

Directors' Report to the Members

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

Economic Environment

The GDP growth was recorded at 5.3% in fiscal year 2017, despite challenges on the economic front including current account deficit and rising inflation, economic growth still remains positive as GDP witnessed a 5.8% growth in FY' 18.

Despite, both exports and workers' remittances performing better, the 15% growth in imports to \$ 60.9 billion deteriorated trade deficit to \$ 37.6 billion in FY '18. Current account deficit widened to \$ 18.0 billion being 43% up YoY. Sharp decline in country's foreign reserves resulted into approx. 25% depreciation of Rupee by July, 2018. Given the pressures on current account and rising inflation, SBP recently increased policy rate by 100 basis points to 7.5%. This is expected to support core earnings for the Banks.

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

Bank's Performance Highlights

For the six months period under review, the Bank recorded unconsolidated pre-tax profit of PKR 17.16 billion which is 26% higher than PKR 13.61 billion for the corresponding period last year. Pre-provision profit for the period amounted to PKR 19.98 billion; whereas after-tax profit for the period amounted to PKR 12.49 billion which is 46% higher than PKR 8.55 billion for the corresponding period last year. This translates into pre-tax and after-tax return on equity of 25.9% and 18.9% respectively; and Earnings per share of Rs. 5.87 (H1 '17:Rs. 4.02).

Mark-up/interest income: The Bank has earned mark-up/interest income amounting to PKR 66.41 billion, being 17.48% higher than PKR 56.53 billion earned during the corresponding period last year. This growth is achieved mainly through volumetric growth in both advances and investment portfolio coupled with the impact of increase in policy rate. Pre-provisions net mark-up/interest income for the period under review amounted to PKR 30.14 billion, being 15.72% higher against PKR 26.42 billion earned during the corresponding period last year.

Non mark-up/interest income: Non mark-up / interest income for the period dropped marginally by 2.73% to PKR 15.25 billion as against PKR 15.68 billion earned during the corresponding period last year. Despite a tough market competition, the Bank improved its earnings from fee & commission (PKR 9.0 billion) by 18.0% and income from dealing in foreign currencies (PKR 1.72 billion) by 31.7% as compared to earnings for corresponding period last year. However, this growth was off-set by the adverse results driven by the stock market as Bank's dividend income dropped by 39.3% to PKR 1.13 billion and capital gains dropped by 39.6% to PKR 2.51 billion.

Expense Management: Administrative expenses for H1 '18 amounted to PKR 25.41 billion being marginally higher by 2.7% as compared to PKR 24.75 billion for the corresponding six months period of 2017. Administrative expenses remained well controlled within the approved budget and the periodic growth observed is in line with the industry norms. Major costs incurred during the period related to salaries & allowances, branch uplift & renovation and IT infrastructure

development & maintenance. The Bank has also invested to improve its customer service quality, corporate image and market visibility through advertisements and social services. During this period, the Bank also booked provision charge of PKR 2.48 billion (H1'17:PKR 1.80 billion) on account of advances and investments.

Balance Sheet Review

The bank is expanding its market outreach and has become a PKR 2.7 trillion Bank by balance sheet size. During the period under review, Bank's balance sheet recorded 12.1% growth and reached to PKR 2,657.79 billion in June 2018 as against PKR 2,369.88 billion as of December 31, 2017.

The Bank is pursuing a strategy of improving its loan book through quality lending and effective post-disbursement monitoring to keep the NPL accretion at a minimal level. As of June, 30, 2018, Bank's gross advances amounted to PKR 912.64 billion, being 6.5% higher against that of December 31, 2017. Growth was mainly observed in domestic loan book. Islamic financing and related assets amounted to PKR. 23.13 billion, showing a 20.9% growth over that of December 31, 2017.

As of June 30, 2018, Bank's non-performing loans amounted to PKR 122.31 billion, were slightly higher by 1.25% against NPL of PKR 120.80 billion as of December, 2017. Increase is mainly due to exchange rate impact of overseas NPL and a seasonal trend in certain domestic industrial sectors which is expected to regularize / reverse during the next quarter. NPL to Gross Advances ratio however improved from 14.10% as of December 31, 2017 to 13.4% as of June 30, 2018. NPLs are adequately covered through the required specific provision of PKR 113.39 billion and a general provision of PKR 8.84 billion. Specific provision charge coverage also increased slightly from 91.6% of December 2017 to 92.7% as of June, 2018.

Bank's investments at cost amount to PKR 1,340.03 billion, being 5.35% higher as compared to that as of December 31, 2017. Whereas, net investment as of June 30, 2018 amounted to PKR 1,325.04 billion which is 5.4% higher against PKR 1,257.26 billion as of December 31, 2017. Pursuant to our effective risk and capital adequacy management strategy, the investment portfolio is efficiently diversified across zero risk treasury instruments & bonds, high dividend yield equities and other interest bearing financial instruments.

Growth in deposits during the six months period amounted to PKR 183.57 billion. Cost of funds however remained at 3.9% (H1 '17:3.8%) as low cost CASA deposits increased from 78% in June 2017 to 81.5% in June 2018. Growth is also achieved in our Islamic banking branches network which increased from 169 branches as of December 31, 2017 to 173 branches as of June 30, 2018. Satisfactory growth is observed in Islamic Banking deposits as well as advances during the period under review.

Capital Strength & Adequacy

NBP, being recently designated as a Systemically Important Bank, has developed effective plans to comply with the enhanced regulatory and supervisory requirements set by the SBP and Basel framework. For the period under review, Tier-I capital of the Bank has increased from PKR 101.3 billion as of December 31, 2017 to PKR 114.60 billion as of June 30, 2018. Bank's total capital & reserves amounted to PKR 188.0 billion as against PKR 175.38 billion as of December 31, 2017. Bank's capital adequacy ratio has improved from 15.95% in December 2017 to 17.79% as of June 30, 2018.

Credit Rating

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

Contingency Regarding Pension Case

As disclosed in Note 14.4.5 of the half yearly Financial Statement of June 30, 2018, the Bank has filed a review petition with Honourable Supreme Court of Pakistan for which hearing has not been fixed as yet. Pending the decision on review petition, financial impact of the subject case has not been included in the current financial statements as the Bank looks forward to a favourable outcome of the case.

Compliance with regulatory matters in USA operations

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

Appropriation of Profits

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

	<i>(PKR Million)</i>
Profit before tax for six months period ended June 30, 2018	17,160
Taxation:	
- Current	6,884
- Prior Year	(20,755)
- Deferred	18,539
	4,668
After tax profit for six months period ended June 30, 2018	12,492
Un-appropriated profit brought forward	54,060
Other comprehensive income - net of tax	609
Transfer from surplus on revaluation of fixed assets – net of tax	51
Profit available for appropriations	67,212
Appropriation:	
Transfer to Statutory Reserve	1,249
Un-appropriated profit carried forward	65,963

Future Outlook

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

For and on behalf of the Board of Directors

Tariq Jamali

President (Acting)

Karachi

Date: August 30, 2018

Muhammad Imran Malik

Director

ممبرز کیلئے ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے ہمیں 30 جون 2018ء کو ختم ہونے والی ششماہی عرصے کیلئے نیشنل بینک آف پاکستان کے مالیاتی گوشوارے پیش کرتے ہوئے مسرت ہے۔

معاشی صورتحال

مالی سال 2017ء میں اعلان کردہ 5.3% کی شرح نمو کے ساتھ معیشت نے اڑان بھری ہے۔ اقتصادی مبادیات کو اچھے خاصے چیلنجز کے سامنے کے باوجود جیسا کہ حسابات جاریہ کا خسارہ اور بڑھتا ہوا افراط زر، معاشی نمونہ بھی مثبت رہی ہے کیونکہ مالی سال 18ء میں شرح نمو نے 5.8% کے اضافے کا مشاہدہ کیا ہے۔

باوجود اسکے کہ برآمدات اور محنت کشوں کی ترسیلات زر نے بہتر کارکردگی کا مظاہرہ کیا ہے، درآمدات 15% کے اضافے کی وجہ سے 60.9 ارب ڈالر تک پہنچے جس نے مالی سال 18ء میں تجارتی خسارے کو 37.6 ارب ڈالر تک انحطاط پذیر کر دیا ہے۔ حسابات جاریہ کا خسارہ سال بہ سال 43% بڑھ جانے سے 18.0 ارب ڈالر تک وسیع ہو گیا ہے۔ ملک کے غیر ملکی زرمبادلہ کے ذخائر میں تیزی سے کمی کی وجہ سے جولائی 2018ء تک روپے کی قدر تقریباً 25% کمی پر منتج ہوئی ہے۔ حسابات جاریہ اور بڑھتے افراط زر کے دباؤ کے ہوتے ہوئے، ایس بی پی (SBP) نے حال ہی میں شرح پالیسی میں 100 بنیادی پوائنٹس تک اضافہ کر کے اُسے 7.5% کر دیا ہے۔ اس سے توقع ہے کہ بینکس کیلئے خالص منافع جات میں مدد ملے گی۔

میکرو فنانشل صورتحال کے تناؤ کے باوجود، مالیاتی اداروں نے اس عرصے کے دوران بنیادی آمدن میں قدرے استحکام ریکارڈ کیا ہے۔ غیر سودی آمدن پر دباؤ اگرچہ مشاہدہ میں آیا لیکن یہ اسٹاک مارکیٹ کی کارکردگی میں مندی کے سبب تھا۔ بینکاری کے شعبے نے 15.8% کی توسیع اثاثہ جات کا اندراج کیا ہے جس کی بڑی وجہ نئی شعبے کو دیے جانے والے قرضہ جات کی فراہمی میں زبردست اضافہ تھی۔ مالیاتی شعبے کی مجموعی اساس اثاثہ جات جاری سال 17ء کے دوران 12.8% تک بڑھتی چلی گئی۔

بینک کی کارکردگی کی جھلکیاں

زیر جائزہ ششماہی عرصے کے دوران، بینک نے 17.16 ارب روپے کا قبل از محصول غیر انضمام شدہ منافع ریکارڈ کیا جو کہ پچھلے سال کے اسی عرصے کی مطابقت میں 13.61 ارب روپے سے 26% زیادہ ہے۔ اس عرصے کیلئے پری-پروویژن منافع کی مالیت 19.98 ارب روپے ہے، جبکہ اس عرصے کیلئے بعد از محصول منافع کی مالیت 12.49 ارب روپے رہی جو کہ پچھلے سال کے مطابقتی عرصے کیلئے 8.55 ارب روپے کے مقابلے میں 46% زیادہ ہے۔ یہ علی الترتیب 25.9% اور 18.9% کے حصص پر قبل از محصول اور بعد از محصول منافع، اور 5.87 روپے منافع فی حصص کی ترجمانی کرتا ہے (H1 '17:Rs. 4.02)۔

مارک اپ/سودی آمدن: بینک نے 66.41 ارب روپے کی مالیت کی مارک اپ/سودی آمدن کمائی، جو کہ پچھلے سال کے مطابقتی عرصے کے 56.53 ارب روپے سے 17.48% زیادہ ہے۔ یہ اضافہ زیادہ تر قرضہ جات اور انویسٹمنٹ پورٹ فولیو دونوں میں بلحاظ حجم اضافے کے ذریعے حاصل کیا گیا ساتھ ہی شرح پالیسی میں اضافہ کا اثر بھی تھا۔ زیر جائزہ عرصے کیلئے خالص مارک اپ/سودی آمدن کی مالیت 30.14 ارب روپے رہی جو کہ پچھلے سال کے مطابقتی عرصے کے 26.42 ارب روپے کے مقابلے میں 15.72% زیادہ ہے۔

نان-مارک اپ/سودی آمدن: اس عرصے کیلئے نان-مارک اپ/سودی آمدن 2.73% تک کچھ کم ہو کر 15.25 ارب روپے ہو گئی جبکہ پچھلے سال کے مطابقتی عرصے کے دوران یہ مقابلتاً 15.68 ارب روپے تھی۔ مارکیٹ میں سخت مقابلے کے باوجود، بینک نے اپنی آمدن فیس اور کمیشن سے (9.0 ارب روپے) سے 18% تک بہتر کی اور غیر ملکی کرنسیز میں تجارتی لین دین سے آمدن (1.72 ارب روپے) پچھلے سال کے مطابقتی عرصے کی آمدن سے مقابلتاً 31.7% تک بڑھالی۔ تاہم، یہ اضافہ اسٹاک مارکیٹ کی جانب سے متحرک برے نتائج سے برابر ہو گیا کیونکہ منافع منقسمہ جو کہ 39.3% سے گھٹ کر 1.13 ارب روپے اور کیپیٹل گینز سے بینک کی آمدن 39.6% سے گھٹ کر 2.51 ارب روپے ہو گئی۔

نظم کاری اخراجات: پہلی ششماہی 2018ء کیلئے انتظامی اخراجات کی مالیت 25.41 ارب روپے رہی جو 2017ء کی اسی ششماہی کے مطابق عرصے کیلئے 24.75 ارب روپے کے مقابلے میں 2.7% سے کچھ زیادہ رہے۔ انتظامی اخراجات منظور کردہ بجٹ کے اندر ہی زیر قابو رہے اور گردش نموجس کا مشاہدہ بینکاری کے معین معیار کے مطابق ہے۔ اس عرصے میں ہونے والی لاگتیں تنخواہوں، مشاہدوں، برانچ کی اٹھان و ترسین و آرائش اور آئی ٹی انفراسٹرکچر کے فروغ اور دیکھ بھال سے متعلق رہیں۔ بینک نے اپنے کسٹمر سروس کوالٹی، کارپوریٹ منج اور مارکیٹ ویڈیٹیبلٹی بذریعہ اشتہارات اور سوشل سروسز میں بھی سرمایہ کاری کی ہے۔ اس عرصے کیلئے دوران، بینک نے فراہمی قرضہ جات اور سرمایہ کاری کی مد میں 2.48 ارب روپے کے پرووژن چارج بھی مختص کیے (H1'17: 1.80 ارب روپے)۔

