	116,724	77,044
Other payables to subsidiaries	159	316
Off-Balance sheet items - Joint Venture	39,698	825,636
Investments in associates	-	700,770
Investments in subsidiaries	-	7,550,384
Redemption / sale of investment in associates	204,098	100,000
Redemption / sale of investment in subsidiaries	8,311,503	10,170,777
	Nine months period ended September 30, 2015	Nine months period ended September 30, 2014
	(Rupees in '000')	
Income for the period		
On advances / placements with:		
Subsidiaries	16,057	14,056
Joint Venture	86,092	212
Key management executives	-	3,032
Debts due by company in which a director of the Bank is interested as director	713,760	839,000

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For The Nine Months Period Ended September 30, 2015

	Nine months period ended September 30, 2015	Nine months period ended September 30, 2014
	----- (Rupees in '000) -----	
Dividend income from:		
Joint Venture	107,723	-
Expenses for the period		
Remuneration to key management executives	222,759	192,071
Charge for defined benefit plan	23,867	63,586
Mark-up on Deposits of:		
Subsidiaries	16,302	19,470
Associates	-	49,476
Provident fund	1,390,290	1,547,131
Pension fund	442,572	189,327
Key management executives	-	684
Commission paid to subsidiaries	17,389	4,112
Mark-up on Borrowing (Repo / Call):		
Joint Venture	1,760	435

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. 4,365 million for the nine months period ended September 30, 2015. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 232,910 million and Rs. 437,514 million respectively.

19. ISLAMIC BANKING BUSINESS

The Bank is operating 51 (December 31, 2014: 22) Islamic banking branches as at September 30, 2015. Statement of financial position and profit and loss account are as under:

	September 30, 2015	December 31, 2014
	----- (Rupees in '000) -----	
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	754,849	173,676
Balances with other banks / amounts due from financial institutions	6,577,135	266
Investments	3,211,988	2,428,587
Islamic financing and related assets	599,637	978,542
Operating fixed assets	46,162	58,418
Due from Head Office	-	-
Other assets	595,700	173,781
	11,785,471	3,813,270
Liabilities		
Bills Payable	39,283	12,100
Deposits and other accounts		
- Current accounts	5,604,852	768,879
- Saving accounts	3,742,050	1,048,266
- Term deposits	1,345,025	672,802
Due to Head Office	56,771	433,959
Other liabilities	222,344	62,687
	11,010,325	2,998,693
	775,146	814,577
Net Assets		
Represented By		
Islamic Banking Fund	800,000	800,000
Unappropriated (loss) / profit	(22,339)	14,237
	777,661	814,237
Surplus on revaluation of investments	(2,515)	340
	775,146	814,577

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For The Nine Months Period Ended September 30, 2015

	Nine Months period ended September 30, 2015	Nine Months period ended September 30, 2014
	----- (Rupees in '000') -----	
<u>PROFIT AND LOSS ACCOUNT</u>		
Profit / Return earned on financings, investments and placements	505,398	352,285
Profit / Return expensed on deposit	146,693	133,226
Net spread earned	358,705	219,059
Depreciation on assets given on ijarah	(64,342)	(51,970)
	<u>294,363</u>	<u>167,089</u>
Provision against advances and investments	(3,394)	-
Provision reversed against advances and investments	20,627	7,380
	<u>17,233</u>	<u>7,380</u>
Profit after provision	311,596	174,469
Other income		
Fee, commission and brokerage income	47,181	50,608
Income from dealing in foreign currencies	162	(373)
Other income	1,958	(170)
Total other income	<u>49,301</u>	<u>50,065</u>
	<u>360,897</u>	<u>224,534</u>
Other expenses		
Administrative expenses	(383,236)	(211,163)
	<u>(22,339)</u>	<u>13,371</u>
<u>CASH FLOW STATEMENT</u>		
Cash Flow from Operating Activities		
(Loss) / Profit for the period	(22,339)	13,371
Adjustments :		
Depreciation - Own assets	2,462	1,983
Depreciation - Ijarah assets	64,527	51,970
Reversal of provision against non performing financings	(17,233)	(7,380)
	<u>49,756</u>	<u>46,573</u>
	<u>27,417</u>	<u>59,944</u>
(Increase) / Decrease in operating assets		
Due from Financial Institutions	(6,576,869)	(264)
Financings	(454,460)	2,482,085
Other assets	(421,919)	51,576
	<u>(7,453,248)</u>	<u>2,533,397</u>
Increase / (Decrease) in operating liabilities		
Bills payable	27,183	(5,254)
Deposits and other accounts	8,201,980	(2,803,818)
Borrowings from Head Office	(381,816)	77,650
Other liabilities	159,657	17,303
	<u>8,007,004</u>	<u>(2,714,119)</u>
Net cash generated / (used in) from operating activities	581,173	(120,778)
Cash Flow from Investing Activities		
Investment in operating fixed assets	-	(2,996)
Net cash used in investing activities	-	(2,996)
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
Increase / (decrease) in cash and cash equivalents	<u>581,173</u>	<u>(123,774)</u>
Cash and cash equivalents at beginning of the period	173,676	263,743
Cash and cash equivalents at the end of the period	<u>754,849</u>	<u>139,969</u>

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For The Nine Months Period Ended September 30, 2015

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.

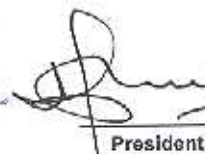
21. DATE OF AUTHORIZATION FOR ISSUE

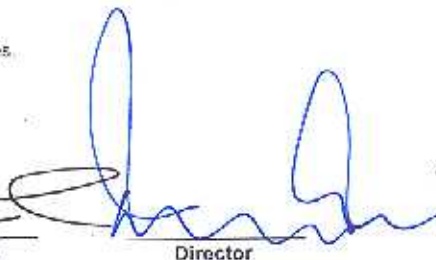
The unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on October 28, 2015.

