

CONTENTS

Corporate Information	02
Directors' Report	03
Statement of Financial Position	05
Profit and Loss Account	06
Statement of Changes in Equity	07
Statement of Comprehensive Income	08
Cash Flow Statement	09
Notes to the Financial Statements	10
Consolidated Financial Statements of NBP and its Subsidiary Companies	21

CORPORATE INFORMATION

Board of Directors

Chairman	Muneer Kamal
President	Syed Ahmed Iqbal Ashraf
Director	Tariq Kirmani
	Shahid Aziz Siddiqui
	Farrakh Qayyum
	Rana Assad Amin
	Muhammad Naeem
	Iftikhar A. Allawala

Audit Committe

Chairman	Farrakh Qayyum
	Muneer Kamal
	Rana Assad Amin
	Tariq Kirmani

Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Mandviwala & Zafar
Advocates & Legal Consultants

Registered & Head Office

NBP Building
I.I. Chundrigar Road,
Karachi, Pakistan.

Registrar & Share Registration office

Central Depository Co. of Pakistan Ltd. (CDC),
CDC House, 99-B, Block-B
S.M.C.H.S., Main Shara-e-Faisal
Karachi-74400, Pakistan
111-1 11-500

Website

www.nbp.com.pk

Directors' Report

It gives me great pleasure to present on behalf of the Board of Directors financial statements of the bank for the three months period ended March 31, 2014.

Pakistan's key economic indicators have shown improvement. Inflation remained under control averaging 8.6% in nine months of fiscal year 2014. This year has witnessed improvement in foreign exchange reserves with consequent appreciation of Pak Rupee. State Bank of Pakistan kept the policy rate unchanged in 2014 at 10%.

The bank in Q1 of 2014 recorded after tax profit was at Rs.3.1 billion which is a marked improvement compared to Q4 of 2013 in which it recorded an after tax loss of Rs. 743 million. Pre-tax profit of the bank is Rs. 4.4 billion in the quarter under review which is higher by 2.2% from the corresponding period last year. Earnings per share for march 2014 is Rs.1.48 as against Rs. 1.42 of last year, an increase of 3.7%. Pre-tax and after tax return on equity stand at 17.7% and 12.6% respectively whereas pre-tax and after tax return on assets are at 1.3% and 0.9% respectively.

Despite increase in interest rates by 100 bps in last quarter of 2013, margins increase remained muted due to linking of deposits with discount rate as well change in profit payment calculation. Seasonal increase in agriculture sector non-performing loans also impacted the interest income, along with increase in NPL. However, this is expected to be regularized in second quarter. Net interest income also remained under pressure due to non-accrual drag of certain GoP guaranteed public sector loans. During the period under review, average balance sheet increased by 6% which partially offset the above negative factors. The bank is strategizing itself to offset the above impacts through low cost deposit mobilization and NPL reduction.

Non interest/markup income increased by Rs. 474 million or 8.5 % compared to the corresponding period last year. Fees / commission income is showing marginal increase due to downward revision in the agency commission, however, going forward we expect to offset the downward revision through higher volumes. Exchange income remained robust with growth of 12% as the bank took advantage of the opportunities available in the currency market. We believe that with record KSE index and unrealized gains of over Rs. 25 billion, Capital Markets Division can be a significant contributor to the bottom line. However, the bank remained selective in its activities in the stock market in the current quarter to take advantage of higher prices and resultant capital gains in the future.

With pressure on revenues, we are focusing on controlling administrative expenses. Administrative expenses increased by 5.6% from March 2013 with staff and security related costs being the major factors.

The bank will be focusing on reducing the non-perform loans through restructuring. The current quarter witnessed slight increase in non-performing loans due to seasonal increase in agriculture loans. However, these are expected to be regularized in second quarter. In overseas operations we are working on restructuring of loans. Going forward, we believe our efforts will yield in reduction in non-performing loans and consequent release of provision in the next 2-3 years.

Deposits compared to March 2013, increased by Rs.91.9 billion. Compared to year end December 2013 deposits show reduction of Rs. 83.5 billion mainly on account of year end deposit movements. Mobilizing low cost deposit is one of the top focus areas and we believe that the bank can significantly improve the growth by leveraging its existing customer base and improving existing products delivery. We are building our liability team to further improve our product offering, marketing strategies and staff mobilization for increase in low cost deposits. Compared to year end December 2013 advances show reduction of Rs. 7.5 billion mainly on account of seasonal adjustments. The bank is strongly capitalized with capital and reserves of Rs. 159.1 billion, which translates into break-up value per share of Rs.74.8/- per share.

The bank is in process of computerizing government pension payments which will reduce turn-around-time in dealing with such payments and will consequently improve the customer service at the branch level. To make strong presence in Islamic banking industry in Pakistan and to boost Islamic banking business, NBP has developed comprehensive business plan incorporating strategies and goals. The plan proposes to increase the country-wide network of dedicated Islamic banking branches to 150 in 2014 by adopting strategy of opening new branches as well as converting conventional branches into Islamic branches. Core banking automation across all major areas of its business is continuing and so far 43 branches have been added to the new platform.

Banking sector spreads are expected to remain under pressure. The bank is focusing on consolidation and recoveries to bring down the non-performing loans. Recovery of overdue payments from PSEs is our major challenge. We are building a liability team to procure low cost deposit, increase in average deposit per account. Reduction in non-performing loans, technology up gradation with CBA implementation, expansion of ATM network and mobile banking will be other areas of focus.

The Profit for the three months period ended March 31, 2014 after carry forward of accumulated profit of 2013 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the quarter ended March 31, 2014	4,410
Taxation	
Current year	1,482
Deferred	(216)
	<u>1,266</u>
After tax profit	3,144
Un-appropriated profit brought forward	48,046
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	31
Profit available for appropriation	<u>51,221</u>
<u>Appropriations</u>	
Transfer to Statutory Reserve (10% of after tax profit)	(314)
Cash Dividend (Rs. 2.0 per share) - 2013	(4,255)
	<u>(4,569)</u>
Un-appropriated profit carried forward	<u>46,652</u>

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

On behalf of the Board of Directors

Syed Ahmed Iqbal Ashraf
President
Date: April 25, 2014

**National Bank of Pakistan
Condensed Interim Unconsolidated Statement of Financial Position
As at March 31, 2014**

		(Un-Audited) March 31 2014	(Audited) December 31 2013
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash & balances with Treasury Banks		110,220,980	157,930,297
Balances with Other Banks		13,223,566	17,457,523
Lendings to Financial Institutions		23,689,263	51,938,689
Investments - net	7	452,167,508	397,958,681
Advances - net	8	607,869,919	615,419,874
Operating Fixed Assets - net	9	32,491,539	32,702,121
Deferred Tax Assets - net	10	10,209,035	10,955,008
Other Assets		87,558,591	79,979,063
		1,337,430,401	1,364,341,256
LIABILITIES			
Bills Payable		12,723,735	13,894,667
Borrowings		68,059,281	21,994,839
Deposits & Other Accounts	11	1,017,622,595	1,101,138,574
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		21,416	24,034
Deferred Tax Liabilities		-	-
Other Liabilities		79,928,859	71,002,438
		1,178,355,886	1,208,054,552
NET ASSETS		159,074,515	156,286,704
REPRESENTED BY			
Share Capital		21,275,131	21,275,131
Reserves		30,415,554	31,538,695
Unappropriated Profit		46,651,862	48,045,930
		98,342,547	100,859,756
Surplus on revaluation of assets	12	60,731,968	55,426,948
		159,074,515	156,286,704
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director

**National Bank of Pakistan
Condensed Interim Unconsolidated Profit & Loss Account - (Un-Audited)
For the Three Months Period Ended March 31, 2014**

	Quarter Ended March 31 2014	Quarter Ended March 31 2013
	----- (Rupees in '000') -----	
Note		
Mark-up / Return / Interest Earned	25,256,017	23,936,437
Mark-up / Return / Interest Expensed	16,631,348	15,104,656
Net mark-up / Interest Income	8,624,669	8,831,781
Provision against Non-Performing Loans & Advances	802,086	577,032
Provision for Diminution in Value of Investments	172,826	632,567
Bad Debts Written Off Directly	-	-
	974,912	1,209,599
Net Mark-up / Interest Income after Provisions	7,649,757	7,622,182
NON MARK-UP/ INTEREST INCOME		
Fee, Commission & Brokerage Income	2,643,329	2,568,919
Dividend Income	755,054	1,066,945
Income from Dealing in Foreign Currencies	1,030,156	920,181
Gain on Sale of Securities	742,488	1,001,771
Unrealized Gain / (Loss) on Revaluation of Investments classified as Held-for-Trading	2,287	(2,944)
Other Income	887,617	31,827
Total Non-Mark-up / Interest Income	6,060,931	5,586,699
	13,710,688	13,208,881
NON MARK-UP/ INTEREST EXPENSES		
Administrative Expenses	9,287,720	8,794,444
Other Provisions / Write Offs	12,109	94,723
Other Charges	505	3,808
Total Non-Mark-up / Interest Expenses	9,300,334	8,892,975
	4,410,354	4,315,906
Extra Ordinary Items	-	-
PROFIT BEFORE TAXATION	4,410,354	4,315,906
Taxation - Current	1,482,433	1,541,847
- Prior Year(s)	-	-
- Deferred	(216,135)	(257,498)
	1,266,298	1,284,349
PROFIT AFTER TAXATION	3,144,056	3,031,557
	-----Rupees-----	
Basic & Diluted Earnings per Share	1.48	1.42