بیلنس شیٹ کا جائزہ

بینک اپنی مارکیٹ آؤٹ ریچ میں بھی توسیع کر رہا ہے اور 2.7 کھرب روپے کا بینک بن چکا ہے۔ زیر جائزہ عرصے کے دوران، بینک کی بیلنس شیٹ میں 12.1% کا اضافہ ریکارڈ کیا گیا اور 31 دسمبر 2017ء کے مطابق 2,369.88 ارب روپے کے مقابلے میں جون 2018ء میں 2,657.79 ارب روپے کو جا پہنچی۔

بینک معیاری فراہمی قرضہ اور مؤثر بعد از خرچ نگرانی کے ذریعے اپنی کتاب قرض (لون بک) کو بہتر بنانے کی حکمت عملی کی پیروی کر رہا ہے تاکہ غیر کارکردگی والے قرضوں کی افزائش کو کم سے کم سطحوں پر برقرار رکھا جائے۔ 30 جون 2018ء کے مطابق بینک کے مجموعی قرضہ جات کی مالیت 912.64 ارب روپے تھی جو کے 31 دسمبر 2017ء کے مقابلے میں 6.5% زیادہ ہے۔ اضافہ زیادہ تر ڈومیسٹک لون بک (ملکی قرض) میں دیکھا گیا۔ اسلامی مالیات اور اس سے متعلق اثاثہ جات کی مالیت 23.13 ارب روپے رہی جو کہ 31 دسمبر 2017ء کے مطابق مالیت سے 20.9% کے اضافے کو ظاہر کرتی ہے۔

بمطابق 30 جون 2018ء بینک کے غیر کارکردگی والے قرضہ جات کی مالیت 122.31 ارب روپے رہی، جو کہ 31 دسمبر 2017ء کے مطابق غیر کارکردگی والے قرضہ جات کے 120.80 ارب روپے کے مقابلے میں 1.25% تک تھوڑے زیادہ تھے۔ اس اضافے کی اہم وجہ سمندر پار کے غیر کارکردگی والے قرضوں کی شرح مبادلہ کا اثر ہے اور کچھ ملکی صنعتی شعبہ جات میں موسمی رجحان بھی اس کی وجہ ہے جو کہ توقع ہے کہ آئندہ سہ ماہی کے دوران معمول پر آجائے گا یا بدل جائے گا۔ غیر کارکردگی والے قرضہ جات بہ نسبت مجموعی قرضہ جات کا تناسب 31 دسمبر 2017ء کے 14.10% سے 30 جون 2018ء کے مطابق 13.4% تک بہتر ہو گیا ہے۔ غیر کارکردگی والے قرضہ جات کو مناسب طور پر 113.39 ارب روپے کی تقررات (پرووژن) اور 8.84 ارب روپے کے عمومی تقررات کے ذریعے محفوظ کر دیا گیا ہے۔ تقررات کی خصوص لاگت تحفظ بھی 30 جون 2018ء پر 31 دسمبر 2017ء کے 91.6% سے تھوڑا سا بڑھ کر 92.7% تک ہو گئی ہے۔

لاگت پر بینک کی سرمایہ کاری کی مالیت 1,340.03 ارب روپے ہے جو کہ 31 دسمبر 2017ء کے مقابلے میں 5.35% زیادہ ہے۔ جبکہ بمطابق 30 جون 2018ء خالص سرمایہ کاری کی مالیت 1,325.04 ارب روپے ہے جو کہ 31 دسمبر 2017ء کے مطابق 1,257.26 ارب روپے کے مقابلے میں 5.4% زیادہ ہے۔ خطرات اور مناسب نظم کاری سرمایہ کاری کی ہماری مؤثر حکمت عملی کی پیروی میں محفوظ سرمایہ کاری تمام تر صفر خطرات، وثائق خزانہ اور بانڈز میں مستعدی سے متنوع رہی ہے جبکہ ایسی ہی رنگارنگی بلند منافع منقسمہ، آمدن حصص اور دیگر حامل منافع مالیاتی وثائق میں بھی رہی ہے۔

زیر جائزہ ششماہی کے دوران ودیعات (ڈپازٹس) کی مالیت میں 183.57 ارب روپے اضافہ ہوا۔ تاہم فنڈز کی لاگت 3.9% رہی (H1'17: 3.8%) کیونکہ جون 2017ء میں کم لاگتی CASA ڈپازٹس 78% سے بڑھ کر جون 2018ء میں 81.5% ہو گئے۔ ہمارے اسلامک بینکنگ برانچز نیٹ ورک میں بھی اضافہ حاصل کیا گیا ہے جو کہ 31 دسمبر 2017ء کے مطابق 169 برانچز سے 30 جون 2018ء کے مطابق 173 برانچز تک بڑھ گیا۔ زیر جائزہ عرصے کے دوران، اسلامک بینکنگ ڈپازٹس کے ساتھ ساتھ ایڈوانسز میں بھی اطمینان بخش اضافے کا مشاہدہ کیا گیا۔

استحکام و کفایت سرمایہ

این بی پی نے جسے حال ہی میں بلحاظ نظام اہم بینک نامزد کیا گیا ہے، نے این بی پی اور پیسل فریم ورک کی جانب سے متعین کردہ زیادہ انضباطی اور مشاورتی شرائط کی تکمیل کی غرض سے مؤثر منصوبہ جات تشکیل دیے ہیں۔ زیر جائزہ عرصے کیلئے، بینک کا درجہ اول سرمایہ بمطابق 31 دسمبر 2017ء کے 101.3 ارب روپے سے بڑھ کر 30 جون 2018ء کو 114.60 ارب روپے ہو گیا ہے۔ بینک کا مجموعی سرمایہ اور محفوظ 31 دسمبر 2017ء کے مطابق 175.38 بلین روپے کے مقابلے میں 188.0 بلین روپے ہو گیا۔ بینک کا کفایت سرمایہ تناسب 31 دسمبر 2017ء کے 15.95% سے بڑھ کر 30 جون 2018ء کے مطابق 17.79% تک ہو چکا ہے۔

کریڈٹ ریٹنگ

بینک کی کریڈٹ ریٹنگ جے سی آر-وی آئی ایس اور پی اے سی آر اے کریڈٹ ریٹنگ ایجنسیز دونوں کی جانب سے عمل میں لائی جاتی ہے۔ جون 2018ء میں، دونوں نے بینک کی کریڈٹ ریٹنگ 'AAA/A-1+' (Triple A/A-One Plus) مع اسٹیبل یعنی مستحکم آؤٹ لک، یعنی توقع پر توثیق و تصدیق از سر نو کر دی ہے۔

پیشن معاملے سے متعلق احتیاط/احتمال وقوع

جیسا کہ 30 جون 2018ء کے مالیاتی گوشوارہ کے نوٹ 14.4.5 میں ظاہر کیا گیا، بینک نے نظر ثانی کی درخواست عدالتِ عظمیٰ پاکستان میں جمع کرا دی تھی جس کی شنوائی کی تاریخ اب تک مقرر نہیں کی گئی ہے۔ نظر ثانی کی درخواست پر تعطیلی یا التواء ہوتے زیر موضوع معاملے کے مالی اثرات موجودہ مالیاتی گوشواروں میں شامل نہیں کیے گئے ہیں کیونکہ بینک کو معاملے کا نتیجہ حق میں ہونے کی توقع ہے۔

یو ایس اے آپریشنز (امریکی اعمال) میں انضباطی امور کے ساتھ تعمیل

بینک اور اس کی نیویارک برانچ فیڈرل ریزرو بینک آف نیویارک اور نیویارک اسٹیٹ ڈپارٹمنٹ آف فنانشل سروسز کے ساتھ ایک تحریری معاہدے میں داخل ہو گئے ہیں جو ان تمام امور کے مابین بینک سے کچھ پاسداری اور نظم کاری خطرات سے متعلق کچھ اینٹی منی لانڈرنگ سے متعلق امور کو زیر بیان لانا چاہتے اور ساتھ ہی یو ایس بینک سیکریسی شرائط قانون اور درکار نظاموں کے نفاذ اور کنٹرولز اور مناسب و موزوں وسائل کو بروئے کار لانے کو زیر بحث لاتا ہے تاکہ ایسی شرائط کی تعمیل کو یقینی بنایا جائے۔ بینک نے معاہدے کی تمام شقات پر عملدرآمد کیا ہے اور اس کی تعمیل پر کارروائی زیر عمل ہے۔

اختصاص منافع

30 جون 2018ء کو ختم شدہ ششماہی کیلئے منافع 2017ء کے جمع شدہ منافع کو آگے لے آنے کے بعد، ذیل میں اختصاص کیلئے پیش کیا گیا ہے:

(ملین روپے)

17,160

30 جون 2018ء کو ختم شدہ ششماہی کیلئے قبل از ٹیکس منافع

ٹیکسزیشن

6,884
(20,755)
18,539

- حالیہ:

- پچھلے سال:

- مؤخر کردہ:

4,668

12,492

54,060

609

51

67,212

30 جون 2018ء کو ختم شدہ ششماہی عرصے کیلئے بعد از ٹیکس منافع

آگے لایا گیا غیر اختصاص شدہ منافع:

دیگر جامع آمدن - ٹیکس سے پاک:

جامد اثاثہ جات کی از سر نو تخمین پر فاضل (زائد) سے منتقلی - ٹیکس سے پاک

اختصاصات کیلئے دستیاب منافع

اختصاص:

1,249

قانونی مقررات/ذخائر کو منتقلی

65,963

غیر اختصاص شدہ نفع جو آگے لے جایا گیا

توقعات مستقبل

این بی پی میں ہماری ترجیح حکمت عملی ہماری معیشت کی صورتحال کو مارکیٹ کی بہتر دسترس، ہماری پروڈکٹ رینج میں مزید اضافے، ٹیکنالوجی کے لحاظ سے جدید ترین بزنس ماڈل کے قیام و استقرار اور متبادل وسیلہ ہائے فراہمی کے ذریعے مستحکم کرتے رہنا ہی رہے گی۔ ہمارے اسٹیک ہولڈرز، خاص طور پر شیئر ہولڈرز، کیلئے قدر و قیمت کی تشکیل کے حتمی مقصد کے ساتھ، بینک اس کے منافع کو مؤثر طور پر زیادہ سے زیادہ بڑھانے کے تعاقب میں رہے گا جو بلند تر بزنس و ایومز کی تشکیل اور لاگت کی محتاط نظم کاری کی حکمت عملی کے ذریعے ہوگا۔ نہ صرف یہ کہ ہم کم لاگت و دیجات (ڈپازٹس) کو متحرک کرنے پر توجہ مرکوز رکھیں گے بلکہ فیسوں پر مبنی آمدن، خصوصاً انٹرنیٹ پر مبنی ابھرتے ہوئے کاروبار سے پیدا ہونے والے مواقع حاصل کرنے کیلئے بھی حتیٰ الوسع توجہ دیں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے اور ان کیلئے

محمد عمران ملک
ڈائریکٹر

طارق جمالی
صدر (قائم مقام)
کراچی

بتاریخ 30 اگست 2018ء

Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor, Modern Motors House
Beaumont Road
Karachi 75530, Pakistan

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8, KCHSU
Shahrah-e-Faisal
Karachi 75350, Pakistan

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF NATIONAL BANK OF PAKISTAN

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of National Bank of Pakistan (the Bank) as at June 30, 2018 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the unconsolidated condensed interim financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for the interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Emphasis of Matter

We draw attention to note 14.4.5 to the interim financial statements which explains a contingency in relation to the pension obligations of the Bank. Our conclusion is not qualified in respect of this matter.

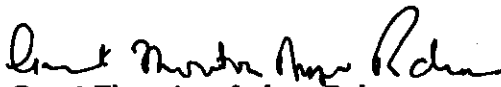
Other Matters

- i) The interim financial statements for the half year ended June 30, 2017 and the annual financial statements of the Bank for the year ended December 31, 2017 were reviewed and audited respectively by EY Ford Rhodes, Chartered Accountants and Grant Thornton Anjum Rahman, Chartered Accountants, whose review report dated August 24, 2017 and audit report dated February 20, 2018 expressed an unmodified conclusion and an unmodified opinion respectively on the interim financial statements and annual financial statements.

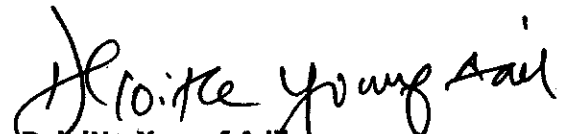
Grant Thornton Anjum Rahman
Chartered Accountants

Deloitte Yousuf Adil
Chartered Accountants

- ii) The figures for the quarters ended June 30, 2018 and June 30, 2017 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income and figures for half year ended December 31, 2017 in unconsolidated condensed interim statement of changes in equity have not been subject to the review and therefore, we do not express a conclusion thereon.


