

## CONTENTS

Corporate Information	02
Directors' Report	03
Statement of Financial Position	05
Profit and Loss Account	06
Statement of Comprehensive Income	07
Cash Flow Statement	08
Statement of Changes in Equity	09
Notes to the Financial Statements	10
Consolidated Financial Statements of NBP and its Subsidiary Companies	25

## CORPORATE INFORMATION

### Board of Directors

Chairman	Muneer Kamal
President	Syed Ahmed Iqbal Ashraf
Directors	Tariq Kirmani Mir Balakh Sher Marri Farrakh Qayyum Rana Assad Amin Muhammad Naeem Iftikhar A. Allawala

### Audit Committee

Chairman	Farrakh Qayyum Muneer Kamal Rana Assad Amin Tariq Kirmani Muhammad Naeem
----------	--

### 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

Registered & Share Registration office	NBP Bulding I.I. Chundrigar Road, Karachi, Pakistan.
---	---

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.  
111-111-500

### Website

[www.nbp.com.pk](http://www.nbp.com.pk)

In term of Ministry of Finance, GoP Notification F-10(31) Bkg-III-2010- 2023 dated 17-12-2014 Mir Balakh Sher Marri was appointed as Director on the Board of NBP in place of Mr. Shahid Aziz Siddiqi subject to State bank of Pakistan clearance.

After completing the required formalities contained in SBP clearance latter dated 13-3-2015, Mir Balakh Sher Marri is Director on NBP Board from 10-4-2015

## Directors' Report to the shareholders

It gives me great pleasure to present on behalf of the Board of Directors, the financial statements of the bank for the three months period ended March 31, 2015.

Pakistan's key economic indicators have started showing improvement. After reducing discount rate by 200bps in last 4 months (including latest 50bps cut on Mar 21, 2015), policy rate has reached 13 year low of 8%, considering lower inflation and stable external accounts. Inflation in 9MFY15 stood at 5.1% as compared to 8.6% in the same period last year as significant decline in oil prices kept overall CPI in check. Impact of falling interest rates will not be visible in 2015 due to re pricing of cost of deposits and lending rates, locking investment in high yielding PIB in 2014 will support profit growth amid falling yields.

The bank in first quarter 2015 recorded pre-tax profit of Rs. 5.0 billion which is higher by 14% from the corresponding period last year. After tax profit amounted to Rs.3.3 billion as compared to Rs 3.1 billion for the same period last year showing an increase of 4.2%. Due to increase in effective tax rate on account allocation of expenses for lower / exempt tax income as introduced in last Federal Budget ,pre-tax profit growth was not translated into after tax profit increase . Earnings per share for March 2015 are Rs.1.54 as against Rs. 1.48 of last year. Pre- tax and after tax return on equity stand at 19.0% and 12.4% respectively whereas pre-tax and after tax return on assets are at 1.3% and 0.9% respectively.

Despite reduction in interest rates, net interest income increased from Rs. 8.6 billion in first quarter of 2014 to Rs. 10.5 billion in of 2015 reflecting an increase of 21% due to increase in balance sheet size and higher investment in Pakistan Investment Bonds. The bank is giving greater focus on getting low cost deposits and consequently improving cost of fund. In order to bolster net interest income, we are expanding into high yielding advance salary, agriculture financing and gold loans. Non-performing GoP guaranteed loans still remain a big drag on our profitability and have impacted our interest income considerably.

Non-interest income is Rs. 8.4 billion, higher by Rs. 4.3 billion or 29 % mainly due to increase in capital gains. Capital gains are significantly higher at Rs. 3.5 billion as against Rs. 745 million of comparative period last year as the bank realized some gains on Pakistan Investments Bonds. Exchange income increased by Rs. 426 million due to currency movements and high rupee dollar arbitrage opportunities in 2015.

Administrative expenses increased by Rs. 1.1 billion mainly due to annual staff increments, amortization of CBA cost and other inflationary increases. The bank is focusing on reducing the non-performing loans through restructuring. The current quarter witnessed increase in non-performing loans due to seasonal increase in agriculture and consumer gold loans. However, these are expected to be regularized in second quarter. Provision charge against advances is higher from comparative period last year on account of downgrading of one large account due to its persistent issues of pricing of gas supply.

Compared to March 2014, deposits have increased by around 12%, while advances marginally increased by 0.4%. From December 2014, advances have declined by 2.9% mainly due to seasonal adjustments. Mobilizing low cost deposit especially CASA with major emphasis on increasing current accounts is one of the top focus areas and we believe that the bank can significantly improve the growth by leveraging its existing customer base and improving existing products delivery.

The bank is strongly capitalized with capital and reserves of Rs. 166.8 billion, which translates into break- up value per share of Rs.78/- per share.

Banking sector spreads are expected to remain under pressure. The bank is focusing on consolidation and recoveries to bring down non-performing loans. Recovery of overdue payments from PSEs is our major challenge. Our Islamic banking plans to convert 150 National Bank conventional branches to Islamic banking in next two years. As part of this plan, 14 conventional branches have successfully been converted to Islamic Banking Branches till first

quarter 2015. The bank plans to convert total of 64 more branches to Islamic banking branches in 2015. Core Banking Application (CBA) rollout in 1,100 plus remaining NBP branches is under implementation in 2015 to utilize maximum benefit of automation and facilitating NBP customers with enhanced services. This year we have converted 180 additional branches on CBA taking total branches on the new platform at 453. The bank plans to add 1,000 ATMs to its network by 2015, out of which 250 ATM project is under implementation and remaining 750 ATMs are planned to be installed by the end of 2015. The bank has accelerated its efforts to strengthen compliance culture in the organization. Special emphasis has been placed on following the regulations on Anti Money Laundering (AML) and Know Your Customer (KYC).

The Profit for the three months period ended March 31, 2015 after carry forward of accumulated profit of 2014 is proposed to be appropriated as follows: -

	<b>Rs in millions</b>
Profit before tax for three months period ended March 31, 2015	5,019
Taxation	
- Current	2,73
- Prior year (s)	-
- Deferred	(996)
	<u>1,742</u>
After tax profit tax for three months period ended March 31, 2015	<u>3,277</u>
Un-appropriated profit brought forward	57,007
Other comprehensive income - net of tax	(1,080)
Transfer from surplus on revaluation of fixed assets	<u>30</u>
Profit available for appropriations	59,234
Transfer to Statutory Reserve (10% of after tax profit)	(328)
Cash dividend – 2014	(11,701)
Un-appropriated profit carried forward	<u><u>47,205</u></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 29, 2015

**Condensed Interim Unconsolidated Statement of Financial Position  
As at March 31, 2015**

		<b>March 31 2015 (Un-Audited)</b>	December 31 2014 (Audited)
	<b>Note</b>	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash & balances with Treasury Banks		<b>143,130,597</b>	97,971,501
Balances with Other Banks		<b>12,296,920</b>	12,108,025
Lendings to Financial Institutions		<b>5,146,655</b>	111,788,608
Investments - net	7	<b>601,264,273</b>	561,764,137
Advances - net	8	<b>608,331,943</b>	626,704,083
Operating Fixed Assets - net	9	<b>31,439,355</b>	31,795,539
Deferred Tax Assets - net	10	<b>9,910,997</b>	9,877,509
Other Assets		<b>89,923,799</b>	91,044,915
		<b>1,501,444,539</b>	1,543,054,317
<b>LIABILITIES</b>			
Bills Payable		<b>6,443,621</b>	11,011,827
Borrowings		<b>98,873,334</b>	37,541,497
Deposits & Other Accounts	11	<b>1,136,353,111</b>	1,233,525,490
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		<b>9,934</b>	12,738
Deferred Tax Liabilities		-	-
Other Liabilities		<b>92,913,443</b>	82,633,864
		<b>1,334,593,443</b>	1,364,725,416
<b>NET ASSETS</b>			
		<b>166,851,096</b>	178,328,901
<b>REPRESENTED BY</b>			
Share Capital		<b>21,275,131</b>	21,275,131
Reserves		<b>32,415,290</b>	32,073,606
Unappropriated Profit		<b>47,204,875</b>	57,006,813
		<b>100,895,296</b>	110,355,550
Surplus on revaluation of assets	12	<b>65,955,800</b>	67,973,351
		<b>166,851,096</b>	178,328,901
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

The annexed notes 1 to 19 form an integral part of these condensed interim unconsolidated financial statements.

**Muneer Kamal**  
Chairman

**Syed Ahmed Iqbal Ashraf**  
President

**Muhammad Naeem**  
Director

**Tariq Kirmani**  
Director

**Condensed Interim Unconsolidated Profit & Loss Account - (Un-Audited)  
For the Three Months Period Ended March 31, 2015**

	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Note	----- (Rupees in '000') -----	
Mark-up / Return / Interest Earned	<b>29,255,571</b>	25,256,017
Mark-up / Return / Interest Expensed	<b>18,776,752</b>	16,631,348
Net mark-up / Interest Income	<b>10,478,819</b>	8,624,669
Provision against Non-Performing Loans & Advances	<b>3,046,920</b>	802,086
Provision for Diminution in Value of Investments	<b>154,105</b>	172,826
Provision against off balance sheet obligations	<b>114,488</b>	-
Bad Debts Written Off Directly	<b>-</b>	-
	<b>3,315,513</b>	974,912
Net Mark-up / Interest Income after Provisions	<b>7,163,306</b>	7,649,757
<b>NON MARK-UP/ INTEREST INCOME</b>		
Fee, Commission & Brokerage Income	<b>2,656,849</b>	2,643,329
Dividend Income	<b>734,742</b>	755,054
Income from Dealing in Foreign Currencies	<b>1,455,745</b>	1,030,156
Gain on Sale of Securities	<b>3,496,741</b>	742,488
Unrealized Gain / (Loss) on Revaluation of Investments classified as Held-for-Trading	<b>3,799</b>	2,287
Other Income	<b>116,602</b>	887,617
Total Non-Mark-up / Interest Income	<b>8,464,478</b>	6,060,931
	<b>15,627,784</b>	13,710,688
<b>NON MARK-UP/ INTEREST EXPENSES</b>		
Administrative Expenses	<b>10,455,857</b>	9,287,720
Other Provisions / Write Offs	<b>151,951</b>	12,109
Other Charges	<b>659</b>	505
Total Non-Mark-up / Interest Expenses	<b>10,608,467</b>	9,300,334
	<b>5,019,317</b>	4,410,354
Extra Ordinary Items	<b>-</b>	-
<b>PROFIT BEFORE TAXATION</b>	<b>5,019,317</b>	4,410,354
Taxation - Current	<b>2,738,803</b>	1,482,433
- Prior Year(s)	<b>-</b>	-
- Deferred	<b>(996,314)</b>	(216,135)
	<b>1,742,489</b>	1,266,298
<b>PROFIT AFTER TAXATION</b>	<b>3,276,828</b>	3,144,056
	-----Rupees-----	
Basic & Diluted Earnings per Share	14	<b>1.54</b> 1.48

The annexed notes 1 to 19 form an integral part of these condensed interim unconsolidated financial statements.

