

# National Bank of Pakistan

Unconsolidated Condensed Interim Financial Statements  
For the nine months period ended September 30, 2016

## Directors' Report to the Shareholders

On behalf of the Board of Directors, I am pleased to present the financial statements of National Bank of Pakistan for the nine months period ended September 30, 2016.

Our well diversified and balanced business model has enabled us to achieve growth in number of areas as the bank continued its journey of progress with maximising shareholders value during this period.

Key numbers for the nine months period ended September 30, 2016 are as follows:

- After-tax profit is Rs. 13.4 billion, 11% up against Rs. 12.1 billion for corresponding nine months of 2015;
- Total Assets have increased to Rs. 1,829 billion, 7% up against Rs. 1,706 billion as of December 2015.
- Loan book has increased by 7% to Rs. 737 billion against Rs. 692 billion as of December 2015.

### **Economic Environment:**

The latest estimates put GDP growth at 4.7% for 2016, higher than the original forecast of 4.5% on the back of solid private consumption, structural reforms and improved confidence. The latter was boosted by an improved law and order situation plus an improvement in the supply of gas and electricity. Industrial growth is accelerating on the back of higher activity in large-scale manufacturing and construction, the latter being driven primarily by initiation of CPEC infrastructure and energy projects.

Country's FX reserves remained fairly healthy at a record high level of USD 23 billion at the end Sep 16; 5% higher against USD 21 billion in Dec '15. This resulted into fairly stable exchange rate while improving the country's overall import bill coverage. The current account position, however, has remained under pressure. Given the economic go-slow in regional markets, home remittance has also posted a 3% decline vs last year during the first two months of FY'17. To keep the momentum going, the government returned to the international bond markets in October after a two-year hiatus and issued USD 1.0 billion in Sukuk bonds. This is likely to boost the country's FX reserves in the near term.

Given the increasing foreign investors' confidence on the back of Pakistan's MSCI upgrade from frontier to emerging markets, Pakistan Stock Exchange picked up significant momentum during the last two quarters. The PSX-100 index has already crossed the record level of 40,000 points, posting a strong year to date return of over 23%.

The Banking industry has witnessed certain improvements during the period, particularly the Q3 in terms of liquidity and balance sheet growth. A thriving banking sector is essential for Pakistan because growth in the banking sector and the real economy mutually reinforce each other. The banking sector constitutes the core of the financial sector of Pakistan. Pakistan's banking industry and the broader financial sector have the potential, capability and structure to support faster economic growth. In recent years, a wide range of significant structural reforms have taken place but there is still room for improvement.

Financial penetration and inclusion would also play a key role in the growth of the sector; with a significant quantum of the rural population remaining unbanked, there is a lot of untapped potential that the banks would be eager to reach out through alternate delivery channels, mobile and branchless banking, and the promotion of Islamic Banking.

The pressure on profitability will stem from declining yields on government securities and lower interest rates, which are eroding net interest margins, while higher lending growth and lower provisioning requirements will only partially offset this pressure.

### **Nine months profitability:**

The Bank recorded unconsolidated pre-tax profit of Rs. 22.8 billion i.e. 3.3% up against Rs. 22.1 billion of corresponding period last year. Whereas, the after-tax profit increased by 11% to Rs. 13.4 billion against Rs. 12.1 billion for the corresponding period last year. Gross mark-up / interest income for the period remained at Rs. 83.8 billion i.e. 0.4% higher against Rs. 83.5 billion of the corresponding nine months period. Growth in mark-up/interest income faced pressure on account of multiple reasons including reduction in policy rates and maturities of high yield investment in Pakistan Investment Bonds (PIBs). Pre-tax and after-tax return on equity are 26.4% and 15.5% (September 2015: 26.2% and 14.5%) respectively; whereas the pre-tax and after tax return on assets are 1.7% and 1.0% respectively. With 11% growth, EPS for the period under review increased to Rs. 6.31, against Rs. 5.69 for the corresponding nine months period of 2015. Provision charge during the quarter was impacted due to recent changes in the Prudential Regulations relating to consumer financing, as the bank had to book additional provisions charge of Rs. 783 million in Q3 '16.

**Net mark-up/interest income** for the nine months 2016 increased by 4.3% to Rs. 39.3 billion as against Rs. 37.6 billion of the corresponding period of 2015. Our strategy on better liability management through generating low cost deposits has resulted into reduction in mark-up/interest expense by 2.8% to Rs. 44.6 billion which stood at Rs. 45.9 billion for the corresponding nine months period of 2015. Cost of funds for the period decreased due to reduction in discount rate and better deposit-mix. Third quarter net income mark-up / interest income was impacted due to maturity of some high yielding Pakistan Investment Bonds (PIBs) and seasonal increase in agriculture non-performing loans(NPLs) which are expected to be regularised in the short run.

**Non mark-up/interest income** for the nine months period under review remained at Rs. 20.9 billion, i.e. 16.63% lower as compared to Rs. 25 billion for the corresponding nine months period of 2015. During the period, income generated through dividends and capital gains amounted to Rs. 2.1 billion and Rs. 5.9 billion i.e. down by 16.9% and 41.9% respectively against the corresponding period. On positive side, gains on sale of securities increased by 52% to Rs. 2.7 billion during Q3.

The Bank has continued to achieve growth in fee /commission income which increased by 20.4% to Rs. 9.9 billion against Rs. 8.3 billion for the corresponding nine months period of 2015. Growth has been observed in all key areas i.e. agency services, trade business and the advisory fee. Given the fairly stable forex rates and the lower arbitrage opportunities, income from dealing in foreign currencies was at Rs. 2.2 billion as against Rs. 2.6 billion for the corresponding nine months period.

**Administration & other costs:** Non mark-up/ interest cost for the period remained at Rs. 35.2 billion compared to Rs. 32.4 billion for the corresponding period of 2015, translating into a cost-

to-income ratio of 57.2%. The increase in cost-to-income ratio is mainly on account of 7.9% hike observed in the administrative expenses that increased to Rs. 34.3 billion against Rs. 31.8 billion of the corresponding nine months period 2015, which mainly represents the HR costs that increased due to annual increments & promotions. Other major increase was noted in depreciation expense as the bank continues to incur significant expenditure on account of premises uplift and technology. The bank is also spending to improve its service quality standards, corporate image and market visibility through advertisements and social services.

### **Balance Sheet Growth:**

As the Bank continued to expand its customer outreach, the balance sheet footing touched Rs. 1.83 trillion with an increase of 7.2% over Rs. 1.71 trillion as of December 2015. As we continually endeavour to increase our market share of both advances and deposits, banks advances (gross) increased to Rs. 737 billion i.e. 7% higher than Rs. 692 billion as of December 2015.

We are continually progressing to enhance our advances portfolio by tapping in the business opportunities in Corporate as well as SME sectors. Gross non-performing loans (NPL) to total advances ratio slightly increased to 18.7% as against 18.4% of December 2015. Net addition to NPL during the nine months period under review is mainly due to subjective classification of certain facilities and seasonal impact of agriculture financing. Seasonal impact is expected to reverse in next quarter.

While an increase is observed in the OAEM and Substandard category; NPL in Loss category recorded a reversal/reduction by Rs. 2.7 billion to Rs. 112.6 billion from Rs. 115.3 billion in December 2015. Net specific provisions charge against NPL for nine months period under review remained significantly lower by 76% at Rs. 1.9 billion as against Rs. 8.2 billion net charge for the corresponding nine months period of 2015.

In August 2016 State Bank of Pakistan issued revised Prudential Regulations for consumer financing which, *inter alia*, required banks to maintain general reserve at a percentage ranging from 1% to 7% based on secured and unsecured portfolio as per slab of NPL to Gross Loan Ratio for the performing portfolio only. Provisions charge also includes Rs. 783 million on account of revised Prudential Regulations on Consumer Financing.

Growth has also been observed in the deposits which increased 19% YoY to Rs. 1,417 billion as compared to Rs. 1,191 billion as of September 30, 2015. Our Islamic Banking branches have now increased to 118 (Dec '15:79). A positive trend has been observed in the deposits at our Islamic Banking branches as the same have increased to Rs. 19.2 billion i.e. 80% up YoY against Rs. 10.7 billion as of September 30, 2015. Bank's ATM network that consisted of 374 machines in December 2014 has now increased to 1,188 machines; and is being further expanded.

### Credit Rating:

NBP is rated by both the credit rating agencies in Pakistan. In June 2016, both JCR-VIS and PACRA have reaffirmed Bank's credit rating at 'AAA/A-1+' (Triple A/A-One Plus) with a 'Stable' Outlook.

### Future Outlook:

We are looking forward to serve as a proxy for Pakistan's growth story in the coming years through expansion in demand for credit in all sectors of growth. We will continue to capitalize on our core areas of strength through expanding our network reach across Pakistan, investing in technology and providing quality service to our vast customer base. We continue to set ourselves challenging targets to increase market share in advances, deposits and introducing new products across Corporate, SME and Consumer sectors. By virtue of the bank's healthy liquidity and capital adequacy, we are there to tap into LSM and infrastructural projects. Expansion of Islamic Banking branches will play a major role in bringing the unbanked population into the banking system.

### Appropriation of Profits:

Profit for the nine months period ended September 30, 2016 after carry forward of accumulated profit of 2015 is proposed to be appropriated as follows:

	<i>(Rs. Million)</i>
Pre-tax Profit nine months period ended September 30, 2016	22,845
Taxation	
- Current	7,004
- Prior Year	1,344
- Deferred	1,081
	<u>9,429</u>
After tax profit for nine months period ended September 30, 2016	13,415
Un-appropriated profit brought forward	49,156
Other comprehensive income - net of tax	1,167
Transfer from surplus on revaluation of fixed assets – net of tax	85
Profit available for appropriations	<u>63,823</u>
Transfer to Statutory Reserve (10% of after tax profit)	(1,342)
Cash dividend paid – 2015	<u>(15,956)</u>
Un-appropriated profit carried forward	<u>46,525</u>

For and on behalf of the Board of Directors,

**Syed Ahmed Iqbal Ashraf**

Chairman / President

Dated: October 27, 2016

## ڈائریکٹرز رپورٹ برائے حصص یافتگان

میں بورڈ آف ڈائریکٹرز کی جانب سے پیشکش بینک آف پاکستان کے 9 ماہی مدت یعنی 30 ستمبر 2016 تک کے مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔ ہمارے بہتر اور متوازن طرز کار و بار نے اس مدت کے دوران ہمیں اس قابل بنایا کہ ہم بدست بڑھوتری کا سفر جاری رکھیں تاکہ ہمارے حصص یافتگان کی مالی قدر میں اضافہ ہو۔ 30 ستمبر 2016 کو ختم ہونے والی 9 ماہی کی مدت چند اعداد و شمار درج ذیل ہیں۔

- بعد ازنگس منافع 13.4 ارب روپے یعنی 2015 کی 9 ماہی مدت کے 12.1 ارب روپے کے مقابلے میں 11 فیصد زیادہ ہے۔
- بینک کے مجموعی اثاثے 1,829 ارب روپے تک بڑھ چکے ہیں جو کہ دسمبر 2015 کے 1,706 ارب روپے کے مقابلے میں 7 فیصد زیادہ ہیں۔
- کل قرضہ جات %7 اضافے کے ساتھ دسمبر 2015 کے 692 ارب کے مقابلے میں بڑھ کر 737 ارب روپے ہو چکے ہیں۔

### مجموعی اقتصادی ماحول:

حالیہ چاروں کے مطابق مجموعی ملکی پیداوار میں 2016 کے دوران 4.5 فیصد کے ابتدائی تخمینہ کے مقابلے میں 4.7 فیصد بڑھوتری ہوئی، یہ مجموعی طور پر زیادہ انفرادی خرچ، معاشی نظام کی بہتری اور اس پر اعتماد کی بناء پر ہوا۔ معاشی نظام پر اعتماد و امان کی بہتر صورتحال اور ملکی اور گیس کی بہتر فراہمی سے ممکن ہوا۔ صنعتی ترقی کی رفتار میں بھی اضافہ دیکھنے میں آیا ہے جس کی ایک بنیادی وجہ چائے، پاکستان اکنومک گورڈ اور کھیت و توتائی کے منصوبے ہیں۔

ستمبر 2016 کے آخر تک پاکستان کا زرمبادلہ 5 فیصد صحت مندانہ اضافے کے ساتھ دسمبر 2015 کے 21 ارب ڈالر کے مقابلے میں بڑھ کر 23 ارب ڈالر ہو چکا ہے۔ اس کے نتیجے میں مصلحت شرح تبادلہ کے ساتھ ساتھ ملکی مجموعی اپورٹ بل کی بہتر کوریج رہی۔ تاہم ملکی کرنٹ اکاؤنٹ کسی حد تک دباؤ میں رہا۔ علاقائی معیشتوں میں اقتصادی سست روی کی بناء پر غیر ملکی ترسیل زر میں مالیاتی سال 2017 کے ابتدائی 2 ماہ میں گزشتہ سال کے اسی عرصہ کے مقابلے میں 3 فیصد تک کمی دیکھی گئی ہے۔ ترسیل زر کے سلسلے کو قائم رکھنے کے لئے حکومت پاکستان نے بین الاقوامی مالیاتی مارکیٹ سے رجوع کیا اور تقریباً 2 سال کے عرصہ کے بعد اکتوبر 2016 میں 1 ارب ڈالر کے سٹوک بانڈ جاری کیے جس سے ملک کی زرمبادلہ میں مستقبل قریب تک بہتری کی توقع ہے۔