Grant Thornton Anjum Rahman
Chartered Accountants

Engagement Partner:
Khaliq-ur-Rahman


Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Date: August 30, 2018
Place: Karachi

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

		(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		297,147,613	159,765,271
Balances with other banks		25,177,204	26,403,906
Lendings to financial institutions		31,056,524	26,916,113
Investments	7	1,361,751,311	1,295,719,550
Advances	8	790,410,010	739,771,983
Operating fixed assets	9	32,690,381	32,752,003
Deferred tax assets	10	-	7,316,833
Other assets		119,561,747	81,239,837
		<u>2,657,794,790</u>	<u>2,369,885,496</u>
LIABILITIES			
Bills payable		17,318,764	13,195,054
Borrowings from financial institutions	11	427,935,864	360,105,674
Deposits and other accounts	12	1,910,672,522	1,727,102,019
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		8,546	14,509
Deferred tax liabilities	10	10,688,181	-
Other liabilities		103,176,653	94,086,159
		<u>2,469,800,530</u>	<u>2,194,503,415</u>
NET ASSETS		<u>187,994,260</u>	<u>175,382,081</u>
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		51,955,619	50,356,895
Unappropriated profit		65,963,342	54,060,653
		<u>139,194,092</u>	<u>125,692,679</u>
Surplus on revaluation of assets - net	13	48,800,168	49,689,402
		<u>187,994,260</u>	<u>175,382,081</u>
CONTINGENCIES AND COMMITMENTS	14		

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

QIR *JTA*



Chairman



President (Acting)



Director



Director



Chief Financial Officer

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

		Quarter Ended June 30, 2018	Half Year Ended June 30, 2018	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017
	Note	----- (Rupees in '000') -----			
Mark-up / return / interest earned		35,017,298	66,407,713	29,185,403	56,525,685
Mark-up / return / interest expensed		18,998,051	36,264,016	15,425,509	30,477,327
Net mark-up / return / interest income		16,019,247	30,143,697	13,759,894	26,048,358
Provision against non-performing advances - net	8.2	2,110,113	2,167,900	1,468,710	2,143,847
Provision / (reversal of provision) for diminution in value of investments - net	7.2	555,315	313,618	260,373	(341,566)
Provision against off-balance sheet obligations Bad debts written off directly		-	-	-	-
		2,665,428	2,481,518	1,729,083	1,802,281
Net mark-up / interest income after provisions		13,353,819	27,662,179	12,030,811	24,246,077
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		5,060,505	8,997,721	4,437,246	7,625,267
Dividend income		810,842	1,128,103	1,349,032	1,859,333
Income from dealing in foreign currencies		1,420,702	1,719,709	335,683	1,305,392
Gain on sale and redemption of securities - net		1,604,088	2,506,197	1,806,423	4,148,462
Unrealized loss on revaluation of investments classified as held-for-trading		(55,649)	(69,040)	(70,008)	(34,560)
Other income	15	518,886	971,254	424,964	777,933
Total non mark-up / interest income		9,359,374	15,253,944	8,283,340	15,681,827
		22,713,193	42,916,123	20,314,151	39,927,904
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		12,956,786	25,409,175	12,316,041	24,748,145
Other provisions / write-offs	16	157,401	338,321	1,021,780	1,542,131
Other charges		7,531	8,503	12,437	23,123
Total non mark-up / interest expenses		13,121,718	25,755,999	13,350,258	26,313,399
		9,591,475	17,160,124	6,963,893	13,614,505
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		9,591,475	17,160,124	6,963,893	13,614,505
Taxation - current		4,188,987	6,884,391	1,519,934	3,264,434
- prior period	17 & 14.4.2	(20,755,128)	(20,755,128)	173,499	271,678
- deferred	10.1	18,559,865	18,539,187	918,985	1,524,933
		1,993,724	4,668,450	2,612,418	5,061,045
PROFIT AFTER TAXATION		7,597,751	12,491,674	4,351,475	8,553,460
Basic and diluted earnings per share (Rupees)	18	3.57	5.87	2.05	4.02

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

By



Chairman



President (Acting)



Director



Director



Chief Financial Officer

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

	Quarter Ended June 30, 2018	Half Year Ended June 30, 2018	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017
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----- (Rupees in '000') -----

Profit after taxation	7,597,751	12,491,674	4,351,475	8,553,460
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Other comprehensive income:

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

Exchange gain on translation of net assets of foreign branches	(55,173)	349,557	134,431	534,049
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*Items not to be reclassified to profit and loss
in subsequent periods:*

Remeasurements of defined benefit liability	1,501,140	936,566	(1,313,287)	(1,780,144)
Related tax effects	(525,399)	(327,798)	459,650	623,050
	975,741	608,768	(853,637)	(1,157,094)

Other comprehensive income / (loss) - net of tax	920,568	958,325	(719,206)	(623,045)
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Total comprehensive income transferred to equity	8,518,319	13,449,999	3,632,269	7,930,415
--	-----------	------------	-----------	-----------

Components of comprehensive income not reflected in equity:

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

(Deficit) / surplus on revaluation of available-for-sale securities	(3,114,288)	(1,699,794)	(1,345,621)	1,547,422
Related tax effects	1,443,568	861,974	397,866	(479,079)

Other comprehensive (loss) / income - net of tax	(1,670,720)	(837,820)	(947,755)	1,068,343
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The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ETAR

07/18

[Signature]

Chairman

Tahir Jamali

President (Acting)

[Signature]

Director

[Signature]

Director

[Signature]

Chief Financial Officer

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

	Half year ended June 30, 2018	Half year ended June 30, 2017
----- (Rupees in '000') -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,160,124	13,614,505
Less: dividend income	(1,128,103)	(1,859,333)
	<u>16,032,021</u>	<u>11,755,172</u>
Adjustments		
Depreciation and amortization	1,374,548	1,448,932
Provision against non-performing loans and advances	2,167,900	2,143,847
Provision / (reversal) for diminution in value of investments	313,618	(341,566)
Other provision / write-offs	338,321	1,542,131
Unrealised loss on revaluation of investments classified as held-for-trading	69,040	34,560
Charge for defined benefit plans - net	2,817,412	2,780,021
Gain on sale of fixed assets	(42,307)	(26,871)
Financial charges on leased assets	333	875
	<u>7,038,865</u>	<u>7,581,929</u>
	<u>23,070,886</u>	<u>19,337,101</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(5,540,411)	81,646,731
Held-for-trading securities	257,014,084	(183,440,496)
Advances	(52,932,804)	(54,251,174)
Other assets	(18,930,197)	(10,454,752)
	<u>179,610,672</u>	<u>(166,499,691)</u>
Increase / (decrease) in operating liabilities		
Bills payable	4,123,710	19,720,633
Borrowings	61,284,008	249,546,222
Deposits and other accounts	183,570,503	83,025,786
Other liabilities	9,007,032	13,741,773
	<u>257,985,253</u>	<u>366,034,414</u>
Income tax paid	(5,876,680)	(10,429,063)
Financial charges paid	(333)	(875)
Benefits paid	(1,797,384)	(1,630,470)
	<u>(7,674,397)</u>	<u>(12,060,408)</u>
Net cash generated from operating activities	<u>452,992,414</u>	<u>206,811,416</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(296,185,492)	(132,422,672)
Net investments in held-to-maturity securities	(28,942,805)	9,055,659
Net investments in associates and subsidiaries	-	(600,000)
Dividend received	1,128,103	1,859,333
Investments in operating fixed assets	(1,194,777)	(1,253,872)
Sale proceeds of operating fixed assets disposed off	68,421	31,526
Net cash used in investing activities	<u>(325,126,550)</u>	<u>(123,330,026)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(5,963)	(5,446)
Dividend paid	-	(15,920,720)
Net cash used in financing activities	<u>(5,963)</u>	<u>(15,926,166)</u>
Effects of exchange rate changes on cash and cash equivalents	349,557	534,049
Net increase in cash and cash equivalents	<u>128,209,458</u>	<u>68,089,273</u>
Cash and cash equivalents at beginning of the half year	166,307,426	146,453,389
Cash and cash equivalents at the end of the half year	<u>294,516,884</u>	<u>214,542,662</u>

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


Chairman


President (Acting)


Director


Director


Chief Financial Officer

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

Share capital	Attributable to the shareholders of the Bank						Unappropriated profit	Total
	Reserves							
	Capital		Amalgamation reserves	Revenue				
	Exchange translation	Statutory		General loan loss	General			
(Rupees in '000')								
Balance as at January 1, 2017	21,275,131	7,092,485	27,186,518	-	12,000,000	521,338	51,939,151	120,014,623
Total comprehensive income for the half year ended June 30, 2017								
Profit after tax	-	-	-	-	-	-	8,553,460	8,553,460
Other comprehensive loss - net of tax	-	534,049	-	-	-	-	(1,157,094)	(623,045)
	-	534,049	-	-	-	-	7,396,366	7,930,415
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	54,120	54,120
Transfer to statutory reserve	-	-	855,346	-	-	-	(855,346)	-
Transactions with owners, recorded directly in equity								
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	-	(15,956,348)	(15,956,348)
Balance as at June 30, 2017	21,275,131	7,626,534	28,041,864	-	12,000,000	521,338	42,577,943	112,042,810
Total comprehensive income for the half year ended December 31, 2017								
Profit after tax	-	-	-	-	-	-	14,474,527	14,474,527
Other comprehensive loss - net of tax	-	375,904	-	-	-	-	(1,598,485)	(1,222,581)
	-	375,904	-	-	-	-	12,876,042	13,251,946
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	54,121	54,121
Transfer to statutory reserve	-	-	1,447,453	-	-	-	(1,447,453)	-
Amalgamation reserve upon amalgamation of NBP Leasing Limited	-	-	-	343,802	-	-	-	343,802
Balance as at December 31, 2017	21,275,131	8,002,438	29,489,317	343,802	12,000,000	521,338	54,060,653	125,692,679
Total comprehensive income for the half year ended June 30, 2018								
Profit after tax	-	-	-	-	-	-	12,491,674	12,491,674
Other comprehensive income - net of tax	-	349,557	-	-	-	-	608,768	958,325
	-	349,557	-	-	-	-	13,100,442	13,449,999
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	5,414	5,414
Transfer to statutory reserve	-	-	1,249,167	-	-	-	(1,249,167)	-
Balance as at June 30, 2018	21,275,131	8,351,995	30,738,484	343,802	12,000,000	521,338	65,963,342	139,194,092

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

Signature 0-10

Signature

Chairman

Signature

President (Acting)

Signature

Director

Signature

Director

Signature

Chief Financial Officer

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

1. STATUS AND NATURE OF BUSINESS

1.1 National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange. It's registered and head office is situated at I.I. Chundrigar Road, 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 1,502 (2017: 1,498) branches in Pakistan and 21 (2017: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

2. STATEMENT OF COMPLIANCE

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

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

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

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

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

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

- 2.4 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vice BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2017.
- 2.5 These unconsolidated condensed interim financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.
- 2.6 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

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

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

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

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

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

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

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

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

3. BASIS OF MEASUREMENT

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1.1 Surplus on revaluation of fixed assets

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

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

4.1.2 Impairment of financial assets

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

As per accounting policy of the Bank, general provision against loan losses of overseas branches is made as per the requirements of the respective central banks. During the current year, IFRS 9 became applicable in few overseas branches of the bank and was implemented in Bahrain branch of the Bank. Application of this standard in Bahrain branch resulted in additional provision charge of Rs.120 million as at June 30, 2018 which is included in general provision against non-performing advances.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2017.

7. INVESTMENTS - net

	June 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	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	246,240,581	181,246,001	427,486,582	371,720,614	311,335,019	683,059,633
Pakistan Investment Bonds	1,183,385	-	1,183,385	2,638,247	-	2,638,247
Total held-for-trading securities	247,423,966	181,246,001	428,669,967	374,358,861	311,335,019	685,697,880
Available-for-sale securities						
Ordinary shares of listed companies	25,017,426	-	25,017,426	23,202,143	-	23,202,143
Ordinary shares of unlisted companies	2,005,182	-	2,005,182	1,381,912	-	1,381,912
Market Treasury Bills	214,191,014	160,895,933	375,086,947	138,558,842	-	138,558,842
Pakistan Investment Bonds	181,727,880	3,850,000	185,577,880	124,897,777	7,700,000	132,597,777
GoP Foreign Currency Bonds	19,261,261	-	19,261,261	16,823,587	-	16,823,587
Foreign Currency Debt Securities	1,136,767	-	1,136,767	1,612,104	-	1,612,104
Foreign Government Securities	604,135	-	604,135	548,752	-	548,752
Term Finance Certificates / Musharika and Sukuk Bonds	67,202,213	-	67,202,213	64,664,793	-	64,664,793
Preference Shares	570,535	-	570,535	556,944	-	556,944
Investments in Mutual Funds	819,646	-	819,646	1,149,646	-	1,149,646
Investments Outside Pakistan	463,295	-	463,295	463,295	-	463,295
Total available-for-sale securities	512,999,354	164,745,933	677,745,287	373,859,795	7,700,000	381,559,795
Held-to-maturity securities						
Pakistan Investment Bonds	177,156,550	-	177,156,550	169,476,489	-	169,476,489
Market Treasury Bills	19,604,676	-	19,604,676	-	-	-
GoP Foreign Currency Bonds	2,526,044	-	2,526,044	2,309,720	-	2,309,720
Foreign Government Securities	22,383,918	-	22,383,918	20,942,215	-	20,942,215
Foreign Currency Debt Securities	465	-	465	424	-	424
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	710,713	-	710,713	710,713	-	710,713
Total held-to-maturity securities	222,382,366	-	222,382,366	193,439,561	-	193,439,561
Investments in associates	4,970,863	-	4,970,863	4,970,863	-	4,970,863
Investments in joint venture	2,362,433	-	2,362,433	2,362,433	-	2,362,433
Investments in subsidiaries	3,906,750	-	3,906,750	3,906,750	-	3,906,750
Investments at cost	994,045,732	345,991,934	1,340,037,666	952,898,263	319,039,019	1,271,937,282
Less: Provision for diminution in value of investments	(14,993,183)	-	(14,993,183)	(14,679,565)	-	(14,679,565)
Investments - net of provision	979,052,549	345,991,934	1,325,044,483	938,218,698	319,039,019	1,257,257,717
Unrealized loss on revaluation of investments classified as held-for-trading	(190,251)	121,211	(69,040)	(13,829)	-	(13,829)
Surplus on revaluation of available-for-sale securities	36,285,445	490,423	36,775,868	38,432,157	43,505	38,475,662
Total investments	1,015,147,743	346,603,568	1,361,751,311	976,637,026	319,082,524	1,295,719,550

