

Half Yearly Financial Statements

June 30, 2017



Collaboration with Innovation



National Bank of Pakistan
نیشنل بینک آف پاکستان

Directors' Report to the Shareholders

On behalf of the Board of Directors, I am pleased to present the financial statements of National Bank of Pakistan for the half year ended June 30, 2017.

Economic Environment

With key economic indicators showing an encouraging picture, the economic growth maintained upward trajectory reaching 5.3% GDP growth rate in FY 17, being highest for the decade so far. While macro indicators, such as 4% average inflation, growing investments, and rising private sector credit showed an encouraging picture, the declining trend in exports and the on-going political noise remain a matter for concern in the short-run.

The positivity in business sentiments on the back of historic low interest rate, high infrastructure spending, increased energy supplies, and better law and order has up surged private sector credit and helped LSM step-up its growth momentum leading to 5.1% LSM growth in Jul–Mar FY '17 and a hefty increase in machinery imports. General interest rates for businesses and special rates for export re-finance are at historic low. SBP kept the policy rate at 5.75% in May 2016 and maintained the same rate in its subsequent monetary policy decisions.

Given the 14.1% growth in imports and a 1.3% drop in the exports in Jul–Mar FY '17, trade deficit hit an all-time high of US\$ 6.9 billion in Q3-FY '17. Further, workers' remittances also dropped by 2.3% YoY in Jul–Mar FY '17. Thus, the current account deficit widened to US\$ 6.1 billion in Jul–Mar FY '17, showing a 160% increase. With the current account deficit widening and not being fully offset by financial inflows, the country's total liquid FX reserves as of end-March FY 2017, declined to US\$ 21.57 billion of which SBP's liquid FX reserves were US\$ 16.47 billion and net reserves with scheduled banks US\$ 5.10 billion. SBP's liquid FX reserves were US\$ 18.3 billion at end-Dec 2016. Despite such pressures, the USD-PKR exchange rate remained fairly stable within the Rs. 104-105 range.

The CPEC related projects have already started to gain momentum; the USD 60 billion of promised Chinese investment is expected to be a game changer through resolving chronic energy crises and triggering unparalleled infrastructure development in the country.

Bank's Performance Highlights

Profitability

The Bank recorded unconsolidated pre-tax profit of Rs. 13.61 billion for the first half of 2017 as against Rs. 16.53 billion for the corresponding period last year. Whereas, after-tax profit for the period is Rs. 8.55 billion, translating into Earnings per share of Rs. 4.02 being 9.46% lower than that of similar period last year. This translates into 23.5% pre-tax return on equity. Despite lower discount rates and maturity of high yielding GoP securities, we maintained gross mark-up / interest income which remained at Rs. 56.90 billion (1H'16: Rs. 57.19) billion). This was achieved through maintaining an efficient portfolio mix of earning advances and investments. Net mark-

up/interest income for the 1H '17 was 4.43% lower YoY due to maturity of high yielding Pakistan Investment Bonds, negative impact of which was mostly offset through balance sheet growth.

Non mark-up/interest income for the half year remained at Rs. 15.31 billion i.e. 8.1% higher than Rs. 14.17 billion for the corresponding 1H period of 2016. This was mainly achieved through higher dividend income and income generated through sale of securities which amounted to Rs. 1.86 billion and Rs. 4.15 billion i.e. up 22.1% and 28.5% respectively against the corresponding 1H period of 2016. Similarly, fee & commission income for the period also increased by 3% and amounted to Rs. 7.25 billion.

During the period, income from dealing in foreign currencies was Rs. 1.30 billion as against Rs. 1.65 billion of similar period of last year. The decline is mainly attributed to lower arbitrage opportunities and fairly stable exchange rates.

Loan Portfolio: During the period under review we remained focused on increasing loan portfolio through quality lending and effective post-disbursement monitoring. Bank's gross advances increased by 7% to Rs. 835.5 billion compared to Rs. 781.5 billion at the end of 2016. As we continued to expand our network of Islamic Banking branches, Islamic financing and related assets increased by 320% to Rs. 13.43 billion as compared to Rs. 3.19 billion as of December 2016.

Consistent improvement in portfolio quality has been achieved as loan infection ratio has dropped to 14.6% compared to 15.3% of December 2016. Provision Coverage ratio as of June 2017 is 91%.

Cost Management: With 7.8% increase YoY, administration expenses for the period are Rs. 24.75 billion compared to Rs. 22.95 billion of the corresponding 1H 2016. Increase was mainly recorded in the HR costs due to annual increments. Other non-mark-up expenses remained well controlled within the budget as per industry norms. Major costs incurred during the period related to branch uplift and IT infrastructure development. Bank is also spending to improve customer service quality, corporate image and market visibility through advertisements and social services.

Balance Sheet

As we continued expanding our market outreach, for the first time balance sheet size of the bank crossed Rs. 2 trillion benchmark. With a 17.7% growth against Rs. 1.976 trillion as of December 2016, balance sheet size of the bank has increased to Rs. 2.32 trillion. Balanced growth was achieved in assets portfolio as banks advances (gross) increased to Rs. 835.5 billion being 7% higher than Rs. 781.5 billion of December 2016. Major growth was recorded in the corporate loans and commodity financing.

With 35.6% growth against Rs. 863.6 billion as of December 2016, bank's investments (cost) increased to Rs. 1,170.9 billion. Pursuant to our effective risk and capital adequacy management

strategy, the investment portfolio is efficiently diversified across zero risk treasury instruments and bonds, high dividend yield equities and other interest bearing financial instruments.

Compared to Rs. 1,657.3 billion as of December 2016, deposits of the bank have increased by 5% to Rs. 1,740.3 billion. Our Islamic banking network recorded growth in deposits which have increased to Rs. 30.50 billion, being 50% up against Rs. 20.32 billion of June '16.

Credit Rating

NBP is rated by both, JCR-VIS and PACRA credit rating agencies in Pakistan. In June 2017, they both reaffirmed Bank's credit rating at 'AAA/A-1+' (Triple A/A-One Plus) with a 'Stable' Outlook. The assigned credit rating & outlook reflect NBP's strong capital structure, strong financial risk profile, firm risk absorption capacity, healthy liquidity and a diversified advances and deposits base.

Qualitative Overview

The bank has maintained its pace of making significant improvements through enhancing its market outreach, adding more to product & services and technological advancements for provision of services through alternative channels. During the period under review our Islamic banking network increased to 134 branches (Dec: 118) becoming the second largest Islamic banking window amongst the conventional banks.

We have recently restructured our business model to match the same with evolving customers' demands. NBP is a leading bank in handling Government business. We understand, the future of banking is in digitisation and branchless banking through alternative delivery channels. Our newly introduced Payment Services & Digital Banking Group is focused to efficiently capture Government business and develop effective alternative delivery channels like phone banking, internet banking, cards services, cash management services etc.

Further, to put emphasis and focus on improvement in customer services quality, we have established Services Quality Division to promote a better service culture in bank through providing guidelines and training for improvement in Customer Service Quality.

To promote credit supply for Small & Medium Enterprises in the country, we have set a plan to establish 20 Commercial & SME Credit Centres in various large cities. These commercial centres will cater to the credit and non-credit financial demands of the small & medium scale businesses. So, far 14 Commercial Credit Centres have already become fully operational. By the end of 2017, we will be adding 6 more Commercial Centres providing dedicated services to the Small & Medium clients of the Bank.

We have been actively improving our international operations spanning over 19 countries in 3 continents. Targeting CPEC related business opportunities, we are moving in the right direction for opening our branch in China, where we currently have a representative office. We have a sizeable footprint on the main route of CPEC, including in Gwadar; and will be further expanded where required.

Future Outlook

National macroeconomic indicators continue uptick to solidify grounds for a sustained economic growth. Particularly, improving security situation, power supply and investment into infrastructure projects are all going to propel the GDP, which the government envisages at higher rate of 6% percent for FY18. Given the recovery observed in global commodity markets and fairly stable forex rates, inflation is expected to remain within the target of 6%. Since return on GoP securities has now become least attractive, credit expansion to private sector is likely to maintain pace with better prospects for return of business activities. Recovery in the global economy, particularly advanced economies, offers healthier trade prospects for Pakistani exporters which could now also benefit from this evolving dynamics through product diversification at competitive prices. Given the surge in import of machinery and equipment, import bill is likely to rise. Impact of surge in import bill on the balance of payment is expected to remain muted due to availability of financing from international financial institutions and other bilateral sources. Continuity and consistency in policies, especially those related to investment and industry, would however be necessary to ensure sustainability of the growth momentum.

NBP will continue propelling in the right direction for regaining its market leadership position. This is based on our passion for bringing greater financial inclusion, partnering economic growth, adopting the best corporate governance practices and serving the nation through multiple delivery channels. We have recently redefined our business model and roles, making them more innovative and aligned with the modern-day banking concepts. We will be continually expanding our market outreach both in conventional as well as Islamic banking segments throughout the country. Our healthy liquidity and capital adequacy position enable us to tap in on the emerging business opportunities both in retail as well as LSM and infrastructural projects with a particular focus on CPEC.

Appropriation of Profits:

The Profit for the half year ended June 30, 2017 after carry forward of accumulated profit of 2016 is proposed to be appropriated as follows:

	<i>(Rs. Million)</i>
Profit before tax for half year ended June 30, 2017	13,615
Taxation	
- Current	3,264
- Prior Year	272
- Deferred	1525
	<hr/>
	5,061
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After tax profit for half year ended June 30, 2017	8,553
Un-appropriated profit brought forward	51,939

Other comprehensive income - net of tax	(1,157)
Transfer from surplus on revaluation of fixed assets – net of tax	<u>54</u>
Profit available for appropriations	<u>59,389</u>

Appropriation:

Transfer to Statutory Reserve (10% of after-tax profit)	(855)
Cash dividend-2016 (Rs. 7.5 per share)	<u>(15,956)</u>
Un-appropriated profit carried forward	<u>42,578</u>

For and on behalf of the Board of Directors

Saeed Ahmed

President & Chairman

Karachi

Date: August 24, 2017

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

30 جون 2017 کو ختم ہونے والی ششماہی میں بورڈ آف ڈائریکٹرز کی جانب سے نیشنل بینک آف پاکستان کی مالی دستاویزات پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

معاشی صورتحال

اہم معاشی اشارے ایک حوصلہ افزا صورتحال پیش کر رہے ہیں، معاشی نمونے بلندی کی پرواز کو برقرار رکھی اور سال 2017 میں ملکی مجموعی پیداوار کی شرح 5.3 فیصد پہنچی، جو عشرے میں اب تک بلند تر ہے۔ جبکہ معیشت کے بڑے اشارے مثلاً 4 فیصد انفرافلٹر، بڑھتی ہوئی سرمایہ کاری اور نجی شعبے میں قرضہ جات کی فراہمی میں اضافے نے ایک حوصلہ افزا تصویر پیش کی ہے، برآمدات میں کمی کا رجحان اور جاری سیاسی شہرتا بہ وقتی طور پر ایک پریشانی کا سبب رہا۔

تاریخی کم سودی نرخ، بلند ڈھانچاتی اخراجات، بڑھتی ہوئی توانائی کی فراہمی اور امن و امان کی بہتر صورتحال کے پس منظر میں پیدا ہونے والی مثبت کاروباری رجحان کی حساسیت نے نجی شعبے کو قرضہ جات میں اضافہ ہوا اور اس نے LSM میں نمونے کے بڑھانے میں مدد کی اور جولائی تا مارچ 2017 میں مقدار کی حرکت (momentum) میں اضافہ کی وجہ سے LSM کی نمو 5.1 فیصد ہو گئی اور مشینوں کی درآمدات میں زبردست اضافہ ہوا۔ کاروبار کے لیے عام سودی نرخ اور برآمدات کی ری-فنانس (re-finance) کے لیے خصوصی نرخ تاریخی طور پر کم سطح پر رہا۔ بینک دولت پاکستان نے مئی 2016 میں پالیسی نرخ 5.75 فیصد رکھا اور اس کے بعد کے مالیاتی فیصلوں میں برقرار رکھا۔

مارچ جولائی 2017 درآمدات میں 14.1 فیصد اضافہ اور 1.3 فیصد برآمدات میں کمی کے پس منظر میں سال 2017 کی تیسری سہ ماہی میں تجارتی خسارہ 6.9 ارب امریکی ڈالر بلند ترین سطح کو پہنچ گیا۔ مزید یہ کہ سمندر پار کارکن کی جانب سے سال بہ سال جولائی مارچ 2017 ترسیل زر میں بھی 2.3 فیصد کمی ہوئی۔ س طرح سے، جولائی مارچ 2017 میں 160 فیصد اضافے کے ساتھ موجودہ جاری کھاتے کا خسارہ بڑھ کر 6.1 ارب امریکی ڈالر ہو گیا۔ موجودہ بڑھتا ہوا جاری کھاتے کا خسارہ جس کا اندرونی مالیاتی ترسیل سے تدارک نہ ہونے کی وجہ سے ملک کے سیال غیر ملکی زرمبادلہ کے ذخائر جولائی مارچ 17 میں گھٹ کر 21.57 ارب امریکی ڈالر جس میں سے بینک دولت پاکستان کے سیال غیر ملکی زرمبادلہ کے ذخائر 6.47 ارب امریکی ڈالر اور شیڈیولڈ بینکوں کے پاس خالص ذخائر 5.10 ارب امریکی ڈالر تھے۔ اکتوبر 2016 کے اختتام پر بینک دولت پاکستان کے پاس سیال غیر ملکی زرمبادلہ کے ذخائر 18.3 ارب امریکی ڈالر تھے۔ ایسے دباؤ کے باوجود، روپے-امریکی ڈالر کے مبادلہ کا نرخ مناسب حد تک 104 اور 105 کے درمیان مستحکم رہا۔