22. GENERAL

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


Chairman


President


Director


Director



National Bank of Pakistan

**Consolidated Condensed Interim Financial Statements
For the Nine Months Period Ended September 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, report on the consolidated financial statements of National Bank of Pakistan and subsidiary companies for the nine months period ended September 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 nine months period ended September 30, 2015.

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

	Rs in millions
Profit before tax for the nine months period ended September 30, 2015	22,397
Taxation	
- Current	9,122
- Prior year (s)	2,298
- Deferred	(1,330)
	<u>10,091</u>
After tax profit tax for nine months period ended September 30, 2015	12,306
Non Controlling interest	(885)
Un-appropriated profit brought forward	59,885
Other comprehensive income - net of tax	1,292
Transfer from surplus on revaluation of fixed assets	90
Profit available for appropriations	72,688
Transfer to Statutory Reserve (10% of after tax profit)	(1,211)
Cash dividend paid– 2014	(11,701)
Creation of loan loss reserve	(12,000)
Un-appropriated profit carried forward	<u>47,776</u>
Earnings per Share (Rs.)	5.78

On behalf of the Board of Directors

Syed Ahmed Iqbal Ashraf

President

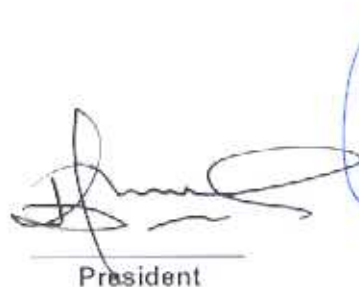
Date: October 28, 2015

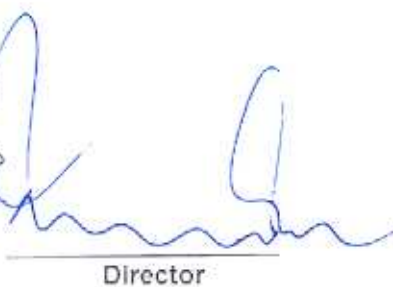
National Bank of Pakistan
Consolidated Condensed Interim Statement of Financial Position
As at September 30, 2015

		(Un-Audited) September 30 2015	(Audited) December 31 2014 (Restated)
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and Balances with Treasury Banks		145,165,717	98,246,783
Balances with other Banks		22,096,208	32,081,383
Lendings to Financial Institutions		3,461,200	111,794,127
Investments - net	7	673,952,652	562,058,271
Advances - net	8	571,730,966	630,229,649
Operating Fixed Assets - net	9	33,365,261	33,353,526
Deferred Tax Assets	10	5,456,922	9,884,256
Other Assets		92,645,358	91,997,837
		1,547,874,284	1,569,645,832
LIABILITIES			
Bills Payable		11,205,803	11,011,827
Borrowings		86,934,901	38,208,413
Deposits and other Accounts	11	1,191,698,803	1,234,398,178
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		88,848	1,691
Deferred Tax Liabilities		-	-
Other Liabilities		87,798,954	103,302,431
		1,377,727,309	1,386,922,540
NET ASSETS		170,146,975	182,723,292
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		45,330,511	32,996,496
Unappropriated profit		47,776,242	59,884,901
		114,381,884	114,156,528
Minority Interest		818,631	717,018
		115,200,515	114,873,546
Surplus on Revaluation of Assets - net	12	54,946,460	67,849,746
		170,146,975	182,723,292
CONTINGENCIES AND COMMITMENTS	13		

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


 Chairman


 President


 Director


 Director




National Bank of Pakistan
 Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)
 For the Quarter & Nine Months Period Ended September 30, 2015

	Quarter Ended September 30 2015	Nine Months Period Ended September 30 2015	Quarter Ended September 30 2014	Nine Months Period Ended September 30 2014
	(Rupees in '000')			
			(Restated)	(Restated)
Mark-up / Return / Interest earned	26,191,579	85,472,418	29,598,596	85,275,191
Mark-up / Return / Interest expensed	13,777,522	47,136,155	18,330,087	52,243,853
Net Mark-up / Interest Income	12,414,057	38,336,264	11,268,509	33,031,338
Provision against non-performing advances- net	8.2 1,280,974	8,034,332	1,336,365	3,328,218
Provision for diminution in the value of investments- net	7.2 321,267	(188,399)	(419,538)	(20,942)
Provision against off balance sheet obligations	-	140,238	-	(339,200)
Bad debts written off directly	-	-	-	-
	1,602,241	8,006,171	916,849	2,968,078
Net Mark-up / Interest Income after Provisions	10,811,815	30,330,092	10,351,660	30,071,262
NON MARK-UP / INTEREST INCOME				
Fee, commission & brokerage income	2,832,284	9,089,183	2,641,670	8,908,551
Dividend income	602,598	2,062,299	584,311	1,644,030
Income from dealing in foreign currencies	881,018	3,823,138	1,226,153	3,392,251
Gain on sale and redemption of securities - net	2,295,985	9,343,339	1,430,051	5,510,861
Unrealized(loss) on revaluation of investments classified as held-for-trading	3,797	3,063	(117)	(7)
Gain on sale of subsidiary companies	-	232,236	-	120,433
Share of profit from joint ventures	293,354	465,353	62,412	111,571
Share of loss from associates	(226,513)	(693,275)	(233,058)	(829,047)
Other income	468,562	1,460,773	977,802	2,779,152
Total non mark-up / interest income	7,152,086	25,776,110	6,718,224	21,706,595
	17,963,901	56,106,202	17,069,884	51,777,857
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	10,846,575	33,108,251	10,247,982	30,737,960
Other provisions / write offs	213,574	682,650	563,629	1,378,771
Other charges	21,543	39,774	(17,295)	6,440
Total non mark-up / interest expenses	11,081,692	33,709,575	10,794,316	32,126,181
	6,882,209	22,396,627	6,275,568	19,652,696
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	6,882,209	22,396,627	6,275,568	19,652,696
Taxation - Current	2,488,304	9,121,866	2,200,811	5,538,425
- Prior year(s)	-	2,298,465	116	-
- Deferred	(51,811)	(1,329,795)	(349,217)	470,936
	2,436,493	10,090,536	1,851,710	6,009,361
PROFIT AFTER TAXATION	4,445,716	12,306,091	4,424,058	13,643,335
Share holders of the bank	4,379,659	11,421,133	3,546,240	12,283,269
Minority Interest	66,147	884,957	877,818	1,360,066
	4,445,716	12,306,091	4,424,058	13,643,335
Basic and Diluted Earnings per Share (Rupees)	16 2.05	5.78	2.08	6.41