**Muneer Kamal**  
Chairman

**Syed Ahmed Iqbal Ashraf**  
President

**Muhammad Naeem**  
Director

**Tariq Kirmani**  
Director

**Condensed Interim Unconsolidated Statement of Comprehensive Income - Unaudited  
For the Three Months Period Ended March 31, 2015**

	<b>Quarter Ended March 31, 2015</b>	Quarter Ended March 31, 2014
	----- (Rupees in '000') -----	
<b>Profit after taxation for the quarter</b>	<b>3,276,828</b>	3,144,056
<b>Other comprehensive income:</b>		
<b>Items to be reclassified to profit or loss in subsequent periods:</b>		
Exchange gain on translation of net assets of foreign branches	<b>14,001</b>	(1,437,547)
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>		
Remeasurements of defined benefit liability	<b>(1,661,145)</b>	-
Related tax effects	<b>581,401</b>	-
	<b>(1,079,744)</b>	-
<b>Other comprehensive income - net of tax</b>	<b>(1,065,743)</b>	(1,437,547)
<b>Total comprehensive income transferred to equity</b>	<b>2,211,085</b>	1,706,509
<b>Components of comprehensive income not reflected in equity:</b>		
<b>Items to be reclassified to profit or loss in subsequent periods:</b>		
Surplus on revaluation of available-for-sale securities	<b>(411,883)</b>	6,317,921
Related tax impact	<b>(1,544,227)</b>	(962,108)
	<b>(1,956,110)</b>	5,355,813

The annexed notes 1 to 19 form an integral part of these condensed interim unconsolidated financial statements.

**Muneer Kamal**  
Chairman

**Syed Ahmed Iqbal Ashraf**  
President

**Muhammad Naeem**  
Director

**Tariq Kirmani**  
Director

**Condensed Interim Cash Flow Statement - (Un-Audited)  
For the Three Months Period Ended March 31, 2015**

	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation	5,019,317	4,410,354
Less: Dividend Income	<u>734,742</u>	<u>755,054</u>
	<b>4,284,575</b>	<b>3,655,300</b>
<b>Adjustments</b>		
Depreciation	535,450	427,732
Provision against Non-Performing Loans & Advances	3,046,920	802,086
Provision for Diminution in Value of Investments	154,105	172,826
Provision against off balance sheet obligations	114,488	-
Other Provision / Write Off	151,951	12,109
Financial Charges on Leased Assets	<u>2,886</u>	<u>1,803</u>
	<b>4,005,800</b>	<b>1,416,556</b>
	<b>8,290,375</b>	<b>5,071,856</b>
<b>(Increase) / Decrease in Operating Assets</b>		
Lendings to Financial Institutions	94,441,953	36,810,626
Held-for-Trading Securities	6,785,837	(5,137,264)
Advances	15,325,220	6,747,869
Other Assets	<u>(1,568,076)</u>	<u>(6,238,422)</u>
	<b>114,984,934</b>	<b>32,182,809</b>
<b>Increase / (Decrease) in Operating Liabilities</b>		
Bills Payable	(4,568,206)	(1,170,932)
Borrowings	58,193,463	18,311,560
Deposits & Other Accounts	(97,172,379)	(83,515,979)
Other Liabilities (excluding Current Taxation)	<u>(2,968,400)</u>	<u>4,671,395</u>
	<b>(46,515,522)</b>	<b>(61,703,956)</b>
Income Tax Paid	(324,140)	(2,790,729)
Financial Charges Paid	<u>(2,886)</u>	<u>(1,803)</u>
	<b>(327,026)</b>	<b>(2,792,532)</b>
<b>Net Cash Flow from Operating Activities</b>	<b>76,432,761</b>	<b>(27,241,823)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investments in / proceeds from Available-for-Sale Securities	(43,443,033)	13,398,928
Net Investments in Held-to-Maturity Securities	(3,546,784)	(57,720,628)
Dividend Received	734,742	755,054
Investments in Operating Fixed Assets	<u>(179,266)</u>	<u>(217,150)</u>
<b>Net Cash Used in Investing Activities</b>	<b>(46,434,341)</b>	<b>(43,783,796)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of Lease Obligations	(2,804)	(2,618)
Net Cash used in Financing Activities	<u>(2,804)</u>	<u>(2,618)</u>
Effects of exchange rate changes on cash and cash equivalents	14,001	(1,437,547)
<b>Net increase / (decrease) in Cash &amp; Cash Equivalents</b>	<b>30,009,617</b>	<b>(72,465,784)</b>
Cash & Cash Equivalents at Beginning of the period	<u>118,394,883</u>	<u>175,130,220</u>
Cash & Cash Equivalents at the End of the period	<b>148,404,500</b>	<b>102,664,436</b>

The annexed notes 1 to 19 form an integral part of these condensed interim unconsolidated financial statements.

**Muneer Kamal**  
Chairman

**Syed Ahmed Iqbal Ashraf**  
President

**Muhammad Naeem**  
Director

**Tariq Kirmani**  
Director

**Condensed Interim Unconsolidated Statement of Changes in Equity - (Un-Audited)  
For the Three Months Period Ended March 31, 2015**

	Share capital	Reserves			Unappropriated profit	Total
		Capital		Revenue		
		Exchange Translation	Statutory	General		
(Rupees in '000)						
Balance as at January 1, 2014	21,275,131	9,530,777	21,486,580	521,338	48,045,930	100,859,756
<b>Comprehensive income</b>						
Profit after tax for the three months period ended March 31, 2015	-	-	-	-	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)	-
<b>Transactions with Owners</b>						
Cash dividend (Rs. 7 per share) - 2015	-	-	-	-	(4,255,026)	(4,255,026)
<b>Balance as at March 31, 2015</b>	<b>21,275,131</b>	<b>8,093,230</b>	<b>21,800,986</b>	<b>521,338</b>	<b>46,651,862</b>	<b>98,342,547</b>
Balance as at April 1, 2014	21,275,131	8,093,230	21,800,986	521,338	46,651,862	98,342,547
<b>Comprehensive income</b>						
Profit after tax for the nine months period ended December 31, 2014	-	-	-	-	11,884,173	11,884,173
Other comprehensive income - net of tax	-	469,635	-	-	(435,743)	33,892
	-	469,635	-	-	11,448,430	11,918,065
Transferred from surplus on revaluation of fixed assets	-	-	-	-	94,938	94,938
Transfer to statutory reserve	-	-	1,188,417	-	(1,188,417)	-
<b>Balance as at December 31, 2014</b>	<b>21,275,131</b>	<b>8,562,865</b>	<b>22,989,403</b>	<b>521,338</b>	<b>57,006,813</b>	<b>110,355,550</b>
Balance as at January 1, 2015	21,275,131	8,562,865	22,989,403	521,338	57,006,813	110,355,550
<b>Comprehensive income</b>						
Profit after tax for the three months period ended March 31, 2015	-	-	-	-	3,276,828	3,276,828
Other comprehensive income - net of tax	-	14,001	-	-	(1,079,744)	(1,065,743)
	-	14,001	-	-	2,197,084	2,211,085
Transferred from surplus on revaluation of fixed assets	-	-	-	-	29,983	29,983
Transfer to statutory reserve	-	-	327,683	-	(327,683)	-
<b>Transactions with Owners</b>						
Cash dividend (Rs. 5.5 per share)	-	-	-	-	(11,701,322)	(11,701,322)
<b>Balance as at March 31, 2015</b>	<b>21,275,131</b>	<b>8,576,866</b>	<b>23,317,086</b>	<b>521,338</b>	<b>47,204,875</b>	<b>100,895,296</b>

The annexed notes 1 to 19 form an integral part of these condensed interim unconsolidated financial statements.

**Muneer Kamal**  
Chairman

**Syed Ahmed Iqbal Ashraf**  
President

**Muhammad Naeem**  
Director

**Tariq Kirmani**  
Director

## **Notes To The Condensed Interim Unconsolidated Financial Statement - (Un-Audited) For the Three Months Period Ended March 31, 2015**

### **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 1,355 (2014: 1,354) branches in Pakistan and 21 (2014: 23) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to 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, 2015 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where the requirements differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

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

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

**2.4** These condensed interim 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, 2014 except as described below:

#### **New Standards, Interpretations and Amendments**

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

##### Standard or Interpretation

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

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

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

### **5. ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

### **6. FINANCIAL RISK MANAGEMENT**

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

## 7. INVESTMENTS

	March 31, 2015 (Un-Audited)			December 31, 2014 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000')			(Rupees in '000')		
<b>7.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	1,786	-	1,786	4,644,243	-	4,644,243
Pakistan Investment Bonds	922,717	-	922,717	5,142,298	-	5,142,298
Investments in Mutual Funds	2,080,000	-	2,080,000	-	-	-
	<b>3,004,503</b>	<b>-</b>	<b>3,004,503</b>	<b>9,786,541</b>	<b>-</b>	<b>9,786,541</b>
<b>Available- for- sale securities</b>						
Ordinary Shares of Listed companies	24,914,139	-	24,914,139	24,644,518	-	24,644,518
Ordinary Shares of Un-Listed companies	1,363,080	-	1,363,080	1,363,080	-	1,363,080
Investments in Mutual Funds	2,511,608	-	2,511,608	2,511,608	-	2,511,608
Ordinary shares of a bank outside Pakistan	463,295	-	463,295	463,295	-	463,295
Preference Shares	846,660	-	846,660	846,660	-	846,660
Market Treasury Bills	148,644,342	5,448,553	154,092,895	111,752,989	5,906,690	117,659,679
Pakistan Investment Bonds	123,423,976	76,857,658	200,281,634	194,478,241	-	194,478,241
Gop Foreign Currency Bonds	7,848,166	-	7,848,166	6,166,924	-	6,166,924
Foreign Currency Debt Securities	2,430,531	-	2,430,531	3,940,510	-	3,940,510
Term Finance Certificates / Musharika and Sukuk Bonds	19,853,685	-	19,853,685	19,088,145	-	19,088,145
<b>Total Available- for- sale securities</b>	<b>332,299,482</b>	<b>82,306,211</b>	<b>414,605,693</b>	<b>365,255,970</b>	<b>5,906,690</b>	<b>371,162,660</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	106,981,715	-	106,981,715	106,838,847	-	106,838,847
GoP Foreign Currency Bonds	1,555,131	-	1,555,131	1,540,658	-	1,540,658
Foreign Government Securities	12,463,837	-	12,463,837	8,959,455	-	8,959,455
Foreign Currency Debt Securities	394	-	394	389	-	389
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	2,933,380	-	2,933,380	3,048,324	-	3,048,324
<b>Total Held-to-Maturity Securities</b>	<b>123,934,457</b>	<b>-</b>	<b>123,934,457</b>	<b>120,387,673</b>	<b>-</b>	<b>120,387,673</b>
<b>Investments in Associates</b>	<b>13,769,923</b>	<b>-</b>	<b>13,769,923</b>	<b>13,769,923</b>	<b>-</b>	<b>13,769,923</b>
<b>Investments in Joint Ventures</b>	<b>2,362,433</b>	<b>-</b>	<b>2,362,433</b>	<b>2,362,433</b>	<b>-</b>	<b>2,362,433</b>
<b>Investments in Subsidiaries</b>	<b>4,406,750</b>	<b>-</b>	<b>4,406,750</b>	<b>4,406,750</b>	<b>-</b>	<b>4,406,750</b>
<b>Investment at cost</b>	<b>479,777,548</b>	<b>82,306,211</b>	<b>562,083,759</b>	<b>515,969,290</b>	<b>5,906,690</b>	<b>521,875,980</b>
<b>Less: Provision for Diminution in Value of Investments (note 7.2)</b>	<b>(17,672,088)</b>	<b>-</b>	<b>(17,672,088)</b>	<b>(17,517,983)</b>	<b>-</b>	<b>(17,517,983)</b>
Investments (net of Provisions)	462,105,460	82,306,211	544,411,671	498,451,307	5,906,690	504,357,997
Surplus / (Deficit) on Revaluation of Held-for-trading securities	3,799	-	3,799	145,454	-	145,454
Surplus on Revaluation of Available-for-Sale Securities (note 12)	56,799,636	49,167	56,848,803	57,261,787	(1,101)	57,260,686
<b>Total Investments at Market Value</b>	<b>518,905,096</b>	<b>82,355,378</b>	<b>601,260,474</b>	<b>555,858,548</b>	<b>5,905,589</b>	<b>561,764,137</b>