- 8.1 Advances include Rs.122,309 million (December 31, 2017: Rs. 120,798 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2018 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision Held
	(Rupees in '000')				
Other Assets Especially Mentioned	1,584,167	-	1,584,167	67,444	67,444
Substandard	4,090,147	-	4,090,147	981,432	981,402
Doubtful	2,992,225	-	2,992,225	1,468,509	1,468,509
Loss	79,132,613	34,509,625	113,642,238	110,870,548	110,870,548
	<u>87,799,152</u>	<u>34,509,625</u>	<u>122,308,777</u>	<u>113,387,903</u>	<u>113,387,903</u>

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

8.2 Particulars of provision against non-performing advances

	June 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000')					
Opening balance	110,650,721	6,515,066	117,165,787	109,655,106	4,431,206	114,086,312
Exchange adjustments	2,857,908	40,465	2,898,373	950,912	15,533	966,445
Charge for the period / year	5,903,582	2,294,677	8,198,259	2,994,241	2,558,971	5,553,212
Reversals	(6,024,308)	(6,051)	(6,030,359)	(3,994,298)	(490,644)	(4,484,942)
	<u>(120,726)</u>	<u>2,288,626</u>	<u>2,167,900</u>	<u>(1,000,057)</u>	<u>2,068,327</u>	<u>1,068,270</u>
Transfer from investments	-	-	-	1,004,153	-	1,004,153
Other transfers	-	-	-	44,487	-	44,487
Amounts written off	-	-	-	(899)	-	(899)
Amount charged off	-	-	-	(2,981)	-	(2,981)
Closing balance	<u>113,387,903</u>	<u>8,844,157</u>	<u>122,232,060</u>	<u>110,650,721</u>	<u>6,515,065</u>	<u>117,165,787</u>

- 8.3 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan up till December 31, 2017. The Bank believes that extension will be allowed in due course.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
9. OPERATING FIXED ASSETS		
Capital work-in-progress	1,882,324	1,823,691
Property and equipment	30,502,379	30,386,388
Intangible assets	305,678	541,924
	<u>32,690,381</u>	<u>32,752,003</u>

9.1 Additions and disposals during the period amounted to Rs 1,194 million (June 30, 2017: Rs. 1,253 million) and Rs. 70 million (June 30, 2017: Rs. 56 million) respectively.

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

10. DEFERRED TAX LIABILITIES / ASSETS - net

Deferred tax assets arising in respect of

Provision for diminution in the value of investments	236,751	3,278,835
Provision against non-performing advances	622,390	622,390
Other provisions	105,416	2,186,076
Provision against defined benefits plans	2,523,608	13,615,636
Unrealized losses on derivatives	-	439,026
Provision against off-balance sheet obligations	115,222	116,622
Excess of accounting book value of leased assets over lease liabilities	4,046	5,078
Carried forward unabsorbed tax losses of merged subsidiary	10,705	10,705
	<u>3,618,138</u>	<u>20,274,368</u>

Deferred tax liabilities arising in respect of

Revaluation of available-for-sale securities	(11,642,955)	(12,504,929)
Non-banking assets	(89,981)	(89,981)
Operating fixed and non-banking assets	(258,551)	(362,625)
Others	(2,314,832)	-
	<u>(14,306,319)</u>	<u>(12,957,535)</u>

Net deferred tax (liabilities) / assets

	<u>(10,688,181)</u>	<u>7,316,833</u>
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10.1 The Bank has received favorable ATIR decision in respect of Tax Years 2011-2014 and order for the tax year 2015 during the period which resulted in increase in determined refunds by Rs. 20.3 billion and prior year tax provision reversal of Rs. 2.11 billion. Accordingly, deferred tax assets recognized in prior years are no longer required therefore reversed, which amounted to Rs. 18.6 billion.

11. BORROWINGS FROM FINANCIAL INSTITUTIONS

Borrowings include repurchase agreement borrowings amounting to Rs. 345,992 million (December 31, 2017: Rs. 320,039 million).

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

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	336,481,804	336,226,013
Savings deposits	494,262,799	476,795,758
Current accounts - remunerative	313,501,726	278,684,284
Current accounts - non-remunerative	471,155,230	361,576,224
	<u>1,615,401,559</u>	<u>1,453,282,279</u>

Financial Institutions

Remunerative deposits	18,959,535	62,381,311
Non-remunerative deposits	276,311,428	211,438,429
	<u>295,270,963</u>	<u>273,819,740</u>
	<u>1,910,672,522</u>	<u>1,727,102,019</u>

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
13. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets	21,492,889	21,544,303
Surplus on revaluation of non-banking assets	2,174,366	2,174,366
	<u>23,667,255</u>	<u>23,718,669</u>
Surplus on revaluation of available-for-sale securities - net of tax		
Federal Government Securities	(2,232,758)	953,651
Term Finance Certificates and Sukuks	181,639	128,291
Shares and units of mutual funds	25,985,036	26,194,363
GoP Foreign Currency Bonds	(953,324)	292,789
Foreign Currency Debt Securities	(245,857)	62,855
Investments outside Pakistan	14,041,132	10,843,713
	<u>36,775,868</u>	<u>38,475,662</u>
Deferred tax liability	60,443,123	62,194,331
Surplus on revaluation of available-for-sale securities	(11,642,955)	(12,504,929)
	<u>48,800,168</u>	<u>49,689,402</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
This includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
- Government	10,087,996	18,841,970
- Financial institutions	5,252,151	2,836,911
- Others	28,953,872	27,834,214
	<u>44,294,019</u>	<u>49,513,095</u>
14.2 Transaction-related contingent liabilities		
This includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:		
	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
- Government	20,639,758	15,084,426
- Financial institutions	49,782,946	33,247,316
- Others	24,372,646	17,111,631
	<u>94,795,350</u>	<u>65,443,373</u>
14.3 Trade-related contingent liabilities		
Letters of credit issued in favour of:		
- Government	581,991,826	326,644,898
- Financial institutions	2,539,997	2,647,619
- Others	95,852,412	89,200,608
	<u>680,384,235</u>	<u>418,493,125</u>

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
14.4 Other contingencies		
14.4.1 Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2017: Rs. 1,597 million).	19,282,205	16,747,536

14.4.2 Taxation

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

- a) The tax returns of the Bank have been filed upto Tax Year 2017 and amended by the tax authorities up to Tax Year 2017. For Azad Kashmir and Gilgit Baltistan Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2017.
- b) Against ATIR orders for the Tax Years 2011 to 2014, the Bank has obtained appeal effect orders which has resulted in net increase in determined refunds by Rs. 18.358 billion and prior year tax reversal of Rs. 1.914 billion. Further, as a result of appeal effect order passed under section 124 / 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2015, the net refund have increased by Rs.1.899 billion and tax reversal of Rs. 0.198 billion. Therefore, the aggregate refunds increased by Rs.20.257 billion and prior year tax reversal of Rs. 2.113 billion.
- c) The aggregate effect of contingencies as at June 30, 2018 amounts to Rs.10.731 billion (December 31, 2017: Rs. 14.243 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

14.4.3 Barter Trade Agreements

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

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

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

14.4.5 Pensionary benefits to retired employees

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

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

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

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

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

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

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

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

14.4.6 Litigation related to management trainee program

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

On March 13, 2013, the Bank was ordered to ensure the equal treatment to the petitioners with similarly placed employees without any discrimination. The SHC order was assailed by the Bank before the Apex Court through CP No. 85/2013. The Bank was granted Leave, however subsequently, Bank's civil appeal was dismissed vide order dated September 21, 2016 in terms of which the order of the Sindh High Court was upheld, however, the respondents were held to be entitled for same salary, perks and emoluments as are applicable and payable to the MTO working in contemporary grades from the date of judgment of the SHC order. The Bank had settled the claims of three employees which approximate to Rs. 5 million during the year 2017.

Various other employees of the Bank have also approached the courts in their jurisdiction on the basis of Apex Court decision and claimed the similar benefits and consequently Lahore High Court vide order sheet dated March 30, 2018 directed the Bank to follow judgment of apex court and in another case, Peshawar High Court (PHC) passed judgement dated May 30, 2018 in favor of an employee and directed the bank to pay the arrears of all such benefits to the employee and extended the decision to all other employees who are not the parties of the litigation.

The Bank has filed intra court appeals in the Lahore High Court which is accepted by the court and as advised by our legal counsels, the Bank considers that due to other benefits given to non-MTO employees in the past as highlighted by the Bank in its intra court appeals, the Bank has a reasonable merits to convince the courts that decision of Apex Court cannot be applied outrightly instead it needs to be assessed based on facts of each case.

14.4.7 Compliance and risk matters relating to anti-money laundering

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

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
14.5	Commitments in respect of forward exchange contracts	
Purchase	220,253,208	202,309,263
Sale	170,523,183	142,915,579
14.6	Other commitments	
Professional services to be received	15,400	23,115
14.7	Commitments in respect of financings	
Undrawn committed facilities (which are not cancellable)	23,100,756	41,261,434
Unconditionally cancellable commitments (which can be cancelled at any time without notice)	104,780,437	116,441,330
14.8	489,817	826,727
14.8	Commitments for the acquisition of operating fixed assets	

15. OTHER INCOME

Other income includes Rs. 888 million (June 30, 2017: Rs. 689 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

16. OTHER PROVISIONS / WRITE - OFFS

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

17. TAXATION

The Federal Government vide Finance Act 2018 has imposed a super tax at the rate of 4% on income of Banks for the year ending December 31, 2018 (Tax Year 2019). Accordingly, provisions of Rs. 706 million for the Super Tax has been made for the six months.

18. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended June 30, 2018	Half Year Ended June 30, 2018	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017
Profit after taxation (Rupees in '000')	<u>7,597,751</u>	<u>12,491,674</u>	<u>4,351,475</u>	<u>8,553,460</u>
Weighted average number of ordinary shares (in '000')	<u>2,127,513</u>	<u>2,127,513</u>	<u>2,127,513</u>	<u>2,127,513</u>
Basic and diluted earnings per share (Rupees)	<u>3.57</u>	<u>5.87</u>	<u>2.05</u>	<u>4.02</u>

19. OTHER DISCLOSURES

19.1 Segment details with respect to business activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
(Rupees in '000')							
Half year ended June 30, 2018 (Un-audited)							
Total income	180,886	10,517,529	2,509,021	26,848,210	413,063	4,928,932	45,397,641
Inter segment revenue	-	(9,975,216)	12,269,889	(2,294,673)	-	-	-
Total expenses	<u>35,102</u>	<u>123,476</u>	<u>7,556,580</u>	<u>17,680,563</u>	<u>95,389</u>	<u>2,746,407</u>	<u>28,237,517</u>
Net income	<u>145,784</u>	<u>418,837</u>	<u>7,222,330</u>	<u>6,872,974</u>	<u>317,674</u>	<u>2,182,525</u>	<u>17,160,124</u>
Segment assets (Gross)	<u>-</u>	<u>428,669,967</u>	<u>218,130,929</u>	<u>2,010,993,894</u>	<u>-</u>	<u>-</u>	<u>2,657,794,790</u>
Segment non - performing loans	<u>-</u>	<u>-</u>	<u>9,139,908</u>	<u>113,168,869</u>	<u>-</u>	<u>-</u>	<u>122,308,777</u>
Segment provision required	<u>-</u>	<u>-</u>	<u>9,986,956</u>	<u>112,245,104</u>	<u>-</u>	<u>-</u>	<u>122,232,060</u>
Segment liabilities	<u>-</u>	<u>-</u>	<u>684,626,046</u>	<u>1,785,174,484</u>	<u>-</u>	<u>-</u>	<u>2,469,800,530</u>
Segment return on assets (ROA) (%)	<u>0.00%</u>	<u>0.22%</u>	<u>7.50%</u>	<u>0.77%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.46%</u>
Segment cost of funds (%)	<u>0.00%</u>	<u>0.00%</u>	<u>3.12%</u>	<u>4.23%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>3.95%</u>
Half year ended June 30, 2017 (Un-audited)							
Total income	408,664	1,444,413	1,604,159	33,820,203	323,506	4,129,240	41,730,185
Inter segment revenue	-	(1,400,024)	9,831,817	(8,431,792)	-	-	-
Total expenses	<u>70,398</u>	<u>7,550</u>	<u>6,043,562</u>	<u>19,419,666</u>	<u>80,439</u>	<u>2,494,065</u>	<u>28,115,680</u>
Net income	<u>338,266</u>	<u>36,839</u>	<u>5,392,414</u>	<u>5,968,745</u>	<u>243,067</u>	<u>1,635,175</u>	<u>13,614,505</u>
Segment assets (Gross)	<u>-</u>	<u>193,420,549</u>	<u>208,984,586</u>	<u>1,922,422,564</u>	<u>-</u>	<u>-</u>	<u>2,324,827,699</u>
Segment non - performing loans	<u>-</u>	<u>-</u>	<u>9,567,387</u>	<u>112,599,401</u>	<u>-</u>	<u>-</u>	<u>122,166,788</u>
Segment provision required	<u>-</u>	<u>-</u>	<u>9,268,963</u>	<u>106,769,245</u>	<u>-</u>	<u>-</u>	<u>116,038,208</u>
Segment liabilities	<u>-</u>	<u>-</u>	<u>597,359,093</u>	<u>1,557,693,769</u>	<u>-</u>	<u>-</u>	<u>2,155,052,862</u>
Segment return on assets (ROA) (%)	<u>0.00%</u>	<u>0.14%</u>	<u>5.58%</u>	<u>0.68%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.37%</u>
Segment cost of funds (%)	<u>0.00%</u>	<u>0.00%</u>	<u>3.07%</u>	<u>4.08%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>3.79%</u>