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director

**National Bank of Pakistan
Condensed Interim Unconsolidated Statement of Changes in Equity - (Un-Audited)
For the Three Months Period Ended March 31, 2014**

Share capital	Reserves			Revenue General	Unappropriated profit	Total	
	Exchange Translation	Capital Reserve for issue of Bonus shares	Statutory				
(Rupees in '000)							
Balance as at January 1, 2013	18,500,114	7,910,615	-	20,386,575	521,338	57,418,845	104,737,487
Comprehensive income							
Profit after tax for the three months period ended March 31, 2013	-	-	-	-	-	3,031,557	3,031,557
Other comprehensive income - net of tax	-	592,854	-	-	-	4,522,621	5,115,475
	-	592,854	-	-	-	7,554,178	8,147,032
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	25,236	25,236
Transfer to statutory reserve	-	-	-	606,311	-	(606,311)	-
Transactions with Owners							
Issue of Bonus Shares (15%)	-	-	2,775,017	-	-	(2,775,017)	-
Cash dividend (Rs. 7 per share)	-	-	-	-	-	(12,950,080)	(12,950,080)
Balance as at March 31, 2013	18,500,114	8,503,469	2,775,017	20,992,886	521,338	48,666,851	99,959,675
Balance as at April 1, 2013	18,500,114	8,503,469	2,775,017	20,992,886	521,338	48,666,851	99,959,675
Comprehensive income							
Profit after tax for the nine months period ended December 31, 2013	-	-	-	-	-	2,468,467	2,468,467
Other comprehensive income - net of tax	-	1,027,308	-	-	-	(2,702,279)	(1,674,971)
	-	1,027,308	-	-	-	(233,812)	793,496
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	106,585	106,585
Transfer to statutory reserve	-	-	-	493,694	-	(493,694)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (15%)	2,775,017	-	(2,775,017)	-	-	-	-
Balance as at December 31, 2013	21,275,131	9,530,777	-	21,486,580	521,338	48,045,930	100,859,756
Balance as at January 1, 2014	21,275,131	9,530,777	-	21,486,580	521,338	48,045,930	100,859,756
Comprehensive income							
Profit after tax for the three months period ended March 31, 2014	-	-	-	-	-	3,144,056	3,144,056
Other comprehensive income - net of tax	-	(1,437,547)	-	-	-	-	(1,437,547)
	-	(1,437,547)	-	-	-	3,144,056	1,706,509
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	31,308	31,308
Transfer to statutory reserve	-	-	-	314,406	-	(314,406)	-
Transactions with Owners							
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)
Balance as at March 31, 2014	21,275,131	8,093,230	-	21,800,986	521,338	46,651,862	98,342,547

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director

National Bank of Pakistan
Condensed Interim Unconsolidated Statement of Comprehensive Income - Unaudited
For the Three Months Period Ended March 31, 2014

	Quarter Ended March 31 2014	Quarter Ended March 31 2013
	----- (Rupees in '000') -----	
Profit after taxation for the quarter	<u>3,144,056</u>	<u>3,031,557</u>
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange gain on translation of net assets of foreign branches	(1,437,547)	592,854
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of defined benefit liability	-	6,957,878
Related tax effects	-	(2,435,257)
	-	4,522,621
Other comprehensive income - net of tax	<u>(1,437,547)</u>	<u>5,115,475</u>
Total comprehensive income transferred to equity	<u><u>1,706,509</u></u>	<u><u>8,147,032</u></u>

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Muneer Kamal
 Chairman

Syed Ahmed Iqbal Ashraf
 President

Iftikhar A. Allawala
 Director

Tariq Kirmani
 Director

**National Bank of Pakistan
Condensed Interim Cash Flow Statement - (Un-Audited)
For the Three Months Period Ended March 31, 2014**

	Quarter Ended March 31 2014	Quarter Ended March 31 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
----- (Rupees in '000) -----		
Profit Before Taxation	4,410,354	4,315,906
Less: Dividend Income	755,054	1,066,945
	<u>3,655,300</u>	<u>3,248,961</u>
Adjustments		
Depreciation	427,732	410,111
Provision against Non-Performing Loans & Advances	802,086	577,032
Provision for Diminution in Value of Investments	172,826	632,567
Other Provision / Write Off	12,109	94,723
Financial Charges on Leased Assets	1,803	2,638
	<u>1,416,556</u>	<u>1,717,071</u>
	5,071,856	4,966,032
(Increase) / Decrease in Operating Assets		
Lendings to Financial Institutions	28,249,426	4,716,890
Held-for-Trading Securities	(5,137,264)	6,055
Advances	6,747,869	5,011,420
Other Assets	(6,238,422)	(2,512,088)
	<u>23,621,609</u>	<u>7,222,277</u>
Increase / (Decrease) in Operating Liabilities		
Bills Payable	(1,170,932)	1,260,816
Borrowings	46,987,456	25,251,799
Deposits & Other Accounts	(83,515,979)	(112,069,160)
Other Liabilities (excluding Current Taxation)	4,671,395	(5,622,781)
	<u>(33,028,060)</u>	<u>(91,179,326)</u>
Income Tax Paid	(2,790,729)	(44,411)
Financial Charges Paid	(1,803)	(2,638)
	<u>(2,792,532)</u>	<u>(47,049)</u>
Net Cash Flow from Operating Activities	<u>(7,127,127)</u>	<u>(79,038,066)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from in Available-for-Sale Securities	13,398,928	11,012,239
Net Investments in Held-to-Maturity Securities	(57,720,628)	(822,498)
Proceeds from Investments In Associates	-	412,367
Dividend Received	755,054	1,066,945
Investments in Operating Fixed Assets	(217,150)	(594,007)
Net Cash Used in Investing Activities	<u>(43,783,796)</u>	<u>11,075,046</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Lease Obligations	(2,618)	(13,513)
Net Cash used in Financing Activities	<u>(2,618)</u>	<u>(13,513)</u>
Effects Of Exchange Rate Changes On Cash And Cash Equivalents	(1,437,547)	592,854
Net (decrease) / increase in Cash & Cash Equivalents	<u>(52,351,088)</u>	<u>(67,383,679)</u>
Cash & Cash Equivalents at Beginning of the period	175,130,220	188,054,806
Cash & Cash Equivalents at the End of the period	<u>122,779,132</u>	<u>120,671,127</u>

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director

**National Bank of Pakistan
Notes To The Condensed Interim Unconsolidated Financial Statements (Un-Audited)
For the Three Months Period Ended March 31, 2014**

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 all the stock exchanges in Pakistan. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,344 (2013: 1,342) branches in Pakistan and 23 (2013: 23) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim unconsolidated financial statements of the Bank for the quarter ended March 31, 2014 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where the requirements differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

2.2 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, 2013.

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 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, 2013.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates/judgments and associated assumptions used in the preparation of these interim condensed unconsolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2013.

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, 2013.

7. INVESTMENTS

	(Un-Audited)			(Audited)		
	March 31, 2014			December 31, 2013		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	----- (Rupees in '000') -----			----- (Rupees in '000') -----		
7.1 Investments by type:						
Held-for-trading securities						
Market Treasury Bills	6,857,265	-	6,857,265	-	-	-
Pakistan Investment Bonds	78,126	-	78,126	-	-	-
Ordinary Shares of Listed companies	-	-	-	5,027	-	5,027
Ijarah Sukuk Bonds	204,000	-	204,000	1,997,100	-	1,997,100
	7,139,391	-	7,139,391	2,002,127	-	2,002,127
Available- for- sale securities						
Ordinary Shares of Listed companies	27,434,673	-	27,434,673	27,727,973	-	27,727,973
Ordinary Shares of Un-Listed companies	1,125,375	-	1,125,375	1,125,375	-	1,125,375
Investments in Mutual Funds	3,374,084	-	3,374,084	3,486,668	-	3,486,668
Ordinary shares of a bank outside Pakistan	463,295	-	463,295	463,295	-	463,295
Preference Shares	1,236,900	-	1,236,900	1,236,900	-	1,236,900
Market Treasury Bills	109,131,120	45,353,547	154,484,667	194,001,739	2,816,565	196,818,304
Pakistan Investment Bonds	88,157,548	798,993	88,956,541	57,440,487	-	57,440,487
Gop Foreign Currency Bonds	5,534,132	-	5,534,132	5,873,456	-	5,873,456
Foreign Currency Debt Securities	3,923,958	-	3,923,958	4,704,957	-	4,704,957
Term Finance Certificates / Mushairka, Foreign Currency Debt Securities and Sukuk Bonds	19,312,241	-	19,312,241	20,367,379	-	20,367,379
Total Available- for- sale securities	259,693,326	46,152,540	305,845,866	316,428,229	2,816,565	319,244,794
Held-to-maturity securities						
Pakistan Investment Bonds	76,576,101	-	76,576,101	17,964,729	-	17,964,729
GoP Foreign Currency Bonds	1,486,930	-	1,486,930	1,552,435	-	1,552,435
Foreign Government Securities	6,188,002	-	6,188,002	6,633,499	-	6,633,499
Foreign Currency Debt Securities	381	-	381	407	-	407
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	3,093,501	-	3,093,501	3,473,217	-	3,473,217
Total Held-to-Maturity Securities	87,344,915	-	87,344,915	29,624,287	-	29,624,287
Investments in Associates	15,789,545	-	15,789,545	15,789,545	-	15,789,545
Investments in Joint Ventures	1,244,835	-	1,244,835	1,244,835	-	1,244,835
Investments in Subsidiaries	4,406,750	-	4,406,750	4,406,750	-	4,406,750
Investment at cost	375,618,762	46,152,540	421,771,302	369,495,773	2,816,565	372,312,338
Less: Provision for Diminution in Value of Investments (note 7.2)	(16,987,203)	-	(16,987,203)	(15,416,719)	-	(15,416,719)
Investments (net of Provisions)	358,631,559	46,152,540	404,784,099	354,079,054	2,816,565	356,895,619
Surplus / (Deficit) on Revaluation of Held-for-trading securities	2,287	-	2,287	(139)	-	(139)
Surplus on Revaluation of Available-for-Sale Securities (note 12)	47,378,017	3,105	47,381,122	41,063,712	(511)	41,063,201
Total Investments at Market Value	406,011,863	46,155,645	452,167,508	395,142,627	2,816,054	397,958,681