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


 Chairman


 President


 Director


 Director



National Bank of Pakistan
 Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
 For the Quarter & Nine Months Period Ended September 30, 2015

	Quarter Ended September 30 2015	Nine months period Ended September 30 2015	Quarter Ended September 30 2014 (Restated)	Nine months period Ended September 30 2014 (Restated)
----- (Rupees in '000') -----				
Profit attributable to shareholders & minority interest	4,445,716	11,522,746	3,554,366	12,314,159
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange gain on translation of net assets of foreign branches	(605,953)	(876,499)	224,599	(1,782,727)
Items not to be reclassified to profit or loss in subsequent periods:				
Remeasurements of defined benefit liability	1,151,537	1,987,837	(167,281)	(315,676)
Related tax effects	(403,038)	(695,743)	58,548	110,487
	748,499	1,292,094	(108,733)	(205,189)
Other comprehensive income - net of tax	142,546	415,595	115,866	(1,987,916)
Total comprehensive income transferred to equity	4,588,262	11,938,342	3,670,233	10,326,243
Components of comprehensive income not reflected in equity:				
Items to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of available-for-sale securities	(9,185,000)	(7,730,817)	3,589,959	4,734,221
Related tax impact	2,794,352	(5,064,678)	(1,093,822)	(1,185,518)
	(6,390,648)	(12,795,493)	2,476,137	3,548,703

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






Chairman President Director Director

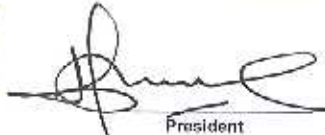


onal Bank of Pakistan
 Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
 For the Nine Months Period Ended September 30, 2015

Share capital	Attributable to the shareholders of the bank						Sub Total	Non Controlling Interest	Total	
	Reserves					Unappropriated profit				
	Exchange Translation	Capital Bonus Shares Issue	Statutory	Loan Loss	Revenue General					
(Rupees in '000)										
Balance as at January 1, 2014	21,275,131	11,431,750	-	21,500,825	-	521,338	48,734,161	104,846,005	820,663	105,306,000
Effect of retrospective change in accounting policy Impact to accounting for consolidated financial items referred in note 4.1 Balance as at January 01, 2014 as restated	21,275,131	11,431,750	-	21,500,825	-	521,338	48,354,377	104,166,221	820,663	104,886,084
Total Comprehensive Income for the period										
Profit after tax for the nine months period ended September 30, 2014- (Restated)	-	-	-	-	-	-	12,283,268	12,283,268	30,890	12,314,159
Other comprehensive income - net of tax	-	(1,782,727)	-	-	-	-	(205,180)	(1,987,918)	-	(1,987,918)
	-	(1,782,727)	-	-	-	-	12,078,088	10,295,353	30,890	10,326,243
Income from surplus on revaluation of fixed assets transferred to unappropriated profit - net of tax	-	-	-	-	-	-	53,923	53,923	-	53,923
Transfer to Statutory Reserve	-	-	-	1,239,538	-	-	(1,239,538)	-	-	-
Transactions with Owners, recorded directly in equity										
Cash dividend (Rs. 2 per share)	-	-	-	-	-	-	(4,255,323)	(4,255,323)	-	(4,255,323)
	-	-	-	-	-	-	(4,255,323)	(4,255,323)	-	(4,255,323)
Balance as at September 30, 2014	21,275,131	9,649,023	-	22,750,164	-	521,338	55,064,815	110,680,254	851,553	111,152,034
Comprehensive Income for the period										
Profit after tax for three months period ended December 31, 2014- (Restated)	-	-	-	-	-	-	4,314,601	4,314,601	(44,466)	4,270,132
Other comprehensive income - net of tax	-	(253,313)	-	-	-	-	(230,554)	(483,867)	-	(483,867)
	-	(253,313)	-	-	-	-	4,084,047	3,830,734	(44,466)	3,778,266
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	-	32,323	32,323	-	32,323
Transfer to Statutory Reserve	-	-	-	296,284	-	-	(296,284)	-	-	-
Dividend paid/ profit distribution by subsidiaries	-	-	-	-	-	-	-	-	(90,087)	(90,087)
Balance as at December 31, 2014- restated	21,275,131	9,395,710	-	23,046,448	-	521,338	55,854,901	114,156,558	717,018	114,873,546
Comprehensive Income for the period										
Profit after tax for the nine months period ended September 30, 2015	-	-	-	-	-	-	11,421,133	11,421,133	101,613	11,522,747
Other comprehensive income - net of tax	-	(876,499)	-	-	-	-	1,282,394	405,895	-	415,595
	-	(876,499)	-	-	-	-	12,703,527	11,827,028	101,613	11,930,342
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	89,953	89,953	-	89,953
Transfer to Statutory Reserve	-	-	-	1,210,514	-	-	(1,210,514)	-	-	-
Transfer to Loan Loss Reserve (refer note 20)	-	-	-	-	12,000,000	-	(12,000,000)	-	-	-
Transactions with Owners, recorded directly in equity										
Cash dividend (Rs. 5.5 per share)	-	-	-	-	-	-	(11,701,322)	(11,701,322)	-	(11,701,322)
	-	-	-	-	-	-	(11,701,322)	(11,701,322)	-	(11,701,322)
Balance as at September 30, 2015	21,275,131	8,512,211	-	24,256,962	12,000,000	521,338	47,776,242	114,381,885	818,631	115,200,515

Annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.