حال ہی میں MSCI کی جانب سے پاکستان کو "فرنیئر" کی بجائے "امیر بینک" مارکیٹ میں اپ گریڈ کیے جانے کے بعد گزشتہ 6 ماہ میں غیر ملکی سرمایہ کاروں کا پاکستان اسٹاک ایکسچینج پر اعتماد میں خاطر خواہ اضافہ ہوا۔ پاکستان اسٹاک ایکسچینج 40,000 پوائنٹس سے آگے نکل چکا ہے، جو کہ اس سال کے دوران 23 فیصد اضافہ ہے۔

بینک کاری کی صنعت نے اس دوران، خصوصاً تیسری سہ ماہی کے دوران، نیکیو نیڈ بی اور پیٹنس شیٹ میں اضافہ کے ساتھ کئی دیگر جہت میں بہتری کا مظاہرہ کیا۔ ایک فروغ پر بینکنگ کا شعبہ پاکستان کے لئے ضروری ہے کیونکہ بینکنگ کے شعبے میں ترقی اور معیشت ایک دوسرے کو مضبوط بناتے ہیں۔ بینکنگ کا شعبہ پاکستان کے فنانس سیکٹر میں ایک بنیادی اہمیت کا حامل ہے۔ پاکستانی بینکاری کی صنعت اور مجموعی مالیاتی نظام ملک کی معاشی ترقی میں تیز تر نمونے کی مکمل صلاحیت کے حامل ہیں۔ اگرچہ حالیہ سالوں کے دوران بنیادی معاشی ڈھانچے میں کافی بہتری آئی ہے، اب بھی مزید بہتری کی گنجائش موجود ہے۔ ملکی آبادی کا ایک خاطر خواہ حصہ آج بھی مالیاتی نظام سے باہر ہے جسے مالیاتی نظام میں لانے کے لئے بھرپور مواقع موجود ہیں جیسا کہ موبائل فون، انٹرنیٹ بینکنگ کے ساتھ ساتھ اسلامی بینک کاری وغیرہ۔

گورنمنٹ سیکورٹیز پر آمدنی میں کمی اور شرح سود میں حالیہ کمی کی وجہ سے بینک کاری کی صنعت کے منافع پر دباؤ قائم کرے گا، جو کہ مجموعی آمدن کو کم تر رکھے گا، تاہم بہتر قرضہ جات اور کم تر پرویزن اس دباؤ کی کسی حد تک تلافی کریں گے۔

### 9 ماہی منافع:

بینک نے انفرادی بنیاد پر 22.8 ارب روپے کا منافع کمایا جو کہ گزشتہ سال کے 9 ماہ کے 22.1 ارب روپے کے مقابلے میں 3.3 فیصد زیادہ ہے۔ جب کہ بعد ازنگس منافع 11 فیصد اضافہ کے ساتھ گزشتہ سال کے 9 ماہ کے 12.1 ارب روپے کے مقابلے میں 13.4 ارب روپے رہا۔ اسی 9 ماہ کے دوران ہی میں مارک اپ/ سود کی کل آمدن 0.4 فیصد اضافہ کے ساتھ گزشتہ سال کے 83.5 ارب روپے کے مقابلے میں 83.8 ارب روپے رہی۔ پاکستان انویسٹمنٹ بونڈز (PIBs) پر شرح منافع میں کمی اور پالیسی ریش میں کمی کی وجہ سے مارک اپ/ سود کی آمدنی میں اضافے کو دباؤ کا سامنا کرنا پڑا ہے۔ ایکویٹی پر قبل ازنگس اور بعد ازنگس منافع کی شرح بالترتیب 26.4 فیصد اور 15.5 فیصد رہی (گزشتہ سال 26.2 اور 14.5 فیصد بالترتیب) جبکہ کل اثاثہ پر قبل ازنگس اور بعد ازنگس منافع بالترتیب 1.7 فیصد اور 1 فیصد رہا۔ 2015 کے 5.69 روپے فی حصص آمدن کے مقابلے میں 11 فیصد اضافہ کے ساتھ 2016 کے 9 ماہ کی مدت میں فی حصص آمدن 6.31 روپے رہی۔ تیسری سہ ماہی میں پرویزن چارج کافی حد تک اسٹینڈ بینک آف پاکستان کی پروڈیشن ریگولیشن میں تبدیلی سے متاثر ہوا، جس کی وجہ سے بینک کو اس سرمایہ میں 783 ملین روپے کی اضافی پرویزن کرنی پڑی۔



## مستقبل کی توقعات:

ہم آنے والے سالوں میں پاکستان کی معاشی ترقی کی کہانی میں پراکسی کا کردار ادا کرنا چاہتے ہیں، یہاں تک پہنچنے کے لئے ہمیں تمام سیکٹرز کی ترقی کے لئے مانگ اور کریڈٹ میں اضافہ کرنا پڑے گا۔ ہم پورے پاکستان میں اپنے نیٹ ورک کو وسیع تر کرنے اور کسٹمرز سروس کو الٹنی کومزید بہتر بنانے کے لئے ٹیکنالوجی پر مزید سرمایہ کاری کریں گے۔ ہم کل مارکیٹ میں اپنے حصہ کو بڑھانے، ڈپازٹ اور کارپوریٹ میں نئی پروڈکٹس کو متعارف کروانے کی خاطر ایس ایم ای اور کنزیومر سیکٹر میں پیدا ہونے والے چیلنجز کا سامنا کرنے کے لئے خود کو تیار رکھتے ہیں۔ صحت مندانہ انداز میں بینک کے سرمائے کی روانی اور تمام منصوبوں کے بنیادی ڈھانچوں کے ساتھ پروڈیکٹس اور ایبل ایس ایم میں شامل ہونے کے لئے ہم ہمہ وقت موجود ہیں۔ جو لوگ تاحال بیکاری نہیں کرتے ان کو بینکنگ کی جانب راغب کرنے کے لئے ہماری اسلاک بینکنگ براؤنچر میں اضافہ ایک کلیدی کردار ادا کرے گا۔

## منافع جات کا استعمال:

2015 کا جمع شدہ منافع کو آگے لانے کے بعد 30 ستمبر 2016 کو ختم ہونے والے نو ماہی عرصہ کے لیے منافع برطابق ذیل استعمال میں لانے (appropriation) کی تجویز پیش کی جاتی ہے:

### رقم ملین روپوں میں

22,845 30 ستمبر 2016 کو ختم ہونے والے 9 ماہی مدت کے لیے قبل از ٹیکس منافع

ٹیکس

7,004

موجودہ سال

1,344

پچھلے سال

1,081

مؤخر شدہ

9,429

کل

13,415

30 ستمبر 2016 کو ختم ہونے والے نو ماہی عرصہ کے لیے بعد از ٹیکس منافع

49,156

آگے منتقل کیا گیا، غیر استعمال شدہ منافع

1,167

دیگر جامع آمدن - بعد از ٹیکس

85

فلسڈ ایسیٹس کے از سر نو تخمینہ پر فاضل سرمائے سے منتقلی

63,823

استعمال کے لیے دستیاب منافع

(1,342)

مالیاتی ذخائر کی منتقلی (بعد از ٹیکس منافع کا 10 فی صد)

(15,956)

کیش ڈیویڈنڈ - 2015

46,525

آگے منتقل کیا گیا غیر استعمال شدہ منافع

از طرف بورڈ آف ڈائریکٹرز

سید احمد اقبال اشرف

صدر/چیرمین

بتاریخ: 27 اکتوبر 2016ء



**NATIONAL BANK OF PAKISTAN**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**AS AT SEPTEMBER 30, 2016**

		(Un-audited) September 30, 2016	(Audited) December 31, 2015
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		180,479,101	150,899,778
Balances with other banks		11,329,350	20,128,273
Lendings to financial institutions - net		14,987,108	7,694,516
Investments - net	7	868,902,074	829,245,898
Advances - net	8	620,860,089	578,122,160
Operating fixed assets	9	31,884,113	31,706,237
Deferred tax assets	10	7,547,283	9,669,359
Other assets		<u>93,491,806</u>	<u>78,895,162</u>
		<b>1,829,480,924</b>	<b>1,706,361,383</b>
<b>LIABILITIES</b>			
Bills payable		<u>6,930,594</u>	9,171,616
Borrowings from financial institutions	11	<u>156,686,632</u>	21,911,190
Deposits and other accounts	12	<u>1,416,737,340</u>	1,431,036,598
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		28,285	35,800
Deferred tax liabilities		-	-
Other liabilities		<u>80,804,637</u>	75,854,704
		<u>1,661,187,488</u>	1,538,009,908
<b>NET ASSETS</b>		<b><u>168,293,436</u></b>	<b><u>168,351,475</u></b>
<b>REPRESENTED BY</b>			
Share capital		21,275,131	21,275,131
Reserves		47,366,939	45,580,712
Unappropriated profit		<u>46,525,066</u>	49,155,590
		<b>115,167,135</b>	116,011,433
Surplus on revaluation of assets - net	13	<u>53,126,301</u>	52,340,042
		<b><u>168,293,436</u></b>	<b><u>168,351,475</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		

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

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Chairman / President

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Director

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Director

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Director

**NATIONAL BANK OF PAKISTAN**  
**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

	Quarter Ended September 30, 2016	Nine Months Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2015
Note ----- (Rupees in '000') -----				
Mark-up / Return / Interest earned	26,646,478	83,842,029	26,084,518	83,489,519
Mark-up / Return / Interest expensed	15,025,369	44,574,005	13,264,088	45,850,020
Net mark-up / return / interest income	<u>11,621,109</u>	<u>39,268,024</u>	12,820,430	37,639,499
Provision against non-performing advances - net	8.2 1,060,776	2,989,934	1,088,706	7,860,008
Reversal of provision for diminution in value of investments - net	7.2 (616,811)	(870,640)	334,168	192,556
Provision against off-balance sheet obligations	-	-	-	140,238
Bad debts written off directly	-	-	-	-
	<u>443,965</u>	<u>2,119,294</u>	1,422,874	8,192,802
Net mark-up / interest income after provisions	<u>11,177,144</u>	<u>37,148,730</u>	11,397,556	29,446,697
<b>NON MARK-UP/ INTEREST INCOME</b>				
Fee, commission and brokerage income	2,926,657	9,964,643	2,569,086	8,279,943
Dividend income	623,813	2,146,953	642,814	2,585,482
Income from dealing in foreign currencies	47,021	1,701,870	578,629	2,637,645
Gain on sale and redemption of securities - net	2,685,698	5,912,424	2,295,985	10,179,048
Unrealized loss on revaluation of investments classified as held-for-trading	25,091	19,660	3,797	3,063
Other income	15 415,876	1,146,531	458,989	1,374,542
Total non mark-up / interest income	<u>6,724,156</u>	<u>20,892,081</u>	6,549,300	25,059,723
	<u>17,901,300</u>	<u>58,040,811</u>	17,946,856	54,506,420
<b>NON MARK-UP/ INTEREST EXPENSES</b>				
Administrative expenses	11,340,374	34,294,362	10,737,091	31,790,472
Other provisions / write-offs	241,246	780,512	210,836	565,371
Other charges	7,459	121,229	21,543	38,774
Total non mark-up / interest expenses	<u>11,589,079</u>	<u>35,196,103</u>	10,969,470	32,394,617
	<u>6,312,221</u>	<u>22,844,708</u>	6,977,386	22,111,803
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	<u>6,312,221</u>	<u>22,844,708</u>	6,977,386	22,111,803
Taxation - current	1,860,717	7,004,052	2,463,518	9,044,027
- prior year(s)	-	1,343,826	-	2,298,465
- deferred	483,320	1,081,444	(51,245)	(1,335,830)
	<u>2,344,037</u>	<u>9,429,322</u>	2,412,273	10,006,662
<b>PROFIT AFTER TAXATION</b>	<u>3,968,184</u>	<u>13,415,386</u>	4,565,113	12,105,141
<b>Basic and diluted earnings per share (Rupees)</b>	18 <u>1.87</u>	<u>6.31</u>	2.15	5.69

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

Chairman / President

Director

Director

Director

**NATIONAL BANK OF PAKISTAN**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

	Quarter Ended September 30, 2016	Nine Months Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2015
----- (Rupees in '000') -----				
<b>Profit after taxation</b>	<b>3,968,184</b>	<b>13,415,386</b>	<b>4,565,113</b>	<b>12,105,141</b>
<b>Other comprehensive income:</b>				
<b><u>Items to be reclassified to profit or loss</u></b> <b><u>in subsequent periods:</u></b>				
Exchange gain/ (loss) on translation of net assets of foreign branches	144,690	444,688	154,135	8,979
<b><u>Items not to be reclassified to profit or loss</u></b> <b><u>in subsequent periods:</u></b>				
Remeasurements of defined benefit liability	(45,628)	1,794,650	1,151,537	1,987,837
Related tax effects	15,970	(628,128)	(403,038)	(695,743)
	(29,658)	1,166,523	748,499	1,292,094
<b>Other comprehensive income - net of tax</b>	<b>115,032</b>	<b>1,611,211</b>	<b>902,634</b>	<b>1,301,073</b>
<b>Total comprehensive income transferred to equity</b>	<b>4,083,216</b>	<b>15,026,597</b>	<b>5,467,747</b>	<b>13,406,214</b>