7.2	Particulars of provision for diminution in value of investments	Note	March 31	December 31
			2014 (Un-audited)	2013 (Audited)
			(Rupees in '000')	
	Opening balance		15,416,719	13,717,228
	Charge for the period		328,545	2,524,910
	Reversals		(155,719)	(1,131,911)
	Transfer in		172,826	1,392,999
	Other movement (transferred from suspended interest)		1,397,656	98,734
			-	207,758
	Closing balance	7	16,987,203	15,416,719

7.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments, which resulted in decrease in provision for diminution in value of investments by Rs. 2,598 million (December 31, 2013: Rs. 1,197 million). Accordingly, as of December 31, 2013, the accumulated increase in profit after tax of Rs. 1,689 million (December 31, 2013: Rs. 778 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

7.4 The SBP through its letter No. BPRD/BRD-(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the impairment arising on shares and provision against overdue exposures of Term Finance Certificates of Agritech Limited. As of March 31, 2014, 60% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs. 1,089 million and the profit before taxation would have been lower by the same amount.

8. ADVANCES	Note	March 31	December 31
		2014 (Un-audited)	2013 (Audited)
		(Rupees in '000')	
Loans, cash credits, running finances, etc.			
In Pakistan		613,048,568	622,111,491
Outside Pakistan		53,309,984	55,728,672
		666,358,552	677,840,163
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		17,264,979	12,353,303
Payable outside Pakistan		15,942,983	17,821,493
		33,207,962	30,174,796
Advances - gross		699,566,514	708,014,959
Less: Provision against non-performing loans	8.2	(91,696,595)	(92,595,085)
Advances - net of provision		607,869,919	615,419,874

8.1 Advances include Rs.119,846 million (2013: Rs.115,617 million) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2014			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in '000')				
Other Assets Especially Mentioned	5,479,841	-	5,479,841	15,740	15,740
Substandard	18,204,974	297,335	18,502,309	3,325,498	3,325,498
Doubtful	7,795,680	815,270	8,610,950	4,141,670	4,141,670
Loss	69,684,432	17,568,207	87,252,639	81,187,240	81,187,240
	101,164,927	18,680,812	119,845,739	88,670,148	88,670,148

Category of Classification	December 31, 2013			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in '000')				
Other Assets Especially Mentioned	525,603	-	525,603	3,272	3,272
Substandard	15,800,716	279,351	16,080,067	3,721,184	3,721,184
Doubtful	5,521,556	1,512,833	7,034,389	3,241,823	3,241,823
Loss	73,938,583	18,037,891	91,976,474	82,770,359	82,770,359
	95,786,458	19,830,075	115,616,533	89,736,638	89,736,638

8.2 Particulars of provision against non-performing advances

	March 31, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000')					
Opening balance	89,736,638	2,858,447	92,595,085	72,142,434	3,308,579	75,451,013
Foreign exchange adjustments	(276,518)	(26,402)	(302,920)	385,745	50,463	436,208
Charge for the period	1,470,876	194,402	1,665,278	21,398,295	465,258	21,863,553
Reversals	(863,192)	-	(863,192)	(3,721,125)	(756,027)	(4,477,152)
	607,684	194,402	802,086	17,677,170	(290,769)	17,386,401
Transfer (out) / in	(1,397,656)	-	(1,397,656)	111,092	(209,826)	(98,734)
Amount charged off / other written off	-	-	-	(578,716)	-	(578,716)
Amount written off	-	-	-	(1,087)	-	(1,087)
Closing balance	88,670,148	3,026,447	91,696,595	89,736,638	2,858,447	92,595,085

8.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 6,449 million (2013: Rs. 7,304 million). Accordingly, as of March 31, 2014, the accumulated profit after tax of Rs. 3,022 million (December 31, 2013: Rs. 4,747 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

8.4 General provision against consumer loans and Small and Medium Enterprise (SME) financing, represents provision maintained at an amount ranging from 1% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP.

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

8.6 The SBP through its letter No. BPRD/BRD-(Policy)/2013-1857 dated: February 15, 2013 and BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the provisioning requirement against Agritech Limited exposures. As on March 31, 2014, 60% of the provision required is to be maintained and remaining provision is to be recorded upto December 31, 2014 in a phased manner. Had this relaxation not been there, the provision against non-performing advances would have been higher by Rs. 999 million and profit before taxation would have been lower by the same amount.

9. OPERATING FIXED ASSETS

	March 31 2014 (Un-audited)	December 31 2013 (Audited)
	(Rupees in '000')	
Capital work-in-progress	2,737,319	2,700,075
Property and equipment	29,745,361	29,986,702
Intangible assets	8,859	15,344
	<u>32,491,539</u>	<u>32,702,121</u>

9.1 Additions and disposals during the period amounted to Rs 190.8 million (March 31, 2013: Rs. 535 million) and Rs.13.9 million (March 31, 2013: Rs. 23.5 million) respectively.

10. DEFERRED TAX ASSETS - net

	Note	March 31 2014 (Un-Audited)	December 31 2013 (Audited)
		(Rupees in '000)	
Deferred tax assets arising in respect of			
Provision for diminution in the value of investments		3,542,321	3,481,832
Provision against advances		6,634,726	6,634,726
Other provisions		1,276,885	1,272,647
Charge against defined benefits plans		8,004,069	7,740,890
Unrealised loss on derivatives		691,907	691,907
Provision against off-balance sheet obligations		116,622	116,622
		20,266,530	19,938,624
Deferred tax (liabilities) arising in respect of			
Excess of accounting book value of leased assets over lease liabilities		(13,945)	(16,202)
Difference between accounting book value of fixed assets and tax base		(376,226)	(245,340)
Revaluation of securities	12	(8,326,539)	(7,364,431)
Revaluation of fixed assets		(1,340,785)	(1,357,643)
		(10,057,495)	(8,983,616)
Net deferred tax assets		<u>10,209,035</u>	<u>10,955,008</u>

	March 31 2014 (Un-audited)	December 31 2013 (Audited)
	----- (Rupees in '000') -----	
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	276,865,745	290,646,462
Savings deposits	323,131,435	313,804,148
Current accounts - remunerative	91,667,435	114,379,969
Current accounts - non-remunerative	221,129,881	236,565,784
	912,794,496	955,396,363
Financial Institutions		
Remunerative deposits	55,380,180	49,987,013
Non-remunerative deposits	49,447,919	95,755,198
	104,828,099	145,742,211
	1,017,622,595	1,101,138,574
12. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets - net of tax	21,677,385	21,728,178
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government securities	1,496,617	797,268
Term Finance Certificates	(12,548)	(8,795)
Shares and mutual funds	26,463,253	21,725,355
GoP Foreign Currency Bonds	537,115	388,652
Foreign Currency Debt Securities	141,939	145,270
Ordinary shares of a bank outside Pakistan	18,754,746	18,015,451
	7	41,063,201
Deferred tax liability	10	(7,364,431)
	60,731,968	55,426,948
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	2,807,543	2,593,191
- Financial institutions	2,766,510	2,555,291
- Others	17,879,001	16,513,963
	23,453,055	21,662,445
13.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:		
- Government	16,730,171	17,078,928
- Financial institutions	4,485,043	4,578,538
- Others	33,120,245	33,810,668
	54,335,459	55,468,134
13.3 Trade-related contingent liabilities		
Letters of credit issued in favour of		
- Government	121,457,586	136,703,020
- Financial institutions	7,972,078	8,972,738
- Others	54,102,186	60,893,127
	183,531,850	206,568,885

	March 31 2014 (Un-audited)	December 31 2013 (Audited)
	----- (Rupees in '000') -----	
13.4 Other contingencies		
13.4.1 Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.188 million (2013: Rs.188 million), claims relating to former Mehran Bank Limited amounting to Rs. 965 million (2013: Rs. 965 million) and claims relating to employees for which the amount involved can not be ascertained reasonably].	13,965,959	13,974,192

13.4.2 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, 2013.

13.4.3 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, 2013.

13.4.5 Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2013.