 Chairman


 President


 Director


 Director

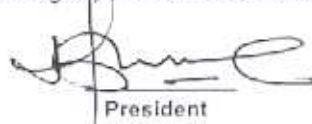



National Bank of Pakistan
Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)
For the Nine Months Period ended September 30, 2015

	Nine Months Period Ended September 30 2015	Nine Months Period Ended September 30 2014 (Restated)
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,396,627	18,652,696
Less: Dividend income	2,062,299	1,644,030
	<u>20,334,328</u>	<u>18,008,666</u>
Adjustments:		
Depreciation	1,808,892	2,123,693
Provision against non-performing advances	8,034,332	3,326,218
Provision / (reversal) for diminution in the value of investments	(168,399)	(26,942)
Provision against off balance sheet obligations	140,238	(339,200)
Other provisions / write offs	662,560	1,378,771
Gain on sale of fixed assets	(1,015)	(20,048)
Financial charges on leased assets	10,649	5,678
Share of (gain)/ loss from joint ventures	(465,353)	(111,571)
Share of loss from associates	693,275	829,047
	<u>10,616,169</u>	<u>7,165,646</u>
	<u>30,949,496</u>	<u>25,174,312</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	96,132,927	1,604,233
Held-for-trading securities	8,499,967	(4,020,191)
Advances	50,464,351	6,048,144
Other assets (excluding advance taxation - net)	(3,203,635)	(2,869,908)
	<u>151,893,610</u>	<u>762,278</u>
Increase / (decrease) in operating liabilities		
Bills payable	193,976	(248,960)
Borrowings	48,846,996	41,151,450
Deposits and other accounts	(42,699,375)	(4,051,871)
Other liabilities	(14,036,565)	(2,945,251)
	<u>(7,694,968)</u>	<u>33,905,368</u>
Income tax paid	(9,861,147)	(7,473,441)
Financial charges paid	(10,649)	(5,678)
	<u>(9,871,796)</u>	<u>(7,479,119)</u>
Net cash flow from operating activities	<u>165,276,342</u>	<u>52,362,838</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / (Net investments) in available-for-sale securities	(113,944,875)	(22,614,506)
Net investments in held-to-maturity securities	(15,124,890)	(90,737,129)
Dividend income received	2,062,299	1,644,030
Proceeds from / (purchase of) investments in associates and subsidiaries	9,277,938	10,376,599
Investments in operating fixed assets	(1,745,627)	(1,752,729)
Sale proceeds of property and equipment disposed off	1,015	37,281
Net cash (used) in investing activities	<u>(119,474,139)</u>	<u>(103,046,454)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	12,157	(5,802)
Dividend paid	(11,662,055)	(4,238,554)
Net cash used in financing activities	<u>(11,649,898)</u>	<u>(4,244,356)</u>
Effects of exchange rate changes on cash and cash equivalents	(876,499)	(1,782,724)
Net increase in cash and cash equivalents	<u>33,275,806</u>	<u>(56,710,697)</u>
Cash and cash equivalents at beginning of the period	<u>129,910,470</u>	<u>192,328,659</u>
Cash and cash equivalents at the end of the period	<u>163,186,276</u>	<u>135,617,962</u>

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


Chairman


President


Director


Director



National Bank of Pakistan
Notes to the condensed consolidated financial statements - unaudited
For the Nine Months Period ended September 30, 2015

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,363 (2014: 1,349) 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 Long Term Credit Fund (LTCF) & Endowment Fund for Student Loan Scheme.

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

1.2 Basis of Consolidation

- The interim condensed consolidated financial statements include the interim condensed financial statements of the holding company and its subsidiary companies - "the Group".
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the interim condensed consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- The SECP, vide its letter EMD/233/627/2002-539 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 nine months period ended September 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 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 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

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 assumptions	As Restated	As previously reported	Impact due to change in policy and assumptions	As Restated
Impact on consolidated condensed interim statement of financial position						
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

	Nine Months period ended September 30, 2015	Nine Months period ended September 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	2,465,597
Increase in profit due to additional other income from new subsidiaries	52,289	(8,832)
Decrease in profit due to additional administrative expenses of new subsidiaries	264,070	455,369
Decrease in profit due to elimination of shares of profit from associates on consolidation	385,866	175,715
	2,117,297	3,087,849

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

Basic and diluted earnings per share (Rupees)	0.80	1.07
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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.