CPEC سے متعلقہ منصوبوں میں پہلے ہی سے تیزی دکھا چکا ہے، چین کی جانب سے 60 ارب امریکی ڈالر کی سرمایہ کاری کا وعدہ توانائی کے دیرینہ مسائل کے حل اور بے مثل ڈھانچائی ترقی کا آغاز ملک میں تمام معاملات کی نوعیت بدلنے کا باعث ہوگا۔

بینک کی کارکردگی کی جھلکیاں منافع بخش (profitability)

بینک نے 2017 کی پہلی ششماہی میں 13.61 ارب روپے کا غیر انضمام شدہ منافع قبل از محصول دکھایا یعنی گذشتہ سال کے 16.53 بلین روپے سے 17.6 فیصد کم رہا۔ جبکہ اسی مدت کا منافع بعد از محصول 8.55 ارب روپے رہا جس کا نتیجہ آمدنی فی حصص 4.02 روپے فی حصص رہا جو گذشتہ سال اسی مدت کے مقابلے میں 9.46 فیصد کم ہے۔ اس کا نتیجہ ایکویٹی (equity) پر آمدنی قبل از محصول 23.5 فیصد رہی۔ کم رعایتی نرخ اور حکومت پاکستان کے زیادہ آمدنی دینے والے (high-yielding) تمسکات کی مدت کی تکمیل کے باوجود ہم نے مجموعی مارک اپ/سودی آمدنی کو برقرار رکھا جو 56.90 ارب روپے رہی (16 کی پہلی ششماہی 57.19 ارب روپے)۔ اس کا حصول موثر پورٹ فولیو کس سے ہونے والے قرضہ جات اور سرمایہ کاری سے آمدنی سے ہوا۔ 2017 کی پہلی ششماہی میں سال بہ سال خالص مارک اپ/سودی آمدنی 4.43 فیصد کم رہی جس کی وجہ زیادہ آمدنی دینے والے حکومتی تمسکات کی مدت تکمیل ہے جس کی زیادہ تر تلافی مالیاتی دستاویز کی نمونے کر دی۔

سال کی پہلی ششماہی میں غیر مارک اپ/سودی آمدنی 15.31 ارب روپے رہی جو سال 2016 کی پہلی ششماہی کی آمدنی 14.17 ارب روپے سے 8.1 فیصد زیادہ ہے۔ بنیادی طور پر اس کا حصول زیادہ منقسمہ منافع کی آمدنی اور تمسکات کی فروخت سے ہوا جس کی مالیت بالترتیب 1.86 ارب روپے اور 4.15 ارب روپے تھی جس میں سال 2016 کی پہلی ششماہی کے مقابلے میں بالترتیب 22.1 فیصد اور 28.5 فیصد زیادہ رہی۔ اسی طرح فیس اور کمیشن سے اس مدت میں آمدنی 3 فیصد اضافے کے ساتھ 7.25 ارب روپے رہی۔

اس مدت کے دوران غیر ملکی کرنسیوں سے حاصل ہونے والی آمدنی 1.3 ارب جو گذشتہ سال اس مدت میں 1.65 ارب روپے کم رہی۔ یہی بنیادی طور پر لین دین سے فائدہ اٹھانے کے مواقع اور خاصے مستحکم مبادلہ کے نرخ کی وجہ سے ہے۔

قرضہ جاتی پورٹ فولیو: زیر جائزہ مدت میں ہم نے اپنی توجہ معیاری قرضہ کی فراہمی اور قرضہ جات کی فراہمی کے بعد اس کی موثر نگرانی کے ذریعے سے قرضہ جات پورٹ فولیو میں اضافے پر رکی۔ زیر جائزہ مدت میں بینک کی مجموعی قرضوں کی فراہمی 835.5 ارب روپے

رہی جس میں 2016 کے اختتام پر اس کی مالیت 781.5 ارب روپے میں 7 فیصد کا اضافہ رہا۔ جیسا کہ ہم نے اپنی اسلامی بینکاری کی شاخوں میں توسیع کا عمل جاری رکھا جس کی وجہ سے اسلامی سرمایہ کاری اور متعلقہ اثاثہ جات میں 320 فیصد اضافے کے ساتھ 13.43 ارب روپے کا اضافہ ہوا جبکہ دسمبر 2016 میں اس کی مالیت 3.19 ارب روپے تھی۔ 2017 کی پہلی ششماہی میں NPL کے لیے خصوصی خالص شخصیات کا چارج 2.14 ارب روپے تھا۔ جون 2017 پر کووریج کا تناسب (coverage ratio) 91 فیصد تھا۔

لاگتی انتظام (cost management) انتظامی اخراجات میں سال بہ سال 7.8 فیصد اضافے کے ساتھ 24.75 ارب روپے جبکہ یہ اخراجات 2016 کی پہلی ششماہی میں 22.95 ارب روپے تھے۔ سالانہ تنخواہوں میں اضافے کی وجہ سے اصل اضافہ انسانی وسائل کی لاگت میں اندراج سے ہوا۔ دیگر غیر مارک اپ کے اخراجات بہتر طور پر تخمینے (budget) میں رہے جو بینکاری کے متعین معیار کے مطابق ہیں۔ اس مدت میں بڑی لاگت کا تعلق شاخوں میں بہتری اور IT کے ڈھانچاتی ترقیاتی کاموں کی وجہ سے ہے۔ بینک اشتہارات اور سماجی خدمات کی مد میں اخراجات کر کے گاہکوں کی خدمات کے معیار، اداراتی ایچ اور منڈی میں اپنی موجودگی کے احساس میں بہتری/اضافے بھی چاہتا ہے۔

مالیاتی دستاویز (Balance Sheet)

جیسا کہ ہم نے منڈیوں تک رسائی میں توسیع جاری رکھی جس کا نتیجہ بینک کی مالیاتی دستاویز نے پہلی مرتبہ 2 کھرب روپے کا سنگ میل عبور کیا۔ دسمبر 2016 میں مالیاتی دستاویز کی مالیت 1.976 کھرب روپے میں 17.7 فیصد نمو سے بڑھ کر 2.32 کھرب روپے تک بڑھ چکی ہے۔ جیسے جیسے بینک کے قرضہ جات (مجموعی) میں اضافے کے ساتھ 835.5 ارب روپے ہو گئی جس میں دسمبر 2016 کے 781.5 ارب روپے سے 7 فیصد زیادہ رہی جس کی وجہ سے اثاثہ جات کے پورٹ فولیو میں متوازن ترویج کا حصول ہوا۔ بڑی مواد اداراتی قرضہ جات اور سماجی سرمایہ کاری میں دیکھی گئی۔

دسمبر 2016 میں بینک کی سرمایہ کاری (لاگت) 863.6 ارب روپے میں 35.6 فیصد اضافے کے ساتھ بڑھ کر 1,170.91 ارب روپے ہو گئی۔ ہماری مؤثر خطرہ اور سرمایہ کی موزونیت کے انتظام کی حکمت عملی کے مطابق سرمایہ کاری کا پورٹ فولیو صفر خطرے والی خزانے کی دستاویزات، بوٹلز، زیادہ منقسمہ منافع دینے والی ایکویٹیز اور دیگر سودی مالیاتی دستاویزات کے لیے مؤثر طور متنوع ہے۔ دسمبر 2016 کے 1,657.31 ارب روپے کے ڈپازٹس کے مقابلے میں 5 فیصد اضافے کے ساتھ بڑھ کر 1,740.34 ارب روپے ہو گئے۔ ہمارے اسلامی بینکاری کے پھیلے ہوئے جال (network) نے ڈپازٹس میں اضافے کا اندراج کیا جو جون 2016 کے 20.32 ارب میں 50 فیصد اضافے کے ساتھ بڑھ کر 30.50 ارب روپے ہو گیا ہے۔

کریڈٹ ریٹنگ

NBP کی درجہ بندی پاکستان کی دونوں کریڈٹ ریٹنگ کی ایجنسیوں PACRA اور JCR-VIS نے کی ہے۔ جون 2017 میں دونوں نے AAA/A-1 مستحکم معیار نامہ کے ساتھ درجہ بندی کی دوبارہ توثیق کی ہے۔ یہ توثیق کردہ درجہ بندی اور منظر نامہ NBP کا مستحکم سرمایہ کا ڈھانچہ، مالیاتی خطرے کا پروفائل، خطرے کو جذب کرنے کی مضبوط استعداد، صحت مند سیالیت اور متنوع قرضہ جات اور ڈپازٹ کی بنیاد کی عکاسی کرتا ہے۔

ماہیتی سرسری جائزہ

بینک نے منڈی تک رسائی میں توسیع، مصنوعات اور خدمات میں مزید اضافے اور ان کی متبادل ذرائع سے فراہمی کے لیے ٹیکنالوجی میں ترقی کے ذریعے سے نمایاں بہتری کرنے کی رفتار کو برقرار رکھا۔ زیر جائزہ سال میں ہماری اسلامی بینکاری کی شاخوں کا جال بڑھ کر 134 (دسمبر 2018) ہو گیا، اس طرح سے روایتی بینکوں میں دوسرا سب سے بڑا اسلامی بینکاری ونڈو (window) والا بینک بن گیا ہے۔

حال ہی میں ہم نے اپنے کاروبار کے ماڈل کی تعمیر نو کی ہے تاکہ وہ گاہکوں کے بتدریج پیدا ہونے والے تقاضوں سے ہم آہنگ ہو سکے۔ NBP حکومت کے کاروبار کو دیکھنے والا ایک فوقیت رکھنے والا بینک ہے۔ ہم سمجھتے ہیں کہ بینکاری کا مستقبل کمپیوٹر کے ذریعے اعداد و شمار کا کام (digitalization) اور بغیر برانچ کی بینکاری میں ہے جس میں خدمات کی فراہمی متبادل ذرائع سے ہوتی ہے۔ ہمارا نیا متعارف کردہ "ادائیگی کی خدمات اور ڈیجیٹل بینکنگ گروپ" کی توجہ بہتر کارکردگی کے ساتھ حکومت کا کاروبار حاصل کرے اور فراہمی کے مؤثر متبادل ذرائع تیار کرے مثلاً فون بینکاری، انٹرنیٹ بینکاری، کارڈز کی خدمات، کیش میچمنٹ کی خدمات وغیرہ۔

مزید یہ کہ گاہکوں کی خدمات کے معیار میں بہتری لانے کے لیے ہماری توجہ اور زور دینے کے لیے ہم نے خدمات کے معیار کا شعبہ تشکیل دیا ہے تاکہ بینک میں شعبہ جاتی کام کرنے کے لیے رہنما اصول فراہم کر کے اور تربیت کے ذریعے سے بینک میں بہتر خدمات کی ثقافت فروغ پائے اور گاہکوں کی خدمات کے معیار میں بہتری آئے۔

ملک میں چھوٹے اور درمیانی کمپنیوں کو قرضہ کی فراہمی کے فروغ کے لیے ہم نے متعدد بڑے شہروں میں 20 تجارتی اور SME کریڈٹ سینٹرز کے قیام کا منصوبہ بنایا ہے۔ یہ تجارتی مراکز چھوٹے اور درمیانی کاروبار کی قرضہ جاتی اور غیر قرضہ جاتی تقاضوں کو دیکھیں گے۔ اب تک 14 تجارتی کریڈٹ کے مراکز پہلے سے ہی پوری طرح کام کر رہے ہیں۔ 2017 کے اختتام تک، 6 مزید تجارتی مراکز کا اضافہ کر دیں گے جو صرف

بینک کے چھوٹے اور درمیانی درجہ کے گاہکوں کو خدمات فراہم کریں گے۔

ہم اپنے 3 براعظموں میں 19 ممالک پر پھیلا ہوئے بین الاقوامی آپریشن میں متحرک طور پر بہتری لاتے رہے ہیں۔ CPEC سے متعلق کاروباری مواقع کو ہدف بناتے ہوئے ہم درست سمت میں جا رہے ہیں اور چین جہاں ابھی ہمارا نمائندہ دفتر ہے اب وہاں بینک کی پراجیکٹ کھول رہے ہیں۔ CPEC کے مرکزی راستے پر ہماری موجودگی کی وسیع اثرات ہیں بشمول گوادراور جہاں جہاں ضرورت ہوگی اس میں توسیع کی جائے گی۔

مستقبل کا منظر نامہ

تومی کلی معیشت کے اشاروں میں اضافے کا رجحان جاری ہے جو برقرار رہنے والے معاشی ترقی کے لئے مضبوط ماحول پیدا کرتا ہے۔ خاص طور پر سیکورٹی (امن و امان کی) صورتحال، توانائی کی فراہمی میں بہتری اور ڈھانچاتی منصوبوں میں سرمایہ کاری جیسے عوامل سبب کر مجموعی قومی پیداوار کو آگے بڑھائیں گی، گورنمنٹ کا خیال ہے کہ سال 2018 میں اس کی بلند شرح 6 فیصد ہوگی۔ عالمگیر اجناس کی منڈیوں میں بحالی اور ملک میں کافی عرصہ سے مستحکم زرمبادلہ کے نرخ سے اس بات کی توقع کی جاتی ہے کہ افریڈ زر 6 فیصد کے ہدف میں رہے گا۔ حکومتی تمسکات سے آمدنی انتہائی کم کشش رکھتے ہیں، نئی شعبے کو قرضہ جات میں توسیع سے امید ہے کہ کاروباری سرگرمیوں سے آمدنی کے تسلسل کو برقرار رکھے گا۔ عالمی معیشتوں کی بحالی، خاص طور پر ترقی یافتہ معیشتیں، پاکستان کے مدکنندگان کے لئے تجارت کے صحت مند امکانات پیش کرتی ہے جسے اب اس متحرک ترغیب دینے والی صورتحال سے متنوع مصنوعات اور مسابقتی قیمتوں کے ذریعے فائدہ اٹھایا جا سکتا ہے۔ مشینوں اور آلات کے بڑھتے ہوئے درآمدات کے تناظر میں درآمدات کا بل 7.6 بڑھے گا۔ بین الاقوامی مالیاتی اداروں اور دیگر برادرانہ ذرائع کی جانب سے سرمایہ کی دستیابی کی وجہ سے درآمدات کے بل میں اضافے کے ادائیگیوں کے توازن پر اثرات خاص نہیں ہوں گے۔ پالیسیوں میں، خاص طور پر سرمایہ کاری اور صنعت سے متعلق، تسلسل اور استحکام کے لیے ضروری ہوگا کہ نمونہ کی وزنی حرکت کو برقرار رکھا جائے۔