		<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
	<b>Note</b>	----- (Rupees in '000') -----	
<b>7.2 Particulars of provision for diminution in value of investments</b>			
Opening balance		<b>17,517,983</b>	15,416,719
Charge for the period		<b>401,529</b>	3,024,804
Reversals		<b>(247,424)</b>	(2,582,457)
		<b>154,105</b>	442,347
Transfer from advances		-	1,366,790
Transfer from suspended interest		-	292,127
Closing balance	7.1	<b>17,672,088</b>	17,517,983
<b>7.3 Particulars of provision in respect of type</b>			
<b>Available-for-sale securities</b>			
Ordinary shares of listed companies and mutual funds		<b>3,646,257</b>	3,702,638
Ordinary shares of unlisted companies		<b>376,135</b>	376,135
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	7.6	<b>9,000,536</b>	8,980,511
Preference shares		<b>446,444</b>	446,444
<b>Held-to-maturity securities</b>			
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates		<b>629,231</b>	629,884
<b>Investments in associates</b>	7.6	<b>3,522,240</b>	3,331,126
<b>Investments in subsidiaries</b>		<b>51,245</b>	51,245
		<b>17,672,088</b>	17,517,983
<b>7.4 Particulars of provision in respect of segments</b>			
Fully Paid up Ordinary Shares		<b>3,927,926</b>	3,984,307
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	7.6	<b>9,629,767</b>	9,610,395
Other investments		<b>540,910</b>	540,910
Investments in associates	7.6	<b>3,522,240</b>	3,331,126
Investments in subsidiaries		<b>51,245</b>	51,245
		<b>17,672,088</b>	17,517,983

**7.5** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments, which resulted in decrease in provision for diminution in value of investments by Rs. 1,191 million (2014: Rs. 1,191 million). Accordingly, as of March 31, 2015, the accumulated increase in profit after tax of Rs. 774 million (2014: Rs. 774 million) shall not be available for payment of cash or stock dividend / bonus to employees as required by aforementioned SBP directive.

**7.6** These include provision against TFCs and shares of Agritech Limited amounting to Rs. 228 and Rs. 2,909 million respectively. The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has allowed relaxation to the Bank regarding the impairment arising on shares of Agritech Limited and provision against overdue exposures of Term Finance Certificates. During 2014 SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of March 31, 2015, 80% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs. 663 million (2014: Rs. 892 million) and the profit before taxation would have been lower by the same amount.

	March 31 2015 (Un-audited)	December 31 2014 (Audited)
<b>Note</b>	----- (Rupees in '000') -----	
<b>8. ADVANCES</b>		
Loans, cash credits, running finances, etc.		
In Pakistan	<b>637,213,934</b>	648,391,732
Outside Pakistan	<b>53,981,095</b>	53,702,449
	<b>691,195,029</b>	702,094,181
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	<b>10,896,801</b>	15,419,949
Payable outside Pakistan	<b>10,889,691</b>	10,549,928
	<b>21,786,492</b>	25,969,877
Advances - gross	<b>712,981,521</b>	728,064,058
Less: Provision against non-performing loans	<b>(104,649,578)</b>	(101,359,975)
Advances - net of provision	<b>608,331,943</b>	626,704,083

8.1 Advances include Rs.130,692 million (2014: Rs.120,841 million) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2015 - Unaudited			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	7,247,760	-	7,247,760	87,065	87,065
Substandard	13,559,988	52,926	13,612,914	2,441,896	2,441,896
Doubtful	4,229,705	10,600,742	14,830,447	8,661,050	8,661,050
Loss	74,735,038	20,265,443	95,000,481	90,372,295	90,372,295
	<b>99,772,491</b>	<b>30,919,111</b>	<b>130,691,602</b>	<b>101,562,306</b>	<b>101,562,306</b>

Category of Classification	December 31, 2014 - Audited			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	1,228,018	-	1,228,018	1,348	1,348
Substandard	9,892,979	62,851	9,955,830	2,234,398	2,234,398
Doubtful	4,613,073	10,887,971	15,501,044	6,649,676	6,649,676
Loss	74,921,485	19,234,992	94,156,477	89,273,089	89,273,089
	<b>90,655,555</b>	<b>30,185,814</b>	<b>120,841,369</b>	<b>98,158,511</b>	<b>98,158,511</b>

#### 8.2 Particulars of provision against non-performing advances

	March 31, 2015 - Unaudited			December 31, 2014 - Audited		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	<b>98,158,511</b>	<b>3,201,464</b>	<b>101,359,975</b>	89,736,638	2,858,447	92,595,085
Foreign exchange adjustments	<b>262,769</b>	<b>326</b>	<b>263,095</b>	(495,074)	(25,920)	(520,994)
Charge for the period	<b>4,504,083</b>	<b>(114,518)</b>	<b>4,389,565</b>	14,777,114	368,937	15,146,051
Reversals	<b>(1,342,645)</b>	-	<b>(1,342,645)</b>	(4,172,083)	-	(4,172,083)
	<b>3,161,438</b>	<b>(114,518)</b>	<b>3,046,920</b>	10,605,031	368,937	10,973,968
Transfer (out) / in	-	-	-	(1,650,189)	-	(1,650,189)
Amount charged off / other written off	<b>(4,444)</b>	-	<b>(4,444)</b>	(5,272)	-	(5,272)
Amount written off	<b>(15,968)</b>	-	<b>(15,968)</b>	(32,623)	-	(32,623)
Closing balance	<b>101,562,306</b>	<b>3,087,272</b>	<b>104,649,578</b>	98,158,511	3,201,464	101,359,975

- 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.3,532 million (2014: Rs. 3,542 million). Accordingly, as of March 31, 2015, the accumulated profit after tax of Rs. 2,295 million (2014: Rs.2,302 million) shall not be available for payment of cash or stock dividend / bonus to employees as required by aforementioned SBP directive.
- 8.4** General provision against consumer and SME loans represents provision maintained at an amount ranging from 1% to 5% of the performing portfolio as required by the Prudential Regulations issued by the SBP.
- 8.5** The SBP allowed specific relaxation to the Bank upto December 31, 2014 for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan. The bank has requested SBP for extension till December 31, 2015, however, SBP response in this regard is awaited.
- 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 relaxation to the Bank regarding the provisioning requirement against Agritech Limited exposures. During 2014 SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of March 31, 2015, 80% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015. Had this relaxation not been there, the provision against non-performing advances would have been higher by Rs. 527 million (2014: Rs 635 million) and profit before taxation would have been lower by the same amount.

	<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
----- (Rupees in '000') -----		
<b>9. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	<b>1,294,981</b>	1,196,896
Property and equipment	<b>29,304,242</b>	29,688,180
Intangible assets	<b>840,132</b>	910,463
	<b>31,439,355</b>	31,795,539

- 9.1** Additions and disposals during the period amounted to Rs 384 million (March 31, 2014: Rs. 191 million) and Rs.Nil million (March 31, 2014: Rs. 14 million) respectively.

	<b>Note</b>	<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
----- (Rupees in '000') -----			
<b>10. DEFERRED TAX ASSETS - net</b>			
<b>Deferred tax assets arising in respect of</b>			
Provision for diminution in the value of investments		<b>3,690,590</b>	3,636,653
Provision against advances		<b>7,637,141</b>	7,092,841
Other provisions		<b>1,815,982</b>	1,762,799
Charge against defined benefits plans		<b>9,934,861</b>	9,031,229
Unrealised loss on derivatives		<b>691,907</b>	691,907
Provision against off-balance sheet obligations		<b>116,622</b>	116,622
		<b>23,887,103</b>	22,332,051
<b>Deferred tax (liabilities) arising in respect of</b>			
Excess of accounting book value of leased assets over lease liabilities		<b>(4,701)</b>	(3,720)
Revaluation of securities	12	<b>(12,717,977)</b>	(11,173,750)
Operating fixed assets		<b>(1,253,428)</b>	(1,277,072)
		<b>(13,976,106)</b>	(12,454,542)
Net deferred tax assets		<b>9,910,997</b>	9,877,509

	<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
----- (Rupees in '000') -----		
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	<b>289,990,290</b>	289,069,976
Savings deposits	<b>352,782,714</b>	348,098,999
Current accounts - remunerative	<b>122,970,217</b>	159,042,873
Current accounts - non-remunerative	<b>252,410,617</b>	267,450,272
	<b>1,018,153,838</b>	1,063,662,120
<b>Financial Institutions</b>		
Remunerative deposits	<b>63,346,229</b>	61,329,041
Non-remunerative deposits	<b>54,853,044</b>	108,534,329
	<b>118,199,273</b>	169,863,370
	<b>1,136,353,111</b>	1,233,525,490
<b>12. SURPLUS ON REVALUATION OF ASSETS - net</b>		
<b>Surplus on revaluation of fixed assets - net of tax</b>	<b>21,824,974</b>	21,886,415
<b>Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax</b>		
Federal Government Securities	<b>13,853,862</b>	10,377,882
Term Finance Certificates and Sukuks	<b>(3,402)</b>	(31,121)
Shares and mutual funds	<b>25,172,440</b>	29,556,505
GoP Foreign Currency Bonds	<b>420,188</b>	380,738
Foreign Currency Debt Securities	<b>87,939</b>	81,092
Investment outside Pakistan	<b>17,317,776</b>	16,895,590
	<b>56,848,803</b>	57,260,686
Deferred tax liability	<b>(12,717,977)</b>	(11,173,750)
	<b>65,955,800</b>	67,973,351
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	<b>4,943,709</b>	5,110,261
- Financial institutions	<b>12,738,421</b>	11,135,929
- Others	<b>17,760,318</b>	32,227,405
	<b>35,442,448</b>	48,473,595
<b>13.2 Transaction-related contingent liabilities</b>		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:		
- Government	<b>9,901,550</b>	11,879,063
- Financial institutions	<b>2,123,499</b>	5,239,234
- Others	<b>8,613,710</b>	22,403,390
	<b>20,638,759</b>	39,521,687
<b>13.3 Trade-related contingent liabilities</b>		
Letters of credit issued in favour of		
- Government	<b>124,460,056</b>	129,493,436
- Financial institutions	<b>-</b>	-
- Others	<b>26,950,808</b>	27,137,972
	<b>151,410,864</b>	156,631,408

	<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
	----- (Rupees in '000') -----	
<b>13.4 Other contingencies</b>		
<b>13.4.1</b> Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 194 million (2014: Rs. 194 million), claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2014: Rs. 1,597 million)].	<b>14,222,554</b>	13,407,883
<b>13.4.2 Taxation</b>		
The current status of tax contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2014, except for the following;		
During the period, orders of monitoring of withholding taxes for tax years 2009 to 2011 were amended arbitrarily reducing tax refunds of Rs. 867 million, without considering full payments against the demand in the earlier orders and relief already allowed in 2014 in respect of above orders, for which rectification has been filed.		
Assessment for Tax year 2014 amended in haste whereby arbitrary additions were made causing tax impact of Rs 20.7 billion. The bank filed constitution petition before the Honorable High Court of Sindh and obtained stay against tax demand raised.		
Notices for amendment of assessment for tax years 2009 to 2011 issued by tax authorities which were already assessed and finalized, intended to raise demand of Rs. 8.99 billion. The bank has obtained stay from Honorable High Court of Sindh against the proceedings initiated by tax authorities.		
Tax years 2003, 2007 and assessment year 2001-02 were amended reducing refunds of Rs. 902 million by disallowing adjustment of taxes without giving proper notices and opportunity of being heard. Rectification and appeals are being filed.		
Notice during the period received for monitoring of withholding tax for the Tax Year 2014 for expenses related to salary, profit on debt, rent and purchase of goods and services and an ex-parte order is passed raising tax demand of Rs 6.8 billion. The appeal before CIT(A) is filed in addition to contestation through Constitutional Petition for absence of opportunity of being heard.		
No provision has been made against these contingencies in financial statements based on the opinion of tax consultants of the Bank who expect favourable outcome upon decisions of pending appeals/ petitions.		
<b>13.4.3 Barter Trade Agreements</b>		
The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2014.		
<b>13.4.4 Golden Handshake / Pensionary Benefits to Retired Employees / Encashment of Unavailed Leaves</b>		
The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2014.		
	<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
	----- (Rupees in '000') -----	
<b>13.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>186,741,027</b>	233,021,148
Sale	<b>126,714,647</b>	120,265,758
<b>13.6. Other Commitments</b>		
Professional services to be received	<b>96,190</b>	99,450
<b>13.7 Commitments for the acquisition of operating fixed assets</b>	<b>1,638,957</b>	1,798,160