7. INVESTMENTS-net

	September 30, 2015 (Un-audited)			December 31, 2014 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Note						
7.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	175,488	-	175,488	110,835	-	110,835
Market Treasury Bills	6,098,383	-	6,098,383	6,235,161	-	6,235,161
Investment in mutual funds	416,031	-	416,031	144,368	-	144,368
Pakistan Investment Bonds	1,002,645	-	1,002,645	9,706,323	-	9,706,323
Total Held-for-Trading Securities	7,692,547	-	7,692,547	16,196,687	-	16,196,687
Available- for- sale securities						
Ordinary shares of listed companies	23,537,054	-	23,537,054	24,653,741	-	24,653,741
Ordinary shares of unlisted companies	1,129,263	-	1,129,263	1,374,080	-	1,374,080
	24,666,317	-	24,666,317	26,027,821	-	26,027,821
Market Treasury Bills	172,064,986	61,404,192	233,469,178	111,752,989	5,906,690	117,659,679
Preference shares	869,160	-	869,160	869,160	-	869,160
Pakistan Investment Bonds	170,134,072	9,944,630	180,078,702	194,478,241	-	194,478,241
GoP Foreign Currency Bonds	7,603,693	-	7,603,693	6,166,924	-	6,166,924
Foreign Currency Debt Securities	3,778,787	-	3,778,787	3,940,510	-	3,940,510
Term Finance Certificates / Musharika and Sukuk Bonds	33,346,663	-	33,346,663	19,109,924	-	19,109,924
Investment in Mutual funds	946,242	-	946,242	2,561,608	-	2,561,608
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
Total Available- for- sale securities	413,873,215	71,348,822	485,222,037	365,370,472	5,906,690	371,277,162
Held-to-maturity securities						
Pakistan Investment Bonds	107,334,347	-	107,334,347	106,838,847	-	106,838,847
Market Treasury Bills	7,823,932	-	7,823,932	4,622,262	-	4,622,262
GoP Foreign Currency Bonds	1,584,799	-	1,584,799	1,540,658	-	1,540,658
Foreign Government Securities	20,551,588	-	20,551,588	8,959,455	-	8,959,455
Foreign Currency Debt Securities	405	-	405	389	-	389
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	2,839,754	-	2,839,754	3,048,324	-	3,048,324
Total Held-to-maturity securities	140,134,825	-	140,134,825	125,009,935	-	125,009,935
Investments in joint venture						
	4,944,633	-	4,944,633	4,489,187	-	4,489,187
Investments in associates						
	1,924,412	-	1,924,412	3,346,292	-	3,346,292
Investments in subsidiaries						
	1,245	-	1,245	1,245	-	1,245
Investment at cost	568,570,876	71,348,822	639,919,698	514,413,817	5,906,690	520,320,507
Less: Provision for diminution in value of Investments						
	(15,499,978)	-	(15,499,978)	(15,668,377)	-	(15,668,377)
Investments (net of provisions)	553,070,898	71,348,822	624,419,720	498,745,441	5,906,690	504,652,131
Deficit / Surplus on revaluation of						
Held-for-trading securities	3,063	-	3,063	145,454	-	145,454
Surplus on revaluation of						
Available-for-sale securities	49,532,585	(2,716)	49,529,869	57,261,787	(1,101)	57,260,686
Total investments	602,606,546	71,346,106	673,952,652	556,152,682	5,905,589	562,058,271

	Note	September 30 2015 (Un-audited) ----- (Rupees in '000) -----	December 31 2014 (Audited) -----
7.2 Particulars of provision for diminution in value of investments			
Opening balance		15,668,377	15,445,884
Charge for the period		1,085,929	1,641,247
Reversals		(1,254,328)	(3,083,005)
		(168,399)	(1,441,758)
Transfer in		-	1,366,790
other movement (Transferred from interest expense)		-	297,461
Closing balance		<u>15,499,978</u>	<u>15,668,377</u>

7.2.1 Particulars of provision in respect of type

Available-for-sale securities

Ordinary shares of listed companies and mutual funds		3,389,056	3,781,567
Ordinary shares of unlisted companies		392,287	376,135
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	7.2.4	9,342,383	8,978,475
Preference shares		446,444	446,444

Held-to-maturity securities

Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates		493,230	631,920
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Investment in associates

Investment in subsidiaries		1,447,476	1,452,591
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		1,245	1,245
		<u>15,512,121</u>	<u>15,668,377</u>

7.2.2 Particulars of provision in respect of segments

Fully Paid up Ordinary Shares		3,781,343	4,157,702
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	7.2.4	9,835,613	9,610,395
Other investments		446,444	446,444
Investments in associates		1,447,476	1,452,591
Investments in subsidiaries		1,245	1,245
		<u>15,512,121</u>	<u>15,668,377</u>

7.2.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments which resulted in decrease in provision for diminution in value of investments by Rs.829 million (December 31, 2014: Rs. 1,191 million). Accordingly, as of September 30, 2015, the accumulated increase in profit after tax of Rs.539 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.

7.2.4 These include provision against TFCs of Agritech Limited amounting to Rs. 257 million. 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 relaxation to the Bank regarding the impairment arising overdue exposures of Term Finance Certificates. During the year SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of September 30, 2015, 90% 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. 29 million (2014: Rs. 1,336 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. 836 million.

	Note	September 30 2015 (Un-audited) ----- (Rupees in '000) -----	December 31 2014 (Audited) -----
8. ADVANCES -net			
Loans, cash credits, running finances, etc.			
In Pakistan		605,459,500	648,754,799
Outside Pakistan		55,886,379	55,841,400
		661,345,880	704,596,199
Net investment in finance lease			
In Pakistan		1,385,704	1,399,731
Outside Pakistan		-	-
		1,385,704	1,399,731
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		10,131,025	15,434,441
Payable outside Pakistan		9,430,316	10,549,928
		19,561,341	25,984,369
Advances - gross		682,292,924	731,980,299
Less: Provision against non-performing loans - specific	8.1	(107,657,410)	(98,549,185)
- general	8.2	(2,904,548)	(3,201,465)
		(110,561,958)	(101,750,650)
Advances - net of provision		<u>571,730,966</u>	<u>630,229,649</u>

8.1 Advances include Rs. 131,199 million (2014: Rs.121,679 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2015 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	9,413,349	-	9,413,349	81,135	81,135
Substandard	7,627,203	145,189	7,772,392	1,509,934	1,509,934
Doubtful	6,296,031	458,706	6,754,737	3,107,260	3,107,260
Loss	75,862,616	31,395,450	107,258,066	102,959,081	102,959,081
	99,199,199	31,999,345	131,198,544	107,657,410	107,657,410

Category of Classification	December 31, 2014 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	1,228,018	-	1,228,018	1,347	1,347
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	75,741,089	19,253,958	94,995,047	89,663,764	89,663,764
	91,475,159	30,204,780	121,679,939	98,549,185	98,549,185