NBP اپنی قائدانہ مقام کو دوبارہ حاصل کرنے کے لیے درست سمت میں سفر جاری رکھے گا۔ اس کی بنیاد ہمارا زیادہ مالیاتی شمولیت، معاشی ترقی میں شراکت، اداراتی کارکردگی کے بہترین طریقے اختیار کرنا اور ملک کی مختلف فراہمی کے ذرائع سے خدمت کرنا شامل ہے۔ ہم نے اپنے کاروباری ماڈل اور کردار کی نئی تعریف کی ہے، اور ان کو زیادہ جدید اور جدید دور کے کاروباری تصورات سے ہم آہنگ کیا ہے۔ ہم ملک بھر میں اپنے روایتی کے ساتھ ساتھ اسلامی بینکاری کی رسائی میں توسیع کے عمل کو جاری رکھیں گے۔ ہماری صحت مند سیالیٹ اور سرمایہ کی

موزونیت کا مقام ہمیں اس قابل کرتا ہے کہ ہم ابھرتے ہوئے، دونوں طرح ریشیل کے ساتھ ساتھ LSM اور ڈھانچائی منصوبوں کے، کاروباری مواقعوں کا فائدہ اٹھا سکیں جس کی خاص توجیہ CPEC پر ہے۔

مخصات منافع جات

30 جون 2017 کو ختم ہونے والے نصف سال کے منافع، 2016 کا جمع شدہ منافع آگے بڑھانے کے بعد، مندرجہ ذیل طریقے سے مختص کیا جانا تجویز کیا جاتا ہے:

روپے بلین میں	
13,615	30 جون 2017 کو نصف سال پر منافع قبل از محصول
	محصول
3,264	• موجودہ
272	• پچھلے سال کا
1,525	• مؤخر شدہ
<u>5,061</u>	
8,553	30 جون 2017 کو نصف سال پر منافع بعد از محصول
51,939	غیر مختص شدہ منافع جو آگے لایا گیا
(1,157)	دیگر جامع آمدنی۔ بنا محصول کے خالص
54	اکٹا جات کی دوبارہ قدریاتی کے بعد زائد منتقلی
<u>59,389</u>	مختص کرنے کے لیے دستیاب منافع
	مخصات
(855)	دستوری ذخائر میں منتقلی (منافع بعد از محصول کا 10 فیصد)
(15,956)	نقد حصہ منافع۔ 2016 (7.5 روپے فی حصص)
<u>42,578</u>	غیر مختص شدہ منافع جو آگے لایا گیا

بورڈ آف ڈائریکٹرز کی جانب سے اور ان کے لیے

سعید احمد

صدر اور چیئرمین

24 اگست 2017

کراچی

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

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **National Bank of Pakistan (the Bank)** as at **30 June 2017** 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. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

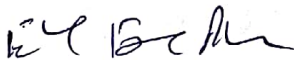
Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 14.4.4.1 to the condensed interim unconsolidated financial statements which explains the contingency in relation to the pension obligations of the Bank. Our conclusion is not qualified in respect of this matter.


Other matter

The figures for the quarters ended 30 June 2017 and 30 June 2016 in the unconsolidated condensed interim profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been subject to the review and therefore, we do not express a conclusion thereon.



EY Ford Rhodes
Chartered Accountants

Engagement Partner:
Arslan Khalid



Grant Thornton Anjum Rahman
Chartered Accountants

Engagement Partner:
Khaliq-ur-Rahman

Date: 24 August 2017

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT JUNE 30, 2017

	Note	(Un-audited) June 30, 2017 ----- (Rupees in '000') -----	(Audited) December 31, 2016 -----
ASSETS			
Cash and balances with treasury banks		213,290,636	159,836,139
Balances with other banks		14,145,665	13,828,477
Lendings to financial institutions - net		41,501,468	121,709,399
Investments - net	7	1,206,392,686	897,130,749
Advances - net	8	719,496,782	667,389,455
Operating fixed assets	9	32,701,063	32,900,778
Deferred tax assets	10	3,754,683	5,135,645
Other assets		93,544,716	77,775,122
		2,324,827,699	1,975,705,764
LIABILITIES			
Bills payable		29,907,883	10,187,250
Borrowings from financial institutions	11	281,531,363	44,863,930
Deposits and other accounts	12	1,740,337,879	1,657,312,093
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		20,206	25,652
Deferred tax liabilities		-	-
Other liabilities		103,255,531	86,584,063
		2,155,052,862	1,798,972,988
NET ASSETS			
		169,774,837	176,732,776
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		48,189,736	46,800,341
Unappropriated profit		42,577,943	51,939,151
		112,042,810	120,014,623
Surplus on revaluation of assets - net	13	57,732,027	56,718,153
		169,774,837	176,732,776
CONTINGENCIES AND COMMITMENTS			
	14		

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016
	Note ----- (Rupees in '000') -----			
Mark-up / Return / Interest earned	29,558,383	56,898,665	30,225,092	57,195,551
Mark-up / Return / Interest expensed	15,425,509	30,477,327	14,603,613	29,548,636
Net mark-up / return / interest income	<u>14,132,874</u>	<u>26,421,338</u>	15,621,479	27,646,915
Provision against non-performing advances - net	8.2 <u>1,468,710</u>	<u>2,143,847</u>	866,865	1,929,158
Provision / (reversal of provision) for diminution in value of investments - net	7.2 <u>260,373</u>	<u>(341,566)</u>	(194,536)	(253,829)
Provision against off-balance sheet obligations	-	-	-	-
Bad debts written off directly	-	-	-	-
	<u>1,729,083</u>	<u>1,802,281</u>	672,329	1,675,329
Net mark-up / interest income after provisions	<u>12,403,791</u>	<u>24,619,057</u>	14,949,150	25,971,586
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	<u>4,064,266</u>	<u>7,252,287</u>	4,219,242	7,037,986
Dividend income	<u>1,349,032</u>	<u>1,859,333</u>	671,431	1,523,140
Income from dealing in foreign currencies	<u>335,683</u>	<u>1,305,392</u>	660,113	1,654,849
Gain on sale and redemption of securities - net	<u>1,806,423</u>	<u>4,148,462</u>	1,760,068	3,226,726
Unrealized loss on revaluation of investments classified as held-for-trading	<u>(70,008)</u>	<u>(34,560)</u>	(11,617)	(5,431)
Other income	15 <u>424,964</u>	<u>777,933</u>	329,417	730,655
Total non mark-up / interest income	<u>7,910,360</u>	<u>15,308,847</u>	7,628,654	14,167,925
	<u>20,314,151</u>	<u>39,927,904</u>	22,577,804	40,139,511
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	<u>12,316,041</u>	<u>24,748,145</u>	11,594,369	22,953,988
Other provisions / write-offs	16 <u>1,021,780</u>	<u>1,542,131</u>	510,093	539,266
Other charges	<u>12,437</u>	<u>23,123</u>	111,548	113,770
Total non mark-up / interest expenses	<u>13,350,258</u>	<u>26,313,399</u>	12,216,010	23,607,024
	<u>6,963,893</u>	<u>13,614,505</u>	10,361,794	16,532,487
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	<u>6,963,893</u>	<u>13,614,505</u>	10,361,794	16,532,487
Taxation - current	<u>1,519,934</u>	<u>3,264,434</u>	2,626,525	5,143,335
- prior year(s)	17 <u>173,499</u>	<u>271,678</u>	1,343,826	1,343,826
- deferred	<u>918,985</u>	<u>1,524,933</u>	981,066	598,124
	<u>2,612,418</u>	<u>5,061,045</u>	4,951,417	7,085,285
PROFIT AFTER TAXATION	<u>4,351,475</u>	<u>8,553,460</u>	5,410,377	9,447,202
Basic and diluted earnings per share (Rupees)	18 <u>2.05</u>	<u>4.02</u>	2.54	4.44

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016
	----- (Rupees in '000') -----			
Profit after taxation	4,351,475	8,553,460	5,410,377	9,447,202
Other comprehensive income:				
<u>Items to be reclassified to profit or loss in subsequent periods:</u>				
Exchange gain/ (loss) on translation of net assets of foreign branches	134,431	534,049	89,628	299,998
<u>Items not to be reclassified to profit or loss in subsequent periods:</u>				
Remeasurements of defined benefit liability	(1,313,287)	(1,780,144)	4,589,331	1,840,278
Related tax effects	459,650	623,050	(1,606,266)	(644,097)
	(853,637)	(1,157,094)	2,983,065	1,196,181
Other comprehensive income - net of tax	(719,206)	(623,045)	3,072,693	1,496,179
Total comprehensive income transferred to equity	3,632,269	7,930,415	8,483,070	10,943,381

Components of comprehensive income not reflected in equity:

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

(Deficit) / surplus on revaluation of available-for-sale securities	(1,345,621)	1,547,422	1,724,725	(25,942)
Related tax effects	397,866	(479,079)	(628,731)	(181,134)
Other comprehensive income/ (loss) - net of tax	(947,755)	1,068,343	1,095,994	(207,076)

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Half Year Ended June 30, 2017	Half Year Ended June 30, 2016
----- (Rupees in '000') -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	13,614,505	16,532,487
Less: Dividend income	1,859,333	1,523,140
	<u>11,755,172</u>	<u>15,009,347</u>
Adjustments		
Depreciation	1,448,932	1,307,549
Provision against non-performing loans and advances	2,143,847	1,929,158
(Reversal of provision) for diminution in value of investments	(341,566)	(253,829)
Other provision / write-offs	1,542,131	539,266
Gain on sale of fixed assets	(26,871)	(13,736)
Financial charges on leased assets	875	1,348
	<u>4,767,348</u>	<u>3,509,756</u>
	<u>16,522,520</u>	<u>18,519,103</u>
Increase in operating assets		
Lendings to financial institutions	81,646,731	(3,987,627)
Held-for-trading securities	(183,407,599)	(6,298,197)
Advances	(54,251,174)	(49,082,643)
Other assets	(9,420,198)	(6,248,462)
	<u>(165,432,240)</u>	<u>(65,616,929)</u>
Increase in operating liabilities		
Bills payable	19,720,633	1,028,860
Borrowings	249,546,221	202,692,923
Deposits and other accounts	83,025,786	(31,622,866)
Other liabilities (excluding current taxation)	13,351,692	8,960,760
	<u>365,644,332</u>	<u>181,059,677</u>
Income tax paid	(9,951,395)	(8,574,275)
Financial charges paid	(875)	(1,348)
	<u>(9,952,270)</u>	<u>(8,575,623)</u>
Net cash generated from operating activities	<u>206,782,342</u>	<u>125,386,228</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(132,422,672)	(123,945,366)
Net investments in held-to-maturity securities	9,055,659	(17,705,174)
Proceeds from investments in associates and subsidiaries	(600,000)	426,804
Dividend received	1,859,333	1,523,140
Investments in operating fixed assets	(1,224,798)	(1,975,103)
Sale proceeds of operating fixed assets disposed off	31,526	19,662
Net cash used in investing activities	<u>(123,300,952)</u>	<u>(141,656,037)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(5,446)	(4,951)
Dividend paid	(15,920,720)	(15,961,034)
Net cash used in financing activities	<u>(15,926,166)</u>	<u>(15,965,985)</u>
Effects of exchange rate changes on cash and cash equivalents	534,049	299,998
Net increase / (decrease) in cash and cash equivalents	<u>68,089,273</u>	<u>(31,935,796)</u>
Cash and cash equivalents at beginning of the half year	146,453,389	170,386,744
Cash and cash equivalents at the end of the half year	<u>214,542,662</u>	<u>138,450,948</u>

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

Share Capital	Attributable to the Shareholders of the Bank					Unappropriated Profit	Total
	Reserves						
	Capital		Revenue				
	Exchange Translation	Statutory	General Loan Loss	General			
----- (Rupees in '000') -----							
Balance as at January 1, 2016	21,275,131	8,148,085	24,911,289	12,000,000	521,338	49,155,590	116,011,433
Total comprehensive income for the half year ended June 30, 2016							
Profit after tax	-	-	-	-	-	9,447,202	9,447,202
Other comprehensive income - net of tax	-	299,998	-	-	-	1,196,181	1,496,179
	-	299,998	-	-	-	10,643,383	10,943,381
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	56,969	56,969
Transfer to statutory reserve	-	-	944,720	-	-	(944,720)	-
Transfer to general loan loss reserve	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(15,956,348)	(15,956,348)
	-	-	-	-	-	(15,956,348)	(15,956,348)
Balance as at June 30, 2016	21,275,131	8,448,083	25,856,009	12,000,000	521,338	42,954,873	111,055,434
Total comprehensive income for the half year ended December 31, 2016							
Profit after tax	-	-	-	-	-	13,305,083	13,305,083
Other comprehensive income - net of tax	-	(1,355,598)	-	-	-	(3,047,265)	(4,402,863)
	-	(1,355,598)	-	-	-	10,257,818	8,902,220
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	56,968	56,968
Transfer to statutory reserve	-	-	1,330,509	-	-	(1,330,509)	-
Balance as at December 31, 2016	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 income - 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

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

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 1,456 (2016: 1,448) branches in Pakistan and 21 (2016: 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 condensed interim unconsolidated financial statements of the Bank for the half year ended June 30, 2017 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984 (repealed - note 2.1.1), provisions of the Companies Ordinance, 1984 (repealed - note 2.1.1), the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where the requirements differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 (repealed - note 2.1.1), the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

2.1.1 The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 (the Act) on May 30, 2017. However, the SECP vide its press release dated July 20, 2017 allowed Companies whose financial year closes on or before June 30, 2017 to prepare the financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Act does not impact the condensed interim unconsolidated financial statements of the Bank for the period ended June 30, 2017.