**Components of comprehensive income not reflected in equity:**

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

Surplus on revaluation of available-for-sale securities	(158,976)	(184,918)	(9,185,000)	(7,684,317)
Related tax effects	(110,070)	(291,204)	2,794,352	(5,064,676)
<b>Other comprehensive income/ (loss) - net of tax</b>	<b>(269,046)</b>	<b>(476,122)</b>	<b>(6,390,648)</b>	<b>(12,748,993)</b>

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

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Chairman / President

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Director

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Director

**NATIONAL BANK OF PAKISTAN**  
**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

	Nine Months Ended September 30, 2016	Quarter Ended September 30, 2015
----- (Rupees in '000') -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	22,844,708	22,111,803
Less: Dividend income	2,146,953	2,585,482
	20,697,755	19,526,321
<b>Adjustments</b>		
Depreciation	2,039,446	1,539,756
Provision against non-performing loans and advances	2,989,934	7,860,008
Provision for diminution in value of investments	(870,640)	192,556
Provision against off-balance sheet obligations	-	140,238
Other provision / write-offs	780,512	565,371
Gain on sale of fixed assets	(90,885)	(1,015)
Financial charges on leased assets	1,982	5,867
	4,850,349	10,302,781
	25,548,104	29,829,102
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	(2,952,592)	96,127,408
Held-for-trading securities	(11,666,723)	3,465,643
Advances	(44,727,863)	49,581,516
Other assets	(9,024,056)	(754,682)
	(68,371,234)	148,419,885
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	(2,241,022)	193,976
Borrowings	116,501,966	48,605,320
Deposits and other accounts	(14,299,258)	(42,658,960)
Other liabilities (excluding current taxation)	5,854,655	4,635,948
	105,816,341	10,776,284
Income tax paid	(14,276,298)	(9,783,308)
Financial charges paid	(1,982)	(5,867)
	(14,278,280)	(9,789,175)
<b>Net cash generated from operating activities</b>	48,714,931	179,236,096
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	33,243,185	(113,834,984)
Net investments in held-to-maturity securities	(60,435,538)	(19,602,868)
Proceeds from investments in associates and subsidiaries	573,498	8,518,102
Dividend received	2,146,953	2,585,482
Investments in operating fixed assets	(2,121,064)	(1,717,603)
Sale proceeds of operating fixed assets disposed off	101,642	1,015
<b>Net cash used in investing activities</b>	(26,491,324)	(124,050,856)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(7,515)	(9,845)
Dividend paid	(15,965,940)	(11,662,055)
<b>Net cash used in financing activities</b>	(15,973,455)	(11,671,900)
Effects of exchange rate changes on cash and cash equivalents	444,688	8,979
<b>Net (decrease) / increase in cash and cash equivalents</b>	6,694,840	43,522,319
Cash and cash equivalents at beginning of the period	170,386,744	118,394,883
<b>Cash and cash equivalents at the end of the period</b>	177,081,584	161,917,202

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

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Chairman / President

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Director

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Director

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Director

**NATIONAL BANK OF PAKISTAN**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

Share Capital	Attributable to the Shareholders of the Bank					Unappropriated Profit	Total
	Reserves						
	Capital		Revenue				
	Exchange Translation	Statutory	General Loan Loss	General			

----- (Rupees in '000') -----

Balance as at January 1, 2014 21,275,131 8,562,865 22,989,403 - 521,338 57,006,813 110,355,550

**Total comprehensive income for the nine months period ended September 30, 2015**

Profit after tax	-	-	-	-	-	12,105,141	12,105,141
Other comprehensive income - net of tax	-	8,979	-	-	-	1,292,094	1,301,073
	-	8,979	-	-	-	13,397,235	13,406,214
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	89,950	89,950
Transfer to statutory reserve	-	-	1,210,514	-	-	(1,210,514)	-
Transfer to general loan loss reserve	-	-	-	12,000,000	-	(12,000,000)	-
<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)
<b>Balance as at September 30, 2015</b>	<b>21,275,131</b>	<b>8,571,844</b>	<b>24,199,917</b>	<b>12,000,000</b>	<b>521,338</b>	<b>45,582,162</b>	<b>112,150,392</b>

**Total comprehensive income for the three months period ended December 31, 2015**

Profit after tax	-	-	-	-	-	7,113,723	7,113,723
Other comprehensive income - net of tax	-	(423,759)	-	-	-	(2,858,907)	(3,282,666)
	-	(423,759)	-	-	-	4,254,816	3,831,057
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	29,984	29,984
Transfer to statutory reserve	-	-	711,372	-	-	(711,372)	-
<b>Balance as at December 31, 2015</b>	<b>21,275,131</b>	<b>8,148,085</b>	<b>24,911,289</b>	<b>12,000,000</b>	<b>521,338</b>	<b>49,155,590</b>	<b>116,011,433</b>

**Total comprehensive income for the nine months period ended September 30, 2016**

Profit after tax	-	-	-	-	-	13,415,386	13,415,386
Other comprehensive income - net of tax	-	444,688	-	-	-	1,166,523	1,611,211
	-	444,688	-	-	-	14,581,909	15,026,597
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	85,454	85,454
Transfer to statutory reserve	-	-	1,341,539	-	-	(1,341,539)	-
<b>Transactions with owners, recorded directly in equity</b>							
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(15,956,348)	(15,956,348)
<b>Balance as at September 30, 2016</b>	<b>21,275,131</b>	<b>8,592,773</b>	<b>26,252,828</b>	<b>12,000,000</b>	<b>521,338</b>	<b>46,525,066</b>	<b>115,167,135</b>

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

Chairman / President

Director

Director

Director

**NATIONAL BANK OF PAKISTAN**  
**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

**1. STATUS AND NATURE OF BUSINESS**

**1.1** National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,409 (2015: 1,403) branches in Pakistan and 21 (2015: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

**2. STATEMENT OF COMPLIANCE**

**2.1** These condensed interim unconsolidated financial statements of the Bank for the nine months period ended September 30, 2016 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. 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, 2015.

**2.4** These condensed interim unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.

**3. BASIS OF MEASUREMENT**

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

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

#### 4. ACCOUNTING POLICIES

The accounting policies adopted for presentation of these condensed interim unconsolidated financial statements are the same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2015 except for the following.

##### 4.1 Non-banking assets acquired in satisfaction of claims

Effective January 1, 2016, the Bank has changed its accounting policy prospectively for non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016. In line with the guidance provided in the Regulations, the non-banking assets acquired in satisfaction of claims are now carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to the profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, Non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs 1,441 million while surplus on revaluation of assets and deferred tax assets would have been lower by Rs 1,319 million and Rs 122 million respectively.

##### 4.2 New standards, interpretations and amendments

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

###### Standard or Interpretation

- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)
- IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
- IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
- IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
- IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

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

The accounting estimates and associated assumptions used in the preparation of these condensed interim unconsolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2015.

#### 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, 2015.





	(Un-audited) September 2016	(Audited) December 31, 2015
Note	----- (Rupees in '000') -----	
<b>7.2 Particulars of provision for diminution in value of investments</b>		
Opening balance	19,432,226	17,517,983
Charge for the period / year	1,314,307	2,406,249
Reversals	(2,184,947)	(1,087,233)
	(870,640)	1,319,016
Adjustment due to settlement of put option in respect of shares of Agritech Limited (an associate)	(671,139)	-
Transfer from advances and other assets	314,213	595,227
Closing balance	18,204,660	19,432,226
<b>7.2.1 Particulars of provision in respect of type</b>		
<b>Available-for-sale securities</b>		
Ordinary shares of listed companies and mutual funds	2,715,555	3,329,066
Ordinary shares of unlisted companies	398,923	398,923
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,833,778	9,962,240
Preference shares	433,444	446,444
<b>Held-to-maturity securities</b>		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	619,324	619,324
<b>Investment in associates</b>	3,193,449	3,955,809
<b>Investment in subsidiaries</b>	1,010,186	720,420
	18,204,660	19,432,226
<b>7.2.2 Particulars of provision in respect of segments</b>		
Fully Paid up Ordinary Shares	3,056,602	3,670,113
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	10,453,102	10,581,564
Other investments	491,320	504,320
Investments in associates	3,193,449	3,955,809
Investments in subsidiaries	1,010,186	720,420
	18,204,660	19,432,226
<b>7.3</b> These carry fixed mark-up at the rate ranging from 7% to 12% per annum (December 31,2015: 9% to 12%) having maturity ranging from 3 to 10 years.		
<b>8. ADVANCES - net</b>		
Loans, cash credits, running finances, etc.		
In Pakistan	662,710,385	620,428,973
Outside Pakistan	51,751,731	54,341,432
	714,462,116	674,770,405
Islamic financing and related assets	3,534,953	1,029,202
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	11,059,550	8,664,566
Payable outside Pakistan	8,261,236	7,387,939
	19,320,786	16,052,505
Advances - gross	737,317,855	691,852,112
Less: Provision against non-performing loans - specific	112,477,666	110,765,591
- general	3,980,100	2,964,361
	116,457,766	113,729,952
Advances - net of provision	620,860,089	578,122,160

- 8.1 Advances include Rs. 137,863 million (December 31, 2015: Rs. 127,280 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2016 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	5,138,952	-	5,138,952	60,112	60,112
Substandard	17,460,425	47,024	17,507,449	3,981,088	3,981,088
Doubtful	2,551,343	67,810	2,619,153	886,656	886,656
Loss	81,255,710	31,342,098	112,597,808	107,549,810	107,549,810
	<b>106,406,430</b>	<b>31,456,932</b>	<b>137,863,362</b>	<b>112,477,666</b>	<b>112,477,666</b>

  

Category of Classification	December 31, 2015 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	2,069,365	-	2,069,365	19,476	19,476
Substandard	7,057,274	83,227	7,140,501	1,602,864	1,602,864
Doubtful	2,610,175	152,627	2,762,802	1,074,045	1,074,045
Loss	83,647,608	31,660,021	115,307,629	108,069,206	108,069,206
	<b>95,384,422</b>	<b>31,895,875</b>	<b>127,280,297</b>	<b>110,765,591</b>	<b>110,765,591</b>

## 8.2 Particulars of provision against non-performing advances

	September 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	110,765,591	2,964,361	113,729,952	98,158,511	3,201,464	101,359,975
Exchange adjustments	(108,477)	553	(107,924)	859,521	16,855	876,376
Charge for the period	5,936,991	1,028,175	6,965,166	15,775,601	227,540	16,003,141
Reversals	(3,962,243)	(12,989)	(3,975,232)	(4,896,590)	(481,498)	(5,378,088)
	<b>1,974,748</b>	<b>1,015,186</b>	<b>2,989,934</b>	<b>10,879,011</b>	<b>(253,958)</b>	<b>10,625,053</b>
Transfer (out) / in	59,268	-	59,268	899,465	-	899,465
Amounts written off	(94,306)	-	(94,306)	(18,227)	-	(18,227)
Amount charged off	(119,158)	-	(119,158)	(12,690)	-	(12,690)
Closing balance	<b>112,477,666</b>	<b>3,980,100</b>	<b>116,457,766</b>	<b>110,765,591</b>	<b>2,964,361</b>	<b>113,729,952</b>

- 8.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 1,914 million (December 31, 2015: Rs. 3,598 million). Accordingly, as of September 30, 2016, the accumulated profit after tax of Rs.1,244 million (December 31, 2015: Rs.2,339 million) shall not be available for payment of cash or stock dividend or bonus to employees as required by aforementioned SBP directive.
- 8.4 During the period State Bank of Pakistan vide BPRD Circular No.10 dated August 3, 2016 has issued revised Prudential Regulations for consumer financing which amongst other things required banks to maintain general reserve at a percentage ranging from 1% to 7% based on secured and unsecured portfolio as per slab of NPL to Gross Loan Ratio for the performing portfolio only. Had there been no change, the profit before tax and net advances would have been higher by Rs 783 million. General provision against Small and Medium Enterprise (SME) financing, represents provision maintained at 1% of secured performing portfolio and 2% of un-secured performing portfolio as required by the Prudential Regulations issued by the SBP.
- 8.5 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of ASG Metals Private Limited and its associated companies till September 30, 2017. Had that relaxation not provided, the amount of non-performing loans would have been higher by Rs. 1,914 and provision would be higher by Rs.1,870 million.
- 8.6 The State Bank of Pakistan has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2016. Accordingly such loans are not included in non-performing loans.

	(Un-audited) September 30, 2016	(Audited) December 31, 2015
Note	----- (Rupees in '000') -----	
<b>9. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	1,559,942	1,348,323
Property and equipment	30,003,867	29,709,654
Intangible assets	320,304	648,260
	<u>31,884,113</u>	<u>31,706,237</u>

9.1 Additions and disposals during the period amounted to Rs 1,909 million (Sep 30, 2015: Rs.1,566 million) and Rs 169 million (Sep 30, 2015: Rs. 32 million) respectively.

## 10. DEFERRED TAX ASSETS - net

### Deferred tax assets arising in respect of

Provision for diminution in the value of investments	3,793,585	4,098,309
Provision against non-performing advances	5,689,603	8,000,570
Other provisions	2,552,047	2,278,867
Provision against defined benefits plans	11,168,985	10,807,811
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
	<u>24,012,749</u>	25,994,086

### Deferred tax liabilities arising in respect of

Excess of accounting book value of leased assets over lease liabilities	(5,231)	(8,097)
Revaluation of securities	(15,395,340)	(15,104,136)
Operating fixed and non-banking assets	(1,064,895)	(1,212,494)
	<u>(16,465,466)</u>	(16,324,727)

Net deferred tax assets

<u>7,547,283</u>	<u>9,669,359</u>
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## 11. BORROWINGS

Borrowings include repurchase agreement borrowings amounting to Rs.127,676 million (December 31, 2015: Rs.10,302 million).