19.2 Fair value of financial instruments

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

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

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

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

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

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

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

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

On balance sheet financial instruments

Financial assets measured at fair value

Held for trading securities

Market Treasury Bills	427,418,977	-	427,418,977	-	427,418,977
Pakistan Investment Bonds	1,181,950	-	1,181,950	-	1,181,950

Available for sale securities

Ordinary shares of listed companies	44,463,050	44,463,050	-	-	44,463,050
Ordinary shares of unlisted companies	1,606,259	-	1,606,259	-	1,606,259
Market Treasury Bills	374,994,606	-	374,994,606	-	374,994,606
Pakistan Investment Bonds	183,437,463	-	183,437,463	-	183,437,463
GoP Foreign Currency Bonds	18,307,937	-	18,307,937	-	18,307,937
Foreign Currency Debt Securities	890,910	-	890,910	-	890,910
Foreign Government Securities	604,135	-	604,135	-	604,135
Term Finance Certificates / Musharika and Sukuk Bonds	61,754,942	-	61,754,942	-	61,754,942
Preference Shares	137,091	137,091	-	-	137,091
Investments in Mutual Funds	4,053,351	4,053,351	-	-	4,053,351
Investments Outside Pakistan	14,504,427	14,504,427	-	-	14,504,427

Off balance sheet financial instruments

Foreign exchange contracts purchase and sale	390,776,391	-	2,233,232	-	2,233,232
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Carrying values	December 31, 2017 (Audited)			
	Fair value			
	Level 1	Level 2	Level 3	Total

(Rupees in '000')

On balance sheet financial instruments

Financial assets measured at fair value

Held for trading securities

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

Available for sale securities

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

Off balance sheet financial instruments

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

19.3 Basel III liquidity requirements

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000') -----	
Liquidity coverage ratio		
Total high quality liquid assets	926,691,955	984,828,182
Total net cash outflow	552,202,600	580,370,735
Liquidity coverage ratio %	168%	170%
Net stable funding ratio		
Total available stable funding	1,752,633,432	1,531,580,508
Total required stable funding	441,374,524	419,276,880
Net stable funding ratio %	397%	365%

20. RELATED PARTY TRANSACTIONS

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

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

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

	2018 (Un-audited)			2017 (Audited)				
	At January 01, 2018	Given during the period	Repaid during the period	At June 30, 2018	At January 01, 2017	Given during the year	Repaid during the year	At December 31, 2017
----- (Rupees in '000) -----								
Advances								
Key Management Executives	145,369	5,000	(13,454)	136,915	185,830	11,782	(19,962)	177,650
Adjustments*	77,696	-	-	77,696	(32,281)	-	-	(32,281)
	223,065	5,000	(13,454)	214,611	153,549	11,782	(19,962)	145,369
Subsidiaries	398,914	110,022	(371)	508,565	494,147	34,299	(129,532)	398,914
Associates	3,314,085	-	(169,092)	3,144,993	3,297,168	18,750	(1,833)	3,314,085
Debts due by Company in which director is interested as director	-	16,605	(15,505)	1,100	-	2,000,000	(2,000,000)	-
Adjustments*	61,789	-	-	61,789	-	-	-	-
	61,789	16,605	(15,505)	62,889	-	2,000,000	(2,000,000)	-
	3,997,853	131,627	(198,422)	3,931,058	3,944,864	2,064,831	(2,151,327)	3,858,368

	2018 (Un-audited)			2017 (Audited)				
	At January 01, 2018	Received during the period	Repaid during the period	At June 30, 2018	At January 01, 2017	Received during the year	Repaid during the year	At December 31, 2017
----- (Rupees in '000) -----								
Deposits								
Subsidiaries	885,251	163	(87,842)	797,572	1,278,332	7,395	(400,476)	885,251
Adjustments*	(553,569)	-	-	(553,569)	-	-	-	-
	331,682	163	(87,842)	244,003	1,278,332	7,395	(400,476)	885,251
Associates	-	-	-	-	-	-	-	-
Key Management Executives	62,047	213,712	(214,247)	61,512	28,838	430,392	(408,116)	51,114
Adjustments*	(4,440)	-	-	(4,440)	10,933	-	-	10,933
	57,607	213,712	(214,247)	57,072	39,771	430,392	(408,116)	62,047
Directors	15,614	17,584	(19,618)	13,580	4,655	37,321	(27,127)	14,849
Adjustments*	11	-	-	11	765	-	-	765
	15,625	17,584	(19,618)	13,591	5,420	37,321	(27,127)	15,614
Pension Fund (Current)	1,248	1,911,319	(1,909,407)	3,160	1,363	3,781,571	(3,781,686)	1,248
Pension Fund (Fixed Deposit)	10,300,000	11,000,000	(11,000,000)	10,300,000	8,800,000	10,300,000	(8,800,000)	10,300,000
Pension Fund (N.I.D.A A/c)	514,539	13,353,634	(13,569,833)	298,340	1,035,959	2,744,580	(3,266,000)	514,539
Provident Fund	12,749,309	13,357,948	(13,607,150)	12,500,107	13,137,045	1,808,033	(2,195,769)	12,749,309
	23,970,010	39,854,360	(40,408,097)	23,416,273	24,297,890	19,109,292	(18,879,174)	24,528,008

* Adjustments due to changes in key management executives.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- Rupees in '000 -----	
Placements with:		
Joint venture	232,435	675,870
Borrowing from:		
Joint venture	45,535	87,920
Subsidiary	451,531	553,569
Mark-up receivables from subsidiaries	194,851	194,971
Mark-up receivables from associates	1,703,500	2,082,323
Other receivables from subsidiaries	73,280	78,133
Other payables to subsidiaries	-	5,292
Investment in associates	600,000	600,000
Lease finance liabilities paid to subsidiaries	6,924	7,968
	(Un-audited) June 30, 2018	(Un-audited) June 30, 2017
	----- Rupees in '000 -----	
Income for the period		
On advances / placements with:		
- Subsidiaries	6,817	10,419
- Joint Venture	284	682
Debts due by company in which director of the bank is interested as director	14,733	1,716
Dividend from joint venture	-	134,870
Dividend from subsidiary	7,875	-
Financial charges paid on lease assets to subsidiaries	421	592
Expenses for the period		
Remuneration to key management executives	206,797	241,382
Charge for defined benefit plan	24,815	28,965
Mark-up on deposits of:		
Subsidiaries	5,689	17,740
Provident fund	554,188	820,121
Pension fund	372,801	329,427
Transaction fee paid to company in which directors of the bank are interested as director	5,057	5,835
Commission paid to subsidiaries	4,025	1,518
Mark-up on borrowing / deposits		
Joint ventures	822	18
Transactions with Government-related entities		

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 4,938 million for the half year ended June 30, 2018. As at the Statement of Financial Position date, the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 348,407 million, Rs. 682,882 million and Rs. 612,720 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 9,330 million and Rs. 12,063 million respectively.

21. ISLAMIC BANKING BUSINESS

The Bank is operating 173 (December 31, 2017: 169) islamic banking branches as at June 30, 2018. Statement of financial position, profit and loss account and cash flow statements are as under:

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- ('Rupees in '000') -----	
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	3,466,712	3,019,664
Balances with other banks	6,017,632	2,809,667
Investments	24,233,795	17,854,897
Islamic financing and related assets	22,942,577	18,946,404
Operating fixed assets	244,794	195,431
Other assets	1,560,759	1,149,381
	58,466,269	43,975,444
Liabilities		
Bills payable	109,612	126,099
Deposits and other accounts		
- Current accounts	15,137,682	11,935,097
- Saving accounts	21,171,445	18,380,007
- Term deposits	2,245,744	2,593,239
- Deposit from financial institutions-Remunerative	3,000,000	4,000,000
- Deposit from financial institutions-Non-Remunerative	253,000	-
Due to Head Office	14,219,713	5,120,098
Other liabilities	156,199	257,113
	56,293,395	42,411,653
Net Assets	2,172,874	1,563,791
Represented by		
Islamic Banking Fund	2,200,000	1,700,000
Unappropriated loss	(47,949)	(228,135)
	2,152,051	1,471,865
Surplus on revaluation of investments	20,823	91,926
	2,172,874	1,563,791
21.1 Investments		
Sukuk	22,364,602	15,985,704
Leasing Certificate	2,000,000	2,000,000
Provision against investments	(130,807)	(130,807)
	24,233,795	17,854,897

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

21.2 Islamic financing and related assets

Murabaha

Financings	2,694,264	1,221,869
Advance	2,124,000	3,011,394
Provisions	(188,400)	(188,400)
	<u>4,629,864</u>	<u>4,044,863</u>

Diminishirig Musharaka

Financings	8,490,340	5,137,063
Advance	2,251	291,992
Provisions	(158)	-
	<u>8,492,433</u>	<u>5,429,055</u>

Ijarah assets

Assets	573,674	307,253
Advance	-	168,627
Provisions	(3,394)	(3,394)
	<u>570,280</u>	<u>472,486</u>

Istasna

Advance	750,000	500,000
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Wakala tul Istismaar

	8,500,000	8,500,000
	<u>22,942,577</u>	<u>18,946,404</u>

(Un-audited) (Un-audited)
Half year ended Half year ended
June 30, June 30,
2018 2017
----- (Rupees in '000') -----

PROFIT AND LOSS ACCOUNT

Profit / return earned on financings, investments and placements	1,415,778	930,247
Profit / return expensed on deposit	(605,284)	(397,073)
Net spread earned	810,494	533,174
Direct expenses other than return on deposits	(126,921)	(34,053)
	<u>683,573</u>	<u>499,121</u>
General provision against consumer financing	(158)	-
Profit after provision	<u>683,415</u>	<u>499,121</u>

Other income

Fee, commission and brokerage income	130,161	130,726
Income from dealing in foreign currencies	9,879	180
Other income	21,674	9,943
Total other income	<u>161,714</u>	<u>140,849</u>

Other expenses

Administrative expenses	(893,078)	(671,238)
Loss before taxation	<u>(47,949)</u>	<u>(31,268)</u>

(Un-audited) (Un-audited)
 Half year ended Half year ended
 June 30, June 30,
 2018 2017
 ----- (Rupees in '000') -----

CASH FLOW STATEMENT

Cash flow from operating activities

Loss for the period	(47,949)	(31,268)
Adjustments:		
Depreciation - Own assets	40,173	23,665
Depreciation - Ijarah assets	126,879	33,815
General provision against consumer financing	158	-
	167,210	57,480
	119,261	26,212
 (Increase) / decrease in operating assets		
Balance with other banks	(3,207,965)	531,388
Due from financial institutions	-	6,187,555
Financings and investments	(10,573,211)	(12,477,025)
Other assets	(411,378)	(64,731)
	(14,192,554)	(5,822,813)
 Increase / (decrease) in operating liabilities		
Bills payable	(16,487)	159,970
Deposits and other accounts	4,899,528	(2,619,462)
Borrowings from Head Office	9,327,750	8,268,246
Other liabilities	(100,914)	(95,831)
	14,109,877	5,712,923
Net cash generated from / (used in) operating activities	36,584	(83,678)
 Cash flow from investing activities		
Investment in operating fixed assets	(89,536)	(50,850)
Net cash used in investing activities	(89,536)	(50,850)
 Cash flow from financing activities		
Islamic banking fund	500,000	-
 Increase / (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of the half year	447,048	(134,528)
	3,019,664	2,678,218
Cash and cash equivalents at the end of the half year	3,466,712	2,543,690

22. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 30, 2018.

23. GENERAL

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

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









 Chairman President (Acting) Director Director Chief Financial Officer

**National Bank of Pakistan
Consolidated Condensed Interim Financial Statements
For the Half Year Ended June 30, 2018**

Directors' Report to the Shareholders
Consolidated Financial Statements

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

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

For the six months period under review, consolidated pre-tax profit amounted to PKR 17.52 billion which is 26.58% higher than PKR 13.84 billion earned during the corresponding period of 2017. After-tax profit for period amounted to PKR 12.74 billion as compared to PKR 8.65 billion earned during the corresponding period six months period of 2017.