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

2.3 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2016.

2.4 These condensed interim unconsolidated 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.

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

4. ACCOUNTING POLICIES

The accounting policies adopted for presentation of these condensed interim unconsolidated financial statements are the same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2016.

Standards, interpretations and amendments to published approved accounting standards that are effective in the

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in this condensed interim unconsolidated financial information.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates and associated assumptions used in the preparation of these condensed interim unconsolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2016.

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, 2016.

7. INVESTMENTS - net

	June 30, 2017 (Un-audited)			December 31, 2016 (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	188,268,174	-	188,268,174	-	-	-	
Pakistan Investment Bonds	5,152,375	-	5,152,375	9,984,590	-	9,984,590	
Ordinary shares of listed companies	-	-	-	62,920	-	62,920	
Total held-for-trading securities	193,420,549	-	193,420,549	10,047,510	-	10,047,510	
Available-for-sale securities							
Ordinary Shares of Listed companies	23,385,696	-	23,385,696	22,456,457	-	22,456,457	
Ordinary Shares of Unlisted companies	1,146,712	-	1,146,712	2,119,982	-	2,119,982	
Market Treasury Bills	236,064,410	245,275,118	481,339,528	368,848,153	-	368,848,153	
Pakistan Investment Bonds	136,672,253	7,360,396	144,032,649	125,111,867	4,032,484	129,144,351	
GoP Foreign Currency Bonds	13,573,144	-	13,573,144	8,685,558	-	8,685,558	
Foreign Currency Debt Securities	2,402,240	-	2,402,240	2,732,943	-	2,732,943	
Foreign Government Securities	622,748	-	622,748	519,287	-	519,287	
Term Finance Certificates / Musharika and Sukuk Bonds	65,209,854	-	65,209,854	64,324,362	-	64,324,362	
Preference Shares	692,948	-	692,948	633,660	-	633,660	
Investments in Mutual Funds	694,646	-	694,646	1,212,740	-	1,212,740	
Investments Outside Pakistan	463,295	-	463,295	463,295	-	463,295	
Total available-for-sale securities	480,927,946	252,635,514	733,563,460	597,108,304	4,032,484	601,140,788	
Held-to-maturity securities							
Pakistan Investment Bonds	179,088,009	-	179,088,009	178,328,918	-	178,328,918	
Market Treasury Bills	29,975,980	-	29,975,980	29,131,619	-	29,131,619	
GoP Foreign Currency Bonds	2,214,390	-	2,214,390	7,889,583	-	7,889,583	
Other Federal Government Securities	-	-	-	-	-	-	
Foreign Government Securities	20,132,612	-	20,132,612	25,106,982	-	25,106,982	
Foreign Currency Debt Securities	403	-	403	405	-	405	
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	783,387	-	783,387	792,933	-	792,933	
Total held-to-maturity securities	232,194,781	-	232,194,781	241,250,440	-	241,250,440	
Investments in Associates	7.1.1	4,962,391	-	4,962,391	4,362,391	-	4,362,391
Investments in Joint Venture		2,362,433	-	2,362,433	2,362,433	-	2,362,433
Investments in Subsidiaries	7.1.2	4,406,750	-	4,406,750	4,406,750	-	4,406,750
Investments at cost		918,274,850	252,635,514	1,170,910,364	859,537,828	4,032,484	863,570,312
Less: Provision for diminution in value of investments	7.2	(17,063,418)	-	(17,063,418)	(17,404,984)	-	(17,404,984)
Investments (net of provision)		901,211,432	252,635,514	1,153,846,946	842,132,844	4,032,484	846,165,328
Unrealized loss on revaluation of investments classified as held-for-trading		(34,560)	-	(34,560)	(67,457)	-	(67,457)
Surplus on revaluation of available-for-sale securities		52,536,795	43,505	52,580,300	50,671,839	361,039	51,032,878
Total investments		953,713,667	252,679,019	1,206,392,686	892,737,226	4,393,523	897,130,749

7.1.1 During the period, the Bank invested Rs 600 million (31 December 2016: Nil) in mutual funds managed by its subsidiary company.

7.1.2 Included herein an investment in NBP Leasing Limited amounting to Rs. 500 million (December 31, 2016: Rs. 500 million). The Board of Directors of the Bank in its meeting held on February 19, 2016 approved the amalgamation of NBP Leasing Limited with and into the Bank in accordance with section 48 of the Banking Companies Ordinance, 1962.

The SBP has also sanctioned the Scheme of Amalgamation of the NBP Leasing Limited with and into the Bank, under Section 48 of Banking Companies Ordinance 1962 vide its letter No. BPRD (R&P-02)/NBP/2017/16298, dated July 12, 2017.

As per the proposed Scheme of Amalgamation, all the assets, liabilities and obligations of NBP Leasing Limited shall, as at the Effective Date i.e. July 31, 2017, stand merged with, transferred to, vested in, and be assumed by the Bank, and the NBP Leasing Limited shall be dissolved without winding-up.

	(Un-audited) June 30, 2017	(Audited) December 31, 2016
Note	----- (Rupees in '000') -----	
7.2 Particulars of provision for diminution in value of investments		
Opening balance	17,404,984	19,432,226
Charge for the period / year	489,553	1,447,000
Reversals	(831,119)	(2,833,314)
	(341,566)	(1,386,314)
Adjustment due to settlement of put option in respect of shares of Agritech Limited (an associate)	-	(671,140)
Other transfer	-	99,769
Transfer to advances	-	(284,000)
Transfer from advances and other assets	-	214,444
Closing balance	17,063,418	17,404,984
7.2.1 Particulars of provision in respect of type		
Available-for-sale securities		
Ordinary shares of listed companies and mutual funds	2,377,838	2,737,167
Ordinary shares of unlisted companies	398,923	398,923
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	8,908,221	9,281,816
Preference shares	433,444	433,444
Held-to-maturity securities		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	604,979	604,979
Investment in associates		
Investment in subsidiaries		
	3,329,827	2,938,469
	1,010,186	1,010,186
	17,063,418	17,404,984
7.2.2 Particulars of provision in respect of segments		
Fully Paid up Ordinary Shares	2,740,760	3,090,081
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,513,200	9,886,795
Other investments	469,445	479,453
Investments in associates	3,329,827	2,938,469
Investments in subsidiaries	1,010,186	1,010,186
	17,063,418	17,404,984
8. ADVANCES - net		
Loans, cash credits, running finances, etc.		
In Pakistan	740,992,356	709,791,527
Outside Pakistan	58,429,168	51,196,906
	799,421,524	760,988,433
Islamic financing and related assets	13,431,922	3,199,129
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	15,289,268	8,850,657
Payable outside Pakistan	7,392,277	8,437,549
	22,681,545	17,288,206
Advances - gross	835,534,991	781,475,768
Less: Provision against non-performing loans - specific	111,205,063	109,655,106
- general	4,833,146	4,431,206
	116,038,209	114,086,313
Advances - net of provision	719,496,782	667,389,455

- 8.1 Advances include Rs. 122,167 million (December 31, 2016: Rs. 119,416 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2017 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	2,268,978	-	2,268,978	65,443	65,443
Substandard	5,398,330	55,823	5,454,153	1,288,920	1,288,920
Doubtful	1,772,613	21,084	1,793,697	606,892	606,892
Loss	81,973,843	30,676,117	112,649,960	109,243,808	109,243,808
	91,413,764	30,753,024	122,166,788	111,205,063	111,205,063

Category of Classification	December 31, 2016 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	1,076,998	-	1,076,998	31,804	31,804
Substandard	4,788,734	52,363	4,841,097	1,130,098	1,130,098
Doubtful	3,538,789	43,765	3,582,554	1,616,428	1,616,428
Loss	79,165,638	30,749,884	109,915,522	106,876,776	106,876,776
	88,570,159	30,846,012	119,416,171	109,655,106	109,655,106

8.2 Particulars of provision against non-performing advances

	June 30, 2017 (Un-audited)			December 31, 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	109,655,106	4,431,206	114,086,312	110,765,591	2,964,361	113,729,952
Exchange adjustments	(195,574)	4,094	(191,480)	(286,882)	(11,381)	(298,263)
Charge for the period	4,119,537	617,532	4,737,069	8,911,394	1,522,050	10,433,444
Reversals	(2,373,536)	(219,686)	(2,593,222)	(9,704,563)	(43,824)	(9,748,387)
	1,746,001	397,846	2,143,847	(793,169)	1,478,226	685,057
Transfer in	-	-	-	333,494	-	333,494
Amounts written off	(470)	-	(470)	(97,256)	-	(97,256)
Amount charged off	-	-	-	(266,672)	-	(266,672)
Closing balance	111,205,063	4,833,146	116,038,209	109,655,106	4,431,206	114,086,313

- 8.3 General provision against consumer loans and Small and Medium Enterprise (SME) financing, represents provision maintained at an amount ranging from 1% to 7% of the performing portfolio as required by the Prudential Regulations issued by the SBP.
- 8.4 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of ASG Metals Private Limited and its associated companies till September 30, 2017. Had that relaxation not provided, the amount of non-performing loans would have been higher by Rs. 2,965 million and provision would be higher by Rs. 2,587 million.
- 8.5 The State Bank of Pakistan has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan.

(Un-audited) (Audited)
June 30, December 31,
2017 2016
----- (Rupees in '000') -----

9. OPERATING FIXED ASSETS

Capital work-in-progress	1,599,606	1,545,405
Property and equipment	30,617,227	30,471,432
Intangible assets	484,230	883,941
	<u>32,701,063</u>	<u>32,900,778</u>

9.1 Additions and disposals during the period amounted to Rs 1,171 million (June 30, 2016: Rs. 1,780 million) and Rs.56 million (June 30, 2016: Rs. 30 million) respectively.

10. DEFERRED TAX ASSETS - net**Deferred tax assets arising in respect of**

Provision for diminution in the value of investments	3,613,099	3,613,099
Provision against non-performing advances	1,599,913	3,310,630
Other provisions	2,663,371	2,663,371
Provision against defined benefits plans	13,378,996	12,755,946
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
Excess of accounting book value of leased assets over lease liabilities	3,798	(80)
	<u>22,067,706</u>	<u>23,151,495</u>

Deferred tax liabilities arising in respect of

Revaluation of securities	(17,573,204)	(17,094,125)
Operating fixed and non-banking assets	(739,819)	(921,725)
	<u>(18,313,023)</u>	<u>(18,015,850)</u>

Net deferred tax assets

	<u>3,754,683</u>	<u>5,135,645</u>
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11. BORROWINGS

Borrowings include repurchase agreement borrowings amounting to Rs. 252,636 million (December 31, 2016: Rs.4,000 million).

12. DEPOSITS AND OTHER ACCOUNTS**Customers**

Fixed deposits	373,371,234	438,982,984
Savings deposits	447,969,682	429,057,844
Current accounts - remunerative	265,484,819	220,938,478
Current accounts - non-remunerative	408,598,706	338,862,834
	<u>1,495,424,441</u>	<u>1,427,842,140</u>

Financial Institutions

Remunerative deposits	61,234,634	51,762,798
Non-remunerative deposits	183,678,804	177,707,155
	<u>244,913,438</u>	<u>229,469,953</u>
	<u>1,740,337,879</u>	<u>1,657,312,093</u>

	(Un-audited) June 30, 2017	(Audited) December 31, 2016
	----- (Rupees in '000') -----	
13. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets	22,743,605	22,827,215
Surplus on revaluation of non-banking assets	1,163,129	1,163,129
Surplus on revaluation of Available-for-sale securities - net of tax		
Federal Government Securities	4,008,660	4,311,723
Term Finance Certificates and Sukuks	328,005	281,349
Shares and mutual funds	38,120,676	37,308,676
GoP Foreign Currency Bonds	508,387	306,362
Foreign Currency Debt Securities	129,989	54,677
Investments outside Pakistan	9,484,583	8,770,091
	52,580,300	51,032,878
	76,487,034	75,023,222
Deferred Tax liability		
Surplus on revaluation of fixed assets	(1,145,530)	(1,174,671)
Surplus on revaluation of non-banking assets	(36,273)	(36,273)
Surplus on revaluation of Available-for-sale securities	(17,573,204)	(17,094,125)
	(18,755,007)	(18,305,069)
	57,732,027	56,718,153

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	12,651,753	12,013,689
- Financial institutions	11,799,428	6,075,143
- Others	23,346,523	21,866,018
	47,797,704	39,954,850

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	15,786,636	15,625,100
- Financial institutions	32,390,044	19,015,609
- Others	23,187,235	17,593,612
	71,363,915	52,234,321

(Un-audited) June 30, 2017	(Audited) December 31, 2016
----- (Rupees in '000') -----	

14.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	362,548,344	330,993,013
- Financial institutions	97,594	2,421,680
- Others	109,685,528	47,295,687
	<u>472,331,466</u>	<u>380,710,380</u>

June 30, 2017	December 31, 2016
----- (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 (2016: Rs. 1,597 million)].	<u>13,965,767</u>	<u>14,238,035</u>
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14.4.2 Taxation

The current status of tax contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2016, except for:

- a) During the period, the tax authorities finalized amendment proceedings under section 124(A) of the Income Tax Ordinance, 2001 for the tax year 2016 and raised demand of Rs. 4.041 billion in its order passed under section 124(A) of the Ordinance. The Bank has paid the demand. There been some mistakes apparent from record, therefore Bank has applied for rectification further against the order the bank has preferred appeals before the Commissioner Inland Revenue Appeals which is pending.
- b) Against ATIR orders for the Tax Years 2008 to 2010, bank has obtained appeal effect orders which has resulted in increase in determined refunds by Rs 4.036 billion and prior year tax reversal of Rs 748 million.
- c) The aggregate effect of contingencies as on June 30, 2017 amounts to Rs.16.2 billion (December 31, 2016: Rs. 14.7 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, 2016.

14.4.4 Golden Handshake / Pensionary Benefits to Retired Employees / Encashment of Unavailed Leaves

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2016, except as follows:

14.4.4.1 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 & 2011.