## 12. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	370,697,902	330,346,703
Savings deposits	393,330,160	382,223,751
Current accounts - remunerative	199,440,512	183,332,050
Current accounts - non-remunerative	309,557,957	329,949,263
	<u>1,273,026,531</u>	1,225,851,767

### Financial Institutions

Remunerative deposits	31,177,247	109,610,825
Non-remunerative deposits	112,533,562	95,574,006
	<u>143,710,809</u>	205,184,831
	<u>1,416,737,340</u>	<u>1,431,036,598</u>

		(Un-audited) September 30, 2016	(Audited) December 31, 2015
	Note	----- (Rupees in '000') -----	
<b>13. SURPLUS ON REVALUATION OF ASSETS - net</b>			
Surplus on revaluation of fixed assets		22,899,527	23,002,503
Surplus on revaluation of non-banking assets	4.1	1,440,645	-
Surplus on revaluation of Available-for-sale securities - net of tax			
Federal Government Securities		7,433,460	9,109,036
Term Finance Certificates and Sukuks		118,367	59,167
Shares and mutual funds		31,454,152	26,089,659
GoP Foreign Currency Bonds		353,620	288,428
Foreign Currency Debt Securities		108,809	39,306
Investments outside Pakistan		6,024,371	10,092,101
		<u>45,492,779</u>	<u>45,677,697</u>
		<b>69,832,951</b>	<b>68,680,200</b>
<b>Deferred Tax liability</b>			
Surplus on revaluation of fixed assets		(1,190,009)	(1,236,022)
Surplus on revaluation of non-banking assets	4.1	(121,301)	-
Surplus on revaluation of Available-for-sale securities		(15,395,340)	(15,104,136)
		<u>(16,706,650)</u>	<u>(16,340,158)</u>
		<b>53,126,301</b>	<b>52,340,042</b>

**14. CONTINGENCIES AND COMMITMENTS****14.1 Direct credit substitutes**

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

- Government	6,308,685	7,422,663
- Financial institutions	7,514,233	6,329,462
- Others	19,398,406	21,583,972
	<u>33,221,324</u>	<u>35,336,097</u>

**14.2 Transaction-related contingent liabilities**

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

- Government	16,527,743	13,470,397
- Financial institutions	15,739,366	1,934,967
- Others	18,766,355	9,945,571
	<u>51,033,464</u>	<u>25,350,935</u>

**14.3 Trade-related contingent liabilities**

Letters of credit issued in favour of:

- Government	350,317,601	221,145,520
- Financial institutions	10,157,785	-
- Others	46,829,339	48,844,025
	<u>407,304,725</u>	<u>269,989,545</u>

(Un-audited) September 30, 2016	(Audited) December 31, 2015
----- (Rupees in '000') -----	

#### 14.4 Other contingencies

**14.4.1** Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 204 million (2015: Rs. 204 million), claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2015: Rs. 1,597 million)].

**14,589,435**

**17,262,055**

#### 14.4.2 Taxation

The current status of tax contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2015, except for;

During the period, the tax authorities finalized amendment proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2015 and raised demand of Rs. 1.237 billion in its order passed under section 122(5A) of the Ordinance. The Bank has paid the demand of Rs. 906.472 million whereas the Workers Welfare Fund of Rs. 331.178 million is not paid as decided in Banks favour in earlier years . Against these orders the bank has preferred appeals before the Commissioner Inland Revenue Appeals which are pending. The aggregate effect of contingencies as on September 30, 2016 amounts to Rs.15.030 billion (December 31, 2015: Rs. 14.6 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

#### 14.4.3 Barter Trade Agreements

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2015.

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

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2015.

#### 14.4.5 Foreign Exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporter namely: M/S Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 1,020 million, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgments. The Honorable High Court has granted relief to Bank by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

	(Un-audited) September 30, 2016	(Audited) December 31, 2015
	----- (Rupees in '000') -----	
<b>14.5 Commitments in respect of forward exchange contracts</b>		
Purchase	159,003,441	273,199,134
Sale	110,191,370	183,645,395
<b>14.6 Other Commitments</b>		
Professional services to be received	15,395	81,095
<b>14.7 Commitments for the acquisition of operating fixed assets</b>	<b>1,236,532</b>	<b>1,344,860</b>

**15. OTHER INCOME**

Other Income includes Rs 1,028 million (September 30: 2015: Rs 1,220 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

**16. OTHER PROVISIONS AND WRITE - OFFS**

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

**17. TAXATION**

The Federal Government vide Finance Act 2016 has imposed a super tax at the rate of 4% on income of banks for the year ended December 31, 2015 (Tax Year 2016). Accordingly, provisions of Rs 1,344 million for Super tax has been made for the prior year.

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

	Quarter Ended September 30, 2016	Nine Months Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2015
Profit after taxation (Rupees in '000')	<u>3,968,184</u>	<u>13,415,386</u>	4,565,113	<u>12,105,141</u>
Weighted average number of ordinary shares (in '000')	<u>2,127,513</u>	<u>2,127,513</u>	2,127,513	<u>2,127,513</u>
Basic and diluted earnings per share (Rupees)	<u>1.87</u>	<u>6.31</u>	2.15	<u>5.69</u>

**19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- (Rupees in '000') -----						
<b>Nine months period ended September 30, 2016</b>							
<b>(Un-audited)</b>							
Total income	518,372	491,000	11,142,319	40,510,881	2,149,385	5,348,148	60,160,105
Inter segment revenue	-	(153,003)	7,272,775	(7,119,772)	-	-	-
Total expenses	<u>18,299</u>	<u>-</u>	<u>13,702,152</u>	<u>17,605,299</u>	<u>1,401,292</u>	<u>4,588,354</u>	<u>37,315,395</u>
<b>Net income</b>	<u>500,073</u>	<u>337,997</u>	<u>4,712,942</u>	<u>15,785,810</u>	<u>748,093</u>	<u>759,794</u>	<u>22,844,710</u>
Segment assets (Gross)	<u>-</u>	<u>13,135,863</u>	<u>248,022,462</u>	<u>1,545,268,414</u>	<u>-</u>	<u>23,054,185</u>	<u>1,829,480,924</u>
Segment non - performing loans	<u>-</u>	<u>-</u>	<u>17,351,580</u>	<u>120,511,782</u>	<u>-</u>	<u>-</u>	<u>137,863,362</u>
Segment provision required	<u>-</u>	<u>-</u>	<u>10,712,083</u>	<u>105,745,683</u>	<u>-</u>	<u>-</u>	<u>116,457,766</u>
Segment liabilities	<u>-</u>	<u>-</u>	<u>459,494,220</u>	<u>1,201,693,268</u>	<u>-</u>	<u>-</u>	<u>1,661,187,488</u>
Segment return on assets (ROA) (%)	<u>0.00%</u>	<u>4.31%</u>	<u>2.70%</u>	<u>1.20%</u>	<u>0.00%</u>	<u>4.42%</u>	
Segment cost of funds (%)	<u>0.00%</u>	<u>0.00%</u>	<u>3.08%</u>	<u>4.36%</u>	<u>0.00%</u>		
<b>Nine months period ended September 30, 2015</b>							
<b>(Un-audited)</b>							
Total income	171,919	218,609	6,905,150	49,406,128	1,349,658	4,384,835	62,436,299
Inter segment revenue	-	(141,952)	11,927,359	(11,785,407)	-	-	-
Total expenses	<u>16,275</u>	<u>-</u>	<u>14,282,849</u>	<u>20,498,195</u>	<u>1,284,261</u>	<u>4,242,913</u>	<u>40,324,493</u>
<b>Net income</b>	<u>155,644</u>	<u>76,657</u>	<u>4,549,660</u>	<u>17,122,526</u>	<u>65,397</u>	<u>141,922</u>	<u>22,111,806</u>
Segment assets (Gross)	<u>-</u>	<u>6,317,835</u>	<u>253,662,770</u>	<u>1,256,975,099</u>	<u>-</u>	<u>24,245,334</u>	<u>1,541,201,038</u>
Segment non - performing loans	<u>-</u>	<u>-</u>	<u>20,157,035</u>	<u>110,491,158</u>	<u>-</u>	<u>-</u>	<u>130,648,193</u>
Segment provision required	<u>-</u>	<u>-</u>	<u>6,539,559</u>	<u>103,469,463</u>	<u>-</u>	<u>-</u>	<u>110,009,022</u>
Segment liabilities	<u>-</u>	<u>-</u>	<u>426,835,272</u>	<u>947,122,046</u>	<u>-</u>	<u>-</u>	<u>1,373,957,318</u>
Segment return on assets (ROA) (%)	<u>0.00%</u>	<u>1.62%</u>	<u>2.70%</u>	<u>1.36%</u>	<u>0.00%</u>	<u>1.49%</u>	
Segment cost of funds (%)	<u>0.00%</u>	<u>0.00%</u>	<u>3.65%</u>	<u>5.52%</u>	<u>0.00%</u>	<u>0.00%</u>	

## 20. RELATED PARTY TRANSACTIONS

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

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

	30 September 2016 (Un-audited)				31 December 2015 (Audited)			
	At 01 January 2016	Given during the year	Repaid during the year	At 30 Sept 2016	At 01 January 2015	Given during the year	Repaid during the year	At 31 December 2015
	(Rupees in '000)							
<b>Advances</b>								
Key Management Executives	193,530	22,130	(53,269)	162,391	186,667	-	(27,556)	159,111
Adjustments*	14,986	-	-	14,986	34,419	-	-	34,419
	208,516	22,130	(53,269)	177,377	221,086	-	(27,556)	193,530
Subsidiaries	426,139	189,218	(50,000)	565,357	603,556	-	(177,417)	426,139
Associates	5,129,535	-	(18,200)	5,111,335	5,410,612	-	(281,077)	5,129,535
Debts due by Company in which director is interested as director	6,020,112	1,033,760	(1,033,760)	6,020,112	9,115,000	62,566,778	(65,661,666)	6,020,112
Adjustments*	(6,020,112)	-	-	(6,020,112)	-	-	-	-
	-	1,033,760	(1,033,760)	-	9,115,000	62,566,778	(65,661,666)	6,020,112
	5,764,190	1,245,108	(1,155,229)	5,854,069	15,350,254	62,566,778	(66,147,716)	11,769,316

	30 September 2016 (Un-audited)				31 December 2015 (Audited)			
	At 01 January 2016	Received during the year	Repaid during the year	At 30 Sept 2016	At 01 January 2015	Received during the year	Repaid during the year	At 31 December 2015
	(Rupees in '000)							
<b>Deposits</b>								
Subsidiaries	2,301,513	216,145	(1,293,389)	1,224,269	411,597	1,893,022	(3,106)	2,301,513
Associates	-	-	-	-	26,038	-	(26,038)	-
Key Management Executives	18,554	305,206	(296,452)	27,308	19,309	303,945	(310,206)	13,048
Adjustments*	(2,843)	-	-	(2,843)	5,506	-	-	5,506
	15,711	305,206	(296,452)	24,465	24,815	303,945	(310,206)	18,554
Pension Fund (Current)	3,371	8,120,397	(8,120,748)	3,020	4,248	27,290,824	(27,291,701)	3,371
Pension Fund (Fixed Deposit)	2,300,000	2,300,000	(2,300,000)	2,300,000	7,300,000	2,300,000	(7,300,000)	2,300,000
Pension Fund (N.I.D.A A/c)	1,128,437	6,953,320	(1,398,507)	6,683,250	1,056,675	13,584,552	(13,512,790)	1,128,437
Provident Fund	13,391,708	2,003,850	(2,421,755)	12,973,803	13,123,803	2,400,226	(2,132,321)	13,391,708
	19,140,740	19,898,918	(15,830,851)	23,208,807	21,947,176	47,772,569	(50,576,162)	19,143,583

\* Adjustments due to changes in key management executives.

	(Un-audited)	(Audited)
	Sept 30, 2016	December 31, 2015
	Rupees in '000	
<b>Placements with:</b>		
Joint venture	29,408	68,450
<b>Repo borrowing from:</b>		
Joint venture	30,646	399,496
<b>Other receivables from subsidiaries</b>	5,477	86,239
<b>Other payables to subsidiaries</b>	88,213	5,154
<b>Off Balance Sheet Items - Joint Venture</b>	109,398	-
<b>Redemption / sale of investment in associates</b>	904,249	8,518,102
<b>Lease finance liabilities paid to subsidiaries</b>	7,515	10,744

	(Un-audited) Nine months period ended Sept 30, 2016	(Un-audited) Nine months period ended Sept 30, 2015
	Rupees in '000	
<b>Income for the period</b>		
On advances / placements with:		
Subsidiaries	698	16,057
Joint Venture	1,115	86,092
Key management executives	-	-
Debts due by company in which director of the bank is interested as director	157	713,760
<b>Financial charges paid on lease assets to subsidiaries</b>	<b>1,953</b>	-
<b>Dividend from joint Venture</b>	<b>162,934</b>	107,723
<b>Dividend from Subsidiary</b>	<b>11,813</b>	-
<b>Expenses for the period</b>		
Remuneration to key management executives	195,635	222,759
Charge for defined benefit plan	20,961	23,867
<b>Mark-up on Deposits of:</b>		
Subsidiaries	10,165	16,302
Associates	-	-
Provident fund	1,167,152	1,390,290
Pension fund	124,774	442,572
<b>Commission paid to subsidiaries</b>	<b>2,891</b>	17,389
<b>Mark-up on Borrowing / Deposits</b>		
Joint Ventures	62	1,760

#### 20.1 Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 4,848 million for the nine months period ended September 30, 2016. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs.281,720 million, Rs.523,944 million and Rs.491,560 million respectively.