	<b>Quarter Ended March 31 2015 (Un-Audited)</b>	Quarter Ended March 31 2014 (Un-Audited)
<b>14. BASIC AND DILUTED EARNINGS PER SHARE</b>		
Profit after taxation (Rupees in '000)	<b>3,276,828</b>	3,144,056
Weighted average number of ordinary shares (in '000)	<b>2,127,513</b>	2,127,513
Basic and diluted earnings per share (Rupees)	<b>1.54</b>	1.48

#### 15. 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
<b>March 31, 2015 - Unaudited</b>	----- Rupees in '000 -----						
Total income	107,981	88,918	3,245,459	13,324,045	594,437	1,582,456	18,943,296
Inter segment revenue		(15,236)	3,011,828	(2,996,592)	-	-	-
Total expenses	8,017		5,247,082	6,555,135	540,968	1,572,777	13,923,979
<b>Net income</b>	<b>99,964</b>	<b>73,682</b>	<b>1,010,205</b>	<b>3,772,318</b>	<b>53,469</b>	<b>9,679</b>	<b>5,019,317</b>
Segment assets - gross of NPLs provision	-	3,004,503	253,410,824	1,225,448,523	-	19,580,689	1,501,444,539
Segment non performing loans	-	-	18,239,386	112,452,216	-	-	130,691,602
Segment total provision	-	-	6,763,642	97,885,936	-	-	104,649,578
Segment liabilities	-	-	421,102,984	881,438,104	-	32,052,355	1,334,593,443
Segment return on assets (ROA) (%)	0.00%	10.19%	1.30%	1.32%	0.00%	0.30%	1.35%
Segment cost of fund (%)	0.00%	0.00%	5.45%	6.15%	0.00%	0.00%	6.10%

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
<b>March 31, 2014 - Unaudited</b>	----- Rupees in '000 -----						
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	4,433,575	4,419,046	362,481	1,036,413	10,275,246
<b>Net income</b>	<b>194,201</b>	<b>70,013</b>	<b>799,245</b>	<b>3,049,329</b>	<b>85,910</b>	<b>211,656</b>	<b>4,410,354</b>
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	-	-	119,785,323
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%

## 16. 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, 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 advance salary.

	2015 - Un audited				2014 - 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)							
<b>Advances</b>								
Key Management Executives	186,667	-	(9,068)	212,018	144,607	115,044	(21,260)	186,667
Adjustments*	34,419	-	-	-	(51,724)	-	(21,260)	-
	221,086	-	(9,068)	212,018	92,883	115,044	(215,479)	186,667
Subsidiaries	603,556	-	(121,839)	481,717	819,035	-	(23,194)	603,556
Associates	5,410,612	-	(8,527)	5,402,085	5,433,806	-	-	5,410,612
Debts due by Company in which director is interested as director	9,115,000	23,466,000	(24,268,000)	8,313,000	9,613,756	11,577,858	(12,424,576)	9,115,000
Adjustments*	-	-	-	-	347,962	-	-	-
	9,115,000	23,466,000	(24,268,000)	8,313,000	9,961,718	11,577,858	(12,424,576)	9,115,000
	<b>15,350,254</b>	<b>23,466,000</b>	<b>(24,407,434)</b>	<b>14,408,820</b>	<b>16,307,442</b>	<b>11,692,902</b>	<b>(12,684,509)</b>	<b>15,315,835</b>

	2015 - Un audited				2014 - 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)							
<b>Deposits</b>								
Subsidiaries	411,597	50,827	(79,827)	394,288	298,668	170,258	(57,329)	411,597
Adjustments*	11,691	-	-	-	-	-	-	-
	423,288	50,827	(79,827)	394,288	298,668	170,258	(57,329)	411,597
Associates	26,038	-	(1,060)	13,287	12,038,914	-	(12,012,876)	26,038
Adjustments*	(11,691)	-	-	-	-	-	-	-
	14,347	-	(1,060)	13,287	12,038,914	-	(12,012,876)	26,038
Key Management Executives	19,309	64,495	(70,039)	15,189	13,402	303,914	(296,813)	20,503
Adjustments*	1,424	-	-	-	(1,194)	-	-	(1,194)
	20,733	64,495	(70,039)	15,189	12,208	303,914	(296,813)	19,309
Pension Fund (Current)	4,248	1,148,249	(1,148,093)	4,404	4,393	24,573,301	(24,573,446)	4,248
Pension Fund (Fixed Deposit)	7,300,000	-	-	7,300,000	11,500,000	7,300,000	(11,500,000)	7,300,000
Pension Fund (N.I.D.A A/c)	1,056,675	724,942	(370,321)	1,411,296	270,228	12,614,720	(11,828,273)	1,056,675
Provident Fund	13,123,803	105,162	(359,162)	12,869,803	12,886,715	2,749,149	(2,512,061)	13,123,803
	<b>21,931,403</b>	<b>2,093,675</b>	<b>(2,028,502)</b>	<b>22,008,267</b>	<b>37,011,126</b>	<b>47,711,342</b>	<b>(62,780,798)</b>	<b>21,941,670</b>

\* Adjustments due to changes in key management executives.

	<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
	----- (Rupees in '000') -----	
<b>Placements with:</b>		
Joint venture	<b>47,407</b>	156,864
<b>Repo borrowing from:</b>		
Joint venture	<b>202,218</b>	73,695
<b>Other receivables from subsidiaries</b>	<b>116,413</b>	77,044
<b>Other payables to subsidiaries</b>	<b>306</b>	316
<b>Off Balance Sheet Items - Joint Venture</b>	<b>26,235</b>	825,636
<b>Investments made in Associates</b>	-	8,251,157
<b>Redemption / sale of investment in associates</b>	-	10,270,777
	<b>Quarter Ended March 31, 2015</b>	Quarter Ended March 31, 2014
	----- (Rupees in '000') -----	
<b>Income for the period</b>		
On advances / placements with:		
Subsidiaries	<b>6,728</b>	5,057
Joint Venture	<b>46,720</b>	47
Key management executives	-	1,011
Debts Due by company in which director of the bank is interested as director	<b>369,130</b>	271,064
<b>Expenses for the period</b>		
Remuneration to key management executives	<b>67,510</b>	48,754
Charge for defined benefit plan	<b>8,101</b>	5,850
Mark-up on Deposits of:		
Subsidiaries	<b>125,013</b>	37
Associates	<b>4</b>	-
Provident fund	<b>487,380</b>	513,675
Pension fund	<b>190,307</b>	197,088
Key Management Executives	-	228
Commission paid to subsidiaries	<b>5,040</b>	267
Mark-up on Borrowing / Deposits		
Joint Ventures	<b>28,231</b>	47

#### 16.1 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. 1,438 million for the quarter ended March 31, 2015. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 250,787 million, Rs. 348,686 million and Rs. 139,305 million respectively.

## 17. ISLAMIC BANKING BUSINESS

The bank is operating 35 (December 31, 2014: 22) Islamic banking branch as at March 31, 2015. The statement of financial position, profit and loss account and cash flow is as under:

	<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
----- (Rupees in '000') -----		
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Cash and balances with treasury banks	473,346	173,676
Balances with other banks	1,050,270	266
Investments	5,410,509	2,428,587
Islamic financing and related assets	601,410	978,542
Operating fixed assets	60,020	58,418
Due from Head Office	84,128	-
Other assets	199,828	173,781
	<b>7,879,511</b>	3,813,270
<b>Liabilities</b>		
Bills Payable	31,503	12,100
Deposits and other accounts		
-Current accounts	3,942,102	768,879
-Saving accounts	2,130,641	1,047,918
-Term deposits	888,712	672,802
-Deposit from financial institutions-Remunerative	354	348
Due to Head Office	-	433,959
Other liabilities	76,332	62,687
	<b>7,069,644</b>	2,998,693
<b>Net Assets</b>	<b>809,867</b>	814,577
<b>Represented By</b>		
Islamic Banking Fund	800,000	800,000
Unappropriated profit / (loss)	8,589	14,237
	<b>808,589</b>	814,237
Surplus on revaluation of assets - net	1,278	340
	<b>809,867</b>	814,577

	<b>Quarter Ended March 31 2015 (Un-audited)</b>	<b>Quarter Ended March 31 2014 (Un-audited)</b>
	----- (Rupees in '000) -----	
<b>Profit and Loss Account</b>		
Profit / return earned on financings, investments and placements	150,224	155,924
Profit / return expensed on deposit	41,906	80,857
Net spread earned	<u>108,318</u>	<u>75,067</u>
Depreciation on assets given on ijarah	30,900	17,289
	<u>77,418</u>	<u>57,778</u>
Provision against advances and investments	-	2,615
Profit / (Loss) after provision	<u>77,418</u>	<u>60,393</u>
<b>Other income</b>		
Fee, commission and brokerage income	14,815	6,396
Income from dealing in foreign currencies	125	-
Other income	130	(183)
Total other income	<u>15,070</u>	<u>6,213</u>
	<u>92,488</u>	<u>66,606</u>
<b>Other expenses</b>		
Administrative expenses	83,899	51,724
<b>Profit / (Loss) for the year</b>	<u>8,589</u>	<u>14,882</u>
<b>Cash Flow Statement</b>		
<b>Cash Flow from Operating Activities</b>		
Profit for the year	8,589	14,882
Adjustments :		
Depreciation - Own assets	(6,350)	311
Depreciation - Ijarah assets	30,900	17,289
(Reversal) of provision against non performing financings and investments	-	(2,615)
	<u>24,550</u>	<u>14,985</u>
	<u>33,139</u>	<u>29,867</u>
(Increase) / Decrease in operating assets		
Balance with other banks	(1,050,004)	(45)
Financings and investments	(2,634,752)	2,434,495
Other assets	(26,047)	37,774
	<u>(3,710,803)</u>	<u>2,472,224</u>
(Increase) / Decrease in operating liabilities		
Bills payable	19,403	13,390
Deposits and other accounts	4,471,862	(2,440,155)
Borrowings from Head Office	(532,324)	(270,998)
Other liabilities	13,645	80,795
	<u>3,972,586</u>	<u>(2,616,968)</u>
<b>Net cash generated from / (used in) operating activities</b>	<u>294,922</u>	<u>(114,877)</u>
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	4,748	(9,077)
<b>Net cash used in investing activities</b>	<u>4,748</u>	<u>(9,077)</u>
<b>Net Cash Flow from Financing Activities</b>		
Cash Flow from Financing Activities	-	-
<b>(Decrease) in cash and cash equivalents</b>	<u>299,670</u>	<u>(123,954)</u>
Cash and cash equivalents at beginning of the period	173,676	263,743
<b>Cash and cash equivalents at end of the period</b>	<u>473,346</u>	<u>139,789</u>

**18. DATE OF AUTHORIZATION FOR ISSUE**

The interim condensed unconsolidated financial statements were authorized for issue on April 29, 2015 by the Board of Directors of the Bank.