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. The said order has been assailed by the pensioners before the honorable Supreme Court of Pakistan where the matter is pending adjudication.

Lahore High Court, through 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.

Based on the opinion of legal counsel on this matter, the Bank challenged the judgment dated January 16, 2017 in the Supreme Court of Pakistan, by filing appeal before the Supreme Court of Pakistan against the said order. Hearing in the matter was fixed for June 14 to 16, 2017 and after hearing both parties, the order is reserved for judgment.

In case this matter is decided unfavorably, as per the advice of the Actuaries, the Bank might have a financial impact of Rs.47.7 billion approximately as at year ended 31 December 2016, arising out of the additional pension liability exclusive of any penalties or additional profit due to delayed payment. Pension expense for the year 2017 and onwards may also increase. No provision was made in the financial statements for the said amount as prima facie the Bank believes that it has a strong case on merits and legal grounds.

	(Un-audited) June 30, 2017	(Audited) December 31, 2016
	----- (Rupees in '000') -----	
14.5 Commitments in respect of forward exchange contracts		
Purchase	145,663,711	145,531,852
Sale	118,966,258	90,986,181
14.6 Other Commitments		
Professional services to be received	31,465	12,670
14.7 Commitments for the acquisition of operating fixed assets	997,165	1,094,029

15. OTHER INCOME

Other Income includes Rs 689 million (June 30: 2016: Rs 710 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

Includes an amount of Rs. 485 million on account of reported instances of financial improprieties for which investigation are in progress and an amount of Rs. 1,057 million representing compensation claimed / recovered by SBP due to delay in settlement of government receipts and payments by the Bank.

17. TAXATION

The Federal Government vide Finance Act 2017 has imposed a super tax at the rate of 4% on income of banks for the year ended December 31, 2016 (Tax Year 2017). Accordingly, provisions of Rs 1,021 million for Super tax has been made for the prior year. Further, a reversal of Rs 748 million has been recorded as described in note 14.4.2 (b) to the condensed interim unconsolidated financial statements.

18. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016
Profit after taxation (Rupees in '000')	4,351,475	8,553,460	5,410,377	9,447,202
Weighted average number of ordinary shares (in '000')	2,127,513	2,127,513	2,127,513	2,127,513
Basic and diluted earnings per share (Rupees)	2.05	4.02	2.54	4.44

19. 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, 2017 (Un-audited)							
Total income	458,169	1,509,807	3,658,396	30,986,165	1,211,347	3,906,301	41,730,185
Inter segment revenue	-	(1,324,338)	12,932,935	(11,463,959)	-	(144,638)	-
Total expenses	12,119	-	8,281,087	15,601,560	970,236	3,250,678	28,115,680
Net income	446,050	185,469	8,310,244	3,920,646	241,111	510,985	13,614,505
Segment assets (Gross)	-	193,420,549	232,561,270	1,882,473,148	-	16,372,732	2,324,827,699
Segment non - performing loans	-	-	13,326,462	108,840,325	-	-	122,166,788
Segment provision required	-	-	10,825,932	105,212,277	-	-	116,038,209
Segment liabilities	-	-	515,085,889	1,639,966,973	-	-	2,155,052,862
Segment return on assets (ROA) (%)	0.00%	0.81%	3.31%	0.43%	0.00%	9.73%	1.14%
Segment cost of funds (%)	0.00%	0.00%	3.10%	3.40%	0.00%	0.00%	3.32%
Half year ended June 30, 2016 (Restated) (Un-audited)							
Total income	456,099	175,656	5,047,751	30,718,946	1,269,893	4,146,495	41,814,840
Inter segment revenue	-	(113,898)	14,856,531	(14,589,471)	-	(153,162)	-
Total expenses	14,508	-	8,941,991	12,044,632	1,037,782	3,243,440	25,282,353
Net income	441,591	61,758	10,962,291	4,084,843	232,111	749,893	16,532,487
Segment assets (Gross)	-	7,767,337	240,573,303	1,633,684,780	-	22,836,417	1,904,861,837
Segment non - performing loans	-	-	14,137,785	117,791,247	-	-	131,929,032
Segment provision required	-	-	10,002,008	105,286,129	-	-	115,288,137
Segment liabilities	-	-	452,907,977	1,287,473,508	-	-	1,740,381,485
Segment return on assets (ROA) (%)	0.00%	2.98%	4.74%	0.54%	0.00%	14.64%	1.67%
Segment cost of funds (%)	0.00%	0.00%	3.17%	4.36%	0.00%	0.00%	4.01%

20. RELATED PARTY TRANSACTIONS

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

	30 June 2017 (Un-audited)			31 December 2016 (Audited)				
	At 01 January 2017	Given during the period	Repaid during the period	At 30 June 2017	At 01 January 2016	Given during the year	Repaid during the year	At 31 December 2016
----- (Rupees in '000) -----								
Advances								
Key Management Executives	185,830	11,933	(15,583)	182,180	193,530	49,469	(62,294)	180,705
Adjustments*	(35,360)	-	-	(35,360)	5,125	-	-	5,125
	150,470	11,933	(15,583)	146,820	198,655	49,469	(62,294)	185,830
Subsidiaries	494,147	68,974	(90,020)	473,101	230,333	313,814	(50,000)	494,147
Associates	3,297,168	-	(1,333)	3,295,835	3,065,368	250,000	(18,200)	3,297,168
	3,941,785	80,907	(106,936)	3,915,756	3,494,356	613,283	(130,494)	3,977,145

	30 June 2017 (Un-audited)			31 December 2016 (Audited)				
	At 01 January 2017	Received during the period	Repaid during the period	At 30 June 2017	At 01 January 2016	Received during the year	Repaid during the year	At 31 December 2016
----- (Rupees in '000) -----								
Deposits								
Subsidiaries	1,278,332	98,509	(450,569)	926,272	2,301,513	278,326	(1,301,507)	1,278,332
Associates	-	-	-	-	-	-	-	-
Key Management Executives	28,838	294,807	(269,416)	54,229	18,554	360,809	(349,287)	30,076
Adjustments*	(206)	-	-	(206)	(1,238)	-	-	(1,238)
	28,632	294,807	(269,416)	54,023	17,316	360,809	(349,287)	28,838
Directors	4,655	16,594	(16,437)	4,812	4,399	33,819	(33,563)	4,655
Adjustments*	(1,963)	-	-	(1,963)	-	-	-	-
	2,692	16,594	(16,437)	2,849	4,399	33,819	(33,563)	4,655
Pension Fund (Current)	1,363	2,004,871	(2,003,474)	2,760	3,371	8,715,538	(8,717,546)	1,363
Pension Fund (Fixed Deposit)	8,800,000	41,000,000	(41,000,000)	8,800,000	2,300,000	8,800,000	(2,300,000)	8,800,000
Pension Fund (N.I.D.A A/c)	1,035,959	1,228,896	(1,267,000)	997,855	1,128,437	7,481,029	(7,573,507)	1,035,959
Provident Fund	13,137,045	880,902	(1,163,363)	12,854,584	13,391,708	2,788,345	(3,043,008)	13,137,045
	24,284,023	45,524,579	(46,170,259)	23,638,343	19,146,744	28,457,866	(23,318,418)	24,286,192

* Adjustments due to changes in key management executives.

	(Un-audited) (Audited)	
	June 30, 2017	December 31 2016
Rupees in '000		
Placements with:		
Joint venture	535,033	49,541
Repo borrowing from:		
Joint venture	58,256	49,649
Mark-up receivables from subsidiaries	193,721	260,862
Mark-up receivables from associates	2,064,433	2,071,751
Other receivables from subsidiaries	95,759	87,810
Other payables to subsidiaries	6,976	3,434
Off Balance Sheet Items - Joint Venture	-	25,245
Lease finance liabilities paid to subsidiaries	14,259	25,652

	(Un-audited) Half year ended June 30, 2017	(Un-audited) Half year ended June 30, 2016
	Rupees in '000	
Income for the period		
On advances / placements with:		
Subsidiaries	10,419	545
Joint Venture	682	948
Debts due by company in which director of the bank is interested as director	-	157
Financial charges paid on lease assets to subsidiaries	592	1,363
Dividend from joint Venture	134,870	-
Dividend from Subsidiary	7,875	11,813
Expenses for the period		
Remuneration to key management executives	241,382	139,583
Charge for defined benefit plan	28,965	16,750
Mark-up on Deposits of:		
Subsidiaries	17,740	12,566
Provident fund	820,121	773,168
Pension fund	329,427	118,431
Commission paid to subsidiaries	1,518	1,779
Other related parties		
Mark-up on Borrowing / Deposits		
Joint Ventures	18	293

Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 4,219 million for the half year ended June 30, 2017. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 327,073 million, Rs.672,321 million and Rs. 390,986 million respectively and income earned on advances and profit paid on deposits (domestic only) amounted to Rs. Rs. 8,989 million and Rs. Rs. 12,406 million respectively.

21. ISLAMIC BANKING BUSINESS

The Bank is operating 134 (December 31, 2016: 118) Islamic banking branches as at June 30, 2017. Statement of financial position and profit and loss account are as under:

	Note	(Un-audited) June 30, 2017	(Audited) December 31, 2016
<u>STATEMENT OF FINANCIAL POSITION</u>			
Assets			
Cash and balances with treasury banks		2,543,690	2,678,218
Balances with other banks		5,006,911	5,538,299
Due from financial institutions		1,499,758	7,687,313
Investments	21.1	17,934,577	15,758,428
Islamic financing and related assets	21.2	13,431,922	3,199,129
Operating fixed assets		141,796	114,611
Other assets		902,763	838,032
		41,461,417	35,814,030
Liabilities			
Bills Payable		218,537	58,567
Deposits and other accounts			
- Current accounts		11,018,303	8,812,377
- Saving accounts		15,232,702	14,843,662
- Term deposits		3,217,586	1,982,014
- Deposit from financial institutions-Remunerative		1,000,000	7,450,000
Due to Head Office		8,618,436	732,188
Other liabilities		315,515	411,346
		39,621,079	34,290,154
Net Assets		1,840,338	1,523,876
Represented By			
Islamic Banking Fund		1,700,000	1,700,000
Accumulated loss		(31,268)	(381,998)
		1,668,732	1,318,002
Surplus on revaluation of investments		171,606	205,874
		1,840,338	1,523,876

	(Un-audited) June 30, 2017	(Audited) December 31, 2016
	----- (Rupees in '000') -----	
21.1 Investments		
Sukuk	16,065,384	13,889,235
Leasing Certificate	2,000,000	2,000,000
Provision against investments	(130,807)	(130,807)
	<u>17,934,577</u>	<u>15,758,428</u>
21.2 Islamic financing and related assets		
Murabaha		
Financings	1,883,855	499,314
Provisions	(188,400)	(188,400)
	<u>1,695,455</u>	<u>310,914</u>
Diminishing Musharaka		
Financings	3,061,127	2,697,160
Ijarah assets		
Assets	137,634	169,383
Advance	41,100	25,066
Provisions	(3,394)	(3,394)
	<u>175,340</u>	<u>191,055</u>
Wakala tul Istismaar	8,500,000	-
	<u>13,431,922</u>	<u>3,199,129</u>

	(Un-audited) Half year ended June 30, 2017	(Un-audited) Half year ended June 30, 2016
	----- (Rupees in '000') -----	
<u>PROFIT AND LOSS ACCOUNT</u>		
Profit / Return earned on financings, investments and placements	930,247	490,207
Profit / Return expensed on deposit	(397,073)	(145,713)
Net spread earned	533,174	344,494
Depreciation on assets given on ijarah	(34,053)	(33,625)
	<u>499,121</u>	<u>310,869</u>
Provision against advances and investments	-	-
Provision reversed against advances and investments	-	-
	<u>-</u>	<u>-</u>
Profit after provision	499,121	310,869
Other income		
Fee, commission and brokerage income	130,726	74,681
Income from dealing in foreign currencies	180	370
Other income	9,943	4,624
Total other income	<u>140,849</u>	<u>79,675</u>
	<u>639,970</u>	<u>390,544</u>
Other expenses		
Administrative expenses	(671,238)	(488,455)
Loss before taxation	<u>(31,268)</u>	<u>(97,911)</u>

(Un-audited) Half year ended June 30, 2017 ----- (Rupees in '000') -----	(Un-audited) Half year ended June 30, 2016
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CASH FLOW STATEMENT**Cash flow from operating activities**

Loss for the period	(31,268)	(97,911)
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Adjustments :

Depreciation - Own assets	23,665	28,438
Depreciation - Ijarah assets	33,815	33,625
	57,480	62,063
	26,212	(35,848)

(Increase) / decrease in operating assets

Balance with other banks	531,388	(3,116,001)
Due from Financial Institutions	6,187,555	1,915,714
Financings and investments	(12,477,025)	(10,694,198)
Other assets	(64,731)	(946,602)
	(5,822,813)	(12,841,087)

Increase / (decrease) in operating liabilities

Bills payable	159,970	104,458
Deposits and other accounts	(2,619,462)	7,622,933
Borrowings from Head Office	8,268,246	7,653,260
Other liabilities	(95,831)	(155,399)
	5,712,923	15,225,252

Net cash (used in) / generated from operating activities

(83,678)	2,348,317
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Cash flow from investing activities

Investment in operating fixed assets	(50,850)	(63,243)
Net cash used in investing activities	(50,850)	(63,243)

Cash flow from financing activities

Net Cash Flow from Financing Activities	-	-
(Decrease) / Increase in cash and cash equivalents	(134,528)	2,285,074
Cash and cash equivalents at beginning of the half year	2,678,218	1,086,611
Cash and cash equivalents at the end of the half year	2,543,690	3,371,685

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 24, 2017.

23. GENERAL

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

 Chief Financial Officer

 Chairman / President

 Director

 Director

 Director

Directors' Report to the Shareholders
Consolidated Financial Statements

I am 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, 2017.