13.4.6 Pensionary Benefits to Retired Employees

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2013.

13.4.7 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, 2013.

	March 31 2014 (Un-Audited)	December 31 2013 (Audited)
	----- (Rupees in '000') -----	
13.5 Commitments in respect of forward exchange contracts		
Purchase	207,183,540	204,673,055
Sale	118,405,944	132,796,307
13.6 Other Commitments		
Professional services to be received	148,383	169,330
13.7 Commitments for the acquisition of operating fixed assets	1,672,377	1,732,023

14. Other income includes Rs 865 million (March 2013: Rs Nil million) on account of compensation for delayed refunds u/s 171 of the Income Tax Ordinance,

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

	Quarter Ended March 31 2014 (Un-Audited)	Quarter Ended March 31 2013 (Un-Audited)
Profit after taxation (Rupees in '000)	<u>3,144,056</u>	<u>3,031,557</u>
Weighted average number of ordinary shares (in '000)	<u>2,127,513</u>	<u>2,127,513</u>
Basic and diluted earnings per share (Rupees)	<u>1.48</u>	<u>1.42</u>

16. **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						
March 31, 2014 - Unaudited							
Total income	198,645	101,139	2,590,127	10,099,229	448,391	1,248,069	14,685,600
Inter segment revenue	-	(11,839)	2,642,693	(2,630,854)	-	-	-
Total expenses	4,444	19,287	4,433,574	4,419,046	362,481	1,036,413	10,275,245
Net income	<u>194,201</u>	<u>70,013</u>	<u>799,246</u>	<u>3,049,329</u>	<u>85,910</u>	<u>211,656</u>	<u>4,410,355</u>
Segment assets - gross of NPLs provision	-	7,139,391	239,917,985	1,070,783,137	-	19,589,888	1,337,430,401
Segment non performing loans	-	-	16,567,206	103,218,117	-	-	119,845,739
Segment total provision	-	-	8,230,315	83,466,280	-	-	91,696,595
Segment liabilities	-	-	313,043,072	848,950,869	-	16,361,945	1,178,355,886
Segment return on assets (ROA) (%)	0.00%	1.20%	0.55%	1.29%	0.00%	6.66%	1.32%
Segment cost of fund (%)	0.00%	0.00%	6.05%	6.23%	0.00%	0.00%	6.21%
March 31, 2013 - Unaudited							
Total income	58,251	92,837	2,890,834	9,587,499	437,745	1,351,315	14,418,481
Inter segment revenue	-	38,073	2,291,723	(2,329,796)	-	-	-
Total expenses	4,444	19,307	4,406,471	4,339,588	353,889	978,874	10,102,573
Net income	<u>53,807</u>	<u>111,603</u>	<u>776,086</u>	<u>2,918,115</u>	<u>83,856</u>	<u>372,441</u>	<u>4,315,908</u>
Segment assets - gross of NPLs provision	-	1,151,386	211,852,025	993,190,358	-	17,410,983	1,223,604,752
Segment non performing loans	-	-	9,281,865	81,547,056	-	-	90,828,921
Segment total provision	-	-	6,832,271	66,569,819	-	-	73,402,090
Segment liabilities	-	-	219,952,012	851,084,080	-	16,337,678	1,087,373,770
Segment return on assets (ROA) (%)	0.00%	1.30%	0.64%	1.35%	0.00%	11.76%	1.44%
Segment cost of fund (%)	0.00%	0.00%	5.75%	5.73%	0.00%	0.00%	5.73%

17. 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 to these financial statements.

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

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

2014 - Un audited				2013 - Audited			
At January 01,	Given during the year	Repaid during the year	At March 31,	At January 01,	Given during the year	Repaid during the year	At December 31

(Rupees in '000)

Advances

Key Management Executives	144,607	-	(6,228)	138,379	67,184	32,972	(22,708)	144,607
Adjustments*	-	-	-	-	67,159	-	-	-
	144,607	-	(6,228)	138,379	134,343	32,972	(22,708)	144,607
Subsidiaries	874,328	-	(259,253)	615,075	980,523	188,796	(294,991)	874,328
Associates	5,433,806	-	(18,194)	5,415,612	4,122,053	1,311,753	-	5,433,806
Debts due by Company in which director is interested as director	9,613,756	19,112,437	(20,861,477)	8,454,678	5,711,940	1,589,000	(10,052,116)	9,613,756
Adjustments*	589,962	-	-	-	12,364,932	-	-	-
	10,203,718	19,112,437	(20,861,477)	8,454,678	18,076,872	1,589,000	(10,052,116)	9,613,756
	16,656,459	19,112,437	(21,145,152)	14,623,744	23,313,791	3,122,521	(10,369,815)	16,066,497

2014 - Unaudited				2013 - Audited			
At January 01,	Received during the year	Repaid during the year	At March 31,	At January 01,	Received during the year	Repaid during the year	At December 31

(Rupees in '000)

Deposits

Subsidiaries	298,668	427,136	(6,393)	719,411	546,928	3,339	(251,599)	298,668
Key Management Executives	13,402	62,665	(59,852)	16,115	15,416	292,747	(297,630)	10,533
Adjustments*	(100)	-	-	-	2,869	-	-	2,869
	13,302	62,665	(59,852)	16,115	18,285	292,747	(297,630)	13,402
Pension Fund (Current)	4,393	8,899,414	(8,899,711)	4,096	4,676	62,759,037	(62,759,320)	4,393
Pension Fund (Fixed Deposit)	11,500,000	-	(3,500,000)	8,000,000	13,600,000	25,157,100	(27,257,100)	11,500,000
Pension Fund (N.I.D.A A/c)	270,228	4,470,567	(4,625,779)	115,016	49,300	18,966,084	(18,745,156)	270,228
Provident Fund	12,886,715	166,552	(512,894)	12,540,373	12,448,399	2,695,075	(2,256,759)	12,886,715
	24,973,306	14,026,334	(17,604,629)	21,395,011	26,667,588	109,873,382	(111,567,564)	24,973,406

* Adjustments due to changes in key management executives.

	March 31, 2014	December 31, 2013
	Un-audited	Audited
	----- (Rupees in '000) -----	
Placements / Bank Account with:		
Joint venture	36,808	37,621
Borrowing / Deposit from:		
Joint Venture	633,268	171,554
Other receivables from subsidiaries	99,176	104,242
Other payables to subsidiaries	8,017	4,227
Off Balance Sheet Items - Joint Venture	215,221	228,721
Investments made in Associates	-	9,890,010
Redemption / sale of investment in associates	-	25,320,851

	March 31, 2014	March 31, 2013
	Un-audited	Un-audited
	----- (Rupees in '000) -----	
Income for the period		
On advances / placements / bank accounts with:		
Subsidiaries	5,057	17,602
Joint Venture	47	515
Key management executives	1,011	506
Debts Due by company in which director of the bank is interested as director	271,064	270,318
On Reverse Repo / Lendings with:		
Subsidiaries	-	1,026
Expenses for the year		
Remuneration to key management executives	48,754	58,266
Charge for defined benefit plan	5,850	6,992
Mark-up on Deposits of:		
Subsidiaries	37	14,095
Provident fund	513,675	460,198
Pension fund	197,088	137,831
Key Management Executives	228	205
Commission paid to subsidiaries	267	374
Other related parties	-	97,443
Mark-up on Borrowing / Deposits		
Joint Ventures	47	55

17.1 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 earns commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs.1,170 million for the three months period ended March 31, 2014. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 215,808 million and Rs. 364,530 million respectively.

18. ISLAMIC BANKING BUSINESS

The bank is operating 18 (December 31, 2013: 18) Islamic banking branch as at March 31, 2014. The statement of financial position, profit and loss account and cash flow is as under:

	March 31 2014 (Un-Audited)	December 31 2013 (Audited)
	----- (Rupees in '000') -----	
<u>Statement of Financial Position</u>		
Assets		
Cash and balances with treasury banks	139,789	263,743
Balances with other banks	125	80
Investments	2,436,064	4,819,868
Islamic financing and related assets	885,655	951,020
Operating fixed assets	68,320	59,554
Other assets	125,178	162,952
	3,655,131	6,257,217
Liabilities		
Bills Payable	22,937	9,547
Deposits and other accounts		
-Current accounts	866,244	1,520,348
-Saving accounts	560,554	571,311
-Term deposits	663,731	684,746
-Deposit from financial institutions - Remunerative	501,927	2,261,206
-Deposit from financial institutions - Non Remunerative	5,000	
Due to Head Office	80,101	283,959
Other liabilities	139,755	58,960
	2,840,249	5,390,077
Net Assets	814,882	867,140
Represented By		
Islamic Banking Fund	800,000	800,000
Unappropriated profit / (loss)	14,882	67,140
	814,882	867,140
(Deficit) / Surplus on revaluation of assets - net	-	-
	814,882	867,140
	March 31 2014 (Un-Audited)	March 31 2013 (Un-Audited)
	----- (Rupees in '000') -----	
<u>Profit and Loss Account</u>		
Profit / return earned on financings, investments and placements	155,924	111,107
Profit / return expensed on deposit	80,857	29,145
Net spread earned	75,067	81,962
Depreciation on assets given on ijarah	17,289	29,010
	57,778	52,952
Provision against advances and investments	2,615	677
Profit / (Loss) after provision	60,393	53,629
Other income		
Fee, commission and brokerage income	6,396	1,035
Income from dealing in foreign currencies	-	-
Other income	(183)	-
Total other income	6,213	1,035
	66,606	54,664
Other expenses		
Administrative expenses	51,724	30,968
Profit / (Loss) for the year	14,882	23,696