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

	<i>Rs. Million</i>
Pre-tax profit for six months period ended June 30, 2018	17,516
Taxation:	
- Current	6,991
- Prior Year(s)	(20,755)
- Deferred	18,537
	4,773
After-tax profit for six months ended June 30, 2018	12,743
Un-appropriated profit brought forward	58,069
Other comprehensive income - net of tax	609
Non-controlling interest	(87)
Transfer from surplus on revaluation of fixed assets	51
Profit available for appropriations	71,386
Appropriation:	
Transfer to Statutory Reserve	(1,249)
Cash dividend paid	-
Un-appropriated profit carried forward	70,137
Basic and diluted earnings per share (Rupees)	5.95

For and on behalf of the Board of Directors

Tariq Jamali
President (Acting)
Karachi
August 30, 2018

Muhammad Imran Malik
Director

حصص یافتگان کوڈاٹریکٹرز کی رپورٹ

انضمام شدہ مالی گوشوارے

ہم بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2018ء کو ختم ہونے والے ششماہی کیلئے نیشنل بینک آف پاکستان اور اس کی ذیلی کمپنیز کے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

یہ انضمام شدہ مالیاتی گوشوارے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرڈز اور دیگر قابل اطلاق ہدایات کے مطابق تیار کیے گئے ہیں۔

زیر جائزہ ششماہی کے دوران، قبل از ٹیکس انضمام شدہ منافع 17.52 بلین روپے رہا جو سال 2017ء کے اسی عرصے کے 13.84 بلین روپے کے مقابلے میں 26.58% زیادہ رہا۔ بعد از ٹیکس منافع سال 2017ء کے اسی ششماہی عرصے کے منافع 8.65 بلین روپے کے مقابلے میں 12.74 بلین روپے رہا۔

بورڈ کی جانب سے منافع جات اور انضمام شدہ آپریٹنگ رزلٹس اور اختصا ذیل میں دیے جا رہے ہیں:

(روپے بلین میں)

17,516

30 جون 2018 کو ختم ہونے والی ششماہی پر منافع قبل از محصولات

محصولات

6,991

- حالیہ سال

(20,755)

- گزشتہ سال

18,537

- ملٹوی شدہ

4,773

30 جون 2018 کو ختم ہونے والی ششماہی پر منافع بعد از محصول

12,743

غیر مختص شدہ منافع جو آگے لایا گیا

58,069

دیگر جامع آمدنی۔ محصول کی خالص

609

نان کنٹروالنگ انٹرسٹ

(87)

اثاثوں کی نظر ثانی پر اضافی ترسیل، ٹیکس کا اصل

51

اختصا کیلئے دستیاب منافع

71,386

اختصا

(1,249)

دستوری ذخائر کو منتقلی

-

ادا شدہ کیش ڈیویڈنڈ

70,137

غیر مختص کردہ منافع جو آگے بڑھایا

5.95

فی شیئر بنیادی منافع (روپے)

بورڈ آف ڈائریکٹرز کی جانب سے اور ان کیلئے

محمد عمران ملک

طارق جمالی

ڈائریکٹر

صدر (قائم مقام)






کراچی

بتاریخ: 30 اگست 2018ء

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

		June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		297,529,294	160,080,735
Balances with other banks		25,505,482	26,992,279
Lendings to financial institutions		31,056,524	26,916,113
Investments	7	1,362,746,421	1,296,537,064
Advances	8	790,779,451	740,344,934
Operating fixed assets	9	33,742,795	33,822,237
Deferred tax assets	10	-	7,342,482
Other assets		121,756,561	83,980,565
		2,663,116,529	2,376,016,409
LIABILITIES			
Bills payable		17,318,764	13,195,055
Borrowings from financial institutions	11	427,935,864	360,105,674
Deposits and other accounts	12	1,910,644,392	1,727,059,246
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		76,561	56,799
Deferred tax liabilities	10	10,655,259	-
Other liabilities		104,360,529	95,923,921
		2,470,991,369	2,196,340,695
NET ASSETS			
		192,125,160	179,675,714
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		51,682,321	49,887,328
Unappropriated profit		70,136,667	58,069,393
		143,094,119	129,231,852
Non-controlling interest		892,702	811,427
		143,986,821	130,043,279
Surplus on revaluation of assets - net	13	48,138,339	49,632,435
		192,125,160	179,675,714
CONTINGENCIES AND COMMITMENTS			
	14		

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

 Chairman	 President (Acting)	 Director	 Director	 Chief Financial Officer
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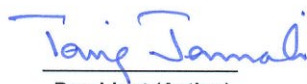
NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

		Quarter Ended June 30, 2018	Half Year Ended June 30, 2018	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017
	Note	----- (Rupees in '000) -----			
Mark-up / return / interest earned		35,073,864	66,526,786	29,331,143	56,783,707
Mark-up / return / interest expensed		18,996,105	36,259,724	15,421,404	30,468,850
Net mark-up / return / interest income		16,077,759	30,267,062	13,909,739	26,314,857
Provision against non-performing advances - net	8.2	2,107,633	2,165,869	1,483,677	2,165,235
Provision / (reversal of provision) for diminution in the value of investments - net	7.2	535,990	294,281	(129,892)	(732,889)
Provision against off balance sheet obligations		-	-	-	-
Bad debts written off directly		-	-	-	-
		2,643,623	2,460,150	1,353,785	1,432,346
Net mark-up / interest income after provisions		13,434,137	27,806,911	12,555,954	24,882,511
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		5,474,123	9,819,275	4,896,630	8,507,571
Dividend income		803,048	1,120,309	1,206,963	1,717,504
Income from dealing In foreign currencies		1,483,098	1,834,144	368,745	1,368,640
Gain on sale and redemption of securities - net		1,611,622	2,517,405	1,769,689	4,152,211
Unrealized loss on revaluation of investments classified as held-for-trading		(73,304)	(69,120)	(70,008)	(34,560)
Share of (loss) / profit from joint venture		(54,443)	(11,147)	(22,830)	28,764
Share of (loss) / profit from associates		(35,088)	17,988	(261,879)	(464,665)
Other income	15	527,937	976,579	424,289	781,819
Total non mark-up / interest income		9,736,993	16,205,433	8,311,598	16,057,284
		23,171,130	44,012,344	20,867,552	40,939,795
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		13,325,340	26,147,876	12,693,501	25,536,630
Other provisions / write offs	16	157,401	338,321	1,021,780	1,542,131
Other charges		7,513	9,757	12,437	23,123
Total non mark-up / interest expenses		13,490,254	26,495,954	13,727,718	27,101,884
		9,680,876	17,516,390	7,139,834	13,837,910
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		9,680,876	17,516,390	7,139,834	13,837,910
Taxation - current		4,243,238	6,991,313	1,597,986	3,389,146
- prior period	17 & 14.4.2	(20,755,128)	(20,755,128)	173,499	271,678
- deferred	10.1	18,557,721	18,537,043	925,191	1,531,816
		2,045,831	4,773,228	2,696,676	5,192,640
PROFIT AFTER TAXATION		7,635,045	12,743,162	4,443,158	8,645,270
Share holders of the bank		7,594,614	12,656,259	4,379,384	8,516,540
Non-controlling Interest		40,431	86,903	63,774	128,730
		7,635,045	12,743,162	4,443,158	8,645,270
Basic and diluted earnings per share (Rupees)	18	3.57	5.95	2.06	4.00

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



Chairman



President (Acting)



Director



Director








Chief Financial Officer

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

	Quarter ended June 30, 2018	Half Year ended June 30, 2018	Quarter ended June 30, 2017	Half Year ended June 30, 2017
----- (Rupees in '000) -----				
Profit after taxation	7,635,045	12,743,162	4,443,158	8,645,270
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange gain / (loss) on translation of net assets of foreign branches, subsidiaries and joint venture	(125,577)	545,825	182,705	712,815
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurements of defined benefit liability	1,501,140	936,566	(1,313,287)	(1,780,144)
Related tax effects	(525,399)	(327,798)	459,650	623,050
	975,741	608,768	(853,637)	(1,157,094)
Other comprehensive income / (loss) - net of tax	850,164	1,154,593	(670,932)	(444,279)
Total comprehensive income transferred to equity	8,485,209	13,897,756	3,772,226	8,200,991
Components of comprehensive income not reflected in equity:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
(Deficit) / surplus on revaluation of available-for-sale securities	(3,124,163)	(1,672,025)	(1,346,513)	1,546,526
Related tax effects	1,443,568	861,974	397,866	(479,079)
Other comprehensive (loss) / income - net of tax	(1,680,595)	(810,051)	(948,647)	1,067,447






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

 Chairman	 President (Acting)	 Director	 Director	 Chief Financial Officer
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NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

	Half Year Ended June 30, 2018	Half Year Ended June 30, 2017
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,516,390	13,837,910
Less: Dividend income	<u>(1,120,309)</u>	<u>(1,717,504)</u>
	16,396,081	12,120,407
Adjustments:		
Depreciation and amortization	1,429,516	1,527,027
Provision against non-performing loans and advances	2,165,869	2,165,235
Provision / (reversal of provision) for diminution in value of investments	294,281	(732,889)
Other provisions / write offs	338,321	1,542,131
Unrealised loss on revaluation of investments classified as held for trading	69,120	34,560
Charge / (reversal) for defined benefit plan- net	2,817,412	2,780,021
Gain on sale of fixed assets	(45,649)	(29,226)
Share of loss / (profit) from joint venture	11,147	(28,764)
Share of (profit) / loss from associates	(17,988)	464,665
Financial charges on leased assets	333	875
	<u>7,062,363</u>	<u>7,723,635</u>
	23,458,444	19,844,042
(Increase) / decrease in operating assets		
Lendings to financial institutions	(5,540,411)	81,646,731
Held-for-trading securities	256,662,826	(183,561,017)
Advances	(52,600,386)	(54,263,495)
Other assets	<u>(19,343,268)</u>	<u>(11,223,323)</u>
	179,178,761	(167,401,104)
Increase / (decrease) in operating liabilities		
Bills payable	4,123,709	19,720,633
Borrowings	61,284,008	249,546,221
Deposits and other accounts	183,585,146	83,225,298
Other liabilities	<u>8,541,346</u>	<u>13,534,763</u>
	257,534,209	366,026,915
Income tax paid	(5,978,122)	(10,076,107)
Financial charges paid	(333)	(875)
Benefits paid	<u>(1,797,384)</u>	<u>(1,630,470)</u>
	<u>(7,775,839)</u>	<u>(11,707,452)</u>
Net cash flow from operating activities	452,395,575	206,762,400
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(296,184,881)	(132,351,231)
Net investments in held-to-maturity securities	(29,139,917)	9,055,652
Net investments in associates and joint venture	406,363	(440,787)
Dividend received	1,120,309	1,717,504
Investments in operating fixed assets	(1,286,179)	(1,313,846)
Sale proceeds of operating fixed assets disposed off	138,722	94,566
Net cash (used) in investing activities	<u>(324,945,582)</u>	<u>(123,238,142)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	19,762	(6,813)
Dividend paid	-	(15,920,720)
Net cash used in financing activities	19,762	(15,927,533)
Effects of exchange rate changes on cash and cash equivalents	545,825	712,815
Net increase in cash and cash equivalents	<u>128,015,580</u>	<u>68,309,540</u>
Cash and cash equivalents at beginning of the half year	167,211,263	147,270,176
Cash and cash equivalents at the end of the half year	<u>295,226,843</u>	<u>215,579,716</u>

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


 Chairman	 President (Acting)	 Director	 Director	 Chief Financial Officer
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NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

Share capital	Attributable to the shareholders of the bank					Unappropriated profit	Sub Total	Non Controlling Interest	Total
	Reserves								
	Capital		Revenue						
	Exchange Translation	Statutory	General Loan Loss	General					
(Rupees in '000)									
Balance as at January 1, 2017	21,275,131	6,226,174	27,283,563	12,000,000	521,338	55,795,351	123,101,558	737,972	123,839,530
Total comprehensive income for the half year ended June 30, 2017									
Profit after tax	-	-	-	-	-	8,516,540	8,516,540	128,730	8,645,270
Other comprehensive income - net of tax	-	712,815	-	-	-	(1,157,094)	(444,279)	-	(444,279)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	712,815	-	-	-	7,359,447	8,072,261	128,730	8,200,991
Transfer to statutory reserve	-	-	855,346	-	-	(855,346)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(15,956,348)	(15,956,348)	-	(15,956,348)
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(5,628)	(5,628)
Balance as at June 30, 2017	21,275,131	6,938,989	28,138,909	12,000,000	521,338	46,397,224	115,271,590	861,073	116,132,664
Total comprehensive income for the half year ended December 31, 2017									
Profit after tax	-	-	-	-	-	14,663,989	14,663,989	36,604	14,700,592
Other comprehensive income - net of tax	-	840,639	-	-	-	(1,598,485)	(757,846)	-	(757,846)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	840,639	-	-	-	13,065,503	13,906,142	36,604	13,942,746
Transfer to statutory reserve	-	-	1,447,453	-	-	(1,447,453)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(86,250)	(86,250)
Balance as at December 31, 2017	21,275,131	7,779,628	29,586,362	12,000,000	521,338	58,069,393	129,231,852	811,427	130,043,279
Total comprehensive income for the half year ended June 30, 2018									
Profit after tax	-	-	-	-	-	12,656,259	12,656,259	86,903	12,743,162
Other comprehensive income - net of tax	-	545,825	-	-	-	608,768	1,154,593	-	1,154,593
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	545,825	-	-	-	13,265,027	13,810,853	86,903	13,897,756
Transfer to statutory reserve	-	-	1,249,167	-	-	(1,249,167)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(5,628)	(5,628)
Balance as at June 30, 2018	21,275,131	8,325,453	30,835,529	12,000,000	521,338	70,136,667	143,094,119	892,702	143,986,821

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


Chairman


President (Acting)


Director


Director


Chief Financial Officer

NATIONAL BANK OF PAKISTAN
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,502 (2017: 1,498) branches in Pakistan and 21 (2017: 21) overseas branches (including the Export Processing Zone branch, Karachi). The holding company also provides services as trustee to Long Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

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

1.2 Basis of Consolidation

The consolidated condensed interim financial statements include the condensed interim financial statements of the holding company and its subsidiary companies - "the Group".

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the consolidated condensed interim financial statements.

Non-controlling interest / minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.

Material intra-group balances and transactions have been eliminated.