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 Rs. 13.84 billion i.e. lower by 19.6% as compared to Rs. 17.22 billion for the corresponding six months period of 2016. The after-tax profit amounted to Rs. 8.65 billion i.e. 14.2% lower than Rs. 10.08 billion for six months period last year. This translates into earnings per share of Rs. 4.00.

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, 2017	13,838
Taxation:	
- Current	3,389
- Prior Year(s)	272
- Deferred	1,532
	5,193
After-tax profit for six months ended June 30, 2017	8,645
Other comprehensive income - net of tax	(1,157)
Non-controlling interest	(129)
Un-appropriated profit brought forward	55,795
Transfer from surplus on revaluation of fixed assets	54
Profit available for appropriations	63,208
Appropriation:	
Transfer to Statutory Reserve	(855)
Cash dividend paid – 2016	(15,956)
Un-appropriated profit carried forward	46,397
Earnings per Share	Rs. 4.00

For and on behalf of the Board of Directors

Saeed Ahmed

President & Chairman
Karachi

Date: August 24, 2017

حصص یافتگان کو ڈائریکٹرز کی رپورٹ انضمام شدہ مالیاتی دستاویزات

30 جون 2017 کو ختم ہونے والی ششماہی پریس یورڈ آف ڈائریکٹرز کی جانب سے بینک اور اس کی ذیلی کمپنیوں کی مالی دستاویزات پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

ان انضمام شدہ مالیاتی دستاویزات کی تیاری بین الاقوامی طور پر منظور شدہ مالیاتی رپورٹنگ معیار اور اسلامی مالیاتی اکاؤنٹنگ معیار اور ایسے دیگر لاگو احکامات کی بنیاد پر کی گئیں ہیں۔
زیر غور چھ ماہ کی مدت کے لیے انضمام شدہ قبل از منافع 13.84 ارب روپے یعنی 2016 کی اسی مدت کے 17.22 ارب روپے سے 19.6 فیصد کم رہا۔ بعد از محصل منافع 8.65 ارب یعنی 2016 کی اسی مدت کے 10.08 ارب روپے سے 14.2 فیصد کم رہا۔ اس کا اظہار 4 روپے فی حصص آمدنی سے ہوتا ہے۔

انضمام شدہ عملی (operating) نتائج اور یورڈ آف ڈائریکٹرز کی جانب سے تجویز کردہ منافع کو مختص کیا جانا درج ذیل ہے

روپے ملین میں	
13,838	30 جون 2017 کو نصف سال پر منافع قبل از محصل
	محصول
3,389	• موجودہ
272	• پچھلے سال کا
1,532	• مؤخر شدہ
<u>5,193</u>	
<u>8,645</u>	30 جون 2017 کو اختتام پذیر نصف سال پر منافع بعد از محصل
(1,157)	دیگر جامع آمدنی۔ بنا محصل کے خالص
(129)	غیر کنٹرولنگ انٹرسٹ
55,795	پچھلے سال کا غیر مختص شدہ منافع جو آگے لایا گیا

54	اجازت کی دوبارہ قدر پیمائی کے بعد زائد از ضرورت کی منتقلی
<u>63,208</u>	مختص کئے جانے کے لیے دستیاب منافع
(855)	خصوات
(15,956)	دستوری ذخائر میں منتقلی
<u>46,397</u>	نقد منقسمہ منافع-2016
	غیر مختص شدہ منافع
<u>4.00 روپے</u>	آمدنی فی حصص

بورڈ آف ڈائریکٹرز کی جانب سے اداران کے لیے

سعید احمد
صدر ادارہ چیئرمین
24 اگست 2017
کراچی

National Bank of Pakistan
Consolidated Condensed Interim Financial Statements
For the half year ended June 30, 2017

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

	June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
Note	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	213,744,690	160,085,598
Balances with other banks	14,728,664	14,395,805
Lendings to financial institutions	41,501,468	121,709,399
Investments - net	7 1,205,890,554	896,280,784
Advances - net	8 720,982,188	668,883,928
Operating fixed assets - net	9 33,792,656	34,058,289
Deferred tax assets	10 3,790,776	5,172,496
Other assets	96,524,421	80,830,263
	2,330,955,418	1,981,416,562
LIABILITIES		
Bills payable	29,907,883	10,187,250
Borrowings	11 281,531,363	44,863,930
Deposits and other accounts	12 1,740,357,703	1,657,132,405
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	76,194	83,007
Deferred tax liabilities	-	-
Other liabilities	105,381,818	89,011,304
	2,157,254,961	1,801,277,896
NET ASSETS	173,700,457	180,138,666
REPRESENTED BY		
Share capital	21,275,131	21,275,131
Reserves	47,599,236	46,031,075
Unappropriated profit	46,397,224	55,795,351
	115,271,591	123,101,557
Non-controlling interest	861,073	737,972
	116,132,664	123,839,529
Surplus on revaluation of assets - net	13 57,567,793	56,299,137
	173,700,457	180,138,666
CONTINGENCIES AND COMMITMENTS	14	

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016
Note	----- (Rupees in '000) -----			
Mark-up / return / interest earned	29,704,123	57,156,687	30,580,284	57,708,457
Mark-up / return / interest expensed	15,421,404	30,468,850	14,637,492	29,581,175
Net mark-up / interest income	14,282,719	26,687,837	15,942,792	28,127,282
Provision against non-performing advances - net	8.2 1,483,677	2,165,235	879,381	1,936,914
Reversal of provision for diminution in the value of invest	7.2 (129,892)	(732,889)	(403,293)	(543,594)
Provision against off balance sheet obligations	-	-	-	-
Bad debts written off directly	-	-	-	-
	1,353,785	1,432,346	476,088	1,393,319
Net mark-up / interest income after provisions	12,928,934	25,255,491	15,466,704	26,733,962
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	4,523,650	8,134,591	4,444,430	7,482,904
Dividend income	1,206,963	1,717,504	668,602	1,511,728
Income from dealing in foreign currencies	368,745	1,368,640	691,262	1,721,619
Gain on sale and redemption of securities - net	1,769,689	4,152,211	1,760,089	3,226,747
Unrealized loss on revaluation of investments classified as held-for-trading	(70,008)	(34,560)	(11,617)	(5,431)
Share of (loss) / profit from joint venture	(22,830)	28,764	87,019	150,486
Share of (loss) / profit from associates	(261,879)	(464,665)	301,780	100,803
Other income	15 424,289	781,819	332,161	735,628
Total non mark-up / interest income	7,938,618	15,684,304	8,273,726	14,924,485
	20,867,552	40,939,795	23,740,430	41,658,448
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	12,693,501	25,536,630	12,080,373	23,790,331
Other provisions / write offs	16 1,021,780	1,542,131	505,285	534,458
Other charges	12,437	23,123	111,548	113,770
Total non mark-up / interest expenses	13,727,718	27,101,884	12,697,206	24,438,559
	7,139,834	13,837,910	11,043,225	17,219,889
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	7,139,834	13,837,910	11,043,225	17,219,889
Taxation - Current	1,597,986	3,389,146	2,667,885	5,202,690
- Prior year(s)	17 173,499	271,678	1,343,826	1,343,826
- Deferred	925,191	1,531,816	970,327	591,681
	2,696,676	5,192,640	4,982,038	7,138,196
PROFIT AFTER TAXATION	4,443,158	8,645,270	6,061,186	10,081,693
Share holders of the bank	4,379,384	8,516,540	6,050,373	10,071,440
Non-controlling Interest	63,774	128,730	10,813	10,253
	4,443,158	8,645,270	6,061,186	10,081,693
Basic and diluted earnings per share (Rupees)	18 2.06	4.00	2.84	4.73

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Quarter ended June 30, 2017	Half Year ended June 30, 2017	Quarter ended June 30, 2016	Half Year ended June 30, 2016
----- (Rupees in '000) -----				
Profit after taxation	4,443,158	8,645,270	6,061,186	10,081,693
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	182,705	712,815	(71,542)	(62,081)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurements of defined benefit liability	(1,313,287)	(1,780,144)	4,589,331	1,840,278
Related tax effects	459,650	623,050	(1,606,266)	(644,097)
	(853,637)	(1,157,094)	2,983,065	1,196,181
Other comprehensive income - net of tax	(670,932)	(444,279)	2,911,524	1,134,100
Total comprehensive income transferred to equity	3,772,226	8,200,991	8,972,710	11,215,793
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	(1,346,513)	1,546,526	1,724,541	(35,511)
Related tax effects	397,866	(479,079)	(416,921)	30,676
Other comprehensive income / (loss) - net of tax	(948,647)	1,067,447	1,307,620	(4,835)

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Half Year Ended June 30, 2017	Half Year Ended June 30, 2016
----- (Rupees in '000) -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	13,837,910	17,219,889
Less: Dividend income	1,717,504	1,511,728
	12,120,407	15,708,160
Adjustments:		
Depreciation	1,527,027	1,572,575
Provision against non-performing advances	2,165,235	1,936,914
(Reversal) of provision for diminution in value of investments	(732,889)	(543,594)
Provision against off balance sheet obligations	-	-
Other provisions / write offs	1,542,131	534,458
Gain on sale of fixed assets	(29,226)	(11,581)
Share of (profit) from joint venture	(28,764)	(150,486)
Share of (profit) / loss from associates	464,665	(100,803)
Financial charges on leased assets	875	1,367
	4,909,054	3,238,849
	17,029,461	18,947,009
(Increase) / decrease in operating assets		
Lendings to financial institutions	81,646,731	(3,987,627)
Held-for-trading securities	(183,595,577)	(6,426,456)
Advances	(54,263,495)	(48,771,390)
Other assets	(9,520,627)	(5,897,897)
	(165,732,968)	(65,083,369)
Increase / (decrease) in operating liabilities		
Bills payable	19,720,633	1,028,860
Borrowings	249,546,221	202,401,638
Deposits and other accounts	83,225,298	(31,865,598)
Other liabilities (excluding current taxation)	13,050,738	8,867,965
	365,542,890	180,432,865
Income tax paid	(10,076,107)	(8,633,630)
Financial charges paid	(875)	(1,367)
	(10,076,982)	(8,634,997)
Net cash flow from operating activities	206,762,400	125,661,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(132,351,231)	(123,893,678)
Net investments in held-to-maturity securities	9,055,652	(17,366,551)
Net investments in associates and joint venture	(440,787)	166,900
Dividend received	1,717,504	1,511,728
Investments in operating fixed assets	(1,313,846)	(2,012,451)
Sale proceeds of operating fixed assets disposed off	94,566	17,506
Net cash (used) in investing activities	(123,238,142)	(141,576,546)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(6,813)	(7,429)
Dividend paid	(15,920,720)	(15,961,034)
Net cash used in financing activities	(15,927,533)	(15,968,463)
Effects of exchange rate changes on cash and cash equivalents	712,815	(62,081)
Net (decrease) / increase in cash and cash equivalents	68,309,540	(31,945,581)
Cash and cash equivalents at beginning of the half year	147,270,176	171,188,959
Cash and cash equivalents at the end of the half year	215,579,716	139,243,378

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

Share capital	Attributable to the shareholders of the bank					Sub Total	Non Controlling Interest	Total	
	Reserves								
	Capital		General Loan Loss Reserve	Revenue General	Unappropriated profit				
	Exchange Translation	Statutory							
(Rupees in '000)									
Balance as at January 1, 2016	21,275,131	7,672,670	25,008,334	12,000,000	521,338	52,724,525	119,201,998	721,816	119,923,814
Total comprehensive income for the half year ended June 30, 2016									
Profit after tax	-	-	-	-	-	10,071,440	10,071,440	10,253	10,081,693
Other comprehensive income - net of tax	-	(62,081)	-	-	-	1,196,181	1,134,100	-	1,134,100
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	(62,081)	-	-	-	11,267,621	11,205,540	10,253	11,215,793
Transfer to statutory reserve	-	-	944,720	-	-	(944,720)	-	-	-
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	-	-	-	-	-	-	-	(8,442)	(8,442)
Balance as at June 30, 2016	21,275,131	7,610,589	25,953,054	12,000,000	521,338	47,148,047	114,508,159	723,627	115,231,786
Total comprehensive income for the half year ended December 31, 2016									
Profit after tax	-	-	-	-	-	12,968,109	12,968,109	(652,804)	12,315,305
Other comprehensive income - net of tax	-	(1,384,415)	-	-	-	(3,047,264)	(4,431,679)	-	(4,431,679)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	(1,384,415)	-	-	-	9,920,845	8,536,430	(652,804)	7,883,625
Transfer to statutory reserve	-	-	1,330,509	-	-	(1,330,509)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(23,112)	(23,112)
Balance as at December 31, 2016	21,275,131	6,226,174	27,283,563	12,000,000	521,338	55,795,351	123,101,557	737,972	123,839,529
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	115,271,591	861,073	116,132,664

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

Chief Financial Officer

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,456 (2016: 1,448) branches in Pakistan and 21 (2016: 21) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to Long Term Credit Fund (LTCF) and Endowment Fund for Student Loan Scheme.

NBP Leasing Limited, CJSC Subsidiary Bank of NBP in Kazakhstan, CJSC Subsidiary Bank of NBP in Tajikistan, NBP Exchange Company Limited, NBP Modaraba Management Company Limited are wholly owned subsidiaries of the holding company while the controlling interest in Taurus Securities Limited is 58.32%, NAFA is 54%, First National Bank Modarba 30% and Cast-N-Link Products Limited 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 237 of the Companies Ordinance, 1984 in respect of consolidating its subsidiary CNL. The SECP, vide its letter EMD/233/627/2002-515 dated December 19, 2016 under Section 237(8) of the Companies Ordinance, 1984, based on the fact that investments of the Group in CNL are not material and comprise of 0.000068% 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 of the Group for the half year ended June 30, 2017 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984 (repealed - note 2.1.1), provisions of the Companies Ordinance, 1984 (repealed - note 2.1.1), the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where the requirements differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 (repealed - note 2.1.1), the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 2.1.1 The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 (the Act) on May 30, 2017. However, the SECP vide its press release dated July 20, 2017 allowed Companies whose financial year closes on or before June 30, 2017 to prepare the financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Act does not impact the consolidated condensed interim financial statements of the Group for the period ended June 30, 2017.
- 2.2 The State Bank of Pakistan (SBP) has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS-40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 2.3 The disclosures made in these 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, 2016.