8.2 Particulars of provision against non-performing advances

	September 30, 2015 (Un-audited)			December 31, 2014 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	98,549,185	3,201,465	101,750,650	90,003,586	2,875,887	92,879,473
Foreign exchange adjustments	795,466	16,849	812,315	(495,074)	(25,919)	(520,993)
Charge for the period	12,055,151	42,335	12,097,486	14,902,032	368,937	15,270,969
Reversals	(3,704,469)	(358,685)	(4,063,154)	(4,185,832)	(1,164)	(4,186,996)
	8,350,682	(316,350)	8,034,332	10,716,201	367,773	11,083,974
Transfer (out) / in			-	(1,650,189)	8,203	(1,641,986)
Amounts written off	(18,794)		(18,794)	(32,623)		(32,623)
Amounts charged off	(4,482)		(4,482)	(5,272)		(5,272)
Other adjustments	(14,647)	2,584	(12,063)	12,556	(24,479)	(11,923)
Closing balance	107,657,410	2,904,548	110,561,958	98,549,185	3,201,465	101,750,650

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.1,700 million (December 31, 2014: Rs. 3,542 million). Accordingly, as of September 30, 2015, the accumulated profit after tax of Rs.1,352 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 September 30, 2015, 90% 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. 265 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.

9. OPERATING FIXED ASSETS	September 30	December 31
	2015	2014
	(Un-audited)	(Audited)
	----- (Rupees in '000') -----	
Capital work-in-progress	1,372,952	1,215,686
Property and equipment	30,964,851	30,658,251
Intangible assets	1,027,458	1,479,589
	33,365,261	33,353,526

9.1 Additions and disposals during the period amounted to Rs. 1,566 million (September 30, 2014: Rs.1,315 million) and Rs. 32 million (September 30, 2014: Rs. 106 million) respectively.

	September 30 2015 (Un-audited)	December 31 2014 (Audited)
10. DEFERRED TAX ASSETS - net		
Deductible temporary differences on:		
Provision for diminution in the value of investments	3,704,048	3,636,653
Provision against advances	7,092,841	7,092,841
Other provision	1,964,681	1,769,167
Charge against defined benefits plans	9,211,110	9,031,229
Unrealized loss on derivatives	691,907	691,907
Provision against off balance sheet obligation	116,622	116,622
	<u>22,781,209</u>	<u>22,338,419</u>
Taxable temporary differences on:		
Excess of accounting book value of leased assets over lease liabilities	(6,592)	(3,720)
Revaluation of securities	(16,238,426)	(11,173,750)
Revaluation of operating fixed assets	(1,079,269)	(1,276,693)
	<u>(17,324,287)</u>	<u>(12,454,163)</u>
Net deferred tax liabilities	<u>5,456,922</u>	<u>9,884,256</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	256,032,169	289,729,861
Savings deposits	366,985,685	348,098,999
Current accounts - remunerative	160,286,069	159,042,873
Current accounts - non-remunerative	263,904,510	268,081,544
	<u>1,047,208,433</u>	<u>1,064,953,277</u>
Financial Institutions		
Remunerative deposits	88,618,276	61,200,944
Non-remunerative deposits	55,872,094	108,243,957
	<u>144,490,370</u>	<u>169,444,901</u>
	<u>1,191,698,803</u>	<u>1,234,398,178</u>
12. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on Revaluation of Fixed Assets - net of Tax	22,147,234	22,288,314
Surplus on Revaluation of Securities - net of Tax		
Federal Government securities	12,187,040	10,377,882
Term Finance Certificates	2,681	(31,121)
Shares and Mutual Funds	24,185,100	29,556,505
GoP Foreign Currency Bonds	349,585	380,738
Foreign Currency Debt Securities	81,999	81,092
Investment outside Pakistan	12,723,464	16,895,590
	<u>49,529,869</u>	<u>57,260,686</u>
Deferred tax Liability Recognized	(16,238,426)	(11,173,750)
Share of Revaluation Loss on Securities of Associates	(492,217)	(525,504)
	<u>54,946,460</u>	<u>67,849,746</u>
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		
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	6,624,829	5,110,261
- Financial institutions	10,802,698	11,135,929
- Others	20,053,373	32,227,405
	<u>37,480,900</u>	<u>48,473,595</u>

13.2 Transaction-related contingent liabilities

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

- Government	13,309,039	11,879,063
- Financial institutions	9,777,721	5,239,234
- Others	6,636,911	22,520,962
	<u>29,723,671</u>	<u>39,639,259</u>

13.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	155,799,660	129,493,436
- Others	23,276,266	27,137,972
	<u>179,075,926</u>	<u>156,631,408</u>

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

14,391,250 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 Inland Revenue (Appeals) - CIR(A). 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 Appellate Tribunal Inland Revenue (ATIR).

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 has neither served proper notice nor has provided adequate opportunity of being heard. An appeal has been filed before the CIR(A) which is pending.

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 CIR(A) reverted back the order and reassessed the total amount payable of Rs. 22.6 million which has been paid.

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 withdrawn 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 on behalf of SBP and accordingly the claim was lodged to SBP.

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 September 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 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.

	(Un-Audited) June 30, 2014	(Audited) December 31, 2014
	----- (Rupees in '000) -----	
13.5 Commitments in respect of forward exchange contracts		
Purchase	229,397,855	233,021,148
Sale	174,511,264	120,265,758

13.6 Other Commitments

Professional services to be received	85,795	99,450
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13.7 Commitments for the acquisition of operating fixed assets

	1,812,978	1,798,160
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14. OTHER INCOME

Other Income includes Rs 1,220 million (September 30: 2014 Rs 2,626 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.