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

2. STATEMENT OF COMPLIANCE

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

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

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

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

2.3 SECP vide its notification SRO 633 (I) /2014 dated July 10, 2014, adopted IFRS 10 effective from the periods starting from June 30, 2014. However, vide its notification SRO56(I)/2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 237 of the repealed Companies Ordinance, 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

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

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

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

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

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

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

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

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

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

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

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

3. BASIS OF MEASUREMENT

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1.1 Surplus on revaluation of fixed assets

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

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

4.1.2 Impairment of financial assets

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

As per accounting policy of the Bank, general provision against loan losses of overseas branches is made as per the requirements of the respective central banks. During the current year, IFRS 9 became applicable in few overseas branches of the bank and was implemented in Bahrain branch of the Bank. Application of this standard in Bahrain branch resulted in additional provision charge of Rs.120 million as at June 30, 2018 which is included in general provision against non-performing advances.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2017.

7. INVESTMENTS - net

	June 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)			(Rupees in '000)		
7.1 Investments by type:						
Held-for-trading securities						
Market Treasury Bills	247,226,204	181,246,001	428,472,205	372,602,079	311,339,019	683,941,098
Pakistan Investment Bonds	1,183,385	-	1,183,385	2,638,247	-	2,638,247
Investment in mutual funds	522,150	-	522,150	316,131	-	316,131
Ordinary shares of listed companies	122,154	-	122,154	67,244	-	67,244
Total held-for-trading securities	249,053,893	181,246,001	430,299,894	375,623,701	311,339,019	686,962,720
Available- for- sale securities						
Ordinary shares of listed companies	25,022,578	-	25,022,578	23,238,801	-	23,238,801
Ordinary shares of unlisted companies	2,005,182	-	2,005,182	1,381,912	-	1,381,912
Market Treasury Bills	214,191,014	160,895,933	375,086,947	138,558,842	-	138,558,842
Pakistan Investment Bonds	181,727,880	3,850,000	185,577,880	124,897,777	7,700,000	132,597,777
GoP Foreign Currency Bonds	19,261,261	-	19,261,261	16,823,587	-	16,823,587
Foreign Currency Debt Securities	1,136,767	-	1,136,767	1,612,104	-	1,612,104
Foreign Government Securities	604,135	-	604,135	548,752	-	548,752
Term Finance Certificates, Musharika and Sukuk Bonds	67,233,108	-	67,233,108	64,664,793	-	64,664,793
Preference shares	570,535	-	570,535	556,944	-	556,944
Investment in mutual funds	819,646	-	819,646	1,149,646	-	1,149,646
Investments outside Pakistan	463,295	-	463,295	463,295	-	463,295
Total available-for-sale securities	513,035,401	164,745,933	677,781,334	373,896,453	7,700,000	381,596,453
Held-to-maturity securities						
Pakistan Investment Bonds	177,302,044	-	177,302,044	169,476,489	-	169,476,489
Market Treasury Bills	19,604,676	-	19,604,676	148,246	-	148,246
GoP Foreign Currency Bonds	2,526,044	-	2,526,044	2,309,720	-	2,309,720
Foreign Government Securities	22,764,772	-	22,764,772	21,173,206	-	21,173,206
Foreign Currency Debt Securities	465	-	465	424	-	424
Debentures, Bonds, Participation Term Certificates, Musharika and Term Finance Certificates	760,713	-	760,713	710,713	-	710,713
Total held-to-maturity securities	222,958,714	-	222,958,714	193,818,798	-	193,818,798
Investments in Associates	1,244,840	-	1,244,840	1,227,086	-	1,227,086
Investments in Joint Venture	4,542,488	-	4,542,488	4,966,604	-	4,966,604
Investments in Subsidiaries	1,245	-	1,245	1,245	-	1,245
Investment at cost	990,836,581	345,991,934	1,336,828,515	949,533,887	319,039,019	1,268,572,906
Less: Provision for diminution in value of Investments	7.2 (10,816,100)	-	(10,816,100)	(10,521,310)	-	(10,521,310)
Investments (net of provision)	980,020,481	345,991,934	1,326,012,415	939,012,577	319,039,019	1,258,051,596
Unrealized (loss) / gain on revaluation of investments classified as held-for-trading	(190,331)	121,211	(69,120)	10,317	-	10,317
Surplus on revaluation of available-for-sale securities	13 36,312,703	490,423	36,803,126	38,431,646	43,505	38,475,151
Total investments	1,016,142,853	346,603,568	1,362,746,421	977,454,540	319,082,524	1,296,537,064

8.1 Advances include Rs. 123,466 million (2017: Rs.121,941 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2018 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	(Rupees in '000)				
Other Assets Especially Mentioned	1,588,293	-	1,588,293	67,444	67,444
Substandard	4,092,132	60	4,092,192	981,402	981,402
Doubtful	3,018,626	4,958	3,023,584	1,468,509	1,468,509
Loss	79,550,261	35,211,931	114,762,191	111,575,739	111,575,739
	88,249,312	35,216,948	123,466,260	114,093,095	114,093,095

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

8.2 Particulars of provision against non-performing advances

	June 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000')					
Opening balance	111,347,775	6,515,068	117,862,843	110,239,938	4,431,207	114,671,145
Foreign exchange adjustments	2,868,078	40,464	2,908,541	952,122	15,534	967,656
Charge for the period	5,917,487	2,294,678	8,212,165	3,177,831	2,558,971	5,736,802
Reversal for the period	(6,040,244)	(6,051)	(6,046,295)	(4,001,550)	(490,644)	(4,492,194)
	(122,758)	2,288,627	2,165,869	(823,719)	2,068,327	1,244,608
Transfer from investments	-	-	-	1,004,153	-	1,004,153
Other transfer	-	-	-	(44,875)	-	(44,875)
Amounts charged off	-	-	-	(2,981)	-	(2,981)
Amounts written off	-	-	-	(899)	-	(899)
Other adjustments	-	-	-	24,036	-	24,036
Closing balance	114,093,095	8,844,157	122,937,253	111,347,775	6,515,068	117,862,843

8.3 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan upto December 31, 2017. The bank believes that extension will be allowed in due course.

9. OPERATING FIXED ASSETS

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	(Rupees in '000')	
Capital work-in-progress	1,882,324	1,823,691
Property and equipment	30,944,535	30,848,109
Intangible assets	915,937	1,150,437
	33,742,795	33,822,237

9.1 Additions and disposals during the period amounted to Rs. 1,305 million (June 30, 2017: Rs. 1,260 million) and Rs. 280 million (June 30, 2017: Rs. 315 million) respectively.

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
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10. DEFERRED TAX LIABILITIES / ASSETS - net

Deferred tax assets arising in respect of

Provision for diminution in the value of investments	236,751	3,278,835
Provision against non-performing advances	622,390	622,390
Other provisions	105,416	2,187,036
Provision against defined benefits plans	2,566,536	13,649,979
Unrealized loss on derivatives	-	439,026
Provision against off balance sheet obligations	115,222	116,622
Excess of accounting book value of leased assets over lease liabilities	2,772	3,872
Carried forward unabsorbed tax losses	10,705	10,705
Others	3,615	3,584
	3,663,407	20,312,049

Deferred tax liabilities arising in respect of

Revaluation of securities	(11,643,562)	(12,504,929)
Non-banking assets	(89,981)	(89,981)
Operating fixed assets	(270,291)	(374,657)
Others	(2,314,832)	
	(14,318,666)	(12,969,567)

Net deferred tax (liability) / asset	(10,655,259)	7,342,482
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10.1 The Bank has received favorable ATR decision in respect of Tax Years 2011-2014 and order for the tax year 2015 during the period which resulted in increase in determined refunds by Rs. 20.3 billion and prior year tax provision reversal of Rs. 2.11 billion. Accordingly, deferred tax assets recognized in prior years are no longer required therefore reversed, which amounted to Rs. 18.6 billion.

11. BORROWINGS FROM FINANCIAL INSTITUTIONS

Borrowings include repurchase agreement borrowings amounting to Rs. 345,992 million (December 31, 2017: Rs. 320,039 million)

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
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12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	336,522,674	336,280,253
Savings deposits	494,336,721	476,860,650
Current accounts - remunerative	313,501,726	278,684,284
Current accounts - non-remunerative	471,707,782	362,299,286
	1,616,068,903	1,454,124,473

Financial Institutions

Remunerative deposits	18,686,755	61,988,674
Non-remunerative deposits	275,888,734	210,946,099
	294,575,489	272,934,773
	1,910,644,392	1,727,059,246

13. SURPLUS ON REVALUATION OF ASSETS - net

Surplus on revaluation of fixed assets	21,894,790	21,946,202
Surplus on revaluation of non-banking assets	2,174,366	2,174,367
	24,069,156	24,120,569

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

Federal Government Securities	(2,232,758)	953,651
Term Finance Certificates and Sukuks	181,639	128,291
Shares and mutual funds	26,012,294	26,193,852
GoP Foreign Currency Bonds	(953,324)	292,789
Foreign Currency Debt Securities	(245,857)	62,855
Investment outside Pakistan	14,041,132	10,843,713
	36,803,126	38,475,151
	60,872,282	62,595,720

Deferred tax liability

Surplus on revaluation of available-for-sale securities	(11,642,955)	(12,504,929)
Share of revaluation loss on securities of associates	(1,090,989)	(458,356)
	48,138,339	49,632,435

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	----- (Rupees in '000) -----	
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
This includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	10,087,996	18,841,970
- Financial institutions	5,252,151	2,836,911
- Others	28,953,872	27,834,214
	<u>44,294,019</u>	<u>49,513,095</u>
14.2 Transaction-related contingent liabilities		
This includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:		
- Government	20,639,758	15,084,426
- Financial institutions	49,782,946	33,247,316
- Others	24,372,646	17,111,631
	<u>94,795,350</u>	<u>65,443,373</u>
14.3 Trade-related contingent liabilities		
Letters of credit issued in favour of:		
- Government	581,991,826	326,644,898
- Financial institutions	2,539,997	2,647,619
- Others	95,852,412	89,200,608
	<u>680,384,236</u>	<u>418,493,125</u>
14.4 Other contingencies		
14.4.1 Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2017: Rs. 1,597 million)	<u>19,282,205</u>	<u>16,747,536</u>
14.4.2 Taxation		
The current status of tax contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2017, except for:		
a) The tax returns of the Bank have been filed upto Tax Year 2017 and amended by the tax authorities up to Tax Year 2017. For Azad Kashmir and Gilgit Baltistan Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2017.		
b) Against ATIR orders for the Tax Years 2011 to 2014, the Bank has obtained appeal effect orders which has resulted in net increase in determined refunds by Rs. 18.358 billion and prior year tax reversal of Rs. 1.914 billion. Further, as a result of appeal effect order passed under section 124 / 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2015, the net refund have increased by Rs.1.899 billion and tax reversal of Rs. 198 million. Therefore, the aggregate refunds increased by Rs. 20.257 billion and prior year tax reversal of Rs. 2.113 billion.		
c) The aggregate effect of contingencies as on June 30, 2018 amounts to Rs.10.731 billion (December 31, 2017: Rs. 14.243 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.		
14.4.3 Barter Trade Agreements		
The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2017.		
14.4.4 Golden Handshake / Encashment of Unavailed Leaves / Outsourcing / Medical		
The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2017.		
14.4.5 Pensionary benefits to retired employees		
In 1977 the Federal Govt. vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977 addressed to the Pakistan Banking Council, directed that all executives/ officers of all nationalized banks would be paid pension as calculated @ 70% of average emoluments on completion of 30 years of qualifying service and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.		

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

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

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

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

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

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

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

14.4.6 Litigation related to management trainee program

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

On March 13, 2013, the Bank was ordered to ensure the equal treatment to the petitioners with similarly placed employees without any discrimination. The SHC order was assailed by the Bank before the Apex Court through CP No. 85/2013. The Bank was granted Leave, however subsequently, Bank's civil appeal was dismissed vide order dated September 21, 2016 in terms of which the order of the Sindh High Court was upheld, however, the respondents were held to be entitled for same salary, perks and emoluments as are applicable and payable to the MTO working in contemporary grades from the date of judgment of the SHC order. The Bank had settled the claims of three employees which approximate to Rs. 5 million during the year 2017.

Various other employees of the Bank have also approached the courts in their jurisdiction on the basis of Apex Court decision and claimed the similar benefits and consequently Lahore High Court vide order sheet dated March 30, 2018 directed the Bank to follow judgment of apex court and in another case, Peshawar High Court (PHC) passed judgement dated May 30, 2018 in favor of an employee and directed the bank to pay the arrears of all such benefits to the employee and extended the decision to all other employees who are not the parties of the litigation.

The Bank has filed intra court appeals in the Lahore High Court which is accepted by the court and as advised by our legal counsels, the Bank considers that due to other benefits given to non-MTO employees in the past as highlighted by the Bank in its intra court appeals, the Bank has a reasonable merits to convince the courts that decision of Apex Court cannot be applied outrightly instead it needs to be assessed based on facts of each case.

14.4.7 Compliance and risk matters relating to anti-money laundering

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

	June 30, 2018 (Un-Audited)	December 31, 2017 (Audited)
	(Rupees in '000)	
14.5 Commitments in respect of forward exchange contracts		
Purchase	220,253,208	202,309,263
Sale	170,523,183	142,915,579
14.6 Commitments in respect of financing		
Undrawn committed facilities (which are not cancellable)	23,100,756	41,261,434
Unconditionally cancellable commitments (which can be cancelled at any time without notice)	104,780,437	116,441,330
14.7 Commitments for the acquisition of operating fixed assets	489,817	826,727
14.8 Other Commitments		
Professional services to be received	15,400	23,115

15. OTHER INCOME

Other income includes Rs. 888 million (June 30: 2017: Rs. 689 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

16. OTHER PROVISIONS AND WRITE - OFFS

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

17. TAXATION

The Federal Government vide Finance Act 2018 has imposed a super tax at the rate of 4% on income of Banks for the year ending December 31, 2018 (Tax Year 2019). Accordingly, provisions of Rs. 706 million for the Super Tax has been made for the six months.