<u>Cash Flow Statement</u>	March 31 2014 (Un-Audited)	March 31 2013 (Un-Audited)
	----- (Rupees in '000) -----	
Cash Flow from Operating Activities		
Profit / (Loss) for the year	14,882	31,485
Adjustments :		
Depreciation - Own assets	311	165
Depreciation - Ijarah assets	17,289	29,010
Provision against non performing financings	(2,615)	(677)
	<u>14,985</u>	<u>28,498</u>
	29,867	59,983
(Increase) / Decrease in operating assets		
Due from Financial Institutions	(45)	302,780
Financings	2,434,495	56,102
Other assets	37,774	(66,851)
	<u>2,472,224</u>	<u>292,031</u>
(Increase) / Decrease in operating liabilities		
Bills payable	13,390	490
Deposits and other accounts	(2,440,155)	(170,938)
Borrowings from Head Office	(270,998)	(230,511)
Other liabilities	80,795	27,317
	<u>(2,616,968)</u>	<u>(373,642)</u>
Net cash (used in) / generated from operating activities	(114,877)	(21,628)
Cash Flow from Investing Activities		
Investment in operating fixed assets	(9,077)	(640)
Net cash used in investing activities	(9,077)	(640)
Net Cash Flow from Financing Activities		
Cash Flow from Financing Activities	-	-
(Decrease) in cash and cash equivalents	(123,954)	(22,268)
Cash and cash equivalents at beginning of the period	263,743	173,725
Cash and cash equivalents at end of the period	139,789	151,457

19. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed unconsolidated financial statements were authorized for issue on April 25, 2014 by the Board of Directors of the Bank.

20. GENERAL

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

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director

Consolidated Financial Statements of NBP and its Subsidiary Companies

Directors' Report on Consolidated Financial Statement

It gives me great pleasure to present on behalf of the Board of Directors, the Consolidated Report of the National Bank of Pakistan for the quarter ended March 31, 2014

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

Rupees In Million

Profit before taxation for quarter ended March 31, 2014	4,507
Taxation	
-Current year	1,482
-Deferred	(216)
	1,266
After Tax Profit	3,241
Non Controlling Interest	(14)
Profit Brought Forward	49,734
Transfer from surplus on revaluation of fixed assets	31
Profit available for appropriation	52,992
Transfer to Statutory Reserve	
Cash dividend paid	(4,255)
	(4,569)
Profit carried forward	48,423
Earnings per Share (Rs)	1.52

Syed Ahmed Iqbal Ashraf
 President
 Date: April 25, 2014

**National Bank of Pakistan
Consolidated Condensed Interim Statement of Financial Position
As at March 31, 2014**

		(Un-Audited) March 31 2014	(Audited) December 31 2013
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and Balances with Treasury Banks		110,493,083	158,230,033
Balances with other Banks		14,115,337	18,388,738
Lendings to Financial Institutions		23,695,424	51,941,866
Investments - Net	7	450,694,434	396,411,825
Advances - Net	8	611,963,378	620,216,609
Operating Fixed Assets - Net	9	34,202,508	34,568,864
Deferred Tax Assets	10	10,220,686	10,968,824
Other Assets		88,311,426	80,991,187
		1,343,696,276	1,371,717,946
LIABILITIES			
Bills Payable		12,723,732	13,894,667
Borrowings		68,693,211	23,014,353
Deposits and other Accounts	11	1,018,438,161	1,101,845,283
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		54,761	57,215
Deferred Tax Liabilities		-	-
Other Liabilities		81,061,012	72,242,898
		1,180,970,880	1,211,054,416
NET ASSETS		162,725,396	160,663,530
REPRESENTED BY			
Share Capital		21,275,131	21,275,131
Reserves		31,550,680	33,536,713
Unappropriated Profit		48,422,662	49,734,161
		101,248,472	104,546,005
Minority Interest		834,752	820,663
		102,083,224	105,366,668
Surplus on Revaluation of Assets - net	12	60,642,172	55,296,862
		162,725,396	160,663,530

CONTINGENCIES AND COMMITMENTS 13

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director

**National Bank of Pakistan
Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)
For the Three Months period ended March 31, 2014**

	Quarter Ended Mar 31 2014	Quarter Ended Mar 31 2013
	----- (Rupees in '000') -----	
Mark-up / Return / Interest Earned	25,571,274	24,211,502
Mark-up / Return / Interest Expensed	<u>16,669,315</u>	<u>15,118,532</u>
Net Mark-up / Interest Income	8,901,959	9,092,970
Provision against Non-Performing Loans & Advances	<u>811,162</u>	<u>577,032</u>
Provision for Diminution in the Value of Investments	<u>172,826</u>	<u>632,567</u>
Net Mark-up / Interest Income after Provisions	<u>983,988</u>	<u>1,209,599</u>
	7,917,971	7,883,371
NON MARK-UP / INTEREST INCOME		
Fee, Commission & Brokerage Income	<u>2,852,741</u>	2,757,013
Dividend income	755,054	911,370
Income from Dealing In Foreign Currencies	1,078,341	947,030
Gain on Sale of Securities	742,488	1,013,684
Unrealized (Loss) / Gain on Revaluation of Investments Classified as Held-for-Trading	2,287	(2,944)
Share of Profit from Joint Venture	10,508	268,360
Share of Profit from Associates	1,784	552,708
Other income	893,634	45,074
Total non mark-up / interest income	<u>6,336,837</u>	<u>6,492,295</u>
	14,254,808	14,375,666
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	<u>9,735,183</u>	9,118,169
Other provisions / write offs	12,109	94,723
Other charges	505	3,808
Total non mark-up / interest expenses	<u>9,747,797</u>	<u>9,216,700</u>
Extra ordinary items	4,507,011	5,158,966
	-	-
PROFIT BEFORE TAXATION	<u>4,507,011</u>	<u>5,158,966</u>
Taxation - Current	<u>1,482,433</u>	<u>1,575,732</u>
- Prior year(s)	-	-
- Deferred	<u>(216,135)</u>	<u>(257,632)</u>
	1,266,298	1,318,100
PROFIT AFTER TAXATION	<u>3,240,713</u>	<u>3,840,866</u>
Atributable to :		
Share Holders of the Bank	3,226,624	3,815,805
Minority Interest	<u>14,089</u>	<u>25,061</u>
	<u>3,240,713</u>	<u>3,840,866</u>
Basic and Diluted Earnings per Share (Rupees)	<u>1.52</u>	<u>1.81</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director

National Bank of Pakistan Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited) For the Three Months period ended March 31, 2014

Share capital	Reserves			Revenue General	Unappropriated Profit	Sub Total	Non Controlling Interest	Total	
	Exchange Translation	Bonus Shares Issue Reserve	Statutory						
(Rupees in '000)									
Balance as at January 1, 2013	18,500,114	9,300,252	-	20,483,620	521,338	59,332,321	108,137,645	790,878	108,928,523
Total Comprehensive Income for the period									
Profit after tax for the three months period ended Mar 31, 2013	-	-	-	-	-	3,815,805	3,815,805	25,061	3,840,866
Other comprehensive income - net of tax	-	502,955	-	-	-	4,522,621	5,025,576	-	5,025,576
	-	502,955	-	-	-	8,338,426	8,841,381	25,061	8,866,442
Transferred from Surplus on Revaluation Fixed Assets	-	-	-	-	-	25,236	25,236	-	25,236
Transfer to Statutory Reserve	-	-	-	606,311	-	(606,311)	-	-	-
Transactions with Owners, recorded directly in equity									
Transfer for issue of bonus shares (10%)	-	-	2,775,017	-	-	(2,775,017)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,950,080)	(12,950,080)	-	(12,950,080)
	-	-	-	-	-	(15,725,097)	(12,950,080)	-	(12,950,080)
Balance as at March 31, 2013	18,500,114	9,803,207	2,775,017	21,089,931	521,338	51,364,575	104,054,182	815,939	104,870,121
Balance as at April 1, 2013	18,500,114	9,803,207	2,775,017	21,089,931	521,338	51,364,575	104,054,182	815,939	104,870,121
Comprehensive income									
Profit after tax for the nine months period ended December 31, 2013	-	-	-	-	-	1,458,974	1,458,974	6,943	1,465,917
Other comprehensive income - net of tax	-	1,628,543	-	-	-	(2,702,279)	(1,073,736)	-	(1,073,736)
	-	1,628,543	-	-	-	(1,243,305)	385,238	6,943	392,181
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	106,585	106,585	-	106,585
Transfer to Statutory Reserve	-	-	-	493,694	-	(493,694)	-	-	-
Transactions with Owners, recorded directly in equity									
Issue of Bonus Shares (10%)	2,775,017	-	(2,775,017)	-	-	-	-	-	-
Cash dividend paid / Profit distribution by subsidiaries	-	-	-	-	-	-	-	(2,219)	(2,219)
Balance as at December 31, 2013	21,275,131	11,431,750	-	21,583,625	521,338	49,734,161	104,546,005	820,663	105,366,668
Balance as at January 1, 2014	21,275,131	11,431,750	-	21,583,625	521,338	49,734,161	104,546,005	820,663	105,366,668
Comprehensive income									
Profit after tax for the three months period ended Mar 31, 2014	-	-	-	-	-	3,226,624	3,226,624	14,089	3,240,713
Other comprehensive income - net of tax	-	(2,300,439)	-	-	-	-	(2,300,439)	-	(2,300,439)
	-	(2,300,439)	-	-	-	3,226,624	926,185	14,089	940,274
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	31,308	31,308	-	31,308
Transfer to Statutory Reserve	-	-	-	314,406	-	(314,406)	-	-	-
Transactions with Owners, recorded directly in equity									
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)	-	(4,255,026)
	-	-	-	-	-	(4,255,026)	(4,255,026)	-	(4,255,026)
Balance as at Mar 31, 2014	21,275,131	9,131,311	-	21,898,031	521,338	48,422,662	101,248,472	834,752	102,083,224