3. BASIS OF MEASUREMENT

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

4. ACCOUNTING POLICIES

The accounting policies adopted for presentation of these consolidated condensed interim financial statements are the same as those followed in the preparation of the annual financial statements of the Group for the year ended December 31, 2016.

Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in this consolidated condensed interim financial information.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates and associated assumptions used in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2016.

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, 2016.

7. INVESTMENTS - net

June 30, 2017 (Un-audited)			December 31, 2016 (Audited)		
Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----			----- (Rupees in '000) -----		

Note

7.1 Investments by type:

Held-for-trading securities

Market Treasury Bills	189,172,677	-	189,172,677	902,307	-	902,307
Pakistan Investment Bonds	5,152,375	-	5,152,375	9,984,590	-	9,984,590
Investment in mutual funds	504,309	-	504,309	338,731	-	338,731
Ordinary shares of listed companies	168,441	-	168,441	211,157	-	211,157
Total held-for-trading securities	194,997,802	-	194,997,802	11,436,785	-	11,436,785

Available- for- sale securities

Ordinary shares of listed companies	23,394,920	-	23,394,920	22,465,681	-	22,465,681
Ordinary shares of unlisted companies	1,151,112	-	1,151,112	2,130,982	-	2,130,982
Investment in Mutual funds	694,646	-	694,646	1,212,740	-	1,212,740
Investments Outside Pakistan	463,295	-	463,295	463,295	-	463,295
Preference shares	692,948	-	692,948	633,660	-	633,660
Market Treasury Bills	236,266,041	245,275,118	481,541,159	369,114,625	-	369,114,625
Pakistan Investment Bonds	136,672,253	7,360,396	144,032,649	125,111,867	4,032,484	129,144,351
GoP Foreign Currency Bonds	13,573,144	-	13,573,144	8,685,558	-	8,685,558
Foreign Government Securities	622,748	-	622,748	519,287	-	519,287
Foreign Currency Debt Securities	2,402,240	-	2,402,240	2,732,943	-	2,732,943
Term Finance Certificates / Musharika and Sukuk Bonds	65,231,556	-	65,231,556	64,346,064	-	64,346,064
Total available-for-sale securities	481,164,903	252,635,514	733,800,417	597,416,702	4,032,484	601,449,186

Held-to-maturity securities

Pakistan Investment Bonds	179,088,009	-	179,088,009	178,328,918	-	178,328,918
Market Treasury Bills	30,122,546	-	30,122,546	29,278,178	-	29,278,178
GoP Foreign Currency Bonds	2,214,390	-	2,214,390	7,889,583	-	7,889,583
Foreign Government Securities	20,132,612	-	20,132,612	25,106,982	-	25,106,982
Foreign Currency Debt Securities	403	-	403	405	-	405
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	783,387	-	783,387	792,933	-	792,933
Total Held-to-maturity securities	232,341,347	-	232,341,347	241,396,999	-	241,396,999

Investments in associates

7.1.1 1,360,267 - 1,360,267 1,231,806 1,231,806

Investments in joint venture

4,618,464 - 4,618,464 4,306,138 4,306,138

Investments in subsidiaries

1,245 - 1,245 1,245 1,245

Investment at cost

914,484,029 252,635,514 1,167,119,543 855,789,676 4,032,484 859,822,160

Less: Provision for diminution in value of Investments

7.2 (13,734,739) - (13,734,739) (14,467,703) - (14,467,703)

Investments (net of provisions)

900,749,290 252,635,514 1,153,384,804 841,321,973 4,032,484 845,354,457

Unrealized (loss) / gain on revaluation of investments classified as held-for-trading

(34,560) - (34,560) (67,457) - (67,457)

Surplus on revaluation of available-for-sale securities

13 52,496,805 43,505 52,540,310 50,632,745 361,039 50,993,784

Total investments

953,211,535 252,679,019 1,205,890,554 891,887,261 4,393,523 896,280,784

7.1.1 During the period, the Bank invested Rs. 600 million (December 31, 2016: Nil) in mutual funds managed by its subsidiary company.

7.1.2 The Board of Directors of the Bank in its meeting held on February 19, 2016 approved the amalgamation of NBP Leasing Limited with and into the Bank in accordance with section 48 of the Banking Companies Ordinance, 1962.

The SBP has also sanctioned the Scheme of Amalgamation of the NBP Leasing Limited with and into the Bank, under Section 48 of Banking Companies Ordinance 1962 vide its letter No. BPRD (R&P-02)/NBP/2017/16298, dated July 12, 2017.

As per the proposed Scheme of Amalgamation, all the assets, liabilities and obligations of NBP Leasing Limited shall, as at the Effective Date i.e. July 31, 2017, stand merged with, transferred to, vested in, and be assumed by the Bank, and the NBP Leasing Limited shall be dissolved without winding-up.

	June 30, 2017 (Un-audited) ----- (Rupees in '000) -----	December 31, 2016 (Audited)
7.2 Particulars of provision for diminution in value of investments		
Opening balance	14,467,703	15,453,451
Charge for the period / year	98,230	1,447,014
Reversals	(831,119)	(3,123,080)
	(732,889)	(1,676,066)
Transfer from advances and other assets	-	214,444
Transfer to advances	-	(284,000)
Other transfer	-	99,769
Others	(75)	660,104
Closing balance	<u>13,734,739</u>	<u>14,467,703</u>

7.2.1 Particulars of provision in respect of type

Available-for-sale securities		
Ordinary shares of listed companies and mutual funds	2,406,197	2,743,863
Ordinary shares of unlisted companies	398,923	398,923
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	8,908,221	9,303,518
Preference shares	433,444	433,444
Held-to-maturity securities		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	604,979	604,979
Investment in associates		
	981,730	981,730
Investment in subsidiaries	1,245	1,245
	<u>13,734,739</u>	<u>14,467,703</u>

7.2.2 Particulars of provision in respect of segments

Fully paid up ordinary shares	2,769,119	3,142,786
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,513,200	9,908,497
Other investments	469,445	433,445
Investments in associates	981,730	981,730
Investments in subsidiaries	1,245	1,245
	<u>13,734,739</u>	<u>14,467,703</u>

	June 30, 2017 (Un-audited) ----- (Rupees in '000) -----	December 31, 2016 (Audited)
8. ADVANCES -net		
Loans, cash credits, running finances, etc.		
In Pakistan	741,428,991	709,766,336
Outside Pakistan	59,094,223	52,266,377
	800,523,213	762,032,713
Islamic financing and related assets	13,431,922	3,199,129
Net investment in finance lease		
In Pakistan	1,007,381	1,030,538
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	15,293,606	8,855,145
Payable outside Pakistan	7,392,277	8,437,549
	22,685,883	17,292,694
Advances - gross	837,648,400	783,555,074
Less: Provision against non-performing loans - specific	111,833,065	110,239,938
- general	4,833,147	4,431,207
	116,666,212	114,671,146
Advances - net of provision	<u>720,982,188</u>	<u>668,883,928</u>

Note

8.1 Advances include Rs. 123,462 million (2016: Rs.120,562 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2017 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	2,269,431	-	2,269,431	65,558	65,558
Substandard	5,403,025	66,346	5,469,371	1,288,920	1,288,920
Doubtful	1,930,942	81,803	2,012,745	647,968	647,968
Loss	82,405,485	31,305,199	113,710,684	109,830,619	109,830,619
	92,008,883	31,453,348	123,462,231	111,833,065	111,833,065

Category of Classification	December 31, 2016 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	1,082,036	-	1,082,036	31,804	31,804
Substandard	4,843,374	52,363	4,895,737	1,141,710	1,141,710
Doubtful	3,561,908	43,765	3,605,673	1,635,894	1,635,894
Loss	79,531,756	31,446,649	110,978,405	107,430,530	107,430,530
	89,019,074	31,542,777	120,561,851	110,239,938	110,239,938

8.2 Particulars of provision against non-performing advances

	June 30, 2017 (Un-audited)			December 31, 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	110,239,938	4,431,207	114,671,146	111,326,647	2,964,361	114,291,008
Foreign exchange adjustments	(196,034)	4,094	(191,940)	(287,596)	(11,380)	(298,976)
Charge for the period	4,143,034	617,532	4,760,566	8,984,211	1,522,050	10,506,261
Reversal for the period	(2,375,645)	(219,686)	(2,595,331)	(9,754,567)	(43,824)	(9,798,391)
	1,767,389	397,846	2,165,235	(770,356)	1,478,226	707,870
Transfer to investments	-	-	-	(214,444)	-	(214,444)
Transfer from investments	-	-	-	284,000	-	284,000
Other transfer	-	-	-	263,938	-	263,938
Amounts charged off	-	-	-	(97,256)	-	(97,256)
Amounts written off	(470)	-	(470)	(266,672)	-	(266,672)
Other adjustments	22,241	-	22,241	1,677	-	1,677
Closing balance	111,833,065	4,833,147	116,666,212	110,239,938	4,431,207	114,671,146

8.3 General provision against consumer loans and Small and Medium Enterprise (SME) financing, represents provision maintained at an amount ranging from 1% to 7% of the performing portfolio as required by the Prudential Regulations issued by the SBP.

8.4 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of ASG Metals Private Limited and its associated companies till September 30, 2017. Had that relaxation not provided, the amount of non-performing loans would have been higher by Rs. 2,965 million and provision would be higher by Rs. 2,587 million.

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

9. OPERATING FIXED ASSETS	June 30,	December 31,
	2017	2016
	(Un-audited)	(Audited)
	----- (Rupees in '000') -----	
Capital work-in-progress	1,599,606	1,545,405
Property and equipment	31,143,224	31,062,696
Intangible assets	1,049,825	1,450,188
	33,792,656	34,058,289

9.1 Additions and disposals during the period amounted to Rs. 1,260 million (June 30, 2016: Rs. 1,780 million) and Rs. 315 million (June 30, 2016: Rs. 30 million) respectively.

	June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
	----- (Rupees in '000) -----	
10. DEFERRED TAX ASSETS - net		
Deferred tax assets arising in respect of		
Provision for diminution in the value of investments	3,621,499	3,642,117
Provision against non-performing advances	1,601,214	3,312,021
Other provisions	2,669,815	2,666,050
Provision against defined benefits plans	13,409,045	12,755,946
Unrealized loss on derivatives	691,907	691,907
Provision against off balance sheet obligations	116,622	116,622
Excess of accounting book value of leased assets over lease liabilities	3,217	(85)
Others	1,475	4,358
	<u>22,114,794</u>	<u>23,188,936</u>
Deferred tax liabilities arising in respect of		
Revaluation of securities	(17,573,204)	(17,094,125)
Operating fixed assets and non-banking assets	(750,814)	(922,315)
	<u>(18,324,018)</u>	<u>(18,016,440)</u>
Net deferred tax assets	<u>3,790,776</u>	<u>5,172,496</u>

11. BORROWINGS

Borrowings include repurchase agreement borrowings amounting to Rs. 252,636 million (December 31, 2016: Rs.4,000 million).

	June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
	----- (Rupees in '000) -----	
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	373,475,337	439,084,115
Savings deposits	448,028,601	429,137,018
Current accounts - remunerative	265,484,819	220,938,478
Current accounts - non-remunerative	409,381,719	339,780,994
	<u>1,496,370,476</u>	<u>1,428,940,606</u>
Financial Institutions		
Remunerative deposits	60,679,403	51,136,254
Non-remunerative deposits	183,307,824	177,055,545
	<u>243,987,227</u>	<u>228,191,799</u>
	<u>1,740,357,703</u>	<u>1,657,132,405</u>

13. SURPLUS ON REVALUATION OF ASSETS - net

Surplus on revaluation of fixed assets	23,145,506	23,229,114
Surplus on revaluation of non-banking assets	1,163,129	1,163,129

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

Federal Government securities	4,008,660	4,311,723
Term Finance Certificates and Sukuks	328,005	281,349
Shares and mutual funds	38,080,686	37,269,582
GoP Foreign Currency Bonds	508,387	306,362
Foreign Currency Debt Securities	129,989	54,677
Investment outside Pakistan	9,484,583	8,770,091
	<u>52,540,310</u>	<u>50,993,784</u>
	<u>76,848,945</u>	<u>75,386,027</u>
Deferred tax liability		
Surplus on revaluation of fixed assets	(1,145,530)	(1,174,671)
Surplus on revaluation of non-banking assets	(36,273)	(36,273)
Surplus on revaluation of Available-for-sale securities	(17,573,204)	(17,094,125)
	<u>(18,755,007)</u>	<u>(18,305,069)</u>
Share of revaluation loss on securities of associates	(526,145)	(781,822)
	<u>57,567,793</u>	<u>56,299,137</u>

June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
----- (Rupees in '000) -----	

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

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

- Government	12,651,753	12,013,689
- Financial institutions	11,799,428	6,075,143
- Others	23,346,523	21,866,018
	<u>47,797,704</u>	<u>39,954,850</u>

14.2 Transaction-related contingent liabilities

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

- Government	15,786,636	15,625,100
- Financial institutions	32,390,044	19,015,609
- Others	23,187,235	17,593,612
	<u>71,363,915</u>	<u>52,234,321</u>

14.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	362,548,344	330,993,013
- Financial institutions	97,594	2,421,680
- Others	109,685,528	47,295,687
	<u>472,331,466</u>	<u>380,710,380</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 (2016: Rs. 1,597 million)

<u>13,965,767</u>	<u>14,238,035</u>
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14.4.2 Taxation

The current status of tax contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2016, except for:

- a) During the period, the tax authorities finalized amendment proceedings under section 124(A) of the Income Tax Ordinance, 2001 for the tax year 2016 and raised demand of Rs. 4.041 billion in its order passed under section 124(A) of the Ordinance. The Bank has paid the demand. There been some mistakes apparent from record, therefore Bank has applied for rectification further against the order the bank has preferred appeals before the Commissioner Inland Revenue Appeals which is pending.
- b) Against ATIR orders for the Tax Years 2008 to 2010, bank has obtained appeal effect orders which has resulted in increase in determined refunds by Rs. 4.036 billion and prior year tax reversal of Rs. 748 million.
- c) The aggregate effect of contingencies as on June 30, 2017 amounts to Rs.16.2 billion (December 31, 2016: Rs. 14.7 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, 2016.