## 21. ISLAMIC BANKING BUSINESS

The Bank is operating 118 (December 31, 2015: 79) Islamic banking branches as at September 30, 2016. Statement of financial position and profit and loss account are as under:

	(Un-audited) September 30 2016	(Audited) December 31 2015
	Rupees in '000'	
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Assets</b>		
Cash and balances with treasury banks	2,069,004	1,086,611
Balances with other banks	516,001	3,900,000
Due from financial institutions	1,584,161	2,875,367
Investments	14,071,087	4,111,625
Islamic financing and related assets	3,343,159	837,408
Operating fixed assets	105,784	61,946
Due from Head Office	-	304,234
Other assets	1,306,045	615,660
	<b>22,995,241</b>	<b>13,792,851</b>
<b>Liabilities</b>		
Bills Payable	76,516	37,588
Deposits and other accounts		
- Current accounts	7,908,274	5,743,529
- Saving accounts	9,544,814	5,535,023
- Term deposits	1,768,051	1,422,749
- Deposit from financial institutions-Remunerative	-	-
Due to Head Office	2,701,062	-
Other liabilities	261,423	350,510
	<b>22,260,140</b>	<b>13,089,399</b>
<b>Net Assets</b>	<b>735,101</b>	<b>703,452</b>
<b>Represented By</b>		
Islamic Banking Fund	800,000	800,000
Unappropriated profit	(189,422)	(100,147)
	<b>610,578</b>	<b>699,853</b>
Surplus on revaluation of investments	124,524	3,599
	<b>735,102</b>	<b>703,452</b>

	(Un-audited) Sept 30, 2016	(Audited) December 31, 2015
	----- (Rupees in '000') -----	
<b>21.1 Investments</b>		
Sukuk	11,257,886	1,298,424
Bai Muajjal with GoP	2,944,008	2,944,008
Provision against investments	(130,807)	(130,807)
	<u>14,071,087</u>	<u>4,111,625</u>
<b>21.2 Islamic financing and related assets</b>		
<b>Murabaha</b>		
Financings	321,778	588,400
Advance	500,000	
Provisions	(188,400)	(188,400)
	<u>633,378</u>	<u>400,000</u>
<b>Diminishing Musharaka</b>		
Financings	2,501,686	211,252
Provisions		-
	<u>2,501,686</u>	<u>211,252</u>
<b>Ijarah assets</b>		
Assets	185,354	229,550
Advance	26,135	-
Provisions	(3,394)	(3,394)
	<u>208,095</u>	<u>226,156</u>
	<u>3,343,159</u>	<u>837,408</u>

	(Un-audited) Nine months period ended September 30, 2016	(Un-audited) Nine months period ended September 30, 2015
	----- (Rupees in '000') -----	

**PROFIT AND LOSS ACCOUNT**

Profit / Return earned on financings, investments and placements	808,312	505,398
Profit / Return expensed on deposit	289,378	146,693
Net spread earned	518,934	358,705
Depreciation on assets given on ijarah	(50,006)	(64,342)
	<u>468,928</u>	<u>294,363</u>
Provision against advances and investments	-	(3,394)
Provision reversed against advances and investments	-	20,627
	<u>-</u>	<u>17,233</u>
Profit after provision	468,928	311,596
<b>Other income</b>		
Fee, commission and brokerage income	107,699	47,181
Income from dealing in foreign currencies	2,098	162
Other income	2,400	1,958
Total other income	<u>112,197</u>	<u>49,301</u>
	<u>581,125</u>	<u>360,897</u>
<b>Other expenses</b>		
Administrative expenses	(770,547)	(383,236)
<b>Profit before taxation</b>	<u>(189,422)</u>	<u>(22,339)</u>

(Un-audited)                      (Un-audited)  
 Nine months                      Nine months  
 period ended                      period ended  
 September 30,                      September 30,  
 2016                                      2015  
 ----- (Rupees in '000') -----

### **CASH FLOW STATEMENT**

#### **Cash flow from operating activities**

(Loss) / profit for the period	(189,422)	(22,339)
Adjustments :		
Depreciation - Own assets	9,636	2,462
Depreciation - Ijarah assets	50,006	64,527
Reversal of provision against non performing financings	-	(17,233)
	59,642	49,756
	(129,780)	27,417
(Increase) / decrease in operating assets		
Balance with other banks	3,383,999	(6,576,869)
Due from Financial Institutions	1,291,206	-
Financings and investments	(12,394,295)	(454,460)
Other assets	(690,385)	(421,919)
	(8,409,475)	(7,453,248)
Increase / (decrease) in operating liabilities		
Bills payable	38,928	27,183
Deposits and other accounts	6,519,838	8,201,980
Borrowings from Head Office	3,105,443	(381,816)
Other liabilities	(89,087)	159,657
	9,575,122	8,007,004
Net cash generated from operating activities	1,035,867	581,173
<b>Cash flow from investing activities</b>		
Investment in operating fixed assets	(53,474)	-
Net cash used in investing activities	(53,474)	-
<b>Cash flow from financing activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>Increase in cash and cash equivalents</b>	982,393	581,173
Cash and cash equivalents at beginning of the period	1,086,611	173,676
<b>Cash and cash equivalents at the end of the period</b>	2,069,004	754,849

## **22. DATE OF AUTHORIZATION FOR ISSUE**

The unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on October 27, 2016.

## **23. GENERAL**

### **23.1 Changes in presentation of condensed interim financial statements**

During the period, SBP issued BSD Circular letter No. 05 dated February 29, 2016 whereby banks having Islamic Banking Branches (IBBs) were advised to classify Islamic Financing and Related Assets under the head of "Advances" in their financial statements. Further the banks were advised to classify the Bai Muajjal of Government of Pakistan Sukuk with State Bank of Pakistan and other Financial Institutions under the head "Lendings to Financial Institutions", however Bai Muajjal transactions with Government of Pakistan are required to be reported under "Investments" as " Other Federal Government Securities".

The above requirements have resulted in change in the presentation of Islamic Financing and Related Assets and Bai Muajjal transactions in the condensed interim financial statements and as a result corresponding figures have also been reclassified in these condensed interim financial statements as follows:

- Bai Muajjal of Rs.2,944 million has been reclassified from "Lending to financial institutions" to "Investments".
- Assets given on Ijarah of Rs. 230 million (net) have been reclassified from "Operating fixed assets" to "Advances".

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

\_\_\_\_\_  
 Chairman / President

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director

# National Bank of Pakistan

Consolidated Condensed Interim Financial statements  
for the nine months period ended September 30, 2016

## Directors' Report to the Shareholders Consolidated Financial Statements

I am pleased to present, on behalf of the Board of Directors, the consolidated financial statements of the Bank and its Subsidiaries for the nine months period ended September 30, 2016.

These consolidated financial statements have been prepared in accordance with the approved International Financial Reporting Standards and Islamic Financial Accounting Standards and such other applicable directives. In September 2015, due to then adoption of the IFRS-10, investments in associated funds were consolidated as per requirements of the said IFRS which prior to adaptation of the said IFRS were accounted for under equity method. The SECP, vide notification dated January 28, 2016, withdrew the said requirements and therefore the investments are again accounted for under equity method. Accordingly, in the instant financial statements, the comparative profit & loss statement for the nine months period ended September 30, 2015 have been restated accordingly.

For the nine months period under review, pre-tax profit is higher by 8.2% at Rs. 23.2 billion and the after-tax profit also significantly increased by 20.5% to Rs. 13.6 billion. During the period under review, our subsidiaries and associates have recorded an improvement both in terms of profit contribution and balance sheet growth. Net income contributed by the group companies for the nine month period under review amounted to Rs. 228 million, compared to a loss of Rs. 785 million for the corresponding nine months period of 2015. Our subsidiaries cumulatively add up Rs. 5,568 million to our total assets and Rs. 3,689 million to our net assets.

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

	<i>(Rs. Millions)</i>
Pre-tax profit for nine months period ended September 30, 2016	23,161
Taxation	
Current	7,106
Prior Year(s)	1,344
Deferred	1,067
	9,517
After-tax profit for nine months period ended September 30, 2016	13,644
Other comprehensive income - net of tax	1,167
Non-controlling interest	(39)
Un-appropriated profit brought forward	52,725
Transfer from surplus on revaluation of fixed assets	85
Profit available for appropriations	67,582
Transfer to Statutory Reserve	(1,342)
Cash dividend paid – 2015	(15,956)
Un-appropriated profit carried forward	50,284

On behalf of the Board of Directors,

**Syed Ahmed Iqbal Ashraf**

Chairman / President

Date: October 27, 2016

## ڈائریکٹرز رپورٹ برائے حصص مالکان (مجمع مالیاتی گوشوارے)

میں بورڈ آف ڈائریکٹرز کی طرف سے 30 ستمبر 2016 کو ختم ہونے والی 9 ماہ کی مدت کے لیے بینک اور اس کی سمڈریز کے مجمع مالیاتی گوشوارے پیش کرتے ہوئے سرت محسوس کر رہا ہوں۔

ستمبر 2015 میں IFRS-10 کو اختیار کیے جانے اور اس کے مطابق منسلک فنڈز میں سرمایہ کاری کو مجتمع کیا گیا تھا جو اس سے قبل ایکوینیٹی منجمنٹ کی بنیاد پر شمار کی جاتی تھی، تاہم SECP نے 28 جنوری 2016 کو اپنے نوٹیفکیشن کے ذریعے مذکورہ IFRS کے تقاضوں کو واپس لے لیا چنانچہ گروپ کے سالانہ مالیاتی گوشواروں میں ان فنڈز کو مجتمع نہیں کیا گیا تھا۔ اسی بنا پر حالیہ کھاتوں میں سرمایہ کاری کو دوبارہ ایکوینیٹی منجمنٹ کے تحت ترتیب دیا گیا ہے۔ اس مناسبت سے فوری مالیاتی گوشواروں میں 30 ستمبر 2015 کو ختم ہونے والے 9 ماہی مدت کے تقابلی گوشواروں کو نئے سرے سے ترتیب دیا گیا ہے۔

زیر جائزہ 9 ماہ کے دوران یہ منسلک ارننگس منافع 8.2 فیصد بڑھ کر 23.2 ارب روپے رہا، جبکہ بعد از ٹیکس منافع 20.5 فیصد اضافہ کے ساتھ 13.6 ارب روپے رہا۔ زیر جائزہ مدت کے دوران بینک کے منسلک اداروں کی طرف سے کل نفع اور کل بیلنس شیٹ میراڈی میں بہتر کارکردگی کا مظاہرہ کیا گیا ان اداروں کی طرف سے کل نفع میں 228 ملین روپے نفع مجتمع کیا گیا جب کہ 2015 کی اسی مدت کے دوران 785 ملین روپے کا نقصان ریکارڈ کیا گیا تھا۔ مجموعی طور پر زیر جائزہ 9 ماہ کی مدت کے لیے ہمارے منسلک اداروں نے بینک کے کل اساسوں میں 5,568 ملین روپے جبکہ خالص اساسوں میں 3,689 ملین روپے جمع کئے ہیں۔

مجموعی کاروباری نتائج اور منافع کی تفصیلات بورڈ کی سفارش کے مطابق درج ذیل ہیں (رقم ملین روپوں میں)

30 ستمبر 2016 کو ختم ہونے والی 9 ماہی مدت کے لیے قبل از ٹیکس منافع	23,161
ٹیکس	
موجودہ	7,106
گذشتہ سالوں میں	1,344
مؤخر شدہ	1,067
کل ٹیکس	9,517
30 ستمبر 2016 کو ختم ہونے والی 9 ماہی مدت کے لیے بعد از ٹیکس منافع	13,644
دیگر جامع آمدن۔ نیٹ آف ٹیکس	1,167
ہان کنٹریولنگ انٹرسٹ	(39)
آئی سی منٹل کیا گیا غیر استعمال شدہ منافع	52,725
گلسڈ ایسیٹس کی از سر نو تعیین پر خالص سرمائے سے منتقلی	85
استعمال کے لیے دستیاب منافع	67,582
مالیاتی ذخائر کی منتقلی	(1,342)
2015 کا ادا کیا گیا کیش ڈیویڈنڈ	(15,956)
آئی سی منٹل کیا غیر استعمال شدہ منافع	50,284