	Quarter Ended September 30 2015	Nine Months Ended September 30 2015	Quarter Ended September 30 2014 (Restated)	Nine Months Ended September 30 2014 (Restated)
16. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation (Rupees in '000)	4,445,716	12,306,091	4,424,058	13,643,335
Weighted average number of ordinary shares (Number '000)	2,127,513	2,127,513	2,127,513	2,127,513
Basic and diluted earnings per share (Rupees)	2.09	5.78	2.08	6.41

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	----- Rupees in '000 -----								
September 30, 2015-Unaudited									
Total income	171,919	226,642	6,905,150	48,525,426	1,349,658	4,384,835	2,449,708	99,037	64,112,373
Inter segment revenue	-	(141,952)	11,927,359	(11,785,407)	-	-	-	-	-
Total expenses	16,275	-	14,282,849	20,717,408	1,284,261	4,242,913	1,094,956	77,084	41,715,746
Net income	155,643	84,690	4,549,660	16,022,611	65,397	141,921	1,354,752	21,953	22,396,627
Segment Assets	-	8,058,443	253,662,770	1,258,712,265	-	24,245,334	2,708,145	487,328	1,547,874,284
Segment Non-Performing Loans	-	-	20,157,035	111,041,509	-	-	-	-	131,198,544
Segment Specific Provision Required	-	-	6,539,559	104,022,399	-	-	-	-	110,561,958
Segment Liabilities	-	-	426,835,272	916,743,006	-	32,055,692	1,922,753	170,586	1,377,727,308
Segment Return on Assets (ROA) (%)	0.00%	-0.49%	2.54%	1.67%	0.00%	1.49%	3.41%	4.50%	
Segment Cost of Fund (%)	0.00%	0.00%	3.65%	5.52%	0.00%	0.00%	16.68%	16.00%	
September 30, 2014 - Unaudited - (Restated)									
Total income	439,883	2,511,958	7,549,729	37,721,051	1,301,688	4,261,885	864,854	86,885	54,737,933
Inter segment revenue	-	(40,502)	10,024,390	(9,983,888)	-	-	-	-	-
Total expenses	16,515	497,321	12,914,372	15,543,432	1,241,123	4,021,633	781,911	68,930	35,085,237
Net income	423,368	1,974,135	4,659,747	12,193,731	60,565	240,252	82,943	17,955	19,652,696
Segment Assets	-	23,437,692	237,398,767	1,155,417,823	-	19,580,689	2,881,504	491,702	1,439,208,177
Segment Non-Performing Loans	-	-	19,304,403	100,108,115	-	-	-	-	119,412,518
Segment Specific Provision Required	-	-	6,220,629	84,272,387	-	-	-	-	92,307,984
Segment Liabilities	-	-	281,323,795	952,689,023	-	32,186,824	1,901,398	193,286	1,268,294,326
Segment Return on Assets (ROA) (%)	0.00%	8.72%	2.09%	1.58%	0.00%	2.51%	2.88%	3.65%	
Segment Cost of Fund (%)	0.00%	0.00%	6.65%	6.00%	0.00%	0.00%	0.18%	0.42%	

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 Sep 30,	At January 01,	Given during the year	Repaid during the year	At December 31,
	----- (Rupees in '000') -----							
Advances								
Key Management Executives	186,667	-	(27,556)	159,111	144,607	115,044	(21,260)	238,391
Adjustments*	34,419	-	-	34,419	(51,724)	-	-	(51,724)
	221,086	-	(27,556)	193,530	92,883	115,044	(21,260)	186,667
Associates	5,410,612	783,873	(12,825)	6,181,660	5,433,806	-	(23,194)	5,410,612
Adjustments*								
Debts due by Company in which director is interested as director	9,115,000	2,713,647	(4,785,680)	7,042,967	9,613,756	11,577,858	(12,424,576)	8,767,038
* Adjustment	(1,154,000)	-	-	(1,154,000)	347,962	-	-	347,962
	7,961,000	2,713,647	(4,785,680)	5,888,967	9,961,718	11,577,858	(12,424,576)	9,115,000
	<u>13,592,698</u>	<u>3,497,520</u>	<u>(4,826,061)</u>	<u>12,264,157</u>	<u>15,488,407</u>	<u>11,692,902</u>	<u>(12,469,030)</u>	<u>14,712,279</u>

	2015				2014			
	At January 01,	Received during the half year	Withdrawals during the half year	At Sep 30,	At January 01,	Received during the year	Withdrawals during the year	At December 31,
	----- (Rupees in '000') -----							
Deposits								
Associates	26,038	-	(26,038)	-	12,038,914	-	(12,012,876)	26,038
Key Management Executives	19,309	291,549	(261,858)	49,000	13,402	303,914	(296,813)	20,503
Adjustments*	12,014	-	-	12,014	(1,194)	-	-	(1,194)
	31,323	291,549	(261,858)	61,014	12,208	303,914	(296,813)	19,309
Pension Fund (Current)	4,248	26,654,292	(26,654,754)	3,786	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	13,196,889	(13,209,790)	1,043,774	270,228	12,614,720	(11,828,273)	1,056,675
Provident Fund (Current)	13,123,803	1,411,011	(1,449,637)	13,085,176	12,886,715	2,749,149	(2,512,061)	13,123,803
	<u>21,542,087</u>	<u>43,553,741</u>	<u>(48,602,077)</u>	<u>16,493,751</u>	<u>36,712,458</u>	<u>47,541,084</u>	<u>(62,723,469)</u>	<u>21,530,073</u>

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

	September 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
Placements with:		
Joint Venture	572,178	156,864
Repo Borrowing from:		
Joint Venture	87,813	73,695
Off-Balance sheet items - Joint Venture	39,698	825,636
Investments in associates	-	700,770
Redemption / sale of investment in associates	204,098	100,000
	Nine months period ended September 30, 2015	Nine months period ended September 30, 2014
	----- (Rupees in '000') -----	
Income for the period		
On advances / placements with:		
Joint Venture	86,092	212
Key management executives	-	3,032
Debts due by company in which a director of the Bank is interested as director	713,760	839,000

	Nine months period ended September 30, 2015	Nine months period ended September 30, 2014
	----- (Rupees in '000') -----	
Dividend income from:		
Joint Venture	107,723	-
Expenses for the period		
Remuneration to key management executives	222,759	192,071
Charge for defined benefit plan	23,867	63,586
Mark-up on Deposits of:		
Associates	-	49,476
Provident fund	1,390,290	1,547,131
Pension fund	442,572	189,327
Key management executives	-	684
Mark-up on Borrowing (Repo / Call):		
Joint Venture	1,760	435

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. 4,365 million for the nine months period ended September 30, 2015. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 232,910 million and Rs. 437,514 million respectively.