14.4.4 Golden Handshake / Pensionary Benefits to Retired Employees / Encashment of Unavailed Leaves

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2016, except as follows:

14.4.4.1 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 & 2011.

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. The said order has been assailed by the pensioners before the honorable Supreme Court of Pakistan where the matter is pending adjudication.

Lahore High Court, through 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.

Based on the opinion of legal counsel on this matter, the Bank challenged the judgment dated January 16, 2017 in the Supreme Court of Pakistan, by filing appeal before the Supreme Court of Pakistan against the said order. Hearing in the matter was fixed for June 14 to 16, 2017 and after hearing both parties, the order is reserved for judgment.

In case this matter is decided unfavorably, as per the advice of the Actuaries, the Bank might have a financial impact of Rs. 47.7 billion approximately as at year ended 31 December 2016, arising out of the additional pension liability exclusive of any penalties or additional profit due to delayed payment. Pension expense for the year 2017 and onwards may also increase. No provision was made in the financial statements for the said amount as prima facie the Bank believes that it has a strong case on merits and legal grounds.

	June 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
	----- (Rupees in '000) -----	
14.5 Commitments in respect of forward exchange contracts		
Purchase	145,663,711	145,531,852
Sale	118,966,258	90,986,181
14.6 Commitments for the acquisition of operating fixed assets	997,165	1,094,029
14.7 Other Commitments		
Professional services to be received	31,465	12,670

15. OTHER INCOME

Other Income includes Rs. 689 million (June 30, 2016: Rs 710 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

Includes an amount of Rs. 485 million on account of reported instances of financial improprieties for which investigation are in progress and an amount of Rs. 1,057 million representing compensation claimed / recovered by SBP due to delay in settlement of government receipts and payments by the Bank.

17. TAXATION

The Federal Government vide Finance Act 2017 has imposed a super tax at the rate of 4% on income of banks for the year ended December 31, 2016 (Tax Year 2017). Accordingly, provisions of Rs. 1,021 million for Super tax has been made for the prior year. Further, a reversal of Rs. 748 million has been recorded as described in note 14.4.2 (b) to the condensed interim consolidated financial statements.

	Quarter Ended June 30, 2017	Half Year Ended June 30, 2017	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016
18. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation	(Rupees in '000) 4,379,384	8,516,540	6,050,373	10,071,440
Weighted average number of ordinary shares	(Number '000) 2,127,513	2,127,513	2,127,513	2,127,513
Basic and diluted earnings per share	(Rupees) 2.06	4.00	2.84	4.73

19. 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, 2017 (Un-audited)									
Total income	458,169	1,509,807	3,658,396	30,631,192	1,211,347	3,906,301	870,508	126,421	42,372,141
Inter segment revenue	-	(1,324,338)	12,932,935	(11,463,959)	-	(144,638)	-	-	-
Total expenses	12,119	-	8,281,087	15,424,100	970,236	3,250,678	535,784	60,226	28,534,231
Net income	446,050	185,469	8,310,244	3,743,134	241,111	510,985	334,723	66,195	13,837,910
Segment assets (Gross)	-	193,420,549	232,561,270	1,885,083,084	-	16,372,732	2,845,331	672,452	2,330,955,416
Segment non-performing loans	-	-	13,326,462	109,669,276	-	-	466,493	-	123,462,231
Segment provision required	-	-	10,825,932	105,549,018	-	-	291,261	-	116,666,212
Segment liabilities	-	-	515,085,889	1,639,995,064	-	-	1,850,088	323,919	2,157,254,961
Segment return on assets (ROA) (%)	0.00%	0.81%	3.31%	0.43%	0.00%	9.73%	12.34%	7.17%	1.14%
Segment cost of funds (%)	0.00%	0.00%	3.10%	3.40%	0.00%	0.00%	3.53%	0.80%	3.32%
Half year ended June 30, 2016 (Restated) (Un-audited)									
Total income	456,099	175,656	5,047,751	31,214,405	1,269,893	4,146,495	693,525	47,942	43,051,767
Inter segment revenue	-	(113,898)	14,856,531	(14,589,471)	-	(153,162)	-	-	-
Total expenses	14,509	-	8,941,991	11,914,319	1,037,782	3,243,440	625,244	54,593	25,831,878
Net income	441,591	61,758	10,962,290	4,710,615	232,111	749,893	68,281	(6,651)	17,219,899
Segment assets (Gross)	-	7,767,337	240,573,303	1,836,304,657	-	22,836,417	2,580,903	381,709	1,910,444,327
Segment non-performing loans	-	-	14,137,785	118,312,526	-	-	-	-	132,450,311
Segment provision required	-	-	10,002,008	105,807,408	-	-	-	-	115,809,416
Segment liabilities	-	-	452,807,977	1,287,243,051	-	-	1,870,635	91,903	1,742,113,566
Segment return on assets (ROA) (%)	0.00%	2.98%	4.74%	0.54%	0.00%	14.64%	1.04%	-2.70%	1.67%
Segment cost of funds (%)	0.00%	0.00%	3.17%	4.36%	0.00%	0.00%	9.33%	6.88%	4.01%

20. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings, subsidiary companies, 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, 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.

	30 June 2017 (Un-audited)			31 December 2016 (Audited)				
	At January 01, 2017	Given during the period	Repaid during the period	At June 30, 2017	At January 01, 2016	Given during the year	Repaid during the year	At December 31, 2016
----- (Rupees in '000) -----								
Advances								
Associates	3,297,168	-	(1,333)	3,295,835	3,065,368	250,000	(18,200)	3,297,168
Key Management Executives	185,830	11,933	(15,583)	182,180	193,530	49,469	(62,294)	180,705
Adjustments*	(35,360)	-	-	(35,360)	5,125	-	-	5,125
	150,470	11,933	(15,583)	146,820	198,655	49,469	(62,294)	185,830
Debts due by Company in which director is interested as director	-	-	-	-	-	-	-	-
Adjustments*	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	3,447,638	11,933	(16,916)	3,442,655	3,264,023	299,469	(80,494)	3,482,998

	30 June 2017 (Un-audited)			31 December 2016 (Audited)				
	At January 01, 2017	Received during the period	Repaid during the period	At June 30, 2017	At January 01, 2016	Received during the year	Repaid during the year	At December 31, 2016
----- (Rupees in '000) -----								
Deposits								
Key Management Executives	28,838	294,807	(269,416)	54,229	18,554	360,809	(349,287)	30,076
Adjustments*	(206)	-	-	(206)	(1,238)	-	-	(1,238)
	28,632	294,807	(269,416)	54,023	17,316	360,809	(349,287)	28,838
Directors	4,655	16,594	(16,437)	4,812	4,399	33,819	(33,563)	4,655
Adjustments*	(1,963)	-	-	(1,963)	-	-	-	-
	2,692	16,594	(16,437)	2,849	4,399	33,819	(33,563)	4,655
Pension Fund (Current)	1,363	2,004,871	(2,003,474)	2,760	3,371	8,715,538	(8,717,546)	1,363
Pension Fund (Fixed Deposit)	8,800,000	41,000,000	(41,000,000)	8,800,000	2,300,000	8,800,000	(2,300,000)	8,800,000
Pension Fund (N.I.D.A A/c)	1,035,959	1,228,896	(1,267,000)	997,855	1,128,437	7,481,029	(7,573,507)	1,035,959
Provident Fund	13,137,045	880,902	(1,163,363)	12,854,584	13,391,708	2,788,345	(3,043,008)	13,137,045
	23,005,691	45,426,070	(45,719,690)	22,712,071	16,845,231	28,179,540	(22,016,911)	23,007,860

* Adjustments due to changes in key management executives.

	June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
----- (Rupees in '000) -----		
Placements with:		
Joint venture	535,033	49,541
Repo borrowing from:		
Joint venture	58,256	49,649
Mark-up receivables from associates	2,064,433	2,071,751
Off Balance Sheet Items - Joint Venture	-	25,245
	Half year ended June 30, 2017 (Un-audited)	Half year ended June 30, 2016 (Un-audited)
----- (Rupees in '000) -----		
Income for the period		
On advances / placements with:		
Joint Venture	682	948
Debts Due by company in which director of the bank is interested as director	-	157
Dividend from joint venture	134,870	-
Expenses for the period		
Remuneration to key management executives	241,382	139,583
Charge for defined benefit plan	28,965	16,750
Mark-up on Deposits of:		
Provident fund	820,121	773,168
Pension fund	329,427	118,431
Mark-up on Borrowing / Deposits		
Joint Venture	18	293

20.1 Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 4,219 million for the half year ended June 30, 2017. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 327,073 million, Rs 672,321 million and Rs. 390,986 million respectively and income earned on advances and profit paid on deposits (domestic only) amounted to Rs. Rs. 8,989 million and Rs. Rs. 12,406 million respectively.

21. ISLAMIC BANKING BUSINESS

The Bank is operating 134 (December 31, 2016: 118) Islamic banking branches as at June 30, 2017. Statement of financial position, profit and loss account and cash flow statement are as under:

		June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
	Note	----- (Rupees in '000') -----	
STATEMENT OF FINANCIAL POSITION			
Assets			
Cash and balances with treasury banks		2,543,690	2,678,218
Balances with other banks		5,006,911	5,538,299
Due from financial institutions		1,499,758	7,687,313
Investments	21.1	17,934,577	15,758,428
Islamic financing and related assets	21.2	13,431,922	3,199,129
Operating fixed assets		141,796	114,611
Other assets		902,763	838,032
		41,461,417	35,814,030
Liabilities			
Bills Payable		218,537	58,567
Deposits and other accounts			
-Current accounts		11,018,303	8,812,377
-Saving accounts		15,232,702	14,843,662
-Term deposits		3,217,586	1,982,014
-Deposit from financial institutions-Remunerative		1,000,000	7,450,000
Due to Head Office		8,618,436	732,188
Other liabilities		315,515	411,346
		39,621,079	34,290,154
Net Assets		1,840,338	1,523,876
Represented By			
Islamic Banking Fund		1,700,000	1,700,000
Unappropriated loss		(31,268)	(381,998)
		1,668,732	1,318,002
Surplus on revaluation of investments		171,606	205,874
		1,840,338	1,523,876
21.1 Investments			
Sukuk		16,065,384	13,889,235
Leasing Certificate		2,000,000	2,000,000
Provision against investments		(130,807)	(130,807)
		17,934,577	15,758,428
21.2 Islamic financing and related assets			
Murabaha			
Financings		1,883,855	499,314
Provisions		(188,400)	(188,400)
		1,695,455	310,914
Diminishing Musharaka			
Financings		3,061,127	2,697,160
Ijarah assets			
Assets		137,634	169,383
Advance		41,100	25,066
Provisions		(3,394)	(3,394)
		175,340	191,055
Wakala tul Istismaar			
		8,500,000	-
		13,431,922	3,199,129

Half year Ended June 30, 2017 (Un-audited)	Half year Ended June 30, 2016 (Un-audited)
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----- (Rupees in '000') -----

PROFIT AND LOSS ACCOUNT

Profit / Return earned on financings, investments and placements	930,247	490,207
Profit / Return expensed on deposit	(397,073)	(145,713)
Net spread earned	533,174	344,494
Depreciation on assets given on ijarah	(34,053)	(33,625)
	<u>499,121</u>	<u>310,869</u>
Provision against advances and investments	-	-
Provision reversed against advances and investments	-	-
	-	-
Profit after provision	<u>499,121</u>	<u>310,869</u>
Other income		
Fee, commission and brokerage income	130,726	74,681
Income from dealing in foreign currencies	180	370
Other income	9,943	4,624
Total other income	<u>140,849</u>	<u>79,675</u>
	<u>639,970</u>	<u>390,544</u>
Other expenses		
Administrative expenses	(671,238)	(488,455)
Loss before taxation	<u>(31,268)</u>	<u>(97,911)</u>

CASH FLOW STATEMENT

Cash Flow from Operating Activities

Loss for the period	(31,268)	(97,911)
Adjustments :		
Depreciation - Own assets	23,665	28,438
Depreciation - Ijarah assets	33,815	33,625
	<u>57,480</u>	<u>62,063</u>
	26,212	(35,848)
(Increase) / decrease in operating assets		
Balance with other banks	531,388	(3,116,001)
Due from Financial Institutions	6,187,555	1,915,714
Financings and investments	(12,477,025)	(10,694,198)
Other assets	(64,731)	(946,602)
	<u>(5,822,813)</u>	<u>(12,841,087)</u>
Increase / (decrease) in operating liabilities		
Bills payable	159,970	104,458
Deposits and other accounts	(2,619,462)	7,622,933
Borrowings from Head Office	8,268,246	7,653,260
Other liabilities	(95,831)	(155,399)
	<u>5,712,923</u>	<u>15,225,252</u>
Net cash generated from operating activities	<u>(83,678)</u>	<u>2,348,317</u>
Cash Flow from Investing Activities		
Investment in operating fixed assets	(50,850)	(63,243)
Net cash used in investing activities	<u>(50,850)</u>	<u>(63,243)</u>
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
Increase in cash and cash equivalents	<u>(134,528)</u>	<u>2,285,074</u>
Cash and cash equivalents at beginning of the half year	2,678,218	1,086,611
Cash and cash equivalents at the end of the half year	<u>2,543,690</u>	<u>3,371,685</u>

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 24, 2017.

23. GENERAL

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

Chief Financial Officer

Chairman / President

Director

Director

Director