از طرف بورڈ آف ڈائریکٹرز

سید احمد اقبال اشرف

صدر/چیرمین

بتاریخ: 27 اکتوبر 2016ء

**NATIONAL BANK OF PAKISTAN**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**AS AT SEPTEMBER 30, 2016**

		(Un-audited) September 30, 2016	(Audited) December 31, 2015
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		<b>180,720,844</b>	151,190,845
Balances with other banks		<b>11,758,685</b>	20,639,421
Lendings to financial institutions - net		<b>14,987,108</b>	7,694,516
Investments - net	7	<b>868,923,836</b>	829,190,763
Advances - net	8	<b>622,747,532</b>	580,323,536
Operating fixed assets	9	<b>32,486,073</b>	33,071,124
Deferred tax assets	10	<b>7,566,042</b>	9,672,251
Other assets		<b>95,858,926</b>	80,091,712
		<b>1,835,049,046</b>	1,711,874,168
<b>LIABILITIES</b>			
Bills payable		<b>6,930,594</b>	9,171,616
Borrowings from financial institutions	11	<b>156,756,221</b>	22,384,853
Deposits and other accounts	12	<b>1,416,865,659</b>	1,431,535,397
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		<b>76,200</b>	91,188
Deferred tax liabilities		-	-
Other liabilities		<b>82,437,970</b>	77,036,023
		<b>1,663,066,644</b>	1,540,219,078
<b>NET ASSETS</b>		<b>171,982,402</b>	171,655,091
<b>REPRESENTED BY</b>			
Share capital		<b>21,275,131</b>	21,275,131
Reserves		<b>46,810,823</b>	45,202,342
Unappropriated profit		<b>50,284,132</b>	52,724,525
		<b>118,370,086</b>	119,201,998
Non-controlling Interest		<b>751,990</b>	721,816
		<b>119,122,076</b>	119,923,814
Surplus on revaluation of assets - net	13	<b>52,860,326</b>	51,731,278
		<b>171,982,402</b>	171,655,091
<b>CONTINGENCIES AND COMMITMENTS</b>	14		

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

\_\_\_\_\_  
Chairman / President

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**NATIONAL BANK OF PAKISTAN**  
**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

	Quarter Ended September 30, 2016	Nine Months Ended September 30, 2016	Quarter Ended September 30, 2015	Nine Months Ended September 30, 2015
Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest earned	26,477,445	84,185,902	26,191,579	84,057,346
Mark-up / Return / Interest expensed	14,999,254	44,580,429	14,520,122	45,889,443
Net mark-up / return / interest income	11,478,191	39,605,473	11,671,457	38,167,903
Provision against non-performing advances - net	8.2 1,016,619	2,953,533	1,280,974	8,034,332
Reversal of provision for diminution in value of investments - net	7.2 (616,798)	(1,160,392)	321,267	(168,399)
Provision against off-balance sheet obligations	-	-	-	140,238
Bad debts written off directly	-	-	-	-
	399,822	1,793,141	1,602,241	8,006,171
Net mark-up / interest income after provisions	11,078,370	37,812,332	10,069,216	30,161,732
<b>NON MARK-UP/ INTEREST INCOME</b>				
Fee, commission and brokerage income	3,207,348	10,690,252	2,832,283	9,089,183
Dividend income	467,707	1,979,435	602,598	2,062,299
Income from dealing in foreign currencies	84,008	1,805,627	1,623,618	2,839,351
Gain on sale and redemption of securities - net	2,685,698	5,912,445	2,295,985	9,849,564
Unrealized loss on revaluation of investments classified as held-for-trading	25,091	19,660	3,797	3,063
Share of profit from joint ventures	75,316	225,802	293,354	465,353
Share of profit / (loss) from associates	(373,525)	(272,722)	(225,513)	(749,662)
Other income	15 416,566	1,152,194	468,562	1,398,484
Total non mark-up / interest income	6,588,208	21,512,693	7,894,684	24,957,635
	17,666,577	59,325,025	17,963,900	55,119,367
<b>NON MARK-UP/ INTEREST EXPENSES</b>				
Administrative expenses	11,479,242	35,269,573	10,846,575	33,107,106
Other provisions / write-offs	16 239,140	773,598	213,574	562,550
Other charges	7,459	121,229	21,543	38,774
Total non mark-up / interest expenses	11,725,841	36,164,400	11,081,692	33,708,430
	5,940,736	23,160,625	6,882,208	21,410,937
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	5,940,736	23,160,625	6,882,208	21,410,937
Taxation - current	1,903,267	7,105,957	2,488,304	9,121,866
- prior year(s)	-	1,343,826	-	2,298,465
- deferred	475,028	1,066,708	(51,811)	(1,329,795)
	2,378,295	9,516,491	2,436,493	10,090,536
<b>PROFIT AFTER TAXATION</b>	3,562,441	13,644,134	4,445,715	11,320,401
Share holders of the bank	3,534,078	13,605,518	4,415,034	11,254,254
Minority Interest	28,363	38,616	30,681	66,147
	3,562,441	13,644,134	4,445,715	11,320,401
<b>Basic and diluted earnings per share (Rupees)</b>	18 1.66	6.40	2.08	5.29

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

Chairman / President

Director

Director

Director



**NATIONAL BANK OF PAKISTAN**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

	Quarter Ended 30-Sep 2016	Nine Months Ended 30-Sep 2016	Quarter Ended 30-Sep 2015	Nine Months Ended 30-Sep 2015
----- (Rupees in '000') -----				
Profit after taxation	3,562,441	13,644,134	4,445,715	11,320,401
Other comprehensive income:				
<i><u>Items to be reclassified to profit or loss</u></i>				
<i><u>in subsequent periods:</u></i>				
Exchange gain/ (loss) on translation of net assets of foreign branches	(272,451)	266,942	(605,953)	(876,499)
<i><u>Items not to be reclassified to profit or loss</u></i>				
<i><u>in subsequent periods:</u></i>				
Remeasurements of defined benefit liability	4,589,331	1,794,650	1,151,537	1,987,837
Related tax effects	(1,606,266)	(628,128)	(403,038)	(695,743)
	2,983,065	1,166,522	748,499	1,292,094
<b>Other comprehensive income - net of tax</b>	<b>2,710,614</b>	<b>1,433,464</b>	<b>142,546</b>	<b>415,595</b>
<b>Total comprehensive income transferred to equity</b>	<b>6,273,055</b>	<b>15,077,598</b>	<b>4,588,261</b>	<b>11,735,996</b>

Components of comprehensive income not reflected in equity:

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

Surplus on revaluation of available-for-sale securities	(157,850)	(193,361)	(9,185,000)	(7,730,817)
Related tax effects	(397,168)	(366,492)	2,794,352	(5,064,676)
<b>Other comprehensive income/ (loss) - net of tax</b>	<b>(555,018)</b>	<b>(559,853)</b>	<b>(6,390,648)</b>	<b>(12,795,493)</b>

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

\_\_\_\_\_  
Chairman / President

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**NATIONAL BANK OF PAKISTAN**  
**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
----- (Rupees in '000') -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	23,160,625	21,410,937
Less: Dividend income	1,979,435	2,062,299
	21,181,190	19,348,638
<b>Adjustments</b>		
Depreciation	2,121,169	1,808,892
Provision against non-performing loans and advances	2,953,533	8,034,332
Provision for diminution in value of investments	(1,160,392)	(168,399)
Provision against off-balance sheet obligations	-	140,238
Other provision / write-offs	773,598	562,550
Gain on sale of fixed assets	(90,885)	(1,015)
Share of (gain)/ loss from joint ventures	(225,802)	(465,353)
Share of profit / (loss) from associates	272,722	749,662
Financial charges on leased assets	2,007	10,649
	4,645,950	10,671,556
	25,827,140	30,020,194
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	(2,952,592)	96,132,927
Held-for-trading securities	(11,765,355)	2,345,024
Advances	(44,377,529)	50,464,351
Other assets	(7,763,601)	(9,988,256)
	(66,859,077)	138,954,046
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	(2,241,022)	193,976
Borrowings	115,445,004	48,846,996
Deposits and other accounts	(14,669,738)	(42,706,247)
Other liabilities (excluding current taxation)	6,306,669	4,779,344
	104,840,913	11,114,069
Income tax paid	(14,077,612)	(9,861,147)
Financial charges paid	(2,007)	(10,649)
	(14,079,619)	(9,871,796)
<b>Net cash generated from operating activities</b>	49,729,357	170,216,513
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	32,522,975	(113,944,875)
Net investments in held-to-maturity securities	(60,099,096)	(18,124,890)
Proceeds from investments in associates and subsidiaries	12,264	18,142,133
Dividend received	2,142,369	2,062,299
Investments in operating fixed assets	(2,121,064)	(1,745,627)
Sale proceeds of operating fixed assets disposed off	90,885	1,015
<b>Net cash used in from investing activities</b>	(27,451,667)	(113,609,945)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(14,988)	12,157
Dividend paid	(15,965,940)	(11,662,055)
<b>Net cash used in financing activities</b>	(15,980,928)	(11,649,898)
Effects of exchange rate changes on cash and cash equivalents	266,942	(876,499)
<b>Net (decrease) / increase in cash and cash equivalents</b>	6,563,704	44,080,171
Cash and cash equivalents at beginning of the period	171,188,959	119,106,104
<b>Cash and cash equivalents at the end of the period</b>	177,752,663	163,186,275

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

\_\_\_\_\_  
Chairman / President

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)**  
**For the Nine Months Period ended September 30, 2016**

Share capital	Attributable to the shareholders of the bank					Sub Total	Non Controlling Interest	Total	
	Reserves				Unappropriated profit				
	Capital		Loan Loss	Revenue General					
Exchange Translation	Statutory								
(Rupees in '000)									
Balance as at January 1, 2015	21,275,131	9,388,710	23,086,448		521,338	59,751,578	114,023,205	717,017	114,740,222
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the nine months period ended September 30, 2015	-	-	-		-	11,254,254	11,254,254	66,147	11,320,401
Other comprehensive income - net of tax	-	(876,499)	-		-	1,292,094	415,595	-	415,595
	-	(876,499)	-		-	12,546,348	11,669,849	66,147	11,735,996
Transferred from surplus on revaluation of fixed assets to unappropriated profit- net of tax	-	-	-		-	89,950	89,950	-	89,950
Transfer to Statutory Reserve	-	-	1,210,514		-	(1,210,514)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	12,000,000		(12,000,000)	-	-	-
<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 September 30, 2015</b>	<b>21,275,131</b>	<b>8,512,211</b>	<b>24,296,962</b>	<b>12,000,000</b>	<b>521,338</b>	<b>47,476,040</b>	<b>114,081,682</b>	<b>783,164</b>	<b>114,864,846</b>
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the three months period ended December 31, 2015	-	-	-		-	8,788,780	8,788,780	(32,598)	8,756,182
Other comprehensive income - net of tax	-	(839,541)	-		-	(2,858,907)	(3,698,448)	-	(3,698,448)
	-	(839,541)	-		-	5,929,873	5,090,332	(32,598)	5,057,734
Transferred from surplus on revaluation of operating fixed assets	-	-	-		-	29,984	29,984	-	29,984
Transfer to Statutory Reserve	-	-	711,372		-	(711,372)	-	-	-
Cash dividend paid/ profit distribution by subsidiaries	-	-	-		-	-	-	(28,750)	(28,750)
<b>Balance as at December 31, 2015</b>	<b>21,275,131</b>	<b>7,672,670</b>	<b>25,008,334</b>	<b>12,000,000</b>	<b>521,338</b>	<b>52,724,525</b>	<b>119,201,998</b>	<b>721,816</b>	<b>119,923,814</b>
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the nine months period ended September 30, 2016	-	-	-		-	13,605,518	13,605,518	38,616	13,644,134
Other comprehensive income - net of tax	-	266,942	-		-	1,166,522	1,433,464	-	1,433,464
	-	266,942	-		-	14,772,040	15,038,982	38,616	15,077,598
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-		-	85,454	85,454	-	85,454
Transfer to Statutory Reserve	-	-	1,341,539		-	(1,341,539)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Cash dividend (Rs. 7.5 per share)	-	-	-		-	(15,956,348)	(15,956,348)	-	(15,956,348)
Cash dividend paid / Profit distribution by subsidiaries	-	-	-		-	-	-	(8,442)	(8,442)
	-	-	-		-	-	-	-	-
<b>Balance as at September 30, 2016</b>	<b>21,275,131</b>	<b>7,939,612</b>	<b>26,349,873</b>	<b>12,000,000</b>	<b>521,338</b>	<b>50,284,132</b>	<b>118,370,086</b>	<b>751,990</b>	<b>119,122,076</b>

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

Chairman / President

Director

Director

Director

**NATIONAL BANK OF PAKISTAN**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

**1. THE GROUP AND ITS OPERATIONS**

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

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,409 (2015: 1,403) branches in Pakistan and 21 (2015: 21) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to Long Term Credit Fund (LTCF) and Endowment Fund for Student Loan Scheme.

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

**1.2 Basis of Consolidation**

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

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

Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.

Material intra-group balances and transactions have been eliminated.

The SECP, vide its letter EMD/233/627/2002-333 dated November 11, 2015 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 0.000081% of the total assets of the bank and the investment have been fully provided.

## 2. STATEMENT OF COMPLIANCE

- 2.1** These condensed interim consolidated financial statements of the Bank for the nine months period ended September 30, 2016 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. 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 consolidated 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, 2015.

## 3. BASIS OF MEASUREMENT

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

These condensed interim consolidated 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 consolidated 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, 2015 except for the following.

#### 4.1 Non Banking acquired in satisfaction of claims

Effective January 1, 2016, the Bank has changed its accounting policy prospectively for non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016. In line with the guidance provided in the Regulations, the non-banking assets acquired in satisfaction of claims are now carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to the profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, Non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs 1,441 million while surplus on revaluation of assets and deferred tax assets would have been lower by Rs 1,319 million and Rs 122 million respectively.