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director

**National Bank of Pakistan
Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the Three Months period ended March 31, 2014**

	Quarter Ended March 31 2014	Quarter Ended March 31 2013
	---- (Rupees in '000) ----	
Profit after taxation for the quarter	3,240,713	3,840,866
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange gain on translation of net assets of foreign branches	(2,300,439)	502,955
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of defined benefit liability	-	6,957,878
Related tax effects	-	(2,435,257)
	-	4,522,621
Other comprehensive income - net of tax	(2,300,439)	5,025,576
Total comprehensive income transferred to equity	940,274	8,866,442

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director

National Bank of Pakistan
Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)
For the Three Months period ended March 31, 2014

	Quarter Ended Mar 31 2014	Quarter Ended Mar 31 2013
----- (Rupees in '000) -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,507,011	5,158,966
Less: Dividend income	755,054	911,370
	<u>3,751,957</u>	<u>4,247,596</u>
Adjustments:		
Depreciation	542,915	519,901
Provision against non-performing advances	811,162	577,032
(Reversal) / provision for diminution in the value of investments	172,826	632,567
Other provisions / write offs	12,109	94,723
Gain on sale of fixed assets	-	(7,832)
Financial charges on leased assets	1,803	4,691
Share of (profit) / loss from joint venture	(10,508)	(268,360)
Share of profit from associates	(1,784)	(552,708)
	<u>1,528,523</u>	<u>1,000,014</u>
	5,280,480	5,247,610
(Increase) / decrease in operating assets		
Lendings to financial institutions	28,246,442	4,725,242
Held-for-trading securities	(5,277,901)	(153,008)
Advances	9,220,895	4,745,728
Other assets (excluding advance taxation - net)	(6,538,222)	(3,028,168)
	25,651,214	6,289,794
Increase / (decrease) in operating liabilities		
Bills payable	(1,170,932)	1,260,816
Borrowings	45,678,858	25,014,622
Deposits and other accounts	(83,407,122)	(112,086,235)
Other liabilities	4,563,088	(4,223,257)
	(34,336,109)	(90,034,054)
Income tax paid	(2,790,729)	(44,411)
Financial charges paid	(1,803)	(4,691)
	<u>(2,792,532)</u>	<u>(49,102)</u>
	(6,196,946)	(78,545,752)
Net cash flow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from available-for-sale securities	13,648,417	11,176,533
Proceeds from held-to-maturity securities	(57,989,463)	(487,725)
Dividend income received	755,054	911,370
Investments in Associate / Joint Venture	-	81,915
Investments in operating fixed assets	(332,334)	(650,133)
Sale proceeds of property and equipment disposed off	-	7,832
Net cash (used) in investing activities	<u>(43,918,326)</u>	<u>11,039,792</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(2,454)	(14,698)
Dividend paid	-	-
Net cash used in financing activities	<u>(2,454)</u>	<u>(14,698)</u>
Effects of exchange rate changes on cash and cash equivalents	(2,300,439)	502,955
Net increase in cash and cash equivalents	<u>(52,418,166)</u>	<u>(67,017,703)</u>
Cash and cash equivalents at beginning of the period	176,361,171	189,151,571
Cash and cash equivalents at the end of the period	<u>123,943,005</u>	<u>122,133,868</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Ittikhar A. Allawala
Director

Tariq Kirmani
Director

National Bank of Pakistan**Notes to the condensed consolidated financial statements - unaudited
For the three months period ended March 31, 2014****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 1,344 (2013: 1,342) branches in Pakistan and 23 (2013: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT), Long Term Credit Fund (LTCF), & Endowment Fund for Student Loan Scheme

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

1.2 Basis of Consolidation

- The interim condensed consolidated financial statements include the interim condensed financial statements of the holding company and its subsidiary companies - "the Group".
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the interim condensed consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- The SECP, vides its letter EMD/233/627/2002-765 dated November 12, 2013 allowed exemption under Section 237(8) of the Companies Ordinance, 1984, based on the fact that investments of the bank in CNL are not material and comprise of 0.00095% of the total assets of the bank and the investment have been fully provided.

2. STATEMENT OF COMPLIANCE

- 2.1** These consolidated condensed interim financial statements of the Bank for the quarter ended March 31, 2014 have been prepared in accordance with the requirements of the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where the requirements differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 2.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3** The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2013.

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are same as those followed in the preparation of the annual consolidated financial statements of the group for the year ended December 31, 2013.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates/judgments and associated assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the group for the year ended December 31, 2013.

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, 2013.

7. INVESTMENTS

March 31, 2014 (Un-audited)			December 31, 2013 (Audited)		
Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----			----- (Rupees in '000) -----		

7.1 Investments by type:
Held-for-trading securities

Market Treasury Bills	6,857,265	-	6,857,265	-	-	-
Pakistan Investment Bonds	78,126	-	78,126	-	-	-
Ijara Sukuk Bonds	204,000	-	204,000	1,997,100	-	1,997,100
Investment In mutual funds	353,997	-	353,997	328,112	-	328,112
Ordinary shares of listed companies	224,058	-	224,058	114,333	-	114,333
Total Held-for-Trading Securities	7,717,446	-	7,717,446	2,439,545	-	2,439,545

Available- for- sale securities

Ordinary shares of listed companies	27,435,425	-	27,435,425	27,731,792	-	27,731,792
Ordinary shares of unlisted companies	1,136,375	-	1,136,375	1,136,375	-	1,136,375
	28,571,800	-	28,571,800	28,868,167	-	28,868,167

Market Treasury Bills	109,131,120	45,353,547	154,484,667	194,001,739	2,816,565	196,818,304
Preference shares	1,259,400	-	1,259,400	1,259,400	-	1,259,400
Pakistan Investment Bonds	88,157,548	798,993	88,956,541	57,440,487	-	57,440,487
GoP Foreign Currency Bonds	5,534,132	-	5,534,132	5,873,456	-	5,873,456
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	19,340,777	-	19,340,777	20,395,915	-	20,395,915
Investments in Mutual Funds	3,551,683	-	3,551,683	3,664,571	-	3,664,571
Ordinary shares of a bank outside Pakistan				463,295		463,295
Foreign Currency Debt Securities	3,923,958	-	3,923,958	4,951,075	-	4,951,075
Investment outside Pakistan	463,295	-	463,295	-	-	-
Total Available- for- sale securities	259,933,713	46,152,540	306,086,253	316,918,105	2,816,565	319,734,670

Held-to-maturity securities

Pakistan Investment Bonds	76,576,101	-	76,576,101	17,964,729	-	17,964,729
Market Treasury Bills	735,089	-	735,089	466,254	-	466,254
GoP Foreign Currency Bonds	1,486,930	-	1,486,930	1,552,435	-	1,552,435
Foreign Government Securities	6,188,002	-	6,188,002	6,633,499	-	6,633,499
Foreign Government Debt Securities	381	-	381	407	-	407
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	3,093,501	-	3,093,501	3,473,217	-	3,473,217
Total Held-to-maturity securities	88,080,004	-	88,080,004	30,090,541	-	30,090,541

Investments in subsidiaries	1,245	-	1,245	1,245	-	1,245
Investments in joint ventures	3,304,879	-	3,304,879	3,378,076	-	3,378,076
Investments in associates	15,137,564	-	15,137,564	15,150,570	-	15,150,570
Investment at cost	374,174,851	46,152,540	420,327,391	367,978,082	2,816,565	370,794,647
Less: Provision for diminution in value of Investments (note 7.2)	(17,016,366)	-	(17,016,366)	(15,445,884)	-	(15,445,884)
Investments (net of provisions)	357,158,485	46,152,540	403,311,025	352,532,198	2,816,565	355,348,763
Surplus on revaluation of Held-for-trading securities	2,287	-	2,287	(139)	-	(139)
Surplus on revaluation of Available-for-sale securities (note 12)	47,378,017	3,105	47,381,122	41,055,982	7,219	41,063,201
Total investments at carrying value	404,538,789	46,155,645	450,694,434	393,588,041	2,823,784	396,411,825

	March 31 2014 (Un-audited)	December 31 2013 (Audited)
----- (Rupees in '000) -----		
7.2 Particulars of provision for diminution in value of investments		
Opening balance	15,445,884	13,742,270
Charge for the period	328,545	2,529,033
Reversals	(155,719)	(1,131,911)
	172,826	1,397,122
Transfer	1,397,656	98,734
Other movement (transferred from suspended interest)	-	207,758
Closing balance	17,016,366	15,445,884

7.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments, which resulted in decrease in provision for diminution in value of investments by Rs. 2,598 million (December 31, 2013: Rs. 1,197 million). Accordingly, as of December 31, 2013, the accumulated increase in profit after tax of Rs. 1,689 million (December 31, 2013: Rs. 778 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

7.4 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the impairment arising on shares and provision against overdue exposures of Term Finance Certificates of Agritech Limited. As of March 31, 2014, 60% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2014. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs. 1,089 million and the profit before taxation would have been lower by the same amount.