**19. GENERAL**

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

---

**Muneer Kamal**  
*Chairman*

---

**Syed Ahmed Iqbal Ashraf**  
*President*

---

**Muhammad Naeem**  
*Director*

---

**Tariq Kirmani**  
*Director*

This Page left intentionally blank

# Consolidated Financial Statements of NBP and its Subsidiary Companies

**Consolidated Condensed Interim Statement of Financial Position  
As at March 31, 2015**

		<b>March 31 2015 (Un-Audited)</b>	December 31 2014 (Audited) (Restated)
		----- (Rupees in '000') -----	
	<b>Note</b>		
<b>ASSETS</b>			
Cash and Balances with Treasury Banks		<b>143,321,190</b>	98,246,783
Balances with other Banks		<b>24,798,505</b>	32,081,383
Lendings to Financial Institutions		<b>5,146,655</b>	111,794,127
Investments - Net	7	<b>609,831,675</b>	562,058,271
Advances - Net	8	<b>611,994,436</b>	630,229,649
Operating Fixed Assets - Net	9	<b>32,946,378</b>	33,353,526
Deferred Tax Assets	10	<b>9,907,890</b>	9,884,256
Other Assets		<b>91,204,044</b>	91,997,837
		<b>1,529,150,774</b>	1,569,645,832
<b>LIABILITIES</b>			
Bills Payable		<b>6,443,621</b>	11,011,827
Borrowings		<b>99,605,954</b>	38,208,413
Deposits and other Accounts	11	<b>1,137,239,512</b>	1,234,398,178
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		<b>10,910</b>	1,691
Deferred Tax Liabilities		-	
Other Liabilities		<b>112,967,763</b>	101,557,135
		<b>1,356,267,760</b>	1,385,177,244
<b>NET ASSETS</b>		<b>172,883,014</b>	<b>184,468,588</b>
<b>REPRESENTED BY</b>			
Share Capital		<b>21,275,131</b>	21,275,131
Reserves		<b>32,660,166</b>	32,996,496
Unappropriated Profit		<b>50,276,941</b>	59,884,901
		<b>104,212,238</b>	114,156,528
Minority Interest		<b>2,881,612</b>	2,462,314
		<b>107,093,850</b>	116,618,842
Surplus on Revaluation of Assets - net	12	<b>65,789,164</b>	67,849,746
		<b>172,883,014</b>	<b>184,468,588</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

<u>Muneer Kamal</u> Chairman	<u>Syed Ahmed Iqbal Ashraf</u> President	<u>Muhammad Naeem</u> Director	<u>Tariq Kirmani</u> Director
---------------------------------	---	-----------------------------------	----------------------------------

**Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)  
For the Three Months period ended March 31, 2015**

	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014 (Restated)
	----- (Rupees in '000') -----	
<b>Note</b>		
Mark-up / Return / Interest Earned	<b>30,081,258</b>	26,252,739
Mark-up / Return / Interest Expensed	<b>18,672,285</b>	16,478,676
Net Mark-up / Interest Income	<b>11,408,973</b>	9,774,063
Provision against Non-Performing Loans & Advances	<b>3,030,451</b>	811,162
Provision for Diminution in the Value of Investments	<b>(37,009)</b>	172,826
Provision against Off Balance Sheet Obligations	<b>114,488</b>	-
Bad Debts Written Off Directly	<b>-</b>	-
Net Mark-up / Interest Income after Provisions	<b>3,107,930</b>	983,988
	<b>8,301,044</b>	8,790,075
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee, Commission & Brokerage Income	<b>2,930,684</b>	2,852,741
Dividend income	<b>735,202</b>	755,054
Income from Dealing In Foreign Currencies	<b>1,536,373</b>	1,078,341
Gain on Sale of Securities	<b>3,496,741</b>	742,488
Unrealized (Loss) / Gain on Revaluation of Investments Classified as Held-for-Trading	<b>3,799</b>	2,287
Share of Profit from Joint Venture	<b>106,744</b>	10,508
Share of loss from Associates	<b>(363,013)</b>	(230,174)
Other income	<b>146,146</b>	904,176
Total non mark-up / interest income	<b>8,592,676</b>	6,115,422
	<b>16,893,720</b>	14,905,497
<b>NON MARK-UP / INTEREST EXPENSES</b>		
Administrative expenses	<b>11,083,621</b>	9,898,996
Other provisions / write offs	<b>157,251</b>	12,109
Other charges	<b>659</b>	505
Total non mark-up / interest expenses	<b>11,241,530</b>	9,911,610
	<b>5,652,190</b>	4,993,887
Extra ordinary items	<b>-</b>	-
<b>PROFIT BEFORE TAXATION</b>	<b>5,652,190</b>	4,993,887
Taxation - Current	<b>2,753,252</b>	1,482,433
- Prior year(s)	<b>-</b>	-
- Deferred	<b>(991,166)</b>	(216,135)
	<b>1,762,086</b>	1,266,298
<b>PROFIT AFTER TAXATION</b>	<b>3,890,104</b>	3,727,589
<b>Attributable to :</b>		
Share Holders of the Bank	<b>3,470,806</b>	3,245,340
Minority Interest	<b>419,298</b>	482,249
	<b>3,890,104</b>	3,727,589
<b>Basic and Diluted Earnings per Share (Rupees)</b>	<b>14</b>	<b>1.83</b>
		<b>1.75</b>

**Muneer Kamal**  
Chairman

**Syed Ahmed Iqbal Ashraf**  
President

**Muhammad Naeem**  
Director

**Tariq Kirmani**  
Director

**Consolidated Condensed Interim Statement of Comprehensive Income - Unaudited  
For the Three Months period ended March 31, 2015**

	<b>Quarter Ended March 31, 2015</b>	Quarter Ended March 31, 2014 (Restated)
	----- (Rupees in '000') -----	
Profit after taxation	<b>3,890,104</b>	3,727,589
<b>Other comprehensive income:</b>		
<b>Items to be reclassified to profit or loss in subsequent periods:</b>		
Exchange (loss) on translation of net assets of foreign branches, subsidiaries and joint venture	<b>(664,013)</b>	(2,300,439)
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>		
Actuarial (loss) / gain on remeasurements of defined benefit (liability) / asset	<b>(1,661,145)</b>	-
Related tax impact	<b>581,401</b>	-
	<b>(1,079,744)</b>	-
<b>Other comprehensive income - net of tax</b>	<b>(1,743,757)</b>	(2,300,439)
<b>Comprehensive income transferred to equity</b>	<b>2,146,347</b>	1,427,150
Attributable to:		
Shareholders of the bank	<b>1,727,049</b>	944,901
Non-controlling interest	<b>419,298</b>	482,249
	<b>2,146,347</b>	1,427,150
<b>Components of comprehensive income not reflected in equity:</b>		
<b>Items to be reclassified to profit or loss in subsequent periods:</b>		
Surplus on revaluation of available-for-sale securities	<b>(458,383)</b>	6,317,921
Related tax impact	<b>(1,544,227)</b>	(962,108)
	<b>(2,002,610)</b>	5,355,813

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

<hr/> <b>Muneer Kamal</b> Chairman	<hr/> <b>Syed Ahmed Iqbal Ashraf</b> President	<hr/> <b>Muhammad Naeem</b> Director	<hr/> <b>Tariq Kirmani</b> Director
---------------------------------------	---	---	--

**Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)  
For the Three Months period ended March 31, 2015**

	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014 (Restated)
----- (Rupees in '000') -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,652,190	4,993,887
Less: Dividend income	<u>735,202</u>	<u>755,054</u>
	<b>4,916,987</b>	<b>4,238,833</b>
<b>Adjustments:</b>		
Depreciation	<b>691,225</b>	542,915
Provision against non-performing advances	<b>3,030,451</b>	811,162
(Reversal) / provision for diminution in the value of investments	<b>(37,009)</b>	172,826
Provision against off balance sheet obligations	<b>114,488</b>	-
Other provisions / write offs	<b>157,251</b>	12,109
Financial charges on leased assets	<b>2,886</b>	1,803
Share of profit from joint venture	<b>(106,744)</b>	(10,508)
Share of loss from associates	<b>363,013</b>	230,174
	<u><b>4,215,560</b></u>	<u>1,760,481</u>
	<b>9,132,547</b>	<b>5,999,313</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	<b>94,447,472</b>	28,246,442
Held-for-trading securities	<b>(2,907,846)</b>	(30,236,703)
Advances	<b>8,670,186</b>	9,220,895
Other assets (excluding advance taxation - net)	<b>(2,012,122)</b>	(6,701,803)
	<u><b>98,197,690</b></u>	<u>528,831</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	<b>(4,568,206)</b>	(1,170,932)
Borrowings	<b>58,506,885</b>	45,678,858
Deposits and other accounts	<b>(97,158,666)</b>	(83,407,122)
Other liabilities	<b>9,634,995</b>	6,912,227
	<u><b>(33,584,992)</b></u>	<u>(31,986,970)</u>
Income tax paid	<b>(530,703)</b>	(2,790,729)
Financial charges paid	<b>(2,886)</b>	(1,803)
	<u><b>(533,589)</b></u>	<u>(2,792,532)</u>
<b>Net cash flow from operating activities</b>	<b>73,211,657</b>	<b>28,251,357</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Investments) Proceeds from available-for-sale securities	<b>(44,619,915)</b>	13,648,417
Investment in held-to-maturity securities	<b>(2,359,526)</b>	(61,159,471)
Dividend income received	<b>735,202</b>	755,054
Investments in Associate / Joint Venture	<b>(3,016,329)</b>	12,004,722
Investments in operating fixed assets	<b>(843,140)</b>	(332,334)
Sale proceeds of property and equipment disposed off	<b>-</b>	-
<b>Net cash (used) in investing activities</b>	<u><b>(50,103,708)</b></u>	<u>(35,083,612)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of lease obligations	<b>9,219</b>	(2,454)
<b>Net cash used in financing activities</b>	<u><b>9,219</b></u>	<u>(2,454)</u>
Effects of exchange rate changes on cash and cash equivalents	<b>(664,013)</b>	(2,300,439)
<b>Net increase in cash and cash equivalents</b>	<u><b>22,453,155</b></u>	<u>(65,637,863)</u>
Cash and cash equivalents at beginning of the period	<b>138,643,523</b>	176,361,171
Cash and cash equivalents at the end of the period	<u><b>161,096,678</b></u>	<u>110,723,308</u>