#### 4.2 New Standards, Interpretations and Amendments

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

##### Standard or Interpretation

- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)
- IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
- IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
- IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
- IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

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

The accounting estimates and associated assumptions used in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2015.

### 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, 2015.

## 7. INVESTMENTS - net

Note	September 30, 2016 (Un-audited)			December 31, 2015 (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		4,380,388	-	4,380,388	631,277	-	631,277
7.3	Pakistan Investment Bonds		9,037,297	-	9,037,297	1,439,315	-	1,439,315
	Ordinary shares of listed companies		609,498	-	609,498	167,271	-	167,271
	Investment in mutual funds		296,387	-	296,387	320,352	-	320,352
	<b>Total held-for-trading securities</b>		<b>14,323,570</b>	<b>-</b>	<b>14,323,570</b>	<b>2,558,215</b>	<b>-</b>	<b>2,558,215</b>
<b>Available-for-sale securities</b>								
	Ordinary Shares of Listed companies		22,803,350	-	22,803,350	23,056,382	-	23,056,382
	Ordinary Shares of Unlisted companies		2,129,263	-	2,129,263	1,129,263	-	1,129,263
	Market Treasury Bills	369,635,728	46,987,128		416,622,856	402,985,122	10,214,352	413,199,474
7.3	Pakistan Investment Bonds	100,047	105,656,870		105,756,917	161,777,009	93,031	161,870,040
	GoP Foreign Currency Bonds		9,729,747	-	9,729,747	7,906,318	-	7,906,318
	Foreign Currency Debt Securities		3,087,140	-	3,087,140	4,783,662	-	4,783,662
	Foreign Government Securities		519,263	-	519,263	-	-	-
	Term Finance Certificates / Musharika and Sukuk Bonds		52,276,615	-	52,276,615	33,672,956	-	33,672,956
	Preference Shares		633,660	-	633,660	846,660	-	846,660
	Investments in Mutual Funds		1,212,740	-	1,212,740	1,143,984	-	1,143,984
	Investments Outside Pakistan		463,295	-	463,295	463,295	-	463,295
	<b>Total available- for- sale securities</b>	<b>369,735,775</b>	<b>245,499,071</b>	<b>369,735,775</b>	<b>615,234,846</b>	<b>637,764,651</b>	<b>10,307,383</b>	<b>648,072,034</b>
<b>Held-to-maturity securities</b>								
7.3	Pakistan Investment Bonds		144,035,859	-	144,035,859	107,575,573	-	107,575,573
	Market Treasury Bills		28,864,818	-	28,864,818	8,307,581	-	8,307,581
	GoP Foreign Currency Bonds		3,507,406	-	3,507,406	1,610,375	-	1,610,375
	Other Federal Government Securities		2,944,008	-	2,944,008	2,944,008	-	2,944,008
	Foreign Government Securities		22,058,813	-	22,058,813	20,863,694	-	20,863,694
	Foreign Currency Debt Securities		405	-	405	406	-	406
	Debentures, Bonds, Participation Term Certificates & Term Finance Certificates		800,568	-	800,568	811,144	-	811,144
	<b>Total held-to-maturity securities</b>		<b>202,211,877</b>	<b>-</b>	<b>202,211,877</b>	<b>142,112,781</b>	<b>-</b>	<b>142,112,781</b>
	<b>Investments in Associates</b>		<b>1,561,437</b>	<b>-</b>	<b>1,561,437</b>	<b>1,751,323</b>	<b>-</b>	<b>1,751,323</b>
	<b>Investments in Joint Venture</b>		<b>4,521,823</b>	<b>-</b>	<b>4,521,823</b>	<b>4,507,135</b>	<b>-</b>	<b>4,507,135</b>
	<b>Investments in Subsidiaries</b>		<b>1,245</b>	<b>-</b>	<b>1,245</b>	<b>1,245</b>	<b>-</b>	<b>1,245</b>
	<b>Investments at cost</b>	<b>369,735,775</b>	<b>468,119,023</b>	<b>369,735,775</b>	<b>837,854,798</b>	<b>788,695,350</b>	<b>10,307,383</b>	<b>799,002,733</b>
	<b>Less: Provision for diminution in value of investments</b>		<b>(14,392,818)</b>	<b>-</b>	<b>(14,392,818)</b>	<b>(15,453,451)</b>	<b>-</b>	<b>(15,453,451)</b>
	<b>Investments (net of provision)</b>	<b>369,735,775</b>	<b>453,726,205</b>	<b>369,735,775</b>	<b>823,461,980</b>	<b>773,241,899</b>	<b>10,307,383</b>	<b>783,549,282</b>
	Unrealized gain on revaluation of investments classified as held-for-trading		19,660	-	19,660	5,924	-	5,924
	Surplus / deficit on revaluation of available-for-sale securities		45,421,147	21,049	45,442,196	45,632,555	3,002	45,635,557
	<b>Total investments</b>	<b>369,756,824</b>	<b>499,167,012</b>	<b>369,756,824</b>	<b>868,923,836</b>	<b>818,880,378</b>	<b>10,310,385</b>	<b>829,190,763</b>

	(Un-audited) September 2016	(Audited) December 31, 2015
Note	----- (Rupees in '000') -----	
<b>7.2 Particulars of provision for diminution in value of investments</b>		
Opening balance	15,453,451	15,668,377
Charge for the period / year	1,314,321	1,055,831
Reversals	(2,474,713)	(1,852,131)
	(1,160,392)	(796,300)
Adjustment due to settlement of put option in respect of shares of Agritech Limited (an associate)	(214,455)	-
Transfer from advances and other assets	314,213	595,227
Others	-	(13,853)
Closing balance	14,392,817	15,453,451
<b>7.2.1 Particulars of provision in respect of type</b>		
<b>Available-for-sale securities</b>		
Ordinary shares of listed companies and mutual funds	2,793,953	3,394,043
Ordinary shares of unlisted companies	398,923	398,923
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,833,778	9,983,942
Preference shares	433,444	446,444
<b>Held-to-maturity securities</b>		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	619,324	619,324
<b>Investment in associates</b>		
	312,150	609,530
<b>Investment in subsidiaries</b>		
	1,245	1,245
	14,392,817	15,453,451
<b>7.2.2 Particulars of provision in respect of segments</b>		
Fully Paid up Ordinary Shares	3,135,000	3,735,090
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	10,453,102	10,603,266
Other investments	491,320	504,320
Investments in associates	312,150	609,530
Investments in subsidiaries	1,245	1,245
	14,392,817	15,453,451

**7.3** These carry fixed mark-up at the rate ranging from 7% to 12% per annum (December 31, 2015: 9% to 12%) having maturity ranging from 3 to 10 years.

## 8. ADVANCES - net

Loans, cash credits, running finances, etc.

In Pakistan	663,223,430	621,615,397
Outside Pakistan	52,582,738	54,635,448
	715,806,168	676,250,845
Islamic financing and related assets	3,534,953	1,026,891
Net investment in finance lease		
In Pakistan	1,088,556	1,270,081
Outside Pakistan	-	-
	1,088,556	1,270,081
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	11,064,113	8,678,788
Payable outside Pakistan	8,261,236	7,387,939
	19,325,349	16,066,727
Advances - gross	739,755,026	694,614,544
Less: Provision against non-performing loans - specific	113,027,394	111,326,647
- general	3,980,100	2,964,361
	117,007,494	114,291,008
Advances - net of provision	622,747,532	580,323,536



- 8.1 Advances include Rs.138,413 million (2015: Rs.128,277 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2016 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	5,138,952	-	5,138,952	60,112	60,112
Substandard	17,460,425	47,024	17,507,449	3,981,088	3,981,088
Doubtful	2,551,343	67,810	2,619,153	886,656	886,656
Loss	81,805,437	31,342,098	113,147,535	108,099,537	108,099,537
	<b>106,956,157</b>	<b>31,456,932</b>	<b>138,413,089</b>	<b>113,027,393</b>	<b>113,027,393</b>

  

Category of Classification	December 31, 2015 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	2,069,365	-	2,069,365	19,476	19,476
Substandard	7,057,274	83,227	7,140,501	1,602,864	1,602,864
Doubtful	2,610,175	152,627	2,762,802	1,074,045	1,074,045
Loss	84,644,181	31,660,021	116,304,202	108,630,262	108,630,262
	<b>96,380,995</b>	<b>31,895,875</b>	<b>128,276,870</b>	<b>111,326,647</b>	<b>111,326,647</b>

## 8.2 Particulars of provision against non-performing advances

	September 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	111,326,647	2,964,361	114,291,008	98,549,185	3,201,465	101,750,650
Exchange adjustments	(108,477)	553	(107,924)	859,521	16,854	876,375
Charge for the period	5,945,006	1,028,175	6,973,181	16,062,482	227,540	16,290,022
Reversals	(4,003,699)	(12,989)	(4,016,688)	(4,944,996)	(481,498)	(5,426,494)
	<b>1,941,307</b>	<b>1,015,186</b>	<b>2,956,493</b>	<b>11,117,486</b>	<b>(253,958)</b>	<b>10,863,528</b>
Transfer (out) / in	59,268	-	59,268	899,465	-	899,465
Amounts written off	(94,306)	-	(94,306)	(18,228)	-	(18,228)
Amount charged off	(119,158)	-	(119,158)	(12,690)	-	(12,690)
Other adjustments	22,112	-	22,112	(68,091)	-	(68,091)
Closing balance	<b>113,027,393</b>	<b>3,980,100</b>	<b>117,007,493</b>	<b>111,326,647</b>	<b>2,964,361</b>	<b>114,291,008</b>

- 8.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 1,914 million (December 31, 2015: Rs. 3,598 million). Accordingly, as of September 30, 2016, the accumulated profit after tax of Rs.1,244 million (December 31, 2015: Rs.2,339 million) shall not be available for payment of cash or stock dividend or bonus to employees as required by aforementioned SBP directive.
- 8.4 During the period State Bank of Pakistan vide BPRD Circular No.10 dated August 3, 2016 has issued revised Prudential Regulations for consumer financing which amongst other things required banks to maintain general reserve at a percentage ranging from 1% to 7% based on secured and unsecured portfolio as per slab of NPL to Gross Loan Ratio for the performing portfolio only. Had there been no change, the profit before tax and net advances would have been higher by Rs 783 million. General provision against Small and Medium Enterprise (SME) financing, represents provision maintained at 1% of secured performing portfolio and 2% of un-secured performing portfolio as required by the Prudential Regulations issued by the SBP.
- 8.5 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of ASG Metals Private Limited and its associated companies till September 30, 2017. Had that relaxation not provided, the amount of non-performing loans would have been higher by Rs. 1,914 and provision would be higher by Rs.1,870 million.
- 8.6 The State Bank of Pakistan has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2016. Accordingly such loans are not included in non-performing loans.

	Note	(Un-audited)	(Audited)
		September 30, 2016	December 31, 2015
		----- (Rupees in '000') -----	
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		1,559,942	1,348,323
Property and equipment		30,602,230	29,709,654
Intangible assets		323,901	648,260
		<u>32,486,073</u>	<u>31,706,237</u>

9.1 Additions and disposals during the period amounted to Rs 1,909 million (Sep 30, 2015: Rs.1,566 million) and Rs 169 million (Sep 30, 2015: Rs. 32 million) respectively.

## 10. DEFERRED TAX ASSETS - net

### Deferred tax assets arising in respect of

Provision for diminution in the value of investments	3,814,200	4,117,499
Provision against non-performing advances	5,689,603	8,000,570
Other provisions	2,553,981	2,262,569
Provision against defined benefits plans	11,168,985	10,807,811
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
	<u>24,035,298</u>	<u>25,996,978</u>

### Deferred tax liabilities arising in respect of

Excess of accounting book value of leased assets over lease liabilities	(5,230)	(8,097)
Revaluation of securities	(15,395,340)	(15,104,136)
Operating fixed and non-banking assets	(1,068,686)	(1,212,494)
	<u>(16,469,256)</u>	<u>(16,324,727)</u>

Net deferred tax assets

	<u>7,566,042</u>	<u>9,672,251</u>
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## 11. BORROWINGS

Borrowings include repurchase agreement borrowings amounting to Rs.127,676 million (December 31, 2015: Rs.10,302 million).