	March 31 2014 (Un-audited)	December 31 2013 (Audited)
----- (Rupees in '000) -----		
8. ADVANCES -net		
Loans, cash credits, running finances, etc.		
In Pakistan	613,572,375	622,340,126
Outside Pakistan	55,893,885	59,167,726
	669,466,260	681,507,852
Net investment in finance lease		
In Pakistan	1,264,519	1,413,434
Outside Pakistan	-	-
	1,264,519	1,413,434
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	17,279,676	12,353,303
Payable outside Pakistan	15,942,983	17,821,493
	33,222,659	30,174,796
Advances - gross	703,953,438	713,096,082
Less: Provision against non-performing loans	8.2	92,879,473
Advances - net of provision	611,963,378	620,216,609

8.1 Advances include Rs.120,139 million (2013: Rs.116,098 million) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2014 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	5,479,841	-	5,479,841	15,740	15,740
Substandard	18,204,974	297,335	18,502,309	3,325,498	3,325,498
Doubtful	7,795,680	815,270	8,610,950	4,141,670	4,141,670
Loss	69,977,896	17,568,207	87,546,103	81,480,706	81,480,706
	101,458,391	18,680,812	120,139,203	88,963,614	88,963,614

Category of Classification	December 31, 2013 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	525,603	-	525,603	3,272	3,272
Substandard	15,800,716	279,351	16,080,067	3,721,184	3,721,184
Doubtful	5,521,556	1,512,833	7,034,389	3,241,823	3,241,823
Loss	74,420,399	18,037,891	92,458,290	83,037,307	83,037,307
	96,268,274	19,830,075	116,098,349	90,003,586	90,003,586

8.2 Particulars of provision against non-performing advances

	March 31, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	90,003,586	2,875,887	92,879,473	72,387,127	3,308,578	75,695,705
Exchange adjustments	(276,518)	(26,402)	(302,920)	385,746	50,462	436,208
Charge for the period	1,479,952	194,402	1,674,354	21,474,619	465,258	21,939,877
Reversals	(863,192)	-	(863,192)	(3,721,894)	(758,653)	(4,480,547)
	616,760	194,402	811,162	17,752,725	(293,395)	17,459,330
Transfer in / (out)	(1,397,655)	-	(1,397,655)	111,092	(209,826)	(98,734)
Amounts written off	-	-	-	(1,087)	-	(1,087)
Amount charged off/ other written off	-	-	-	(578,716)	-	(578,716)
Other adjustments	17,441	(17,441)	-	(53,301)	20,068	(33,233)
Closing balance	88,963,614	3,026,446	91,990,060	90,003,586	2,875,887	92,879,473

8.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 4,649 million (2013: Rs. 7,304 million). Accordingly, as of March 31, 2014, the accumulated profit after tax of Rs. 3,022 million (December 31, 2013: Rs. 4,747 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

8.4 General provision against consumer loans and Small and Medium Enterprise (SME) financing, represents provision maintained at an amount ranging from 1% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP.

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

8.6 The SBP through its letter No. BPRD/BRD-(Policy)/2013-1857 dated: February 15, 2013 and BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the provisioning requirement against Agritech Limited exposures. As on March 31, 2014, 60% of the provision required is to be maintained and remaining provision is to be recorded upto December 31, 2014 in a phased manner. Had this relaxation not been there, the provision against non-performing advances would have been higher by Rs. 999 million and profit before taxation would have been lower by the same amount.

March 31 2014 (Un-audited)	December 31 2013 (Audited)
----- (Rupees in '000) -----	

9. OPERATING FIXED ASSETS

Capital work-in-progress	2,739,663	2,816,408
Property and equipment	30,888,151	31,166,750
Intangible assets	12,141	585,706
	33,639,955	34,568,864

9.1 Additions and disposals during the period amounted to Rs.190.8 million (March 31, 2013: Rs. 535 million) and Rs.13.9 million (March 31, 2013: Rs. 23.5 million) respectively.

Note	March 31 2014 (Un-audited)	December 31 2013 (Audited)
	----- (Rupees in '000) -----	

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

Provision for diminution in the value of investments	3,542,321	3,481,832
Provision against advances	6,634,726	6,634,726
Other provision	1,288,536	1,281,478
Charge against defined benefits plans	8,004,069	7,745,875
Unrealized loss on derivatives	691,907	691,907
Provision against off balance sheet obligation	116,622	116,622
	20,278,181	19,952,440

Deferred tax (liabilities) arising in respect of

Excess of accounting book value of leased assets over lease liabilities	(13,945)	(16,202)
Difference between accounting book value of fixed assets and tax base	(376,226)	(245,340)
Revaluation of securities	(8,326,539)	(7,364,431)
Revaluation of operating fixed assets	(1,340,785)	(1,357,643)
	(10,057,495)	(8,983,616)
	10,220,686	10,968,824

12

	Note	March 31 2014 (Un-audited) ----- (Rupees in '000') -----	December 31 2013 (Audited) -----
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		278,400,722	290,646,462
Savings deposits		323,131,435	314,519,205
Current accounts - remunerative		91,667,435	114,379,969
Current accounts - non-remunerative		221,129,881	236,860,331
		914,329,473	956,405,967
Financial Institutions			
Remunerative deposits		55,055,751	49,801,525
Non-remunerative deposits		49,052,936	95,637,791
		104,108,688	145,439,316
		1,018,438,161	1,101,845,283
12. SURPLUS ON REVALUATION OF ASSETS - net			
Surplus on Revaluation of Fixed Assets - net of Tax		22,054,389	22,132,671
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax			
Federal Government securities		1,496,617	797,268
Term Finance Certificates		(12,548)	(8,795)
Shares and mutual funds		26,463,253	21,725,355
GoP Foreign Currency Bonds		537,115	388,652
Foreign Government Securities		141,939	145,270
Ordinary shares of a bank outside Pakistan		18,754,746	18,015,451
Deferred tax liability	10	(8,326,539)	(7,364,431)
Share of Revaluation Loss on Securities of Associates		(466,800)	(534,579)
		60,642,172	55,296,862
13. CONTINGENCIES AND COMMITMENTS			
13.1 Direct credit substitutes			
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:			
- Government		2,807,543	2,593,191
- Financial institutions		2,766,510	2,555,291
- Others		17,879,001	16,513,963
		23,453,055	21,662,445
13.2 Transaction-related contingent liabilities			
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:			
- Government		16,730,171	17,078,928
- Financial institutions		4,485,043	4,578,538
- Others		33,120,245	33,810,668
		54,335,459	55,468,134
13.3 Trade-related contingent liabilities			
Letters of credit issued in favour of			
- Government		121,457,586	136,703,020
- Financial institutions		7,972,078	8,972,738
- Others		54,102,186	60,893,127
		183,531,850	206,568,885
13.4 Other contingencies			
13.4.1	Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.188 million (2013: Rs.188 million), claims relating to former Mehran Bank Limited amounting to Rs. 965 million (2013: Rs. 965 million) and claims relating to employees for which the amount involved can not be ascertained reasonably].	13,965,959	13,974,192

13.4.2 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, 2013.

13.4.3 Barter Trade Agreements / Golden Handshake

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

13.4.4 Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2013.

13.4.5 Pensionary Benefits to Retired Employees

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2013.

13.4.6 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, 2013.

	March 31 2014 (Un-Audited)	December 31 2013 (Audited)
	----- (Rupees in '000') -----	
13.5 Commitments in respect of forward exchange contracts		
Purchase	207,183,540	204,673,055
Sale	118,405,944	132,796,307
13.6 Other Commitments		
Professional services to be received	148,383	169,330
13.7 Commitments for the acquisition of operating fixed assets	1,672,377	1,732,023

14. Other income includes Rs 865 million (March 2013: Rs Nil million) on account of compensation for delayed refunds u/s 171 of the Income Tax Ordinance, 2001.