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

**Muneer Kamal**  
Chairman

**Syed Ahmed Iqbal Ashraf**  
President

**Muhammad Naeem**  
Director

**Tariq Kirmani**  
Director

**Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)  
For the Three Months period ended March 31, 2015**

Share capital	Reserves				Unappropriated Profit	Sub Total	Non Controlling Interest	Total	
	Exchange Translation	Bonus Shares Issue Reserve	Statutory	Revenue General					
(Rupees in '000)									
Balance as at January 1, 2014 - as previously reported	21,275,131	11,431,750	-	21,583,625	521,338	49,734,161	104,546,005	820,663	105,366,668
Effect of retrospective change in accounting policy with respect to accounting for consolidated financial statements referred in note 4.1						(379,784)	(379,784)	-	(379,784)
Balance as at January 1, 2014 - (restated)	21,275,131	11,431,750	-	21,583,625	521,338	49,354,377	104,166,221	820,663	104,986,884
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the three months period ended Mar 31, 2014 - (restated)	-	-	-	-	-	3,245,340	3,245,340	482,249	3,727,589
Other comprehensive income - net of tax	-	(2,300,439)	-	-	-	-	(2,300,439)	-	(2,300,439)
	-	(2,300,439)	-	-	-	3,245,340	944,901	482,249	1,427,150
Transferred from Surplus on Revaluation Fixed Assets	-	-	-	-	-	31,308	31,308	-	31,308
Transfer to Statutory Reserve	-	-	-	314,406	-	(314,406)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Transfer for issue of bonus shares	-	-	-	-	-	-	-	-	-
Cash dividend (Rs. 2.0 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)	-	(4,255,026)
	-	-	-	-	-	(4,255,026)	(4,255,026)	-	(4,255,026)
<b>Balance as at March 31, 2014 - (restated)</b>	<b>21,275,131</b>	<b>9,131,311</b>	<b>-</b>	<b>21,898,031</b>	<b>521,338</b>	<b>48,061,593</b>	<b>101,267,188</b>	<b>1,302,912</b>	<b>102,190,315</b>
Balance as at April 1, 2014	21,275,131	9,131,311	-	21,898,031	521,338	48,061,593	101,267,188	1,302,912	102,190,315
<b>Comprehensive income</b>									
Profit after tax for the nine months period ended December 31, 2014 - (restated)	-	-	-	-	-	13,352,530	13,352,530	1,249,469	14,602,000
Other comprehensive income - net of tax	-	257,399	-	-	-	(435,743)	(178,344)	-	(178,344)
	-	257,399	-	-	-	12,916,787	13,174,186	1,249,469	14,423,656
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	94,938	94,938	-	94,938
Transfer to Statutory Reserve	-	-	-	1,188,417	-	(1,188,417)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Issue of Bonus Shares (10%)	-	-	-	-	-	-	-	-	-
Cash dividend paid / Profit distribution by subsidiaries	-	-	-	-	-	-	-	(90,067)	(90,067)
<b>Balance as at December 31, 2014 - (restated)</b>	<b>21,275,131</b>	<b>9,388,710</b>	<b>-</b>	<b>23,086,448</b>	<b>521,338</b>	<b>59,884,901</b>	<b>114,156,528</b>	<b>2,462,314</b>	<b>116,618,842</b>
Balance as at January 1, 2015	21,275,131	9,388,710	-	23,086,448	521,338	59,884,901	114,156,528	2,462,314	116,618,842
Adjustment Due to Consolidation of Funds									
<b>Comprehensive income</b>									
Profit after tax for the three months period ended Mar 31, 2015	-	-	-	-	-	3,470,806	3,470,806	419,298	3,890,104
Other comprehensive income - net of tax	-	(664,013)	-	-	-	(1,079,744)	(1,743,757)	-	(1,743,757)
	-	(664,013)	-	-	-	2,391,062	1,727,049	419,298	2,146,347
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	29,983	29,983	-	29,983
Transfer to Statutory Reserve	-	-	-	327,683	-	(327,683)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Cash dividend (Rs. 5.5 per share)	-	-	-	-	-	(11,701,322)	(11,701,322)	-	(11,701,322)
	-	-	-	-	-	(11,701,322)	(11,701,322)	-	(11,701,322)
<b>Balance as at March 31, 2015</b>	<b>21,275,131</b>	<b>8,724,697</b>	<b>-</b>	<b>23,414,131</b>	<b>521,338</b>	<b>50,276,941</b>	<b>104,212,238</b>	<b>2,881,612</b>	<b>107,093,850</b>

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

**Muneer Kamal**  
Chairman

**Syed Ahmed Iqbal Ashraf**  
President

**Muhammad Naeem**  
Director

**Tariq Kirmani**  
Director

**Notes To The Condensed Consolidated Financial Statements (Un-Audited)  
For The Three Months Period Ended March 31, 2015**

**1. THE GROUP AND ITS OPERATIONS**

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

Holding Company

- National Bank of Pakistan

Subsidiary Companies

- CJSB Subsidiary Bank of NBP in Kazakhstan
- CJSB Subsidiary Bank of NBP in Tajikistan
- NBP Leasing Limited
- NBP Exchange Company Limited
- NBP Modaraba Management Company Limited
- Taurus Securities Limited
- NBP Fullerton Asset Management Limited
- First National Bank Modarba
- Cast-N-Link Products Limited
- NAFA Riba Free Savings Fund
- NAFA Financial Sector Income Fund
- NAFA Government Securities Liquid Fund
- NAFA Savings Plus Fund
- NAFA Money Market Fund

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 1,355 (2014: 1,354) branches in Pakistan and 21 (2014: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to Long Term Credit Fund (LTCF) and Endowment Fund for Student Loan Scheme.

NBP Leasing Limited, CJSB Subsidiary Bank of NBP in Kazakhstan, CJSB Subsidiary Bank of NBP in Tajikistan, NBP Exchange Company Limited, NBP Modaraba Management Company Limited are wholly owned subsidiaries of the holding company while the controlling interest in Taurus Securities Limited is 58.32%, NAFA is 54%, First National Bank Modarba 30%, Cast-N-Link Products Limited 76.51%, NAFA Riba Free Savings Fund 40%, NAFA Financial Sector Income Fund 38%, NAFA Government Securities Liquid Fund 40%, NAFA Savings Plus Fund 38% and NAFA Money Market Fund 24%.

## **1.2 Basis of Consolidation**

- The interim condensed consolidated financial statements include the interim condensed statements of the holding company and its subsidiary companies - "the Group".
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries 'shareholders' equity in the interim condensed consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- The SECP, vide its letter EMD/233/627/2002-539 dated November 05, 2014 allowed exemption under Section 237(8) of the Companies Ordinance, 1984, based on the fact that investments of the bank in CNL are not material and comprise of 0.00095% of the total assets of the bank and the investment have been fully provided.

## **2. STATEMENT OF COMPLIANCE**

- 2.1** These consolidated condensed interim financial statements of the Group for the quarter ended March 31, 2015 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where there 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 for preparation of these consolidated condensed interim financial statements are same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2014 except for change in accounting policy due to adoption of IFRS 10 'Consolidated Financial Statements ' as fully explained in note 4.1 below:

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

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

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

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

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

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

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

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

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

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

	December 31, 2014			December 31, 2013		
	As previously reported	change in policy and	As Restated	As previously reported	change in policy and	As Restated
<b>Impact on consolidated condensed interim statement of financial position</b>						
Balances with other banks	12,543,964	19,537,419	32,081,383	18,388,738	15,748,634	34,137,372
Investments - net	561,767,518	290,753	562,058,271	396,411,825	7,650,998	404,062,823
Other assets	91,839,258	158,579	91,997,837	81,576,084	(455,620)	81,120,464
Other liabilities	83,439,108	473,122	83,912,230	72,583,176	20,871,233	93,454,409
Unappropriated profit	59,751,578	133,323	59,884,901	49,734,161	267,344	50,001,505
				<b>March 31 Quarter Ended 2015</b>		March 31 Quarter Ended 2014
				----- (Rupees in '000') -----		
<b>Impact on consolidated condensed interim profit and loss account</b>						
Increase in profit due to additional other income from new subsidiaries				<b>26,145</b>		10,542
Decrease in profit due to additional administrative expenses of new subsidiaries				<b>125,299</b>		163,813
Decrease in profit due to elimination of shares of profit form associates on consolidation				<b>192,241</b>		(231,957)
				<b>926,414</b>		623,863
<b>The effect on earning per share related to the restatement is as follows:</b>						
Basic and diluted earnings per share (Rupees)				<b>0.20</b>		0.23

#### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### 6. FINANCIAL RISK MANAGEMENT

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

## 7. INVESTMENTS

	March 31, 2015 (Un-Audited)			December 31, 2014 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000')			(Rupees in '000')		
<b>7.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	14,015,266	-	14,015,266	6,235,161	-	6,235,161
Pakistan Investment Bonds	2,455,869	-	2,455,869	9,706,323	-	9,706,323
Ijara Sukuk Bonds	138,000	-	138,000	-	-	-
Investment In mutual funds	2,381,038	-	2,381,038	144,368	-	144,368
Ordinary shares of listed companies	118,159	-	118,159	110,835	-	110,835
<b>Total Held-for-Trading Securities</b>	<b>19,108,332</b>	<b>-</b>	<b>19,108,332</b>	<b>16,196,687</b>	<b>-</b>	<b>16,196,687</b>
<b>Available- for- sale securities</b>						
Ordinary shares of listed companies	24,914,891	-	24,914,891	24,653,741	-	24,653,741
Ordinary shares of unlisted companies	1,374,080	-	1,374,080	1,374,080	-	1,374,080
Investments in Mutual Funds	2,782,134	-	2,782,134	2,561,608	-	2,561,608
Ordinary shares of a bank outside Pakistan	463,295	-	463,295	463,295	-	463,295
Preference shares	869,160	-	869,160	869,160	-	869,160
Market Treasury Bills	148,644,342	5,448,553	154,092,895	111,752,989	5,906,690	117,659,679
Pakistan Investment Bonds	123,423,976	76,857,658	200,281,634	194,478,241	-	194,478,241
GoP Foreign Currency Bonds	7,848,166	-	7,848,166	6,166,924	-	6,166,924
Foreign Currency Debt Securities	2,430,531	-	2,430,531	3,940,510	-	3,940,510
Term Finance Certificates / Musharika and Sukuk Bonds	20,840,290	-	20,840,290	19,109,924	-	19,109,924
<b>Total Available- for- sale securities</b>	<b>333,590,865</b>	<b>82,306,211</b>	<b>415,897,076</b>	<b>365,370,472</b>	<b>5,906,690</b>	<b>371,277,162</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	106,981,715	-	106,981,715	106,838,847	-	106,838,847
Market Treasury Bills	735,004	-	735,004	4,622,262	-	4,622,262
GoP Foreign Currency Bonds	1,555,131	-	1,555,131	1,540,658	-	1,540,658
Foreign Government Securities	12,463,837	-	12,463,837	8,959,455	-	8,959,455
Foreign Government Debt Securities	394	-	394	389	-	389
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	5,633,380	-	5,633,380	3,048,324	-	3,048,324
<b>Total Held-to-maturity securities</b>	<b>127,369,461</b>	<b>-</b>	<b>127,369,461</b>	<b>125,009,935</b>	<b>-</b>	<b>125,009,935</b>
<b>Investments in subsidiaries</b>						
	1,245	-	1,245	1,245	-	1,245
<b>Investments in joint venture</b>						
	4,478,889	-	4,478,889	4,489,187	-	4,489,187
<b>Investments in associates</b>						
	1,801,948	-	1,801,948	3,346,292	-	3,346,292
<b>Investment at cost</b>						
	486,350,741	82,306,211	568,656,952	514,413,817	5,906,690	520,320,507
<b>Less: Provision for diminution in value of Investments (note 7.2)</b>						
	(15,631,379)	-	(15,631,379)	(15,668,377)	-	(15,668,377)
<b>Investments (net of provisions)</b>						
	470,719,362	82,306,211	553,025,573	498,745,441	5,906,690	504,652,131
<b>Surplus on revaluation of</b>						
Held-for-trading securities	3,799	-	3,799	145,454	-	145,454
<b>Surplus on revaluation of</b>						
Available-for-sale securities (note 12)	56,753,136	49,167	56,802,303	57,261,787	(1,101)	57,260,686
<b>Total investments at carrying value</b>	<b>527,476,297</b>	<b>82,355,378</b>	<b>609,831,675</b>	<b>556,152,682</b>	<b>5,905,589</b>	<b>562,058,271</b>

	Note	March 31 2015 (Un-audited)	December 31 2014 (Audited)
----- (Rupees in000) -----			
<b>7.2 Particulars of provision for diminution in value of investments</b>			
Opening balance		15,668,377	15,445,884
Charge for the period		401,529	1,641,247
Reversals		(438,538)	(3,083,005)
		(37,009)	(1,441,758)
Transfer		-	1,366,790
Other movement (transferred from suspended interest)		-	297,461
Closing balance		<u>15,631,379</u>	<u>15,668,377</u>
<b>7.3 Particulars of provision in respect of type</b>			
<b>Available-for-sale securities</b>			
Ordinary shares of listed companies and mutual funds		3,739,050	3,781,567
Ordinary shares of unlisted companies		376,135	376,135
Debentures, Bonds, Participation Term			
Certificates and Term Finance Certificates	7.6	9,000,536	8,978,475
Preference shares		446,444	446,444
<b>Held-to-maturity securities</b>			
Debentures, Bonds, Participation Term			
Certificates and Term Finance Certificates		629,231	631,920
<b>Investment in Associates</b>	7.6	1,438,738	1,452,591
<b>Investment in Subsidiaries</b>		1,245	1,245
		<u>15,631,379</u>	<u>15,668,377</u>
<b>7.4 Particulars of provision in respect of segments</b>			
Fully Paid up Ordinary Shares		4,020,719	4,063,236
Debentures, Bonds, Participation Term Certificates, Term			
Finance Certificates, Musharika and Sukuk Bonds	7.6	9,629,767	9,610,395
Other investments		540,910	540,910
Investments in associates		1,438,738	1,452,591
Investments in subsidiaries		1,245	1,245
		<u>15,631,379</u>	<u>15,668,377</u>

**7.5** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments, which resulted in decrease in provision for diminution in value of investments by Rs. 1,191 million (2014: Rs. 1,191 million). Accordingly, as of March 31, 2015, the accumulated increase in profit after tax of Rs. 774 million (2014: Rs. 774 million) shall not be available for payment of cash or stock dividend / bonus to employees as required by aforementioned SBP directive.