19. ISLAMIC BANKING BUSINESS

The Bank is operating 51 (December 31, 2014: 22) Islamic banking branches as at September 30, 2015. Statement of financial position and profit and loss account are as under:

	September 30, 2015	December 31, 2014
	----- (Rupees in '000') -----	
<u>STATEMENT OF FINANCIAL POSITION</u>		
Assets		
Cash and balances with treasury banks	754,849	173,676
Balances with other banks / amounts due from financial institutions	6,577,135	266
Investments	3,211,988	2,428,587
Islamic financing and related assets	599,637	978,542
Operating fixed assets	46,162	58,418
Due from Head Office	-	-
Other assets	595,700	173,781
	11,785,471	3,813,270
Liabilities		
Bills Payable	39,283	12,100
Deposits and other accounts		
- Current accounts	5,604,852	768,879
- Saving accounts	3,742,050	1,048,266
- Term deposits	1,345,025	672,802
Due to Head Office	56,771	433,959
Other liabilities	222,344	62,687
	11,010,325	2,998,693
Net Assets	775,146	814,577
Represented By		
Islamic Banking Fund	800,000	800,000
Unappropriated (loss) / profit	(22,339)	14,237
	777,661	814,237
Surplus on revaluation of investments	(2,515)	340
	775,146	814,577

Nine Months Nine Months
period ended period ended
September 30, **September 30,**
2015 **2014**
 ----- (Rupees in '000') -----

PROFIT AND LOSS ACCOUNT

Profit / Return earned on financings, investments and placements	505,398	352,285
Profit / Return expensed on deposit	146,693	133,226
Net spread earned	358,705	219,059
Depreciation on assets given on ijarah	(64,342)	(51,970)
	294,363	167,089
Provision against advances and investments	(3,394)	-
Provision reversed against advances and investments	20,627	7,380
	17,233	7,380
Profit after provision	311,596	174,469
Other income		
Fee, commission and brokerage income	47,181	50,608
Income from dealing in foreign currencies	162	(373)
Other income	1,958	(170)
Total other income	49,301	50,065
	360,897	224,534
Other expenses		
Administrative expenses	(383,236)	(211,163)
(Loss) / Profit before taxation	(22,339)	13,371

CASH FLOW STATEMENT

Cash Flow from Operating Activities

(Loss) / Profit for the period	(22,339)	13,371
Adjustments :		
Depreciation - Own assets	2,462	1,983
Depreciation - Ijarah assets	64,527	51,970
Reversal of provision against non performing financings	(17,233)	(7,380)
	49,756	46,573
	27,417	59,944
(Increase) / Decrease in operating assets		
Due from Financial Institutions	(6,576,869)	(264)
Financings	(454,460)	2,482,085
Other assets	(421,919)	51,576
	(7,453,248)	2,533,397
Increase / (Decrease) in operating liabilities		
Bills payable	27,183	(5,254)
Deposits and other accounts	8,201,980	(2,803,818)
Borrowings from Head Office	(381,816)	77,650
Other liabilities	159,657	17,303
	8,007,004	(2,714,119)
Net cash generated / (used in) from operating activities	581,173	(120,778)
Cash Flow from Investing Activities		
Investment in operating fixed assets	-	(2,996)
Net cash used in investing activities	-	(2,996)
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
Increase / (decrease) in cash and cash equivalents	581,173	(123,774)
Cash and cash equivalents at beginning of the period	173,676	263,743
Cash and cash equivalents at the end of the period	754,849	139,969

20. GENERAL LOAN LOSS RESERVE

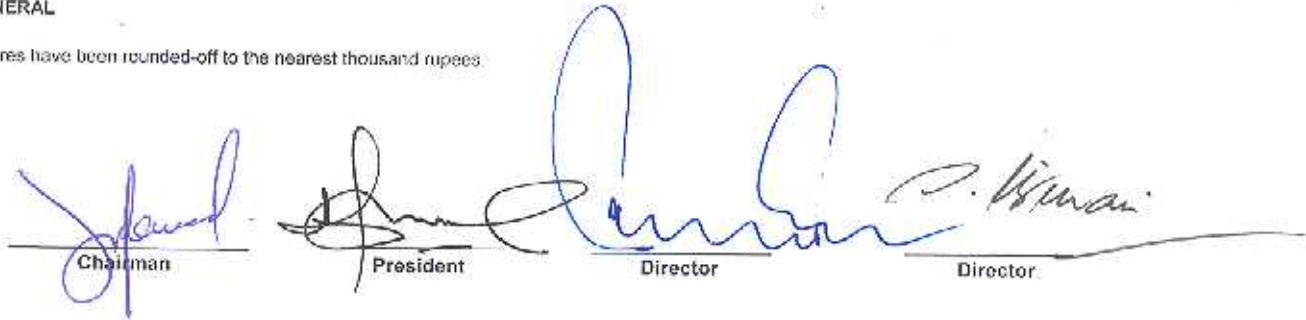
The Bank is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual 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.

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 October 28, 2015.

22. GENERAL

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



Chairman President Director Director

Amal