	Quarter Ended June 30, 2018	Half Year Ended June 30, 2018	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017
18. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation	(Rupees in '000) 7,594,614	12,656,259	4,379,384	8,516,540
Weighted average number of ordinary shares	(Number '000) 2,127,513	2,127,513	2,127,513	2,127,513
Basic and diluted earnings per share	(Rupees) 3.57	5.95	2.06	4.00

19. OTHER DISCLOSURES

19.1 Segment details with respect to business activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	Rupees in '000'								
Half year ended June 30, 2018									
(Un-audited)									
Total income	180,886	10,517,529	2,509,021	27,075,751	413,063	4,928,932	786,501	60,812	46,472,495
Inter segment revenue	-	(9,975,216)	12,269,889	(2,294,673)	-	-	-	-	-
Total expenses	35,102	123,476	7,556,579	17,824,551	95,389	2,746,407	514,971	59,629	28,956,105
Net income	145,784	418,837	7,222,331	6,956,526	317,674	2,182,525	271,530	1,183	17,516,390
Segment assets (Gross)	-	428,669,967	218,130,929	2,013,180,025	-	-	2,364,046	771,562	2,663,116,529
Segment non-performing loans	-	-	9,139,908	113,876,192	-	-	450,160	-	123,466,260
Segment provision required	-	-	9,986,956	112,613,743	-	-	336,554	-	122,937,253
Segment liabilities	-	-	684,626,046	1,784,669,993	-	-	1,249,592	445,738	2,470,991,369
Segment return on assets (ROA) (%)	0.00%	0.22%	7.50%	0.77%	0.00%	0.00%	12.02%	0.12%	1.46%
Segment cost of funds (%)	0.00%	0.00%	3.12%	4.23%	0.00%	0.00%	2.65%	0.65%	3.95%
Half year ended June 30, 2017									
(Un-audited)									
Total income	408,664	1,444,413	1,604,159	33,465,231	323,506	4,129,240	870,508	126,421	42,372,141
Inter segment revenue	-	(1,400,024)	9,831,817	(8,431,792)	-	-	-	-	-
Total expenses	70,398	7,550	6,043,562	19,242,206	80,439	2,494,065	535,784	60,226	28,534,231
Net income	338,266	36,839	5,392,414	5,791,232	243,067	1,635,175	334,723	66,195	13,837,911
Segment assets (Gross)	-	193,420,549	208,984,586	1,925,032,500	-	-	2,845,331	672,452	2,330,955,418
Segment non-performing loans	-	-	9,567,387	113,428,352	-	-	466,493	-	123,462,231
Segment provision required	-	-	9,268,963	107,105,986	-	-	291,261	-	116,666,212
Segment liabilities	-	-	597,359,093	1,557,721,860	-	-	1,850,088	323,919	2,157,254,961
Segment return on assets (ROA) (%)	0.00%	0.14%	5.58%	0.68%	0.00%	0.00%	12.34%	7.17%	1.37%
Segment cost of funds (%)	0.00%	0.00%	3.07%	4.08%	0.00%	0.00%	3.53%	0.80%	3.79%

19.2 Fair value of financial instruments

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

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

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

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

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

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

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

Carrying Value	June 30, 2018 (Un-audited)				
	Fair Value			Total	
	Level 1	Level 2	Level 3		
	Rupees in '000'				
On balance sheet financial instruments					
Financial assets measured at fair value					
Held for trading securities					
Market Treasury Bills	428,404,600	-	428,404,600	-	428,404,600
Pakistan Investment Bonds	1,181,950	-	1,181,950	-	1,181,950
Investments in mutual funds	522,070	522,070	-	-	522,070
Ordinary shares of listed companies	122,154	122,154	-	-	122,154
Available for sale securities					
Ordinary shares of listed companies	44,494,952	44,494,952	-	-	44,494,952
Ordinary shares of unlisted companies	1,606,259	-	1,606,259	-	1,606,259
Market Treasury Bills	374,994,606	-	374,994,606	-	374,994,606
Pakistan Investment Bonds	183,437,463	-	183,437,463	-	183,437,463
GoP Foreign Currency Bonds	18,307,937	-	18,307,937	-	18,307,937
Foreign Currency Debt Securities	890,910	-	890,910	-	890,910
Foreign Government Securities	604,135	-	604,135	-	604,135
Term Finance Certificates / Musharika and Sukuk Bonds	61,785,837	-	61,785,837	-	61,785,837
Preference shares	137,091	137,091	-	-	137,091
Investments in mutual funds	4,053,351	4,053,351	-	-	4,053,351
Investments outside Pakistan	14,504,427	14,504,427	-	-	14,504,427
Off balance sheet financial instruments					
Foreign exchange contracts purchase and sale	390,776,391	-	2,233,232	-	2,233,232

December 31, 2017 (Audited)

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

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

19.3 Basel III liquidity requirements

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
(Rupees in '000)		
Liquidity coverage ratio		
Total high quality liquid assets	926,691,955	984,828,182
Total net cash outflow	552,202,600	580,370,735
Liquidity coverage ratio %	168%	170%
Net stable funding ratio		
Total available stable funding	1,752,633,432	1,531,580,508
Total required stable funding	441,374,524	419,276,880
Net stable funding ratio %	397%	365%

20. RELATED PARTY TRANSACTIONS

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

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

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

	2018 (Un-audited)			2017 (Audited)				
	At January 01, 2018	Given during the period	Repaid during the period	At June 30, 2018	At January 01, 2017	Given during the year	Repaid during the year	At December 31, 2017
	(Rupees in '000)							
Advances								
Associates	3,314,085	-	(169,092)	3,144,993	3,297,168	18,750	(1,833)	3,314,085
Key Management Executives Adjustments*	145,369	5,000	(13,454)	136,915	185,830	11,782	(19,962)	177,650
	77,696	-	-	77,696	(32,281)	-	-	(32,281)
	223,065	5,000	(13,454)	214,611	153,549	11,782	(19,962)	145,369
Debts due by Company in which director is interested as director Adjustments*	-	16,605	(15,505)	1,100	-	2,000,000	(2,000,000)	-
	61,789	-	-	61,789	-	-	-	-
	61,789	16,605	(15,505)	62,889	-	2,000,000	(2,000,000)	-
	3,598,939	21,605	(198,051)	3,422,493	3,450,717	2,030,532	(2,021,795)	3,459,454

	2018 (Un-audited)			2017 (Audited)				
	At January 01, 2018	Received during the period	Repaid during the period	At June 30, 2018	At January 01, 2017	Received during the year	Repaid during the year	At December 31, 2017
	(Rupees in '000)							
Deposits								
Key Management Executives Adjustments*	62,047	213,712	(214,247)	61,512	28,838	430,392	(408,116)	51,114
	(4,440)	-	-	(4,440)	10,933	-	-	10,933
	57,607	213,712	(214,247)	57,072	39,771	430,392	(408,116)	62,047
Directors Adjustments*	5,614	17,584	(19,618)	13,580	4,655	37,321	(27,127)	14,849
	11	-	-	11	765	-	-	765
	5,625	17,584	(19,618)	13,591	5,420	37,321	(27,127)	15,614
Pension Fund (Current)	1,248	1,911,319	(1,909,407)	3,160	1,363	3,781,571	(3,781,686)	1,248
Pension Fund (Fixed Deposit)	10,300,000	11,000,000	(11,000,000)	10,300,000	8,800,000	10,300,000	(8,800,000)	10,300,000
Pension Fund (N.I.D.A A/c)	514,539	13,353,634	(13,569,833)	298,340	1,035,959	2,744,580	(3,266,000)	514,539
Provident Fund	12,749,309	13,357,948	(13,607,150)	12,500,107	13,137,045	1,808,033	(2,195,769)	12,749,309
	23,638,328	39,854,197	(40,320,255)	23,172,270	23,019,558	19,101,897	(18,478,698)	23,642,757

* Adjustments due to changes in key management executives.

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	(Rupees in '000)	
Placements with Joint venture	232,435	675,870
Borrowing from: Joint venture	45,535	87,920
Mark-up receivables from associates	1,703,500	2,082,323
Investment in associates	600,000	600,000
	Half year ended June 30, 2018 (Un-audited)	Half year ended June 30, 2017 (Un-audited)
	(Rupees in '000)	
Income for the period		
On advances / placements with:		
Joint Venture	284	682
Debts due by company in which director of the bank is interested as director	14,733	1,716
Dividend from joint venture	-	134,870
Expenses for the period		
Remuneration to key management executives	206,797	241,382
Charge for defined benefit plan	24,815	28,965
Mark-up on Deposits of:		
Provident fund	554,188	820,121
Pension fund	372,801	329,427
Mark-up on Borrowing / Deposits		
Joint Venture	822	18
Transaction Fee paid to company in which directors of the bank are interested as director	5,057	5,835

Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 4,938 million for the half year ended June 30, 2018. As at the Statement of Financial Position date, the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 348,407 million, Rs. 682,882 million and Rs. 612,720 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 9,330 million and Rs. 12,063 million respectively.

21. ISLAMIC BANKING BUSINESS

The Bank is operating 173 (December 31, 2017: 169) Islamic banking branches as at June 30, 2018. Statement of financial position, profit and loss account and cash flow statement are as under:

		June 30, 2018	December 31, 2017
		(Un-audited)	(Audited)
		----- (Rupees in '000') -----	
STATEMENT OF FINANCIAL POSITION			
Assets			
Cash and balances with treasury banks		3,466,712	3,019,664
Balances with other banks		6,017,632	2,809,667
Investments	21.1	24,233,795	17,854,897
Islamic financing and related assets	21.2	22,942,577	18,946,404
Operating fixed assets		244,794	195,431
Other assets		1,560,759	1,149,381
		58,466,269	43,975,444
Liabilities			
Bills payable		109,612	126,099
Deposits and other accounts			
-Current accounts		15,137,682	11,935,097
-Saving accounts		21,171,445	18,380,007
-Term deposits		2,245,744	2,593,239
-Deposit from financial institutions-Remunerative		3,000,000	4,000,000
-Deposit from financial institutions-Non-Remunerative		253,000	-
Due to Head Office		14,219,713	5,120,098
Other liabilities		156,199	257,113
		56,293,395	42,411,653
Net Assets		2,172,874	1,563,791
Represented By			
Islamic Banking Fund		2,200,000	1,700,000
Unappropriated loss		(47,949)	(228,135)
		2,152,051	1,471,865
Surplus on revaluation of investments		20,823	91,926
		2,172,874	1,563,791
21.1 Investments			
Sukuk		22,364,602	15,985,704
Leasing Certificate		2,000,000	2,000,000
Provision against investments		(130,807)	(130,807)
		24,233,795	17,854,897
21.2 Islamic financing and related assets			
Murabaha			
Financings		2,694,264	1,221,869
Advance		2,124,000	3,011,394
Provisions		(188,400)	(188,400)
		4,629,864	4,044,863
Diminishing Musharaka			
Financings		8,490,340	5,137,063
Advance		2,251	291,992
Provisions		(158)	-
		8,492,433	5,429,055
Ijarah assets			
Assets		573,674	307,253
Advance		-	168,627
Provisions		(3,394)	(3,394)
		570,280	472,486
Istasna			
Advance		750,000	500,000
Wakala tul Istismaar		8,500,000	8,500,000
		22,942,577	18,946,404

Half year Ended June 30, 2018 (Un-audited)	Half year Ended June 30, 2017 (Un-audited)
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----- (Rupees in '000') -----

PROFIT AND LOSS ACCOUNT

Profit / Return earned on financings, investments and placements	1,415,778	930,247
Profit / Return expensed on deposit	(605,284)	(397,073)
Net spread earned	810,494	533,174
Direct expenses other than return on deposits	(126,921)	(34,053)
	683,573	499,121
General Provision against consumer financing	(158)	-
Profit after provision	683,415	499,121
Other income		
Fee, commission and brokerage income	130,161	130,726
Income from dealing in foreign currencies	9,879	180
Other income	21,674	9,943
Total other income	161,714	140,849
	845,129	639,970
Other expenses		
Administrative expenses	(893,078)	(671,238)
Loss before taxation	(47,949)	(31,268)

CASH FLOW STATEMENT

Cash Flow from Operating Activities		
Loss for the period	(47,949)	(31,268)
Adjustments :		
Depreciation - Own assets	40,173	23,665
Depreciation - Ijarah assets	126,879	33,815
General Provision against consumer financing	158	-
	167,210	57,480
	119,261	26,212
(Increase) / decrease in operating assets		
Balance with other banks	(3,207,965)	531,388
Due from Financial Institutions	-	6,187,555
Financings and investments	(10,573,211)	(12,477,025)
Other assets	(411,378)	(64,731)
	(14,192,554)	(5,822,813)
Increase / (decrease) in operating liabilities		
Bills payable	(16,487)	159,970
Deposits and other accounts	4,899,528	(2,619,462)
Borrowings from Head Office	9,327,750	8,268,246
Other liabilities	(100,914)	(95,831)
	14,109,877	5,712,923
Net cash generated from operating activities	36,584	(83,678)
Cash flow from investing activities		
Investment in operating fixed assets	(89,536)	(50,850)
Net cash used in investing activities	(89,536)	(50,850)
Cash flow from financing activities		
Islamic banking fund	500,000	-
Increase / (decrease) in cash and cash equivalents	447,048	(134,528)
Cash and cash equivalents at beginning of the half year	3,019,664	2,678,218
Cash and cash equivalents at the end of the half year	3,466,712	2,543,690

22. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 30, 2018.


23. GENERAL

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

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



Chairman



President (Acting)



Director



Director



Chief Financial Officer