**7.6** The 120,426,432 shares (December 31, 2014: 120,426,432) of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These carrying value of the investment in Agritech Limited as at March 31, 2015 under equity method was tested for impairment based on recoverable amount of Rs. 7.50 per share (based on market value) resulting in reversal of previously recognised impairment of Rs. 191 million due to recording of share of loss as at March 31, 2015.

	Note	March 31 2015 (Un-audited)	December 31 2014 (Audited)
		----- (Rupees in'000') -----	
<b>8. ADVANCES -net</b>			
Loans, cash credits, running finances, etc			
In Pakistan		637,665,057	648,754,799
Outside Pakistan		56,182,004	55,841,400
		<b>693,847,061</b>	704,596,199
Net investment in finance lease			
In Pakistan		1,364,354	1,399,731
Outside Pakistan		-	-
		<b>1,364,354</b>	1,399,731
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		10,911,268	15,434,441
Payable outside Pakistan		10,889,691	10,549,928
		<b>21,800,959</b>	25,984,369
Advances - gross		<b>717,012,374</b>	731,980,299
Less: Provision against non-performing loans	8.2	(105,017,938)	(101,750,650)
Advances - net of provision		<b>611,994,436</b>	630,229,649

**8.1** Advances include Rs. 131,060 million (2014: Rs.121,679 million) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2015 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000') -----					
Other Assets Especially Mentioned	7,247,760	-	7,247,760	87,065	87,065
Substandard	13,559,988	52,926	13,612,914	2,441,896	2,441,896
Doubtful	4,229,705	10,600,742	14,830,447	8,661,050	8,661,050
Loss	75,103,398	20,265,443	95,368,841	90,740,654	90,740,654
	<b>100,140,851</b>	<b>30,919,111</b>	<b>131,059,962</b>	<b>101,930,665</b>	<b>101,930,665</b>

Category of Classification	December 31, 2014 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000') -----					
Other Assets Especially Mentioned	1,228,018	-	1,228,018	1,347	1,347
Substandard	9,892,979	62,851	9,955,830	2,234,398	2,234,398
Doubtful	4,613,073	10,887,971	15,501,044	6,649,676	6,649,676
Loss	75,741,089	19,253,958	94,995,047	89,663,764	89,663,764
	<b>91,475,159</b>	<b>30,204,780</b>	<b>121,679,939</b>	<b>98,549,185</b>	<b>98,549,185</b>

**8.2 Particulars of provision against non-performing advances**

	March 31, 2015 - Unaudited			December 31, 2014 - Audited		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000') -----						
Opening balance	98,549,185	3,201,465	101,750,650	90,003,586	2,875,887	92,879,473
Exchange adjustments	262,769	326	263,095	(495,074)	(25,919)	(520,993)
Charge for the period	4,504,083	(114,518)	4,389,565	14,902,032	368,937	15,270,969
Reversals	(1,359,114)	-	(1,359,114)	(4,185,832)	(1,164)	(4,186,996)
	<b>3,144,969</b>	<b>(114,518)</b>	<b>3,030,451</b>	10,716,201	367,773	11,083,974
Transfer in / (out)	-	-	-	(1,650,189)	8,203	(1,641,986)
Amounts written off	(15,968)	-	(15,968)	(32,623)	-	(32,623)
Amount charged off/ other written off	(4,444)	-	(4,444)	(5,272)	-	(5,272)
Other adjustments	(5,845)	-	(5,845)	12,556	(24,479)	(11,923)
Closing balance	<b>101,930,665</b>	<b>3,087,273</b>	<b>105,017,938</b>	98,549,185	3,201,465	101,750,650

- 8.3** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs.3,793 million (2014: Rs. 3,542 million). Accordingly, as of March 31, 2015, the accumulated profit after tax of Rs. 2,465 million (2014: Rs.2,302 million) shall not be available for payment of cash or stock dividend / bonus to employees as required by aforementioned SBP directive.
- 8.4** General provision against consumer and SME loans represents provision maintained at an amount ranging from 1% to 5% of the performing portfolio as required by the Prudential Regulations issued by the SBP.
- 8.5** The SBP allowed specific relaxation to the Bank upto December 31, 2014 for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan. The bank has requested SBP for extension till December 31, 2015, however, SBP response in this regard is awaited.
- 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 relaxation to the Bank regarding the provisioning requirement against Agritech Limited exposures. During 2014 SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of March 31, 2015, 80% of the required provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015. Had this relaxation not been there, the provision against non-performing advances would have been higher by Rs. 527 million (2014: Rs 635 million) and profit before taxation would have been lower by the same amount.

<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
----- (Rupees in '000) -----	

**9. OPERATING FIXED ASSETS**

Capital work-in-progress	<b>1,334,768</b>	1,215,686
Property and equipment	<b>30,204,594</b>	30,658,251
Intangible assets	<b>1,407,016</b>	1,479,589
	<b><u>32,946,378</u></b>	<u>33,353,526</u>

- 9.1** Additions and disposals during the period amounted to Rs 384 million (March 31, 2014: Rs. 191 million) and Rs.Nil million (March 31, 2014: Rs. 14 million) respectively.

<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
----- (Rupees in '000) -----	

**10. DEFERRED TAX ASSETS - net**

**Deferred tax assets arising in respect of**

Provision for diminution in the value of investments	<b>3,690,590</b>	3,636,653
Provision against advances	<b>7,637,141</b>	7,092,841
Other provision	<b>1,812,876</b>	1,769,167
Charge against defined benefits plans	<b>9,934,861</b>	9,031,229
Unrealized loss on derivatives	<b>691,907</b>	691,907
Provision against off balance sheet obligation	<b>116,622</b>	116,622
	<b><u>23,883,996</u></b>	<u>22,338,419</u>

**Deferred tax (liabilities) arising in respect of**

Excess of accounting book value of leased assets over lease liabilities	<b>(4,701)</b>	(3,720)
Revaluation of securities	<b>(12,717,977)</b>	(11,173,750)
Revaluation of operating fixed assets	<b>(1,253,428)</b>	(1,276,693)
	<b><u>(13,976,106)</u></b>	<u>(12,454,163)</u>
	<b><u>9,907,890</u></b>	<u>9,884,256</u>

	March 31 2015 (Un-audited)	December 31 2014 (Audited)
Note		
	----- (Rupees in '000') -----	
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	289,990,290	289,729,861
Savings deposits	353,261,383	348,098,999
Current accounts - remunerative	122,970,217	159,042,873
Current accounts - non-remunerative	252,957,767	268,081,544
	<b>1,019,179,657</b>	1,064,953,277
<b>Financial Institutions</b>		
Remunerative deposits	63,586,152	61,200,944
Non-remunerative deposits	54,473,703	108,243,957
	<b>118,059,855</b>	169,444,901
	<b>1,137,239,512</b>	1,234,398,178
<b>12. SURPLUS ON REVALUATION OF ASSETS - net</b>		
<b>Surplus on Revaluation of Fixed Assets - net of Tax</b>	<b>22,226,875</b>	22,288,314
<b>Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax</b>		
Federal Government securities	13,853,862	10,377,882
Term Finance Certificates	(3,402)	(31,121)
Shares and mutual funds	25,125,940	29,556,505
GoP Foreign Currency Bonds	420,188	380,738
Foreign Government Securities	87,939	81,092
Ordinary shares of a bank outside Pakistan	17,317,776	16,895,590
	<b>56,802,303</b>	57,260,686
Deferred tax liability	(12,717,977)	(11,173,750)
Share of Revaluation Loss on Securities of Associates	(522,038)	(525,504)
	<b>65,789,164</b>	67,849,746
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
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	4,943,709	5,110,261
- Financial institutions	12,738,421	11,135,929
- Others	17,760,318	32,227,405
	<b>35,442,448</b>	48,473,595
<b>13.2 Transaction-related contingent liabilities</b>		
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	9,901,550	11,879,063
- Financial institutions	2,123,499	5,239,234
- Others	8,613,710	22,520,962
	<b>20,638,759</b>	39,639,259
<b>13.3 Trade-related contingent liabilities</b>		
Letters of credit issued in favour of		
- Government	124,460,056	129,493,436
- Financial institutions	-	-
- Others	26,950,808	27,137,972
	<b>151,410,864</b>	156,631,408
<b>13.4 Other contingencies</b>		
<b>13.4.1</b> Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 194 million (2014: Rs. 194 million), claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2014: Rs. 1,597 million)].	<b>14,222,554</b>	<b>13,407,883</b>

### 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, 2014, except for the following;

During the period, orders of monitoring of withholding taxes for tax years 2009 to 2011 were amended arbitrarily reducing tax refunds of Rs. 867 million, without considering full payments against the demand in the earlier orders and relief already allowed in 2014 in respect of above orders, for which rectification has been filed.

Assessment for Tax year 2014 amended in haste whereby arbitrary additions were made causing tax impact of Rs 20.7 billion. The bank filed constitution petition before the Honorable High Court of Sindh and obtained stay against tax demand raised.

Notices for amendment of assessment for tax years 2009 to 2011 issued by tax authorities which were already assessed and finalized, intended to raise demand of Rs. 8.99 billion. The bank has obtained stay from Honorable High Court of Sindh against the proceedings initiated by tax authorities.

Tax years 2003, 2007 and assessment year 2001-02 were amended reducing refunds of Rs. 902 million by disallowing adjustment of taxes without giving proper notices and opportunity of being heard. Rectification and appeals are being filed.

Notice during the period received for monitoring of withholding tax for the Tax Year 2014 for expenses related to salary, profit on debt, rent and purchase of goods and services and an ex-parte order is passed raising tax demand of Rs 6.8 billion. The appeal before CIT(A) is filed in addition to contestation through Constitutional Petition for absence of opportunity of being heard.

No provision has been made against these contingencies in financial statements based on the opinion of tax consultants of the Bank who expect favourable outcome upon decisions of pending appeals/ petitions.