	Quarter ended Mar 31, 2014	Quarter ended Mar 31, 2013
15. BASIC AND DILUTED EARNINGS PER SHARE		
Profit after taxation	(Rupees in '000) 3,240,713	3,840,866
Weighted average number of ordinary shares	(Number '000) 2,127,513	2,127,513
Basic and diluted earnings per share	(Rupees) 1.52	1.81

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	----- Rupees in '000 -----								
March 31, 2014-Unaudited									
Total income	198,645	113,164	2,590,127	10,302,795	448,391	1,248,069	307,663	29,942	15,238,796
Inter segment revenue	-	(11,839)	2,642,693	(2,630,854)	-	-	-	-	-
Total expenses	4,444	19,021	4,433,574	4,569,415	362,481	1,036,413	280,900	25,537	10,731,785
Net income	194,201	82,304	799,246	3,102,526	85,910	211,656	26,763	4,405	4,507,011
Segment Assets - Gross of NPLs Provisions	-	8,547,456	239,917,985	1,072,210,223	-	19,589,888	2,924,080	506,644	1,343,696,276
Segment Non-Performing Loans	-	60,416	16,567,206	103,511,581	-	-	-	-	120,139,203
Segment Specific Provision Required	-	-	8,230,315	83,759,745	-	-	-	-	91,990,060
Segment Liabilities	-	-	313,043,072	849,395,261	-	16,361,945	1,975,142	195,459	1,180,970,880
Segment Return on Assets (ROA) (%)	0.00%	1.20%	0.55%	1.29%	0.00%	6.66%	0.92%	0.87%	1.32%
Segment Cost of Fund (%)	0.00%	0.00%	6.05%	6.23%	0.00%	0.00%	9.61%	5.04%	6.21%
March 31, 2013-Unaudited									
Total income	58,251	257,955	2,890,834	10,279,316	437,745	1,351,315	284,474	25,375	15,585,265
Inter segment revenue	-	238,073	2,291,723	(2,529,796)	-	-	-	-	-
Total expenses	4,444	17,350	4,406,471	4,408,075	353,889	978,874	236,224	20,972	10,426,299
Net income	53,807	478,678	776,086	3,341,445	83,856	372,441	48,250	4,403	5,158,966
Segment Assets - Gross of NPLs Provisions	-	632,621	211,852,025	997,880,911	-	17,410,983	2,719,147	453,141	1,230,948,828
Segment Non-Performing Loans	-	-	9,281,865	81,905,253	-	-	-	-	91,187,118
Segment Specific Provision Required	-	-	6,832,271	66,814,512	-	-	-	-	73,646,783
Segment Liabilities	-	-	219,952,012	851,079,656	-	16,337,678	1,817,272	162,791	1,089,349,409
Segment Return on Assets (ROA) (%)	0.00%	1.30%	0.64%	1.35%	0.00%	11.76%	2.98%	2.47%	1.44%
Segment Cost of Fund (%)	0.00%	0.00%	5.75%	5.73%	0.00%	0.00%	0.18%	0.42%	5.73%

17. 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 to these financial statements.

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

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

	2014 - Un audited				2013 - Audited			
	At January 01,	Given during the year	Repaid during the year	At March 31,	At January 01,	Given during the year	Repaid during the year	At December 31
(Rupees in '000)								
Advances								
Key Management Executives Adjustments*	144,607	-	(6,228)	138,379	67,184	32,972	(22,708)	144,607
	-	-	-	-	67,159	-	-	-
	144,607	-	(6,228)	138,379	134,343	32,972	(22,708)	144,607
Associates	5,433,806	-	(18,194)	5,415,612	4,122,053	1,311,753	-	5,433,806
Debts due by Company in which director is interested as director Adjustments*	9,613,756	19,112,437	(20,861,477)	8,454,678	5,711,940	1,589,000	(10,052,116)	9,613,756
	589,962	-	-	-	12,364,932	-	-	-
	10,203,718	19,112,437	(20,861,477)	8,454,678	18,076,872	1,589,000	(10,052,116)	9,613,756
	15,782,131	19,112,437	(20,885,899)	14,008,669	22,333,268	2,933,725	(10,074,824)	15,192,169

	2014 - Unaudited				2013 - Audited			
	At January 01,	Received during the year	Repaid during the year	At March 31,	At January 01,	Received during the year	Repaid during the year	At December 31
(Rupees in '000)								
Deposits								
Key Management Executives Adjustments*	13,402	62,665	(59,852)	16,115	15,416	292,747	(297,630)	10,533
	(100)	-	-	-	2,869	-	-	2,869
	13,302	62,665	(59,852)	16,115	18,285	292,747	(297,630)	13,402
Pension Fund (Current)	4,393	8,899,414	(8,899,711)	4,096	4,676	62,759,037	(62,759,320)	4,393
Pension Fund (Fixed Deposit)	11,500,000	-	(3,500,000)	8,000,000	13,600,000	25,157,100	(27,257,100)	11,500,000
Pension Fund (N.I.D.A A/c)	270,228	4,470,567	(4,625,779)	115,016	49,300	18,966,084	(18,745,156)	270,228
Provident Fund	12,886,715	166,552	(512,894)	12,540,373	12,448,399	2,695,075	(2,256,759)	12,886,715
	24,674,638	13,599,198	(17,598,236)	20,675,600	26,120,660	109,870,043	(111,315,965)	24,674,738

* Adjustments due to changes in key management executives.

	Mar 31, 2014	Dec 31, 2013
	Un-audited	Audited
Rupees in '000		
Placements / Bank Accounts with:		
Joint venture	36,808	37,621
Borrowing / Deposits from:		
Joint Venture	633,268	171,554
Off Balance Sheet Items - Joint Venture	215,221	228,721
Investments made in Associates	-	9,890,010
Redemption / sale of investment in associates	-	25,320,851

	March 31, 2014	March 31, 2013
	Un-audited	Un-audited
	--- Rupees in '000 ---	
Income for the period/year		
On advances / placements / bank accounts with:		
Joint Venture	47	515
Key management executives	1,011	506
Debts Due by company in which director of the bank is interested as director	271,064	270,318
Expenses for the year		
Remuneration to key management executives	48,754	58,266
Charge for defined benefit plan	5,850	6,992
Mark-up on Deposits of:		
Provident fund	523,675	460,198
Pension fund	197,088	137,831
Key management executives	228	205
Other related parties	-	97,443
Mark-up on Borrowing / Deposits		
Joint Venture	47	55

17.1 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 earns commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs.1,170 million for the three months period ended March 31, 2014. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 215,808 million and Rs. 364,530 million respectively.

18. ISLAMIC BANKING BUSINESS

The bank is operating 18 (December 31, 2013: 18) Islamic banking branch as at March 31, 2014. The statement of financial position, profit and loss account and cash flow is as under:

	March 31 2014 (Un-Audited)	December 31 2013 (Audited)
	----- (Rupees in '000') -----	
<u>Statement of Financial Position</u>		
Assets		
Cash and balances with treasury banks	139,789	263,743
Balances with other banks	125	80
Investments	2,436,064	4,819,868
Islamic financing and related assets	885,655	951,020
Operating fixed assets	68,320	59,554
Other assets	125,178	162,952
	3,655,131	6,257,217
Liabilities		
Bills Payable	22,937	9,547
Deposits and other accounts		
-Current accounts	866,244	1,520,348
-Saving accounts	560,554	571,311
-Term deposits	663,731	684,746
-Deposit from financial institutions - Remunerative	501,927	2,261,206
-Deposit from financial institutions - Non Remunerative	5,000	
Due to Head Office	80,101	283,959
Other liabilities	139,755	58,960
	2,840,249	5,390,077
Net Assets	814,882	867,140
Represented By		
Islamic Banking Fund	800,000	800,000
Unappropriated profit / (loss)	14,882	67,140
	814,882	867,140
(Deficit) / Surplus on revaluation of assets - net	-	-
	814,882	867,140
<u>Profit and Loss Account</u>		
Profit / return earned on financings, investments and placements	155,924	111,107
Profit / return expensed on deposit	80,857	29,145
Net spread earned	75,067	81,962
Depreciation on assets given on ijarah	17,289	29,010
	57,778	52,952
Provision against advances and investments	2,615	677
Profit / (Loss) after provision	60,393	53,629
Other income		
Fee, commission and brokerage income	6,396	1,035
Income from dealing in foreign currencies	-	-
Other income	(183)	-
Total other income	6,213	1,035
	66,606	54,664
Other expenses		
Administrative expenses	51,724	30,968
Profit / (Loss) for the year	14,882	23,696

<u>Cash Flow Statement</u>	March 31 2014 (Un-Audited)	March 31 2013 (Un-Audited)
	----- (Rupees in '000) -----	
Cash Flow from Operating Activities		
Profit / (Loss) for the year	14,882	31,485
Adjustments :		
Depreciation - Own assets	311	165
Depreciation - Ijarah assets	17,289	29,010
Provision against non performing financings	(2,615)	(677)
	14,985	28,498
	29,867	59,983
(Increase) / Decrease in operating assets		
Due from Financial Institutions	(45)	302,780
Financings	2,434,495	56,102
Other assets	37,774	(66,851)
	2,472,224	292,031
(Increase) / Decrease in operating liabilities		
Bills payable	13,390	490
Deposits and other accounts	(2,440,155)	(170,938)
Borrowings from Head Office	(270,998)	(230,511)
Other liabilities	80,795	27,317
	(2,616,968)	(373,642)
Net cash (used in) / generated from operating activities	(114,877)	(21,628)
Cash Flow from Investing Activities		
Investment in operating fixed assets	(9,077)	(640)
Net cash used in investing activities	(9,077)	(640)
Net Cash Flow from Financing Activities		
Cash Flow from Financing Activities	-	-
(Decrease) in cash and cash equivalents	(123,954)	(22,268)
Cash and cash equivalents at beginning of the period	263,743	173,725
Cash and cash equivalents at end of the period	139,789	151,457

19. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue on April 25, 2014 by the Board of Directors of the Holding Company.

20. GENERAL

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

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Iftikhar A. Allawala
Director

Tariq Kirmani
Director