### 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, 2014.

### 13.4.4 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, 2014.

	<b>March 31 2015 (Un-audited)</b>	December 31 2014 (Audited)
	----- (Rupees in '000) -----	
<b>13.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>186,741,027</b>	233,021,148
Sale	<b>126,714,647</b>	120,265,758
<b>13.6 Other Commitments</b>		
Professional services to be received	<b>96,190</b>	99,450
<b>13.7 Commitments for the acquisition of operating fixed assets</b>	<b>1,638,957</b>	1,798,160
	<b>Quarter Ended March 31, 2015 (Unaudited)</b>	Quarter Ended March 31, 2014 (Unaudited)
	----- (Rupees in '000) -----	
<b>14. BASIC AND DILUTED EARNINGS PER SHARE</b>		
Profit after taxation (Rupees in '000)	<b>3,890,104</b>	3,727,589
Weighted average number of ordinary shares (in '000)	<b>2,127,513</b>	2,127,513
Basic and diluted earnings per share (Rupees)	<b>1.83</b>	1.75

## 15. 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, 2015-Unaudited									
Total income	107,981	88,918	3,245,459	13,282,164	594,437	1,582,456	1,067,319	32,917	20,001,650
Inter segment revenue		(15,236)	3,011,828	(2,996,592)					
Total expenses	8,017	-	5,247,082	6,511,598	540,968	1,572,777	446,784	22,233	14,349,460
Net income	99,964	73,682	1,010,205	3,773,973	53,468	9,679	620,535	10,684	5,652,190
Segment Assets - Gross of NPLs Provisions	-	3,004,503	253,410,824	1,219,476,244	-	19,580,689	32,910,539	767,976	1,529,150,774
Segment Non-Performing Loans	-	-	18,239,386	112,820,576	-	-	-	-	131,059,962
Segment Specific Provision Required	-	-	6,763,642	98,254,296	-	-	-	-	105,017,938
Segment Liabilities	-	-	421,102,984	882,245,953	-	32,052,355	20,405,582	460,885	1,356,267,760
Segment Return on Assets (ROA) (%)	0.00%	10.19%	1.30%	1.32%	0.00%	0.30%	1.89%	1.39%	1.35%
Segment Cost of Fund (%)	0.00%	0.00%	5.45%	6.15%	0.00%	0.00%	1.36%	2.89%	6.1%
March 31, 2014-Unaudited									
Total income	198,645	995,810	2,590,127	10,302,795	448,391	1,248,069	307,663	307,663	16,121,442
Inter segment revenue		(11,839)	2,642,693	(2,630,854)					
Total expenses	4,444	182,834	4,433,574	4,569,415	362,481	1,036,413	280,900	280,900	10,895,598
Net income	194,201	801,137	799,246	3,102,526	85,910	211,656	26,763	26,763	5,225,844
Segment Assets - Gross of NPLs Provisions	-	33,126,851	239,917,985	1,072,210,223	-	19,589,888	2,924,080	2,924,080	1,368,275,671
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	-	2,381,807	313,043,072	849,395,261	-	16,361,945	1,975,142	1,975,142	1,183,320,019
Segment Return on Assets (ROA) (%)	0.00%	1.20%	0.55%	1.29%	0.00%	6.66%	0.92%	0.92%	1.32%
Segment Cost of Fund (%)	0.00%	0.00%	6.05%	6.23%	0.00%	0.00%	9.61%	9.61%	6.21%

## 16. 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, 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 advance salary.

	2015 - Un audited				2014 - Audited			
	At January 01,	Given during the period	Repaid during the period	At March 31,	At January 01,	Given during the year	Repaid during the year	At December 31,
(Rupees in '000)								
<b>Advances</b>								
Key Management Executives	186,667	-	(9,068)	212,018	144,607	115,044	(21,260)	186,667
Adjustments*	34,419	-	(9,068)	-	(51,724)			
	221,086	-	(9,068)	212,018	92,883	115,044	(21,260)	186,667
Associates	5,410,612	-	(8,527)	5,402,085	5,433,806	-	(23,194)	5,410,612
Debts due by Company in which director is interested as director	9,115,000	23,466,000	(24,268,000)	8,313,000	9,613,756	11,577,858	(12,424,576)	9,115,000
Adjustments*	-	-	-	-	347,962	-	-	-
	9,115,000	23,466,000	(24,268,000)	8,313,000	9,961,718	11,577,858	(12,424,576)	9,115,000
	14,746,698	23,466,000	(24,285,595)	13,927,103	15,488,407	11,692,902	(12,469,030)	14,712,279

\* Adjustments due to changes in key management executives.

	2015 - Un audited				2014 - Audited			
	At January 01,	Received during the period	Repaid during the period	At March 31,	At January 01,	Received during the year	Repaid during the year	At December 31,
----- (Rupees in '000) -----								
<b>Deposits</b>								
Associates	26,038 (11,691)	-	(1,060)	13,287	12,038,914	-	(12,012,876)	26,038
Key Management Executives Adjustments*	14,347	-	(1,060)	13,287	12,038,914	-	(12,012,876)	26,038
Pension Fund (Current)	19,309	64,495	(70,039)	15,189	13,402	303,914	(296,813)	20,503
Pension Fund (Fixed Deposit)	1,424	-	-	-	(1,194)	-	-	(1,194)
Pension Fund (N.I.D.A A/c)	20,733	64,495	(70,039)	15,189	12,208	303,914	(296,813)	19,309
Provident Fund	4,248	1,148,249	(1,148,093)	4,404	4,393	24,573,301	(24,573,446)	4,248
	7,300,000	-	-	7,300,000	11,500,000	7,300,000	(11,500,000)	7,300,000
	1,056,675	724,942	(370,321)	1,411,296	270,228	12,614,720	(11,828,273)	1,056,675
	13,123,803	105,162	(359,162)	12,869,803	12,886,715	2,749,149	(2,512,061)	13,123,803
	<b>21,519,806</b>	<b>2,042,848</b>	<b>(1,948,675)</b>	<b>21,613,979</b>	<b>36,712,458</b>	<b>47,541,084</b>	<b>(62,723,469)</b>	<b>21,530,073</b>

\* Adjustments due to changes in key management executives.

	March 31 2015 (Un-audited)	December 31 2014 (Audited)
----- (Rupees in '000) -----		
<b>Placements with:</b>		
Joint venture	47,407	156,864
<b>Repo borrowing from:</b>		
Joint venture	202,218	73,695
<b>Off Balance Sheet Items - Joint Venture</b>	<b>26,235</b>	<b>825,636</b>
<b>Investments made in Associates</b>	-	8,251,157
<b>Redemption / sale of investment in associates</b>	-	10,270,777
	<b>Quarter Ended March 31, 2015 (Un-audited)</b>	<b>Quarter Ended March 31, 2014 (Un-audited)</b>
----- (Rupees in '000) -----		
<b>Income for the period</b>		
On advances / placements with		
Joint Venture	46,720	47
Key management executives	-	1,011
Debts Due by company in which director of the bank is interested as director	369,130	271,064
<b>Expenses for the period</b>		
Remuneration to key management executives	67,510	48,754
Charge for defined benefit plan	8,101	5,850
<b>Mark-up on Deposits of:</b>		
Provident fund	487,380	513,675
Pension fund	190,307	197,088
Key Management Executives	-	228
Mark-up on Borrowing / Deposits		
Joint Ventures	28,231	47

#### 16.1 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. 1,438 million for the quarter ended March 31, 2015. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 250,787 million, Rs. 348,686 million and Rs. 139,305 million respectively.

## 17. ISLAMIC BANKING BUSINESS

The bank is operating 35 (December 31, 2014: 22) Islamic banking branch as at March 31, 2015. The statement of financial position, profit and loss account and cash flow is as under:

	March 31 2015 (Un-audited)	December 31 2014 (Audited)
	----- (Rupees in '000') -----	
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Cash and balances with treasury banks	473,346	173,676
Balances with other banks	1,050,270	266
Investments	5,410,509	2,428,587
Islamic financing and related assets	601,410	978,542
Operating fixed assets	60,020	58,418
Due from Head Office	84,128	-
Other assets	199,828	173,781
	<b>7,879,511</b>	3,813,270
<b>Liabilities</b>		
Bills Payable	31,503	12,100
Deposits and other accounts		
-Current accounts	3,942,102	768,879
-Saving accounts	2,130,641	1,047,918
-Term deposits	888,712	672,802
-Deposit from financial institutions-Remunerative	354	348
Due to Head Office	-	433,959
Other liabilities	76,332	62,687
	<b>7,069,644</b>	2,998,693
	<b>809,867</b>	814,577
<b>Net Assets</b>		
Islamic Banking Fund	800,000	800,000
Unappropriated profit / (loss)	8,589	14,237
	<b>808,589</b>	814,237
Surplus on revaluation of assets - net	1,278	340
	<b>809,867</b>	814,577
<b>Profit and Loss Account</b>		
	Quarter Ended March 31, 2015 (Un-audited)	Quarter Ended March 31, 2014 (Un-audited)
	----- (Rupees in '000') -----	
Profit / return earned on financings, investments and placements	150,224	155,924
Profit / return expensed on deposit	41,906	80,857
Net spread earned	<b>108,318</b>	75,067
Depreciation on assets given on ijarah	30,900	17,289
	<b>77,418</b>	57,778
Provision against advances and investments	-	2,615
Profit / (Loss) after provision	<b>77,418</b>	60,393
<b>Other income</b>		
Fee, commission and brokerage income	14,815	6,396
Income from dealing in foreign currencies	125	-
Other income	130	(183)
Total other income	<b>15,070</b>	6,213
	<b>92,488</b>	66,606
<b>Other expenses</b>		
Administrative expenses	83,899	51,724
<b>Profit / (Loss) for the period</b>	<b>8,589</b>	14,882

**Cash Flow Statement****Cash Flow from Operating Activities**

	Quarter Ended March 31, 2015 (Un-audited)	Quarter Ended March 31, 2014 (Un-audited)
	----- (Rupees in '000) -----	
Profit / (Loss) for the year	8,589	14,882
Adjustments :		
Depreciation - Own assets	(6,350)	311
Depreciation - Ijarah assets	30,900	17,289
(Reversal) of provision against non performing financings and investments	-	(2,615)
	<u>24,550</u>	<u>14,985</u>
	<u>33,139</u>	<u>29,867</u>
(Increase) / Decrease in operating assets		
Balance with other banks	(1,050,004)	(45)
Financings and investments	(2,634,752)	2,434,495
Other assets	(26,047)	37,774
	<u>(3,710,803)</u>	<u>2,472,224</u>
(Increase) / Decrease in operating liabilities		
Bills payable	19,403	13,390
Deposits and other accounts	4,471,862	(2,440,155)
Borrowings from Head Office	(532,324)	(270,998)
Other liabilities	13,645	80,795
	<u>3,972,586</u>	<u>(2,616,968)</u>
<b>Net cash (used in) / generated from operating activities</b>	<b>294,922</b>	<b>(114,877)</b>
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	4,748	(9,077)
	<u>4,748</u>	<u>(9,077)</u>
<b>Net cash used in investing activities</b>		
<b>Net Cash Flow from Financing Activities</b>		
Cash Flow from Financing Activities	-	-
<b>(Decrease) in cash and cash equivalents</b>	<b>299,670</b>	<b>(123,954)</b>
Cash and cash equivalents at beginning of the period	173,676	263,743
<b>Cash and cash equivalents at end of the period</b>	<b>473,346</b>	<b>139,789</b>

**18. DATE OF AUTHORIZATION FOR ISSUE**

The interim condensed consolidated financial statements were authorized for issue on April 29, 2015 by the Board of Directors of the Bank.

**19. GENERAL**

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

**Muneer Kamal**  
Chairman

**Syed Ahmed Iqbal Ashraf**  
President

**Muhammad Naeem**  
Director

**Tariq Kirmani**  
Director