## 12. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	370,798,554	330,551,976
Savings deposits	393,389,746	382,255,071
Current accounts - remunerative	199,440,512	183,332,050
Current accounts - non-remunerative	310,750,042	332,225,875
	<u>1,274,378,854</u>	<u>1,228,364,972</u>

### Financial Institutions

Remunerative deposits	30,578,752	109,257,412
Non-remunerative deposits	111,908,053	93,913,014
	<u>142,486,805</u>	<u>203,170,425</u>
	<u>1,416,865,659</u>	<u>1,431,535,397</u>

		(Un-audited) September 30, 2016	(Audited) December 31, 2015
	Note	----- (Rupees in '000') -----	
<b>13 SURPLUS ON REVALUATION OF ASSETS - net</b>			
Surplus on revaluation of fixed assets		23,301,376	23,002,503
Surplus on revaluation of non-banking assets	4.1	1,440,645	-
<b>Surplus on revaluation of Available-for-sale securities - net of tax</b>			
Federal Government Securities		7,433,460	9,109,036
Term Finance Certificates and Sukuks		118,367	59,167
Shares and mutual funds		31,403,569	26,047,519
GoP Foreign Currency Bonds		353,620	288,428
Foreign Currency Debt Securities		108,809	39,306
Investments outside Pakistan		6,024,371	10,092,101
		<u>45,442,196</u>	<u>45,635,557</u>
		<u>70,184,217</u>	<u>68,638,060</u>
<b>Deferred Tax liability</b>			
Surplus on revaluation of fixed assets		(1,190,009)	(1,236,022)
Surplus on revaluation of non-banking assets	4.1	(121,301)	-
Surplus on revaluation of Available-for-sale securities		(15,395,340)	(15,104,136)
		<u>(16,706,650)</u>	<u>(16,340,158)</u>
Share of Revaluation Loss on Securities of Associates		(617,241)	(566,624)
		<u>52,860,326</u>	<u>51,731,278</u>

#### 14. CONTINGENCIES AND COMMITMENTS

##### 14.1 Direct credit substitutes

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

- Government	6,308,685	7,422,663
- Financial institutions	7,514,233	6,329,462
- Others	19,398,406	21,583,972
	<u>33,221,324</u>	<u>35,336,097</u>

##### 14.2 Transaction-related contingent liabilities

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

- Government	16,527,743	13,470,397
- Financial institutions	15,739,366	1,934,967
- Others	18,766,355	9,945,571
	<u>51,033,464</u>	<u>25,350,935</u>

##### 14.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	350,317,601	221,145,520
- Financial institutions	10,157,785	-
- Others	46,829,339	48,844,025
	<u>407,304,725</u>	<u>269,989,545</u>

(Un-audited) (Un-audited) September 30, 2016 ----- (Rupees in '000') -----	(Audited) (Audited) December 31, 2015
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#### 14.4 Other contingencies

**14.4.1** Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 204 million (2015: Rs. 204 million), claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2015: Rs. 1,597 million)].

14,589,435

17,262,055

#### 14.4.2 Taxation

The current status of tax contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2015, except for;

During the period, the tax authorities finalized amendment proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2015 and raised demand of Rs. 1.237 billion in its order passed under section 122(5A) of the Ordinance. The Bank has paid the demand of Rs. 906.472 million whereas the Workers Welfare Fund of Rs. 331.178 million is not paid as decided in Banks favour in earlier years . Against these orders the bank has preferred appeals before the Commissioner Inland Revenue Appeals which are pending. The aggregate effect of contingencies as on June 30, 2016 amounts to Rs.15.030 billion (December 31, 2015: Rs. 14.6 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

#### 14.4.3 Barter Trade Agreements

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2015.

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

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2015.

#### 14.4.5 Foreign Exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporter namely: M/S Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 1,020 million, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgments. The Honorable High Court has granted relief to Bank by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

	(Un-Audited) June 30, 2016	(Audited) December 31, 2015
	----- (Rupees in '000) -----	
<b>14.5 Commitments in respect of forward exchange contracts</b>		
Purchase	159,003,441	273,199,134
Sale	110,191,370	183,645,395
<b>14.6 Other Commitments</b>		
Professional services to be received	15,395	81,095
Commitments for sale of quoted securities under future contracts under counter commitments		174,985
<b>14.7 Commitments for the acquisition of operating fixed assets</b>	<b>1,236,532</b>	1,999,488

#### 15. OTHER INCOME

Other Income includes Rs 1,028 million (September 30: 2015: Rs 1,220 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

#### 16. OTHER PROVISIONS AND WRITE - OFFS

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

#### 17. TAXATION

The Federal Government vide Finance Act 2016 has imposed a onetime super tax at the rate of 4% on income of banks for the year ended December 31, 2015 (Tax Year 2016). This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Accordingly, provisions of Rs 1,344 million for Super tax has been made for the prior year.

	Quarter Ended September 30 2016	Nine Months Ended September 30 2016	Quarter Ended September 30 2015	Nine Months Ended September 30 2015
<b>18. BASIC AND DILUTED EARNINGS PER SHARE</b>				
Profit after taxation (Rupees in '000)	3,534,078	13,605,518	4,415,034	11,254,254
Weighted average number of ordinary shares (Number '000)	2,127,513	2,127,513	2,127,513	2,127,513
Basic and diluted earnings per share (Rupees)	1.66	6.40	2.08	5.29

#### 19. 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 -----								
<b>September 30, 2016-Unaudited</b>									
Total income	518,372	694,068	11,142,319	40,510,881	2,149,385	5,348,148	675,460	79,533	61,118,166
Inter segment revenue	-	(153,003)	7,272,775	(7,119,772)	-	-	-	-	-
Total expenses	18,299	18,663	13,702,152	17,605,299	1,401,292	4,588,354	541,315	82,168	37,957,541
<b>Net income</b>	<b>500,073</b>	<b>522,402</b>	<b>4,712,942</b>	<b>15,785,810</b>	<b>748,093</b>	<b>759,794</b>	<b>134,145</b>	<b>(2,635)</b>	<b>23,160,625</b>
Segment Assets	-	91,981,865	248,022,462	1,545,268,414	-	23,054,185	1,598,186	519,215	1,835,049,046
Segment Non-Performing Loans	-	-	17,901,307	120,511,782	-	-	-	-	138,413,089
Segment Specific Provision Required	-	-	11,261,811	105,745,683	-	-	-	-	117,007,494
Segment Liabilities	-	79,735,751	459,494,220	1,201,693,268	-	-	964,831	225,496	1,663,066,644
Segment Return on Assets (ROA) (%)	0.00%	4.31%	2.70%	1.20%	0.00%	4.42%	1.04%	-2.70%	
Segment Cost of Fund (%)	0.00%	0.00%	3.08%	4.36%	0.00%	0.00%	9.33%	6.88%	
<b>September 30, 2015 - Unaudited</b>									
Total income	171,919	159,103	6,905,150	49,406,128	1,349,658	4,384,835	649,708	99,037	63,125,538
Inter segment revenue	-	(141,952)	11,927,359	(11,785,407)	-	-	-	-	-
Total expenses	16,275	-	14,282,849	21,317,408	1,284,261	4,242,913	493,811	77,084	41,714,601
<b>Net income</b>	<b>155,644</b>	<b>17,151</b>	<b>4,549,660</b>	<b>16,303,313</b>	<b>65,397</b>	<b>141,922</b>	<b>155,897</b>	<b>21,953</b>	<b>21,410,937</b>
Segment Assets	-	8,058,443	253,662,770	1,258,712,265	-	24,245,334	2,708,145	487,328	1,547,874,285
Segment Non-Performing Loans	-	-	20,157,035	111,041,509	-	-	-	-	131,198,544
Segment Specific Provision Required	-	-	6,539,559	104,022,399	-	-	-	-	92,307,984
Segment Liabilities	-	-	426,835,272	916,743,006	-	32,055,692	1,922,753	170,586	1,377,727,309
Segment Return on Assets (ROA) (%)	0.00%	1.62%	2.70%	1.36%	0.00%	1.49%	3.41%	0.00%	
Segment Cost of Fund (%)	0.00%	0.00%	3.65%	5.52%	0.00%	0.00%	16.68%	16.00%	

## 20. RELATED PARTY TRANSACTIONS

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

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

	30 September 2016 (Un-audited)				31 December 2015 (Audited)			
	At 01 January 2016	Given during the year	Repaid during the year	At 30 September 2016	At 01 January 2015	Given during the year	Repaid during the year	At 31 December 2015
	(Rupees in '000)							
<b>Advances</b>								
Key Management Executives	193,530	22,130	(53,269)	162,391	186,667	-	(27,556)	159,111
Adjustments*	14,986	-	-	14,986	34,419	-	-	34,419
	208,516	22,130	(53,269)	177,377	221,086	-	(27,556)	193,530
Associates	5,129,535	-	(18,200)	5,111,335	5,410,612	-	(281,077)	5,129,535
Debts due by Company in which director is interested as director	6,020,112	1,033,760	(1,033,760)	6,020,112	9,115,000	62,566,778	(65,661,666)	6,020,112
Adjustments*	(6,020,112)	-	-	(6,020,112)	-	-	-	-
	-	1,033,760	(1,033,760)	-	9,115,000	62,566,778	(65,661,666)	6,020,112
	<b>5,338,051</b>	<b>1,055,889</b>	<b>(1,105,229)</b>	<b>5,288,712</b>	<b>14,746,698</b>	<b>62,566,778</b>	<b>(65,970,299)</b>	<b>11,343,177</b>

	30 September 2016 (Un-audited)				31 December 2015 (Audited)			
	At 01 January 2016	Received during the year	Repaid during the year	At 30 September 2016	At 01 January 2015	Received during the year	Repaid during the year	At 31 December 2015
	(Rupees in '000)							
<b>Deposits</b>								
Associates	-	-	-	-	26,038	-	(26,038)	-
Key Management Executives	18,554	305,206	(296,452)	27,308	19,309	303,945	(310,206)	13,048
Adjustments*	(2,843)	-	-	(2,843)	5,506	-	-	5,506
	15,711	305,206	(296,452)	24,465	24,815	303,945	(310,206)	18,554
Pension Fund (Current)	3,371	8,120,397	(8,120,748)	3,020	4,248	27,290,824	(27,291,701)	3,371
Pension Fund (Fixed Deposit)	2,300,000	2,300,000	(2,300,000)	2,300,000	7,300,000	2,300,000	(7,300,000)	2,300,000
Pension Fund (N.I.D.A A/c)	1,128,437	6,953,320	(1,398,507)	6,683,250	1,056,675	13,584,552	(13,512,790)	1,128,437
Provident Fund	13,391,708	2,003,850	(2,421,755)	12,973,803	13,123,803	2,400,226	(2,132,321)	13,391,708
	<b>16,839,227</b>	<b>19,682,773</b>	<b>(14,537,462)</b>	<b>21,984,538</b>	<b>21,535,579</b>	<b>45,879,547</b>	<b>(50,573,056)</b>	<b>16,842,070</b>

\* Adjustments due to changes in key management executives.

	(Un-audited)	(Audited)
	September 30, 2016	December 31, 2015
	Rupees in '000	
<b>Placements with:</b>		
Joint venture	29,408	68,450
<b>Repo borrowing from:</b>		
Joint venture	30,646	399,496
<b>Off Balance Sheet Items - Joint Venture</b>	<b>109,398</b>	-
<b>Redemption / sale of investment in associates</b>	<b>904,249</b>	8,518,102

	(Un-audited) Nine Months period ended September 30, 2016	(Un-audited) Nine Months period ended September 30, 2015
	Rupees in '000	
<b>Income for the period</b>		
On advances / placements with:		
Joint Venture	1,115	86,092
Debts due by company in which director of the bank is interested as director	157	713,760
<b>Expenses for the period</b>		
Remuneration to key management executives	195,635	222,759
Charge for defined benefit plan	20,961	23,867
<b>Mark-up on Deposits of:</b>		
Provident fund	1,167,152	1,390,290
Pension fund	124,774	442,672
<b>Mark-up on Borrowing / Deposits</b>		
Joint Ventures	62	1,760

#### 20.1 Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 4,848 million for the nine months period ended September 30, 2016. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs.281,720 million, Rs.523,944 million and Rs.491,560 million respectively.

#### 21. ISLAMIC BANKING BUSINESS

The Bank is operating 118 (December 31, 2015: 79) Islamic banking branches as at September 30, 2016. Statement of financial position and profit and loss account are as under:

	(Un-audited) September 30 2016	(Audited) December 31, 2015
	Rupees in '000'	
<b><u>STATEMENT OF FINANCIAL POSITION</u></b>		
<b>Assets</b>		
Cash and balances with treasury banks	2,069,004	1,086,611
Balances with other banks	516,001	3,900,000
Due from financial institutions	1,584,161	2,875,367
Investments	14,071,087	4,111,625
Islamic financing and related assets	3,343,159	837,408
Operating fixed assets	105,784	61,946
Due from Head Office	-	304,234
Other assets	1,306,045	615,660
	<b>22,995,241</b>	<b>13,792,851</b>
<b>Liabilities</b>		
Bills Payable	76,516	37,588
Deposits and other accounts		
- Current accounts	7,908,274	5,743,529
- Saving accounts	9,544,814	5,535,023
- Term deposits	1,768,051	1,422,749
- Deposit from financial institutions-Remunerative	-	-
Due to Head Office	2,701,062	-
Other liabilities	261,423	350,510
	<b>22,260,140</b>	<b>13,089,399</b>
<b>Net Assets</b>	<b>735,101</b>	<b>703,452</b>
<b>Represented By</b>		
Islamic Banking Fund	800,000	800,000
Unappropriated profit	(189,422)	(100,147)
	<b>610,578</b>	<b>699,853</b>
Surplus on revaluation of investments	124,524	3,599
	<b>735,102</b>	<b>703,452</b>

	(Un-audited) September 30, 2016 ----- (Rupees in '000') -----	(Audited) December 31, 2015 ----- (Rupees in '000') -----
<b>21.1 Investments</b>		
Sukuk	11,257,886	1,298,424
	2,944,008	2,944,008
Provision against investments	<u>(130,807)</u>	<u>(130,807)</u>
	<u>14,071,087</u>	<u>4,111,625</u>
<b>21.2 Islamic financing and related assets</b>		
<b>Murabaha</b>		
Financings	321,778	588,400
Advance	500,000	-
Provisions	<u>(188,400)</u>	<u>(188,400)</u>
	633,378	400,000
<b>Diminishing Musharaka</b>		
Financings	2,501,686	211,252
Provisions	-	-
	<u>2,501,686</u>	<u>211,252</u>
<b>Ijarah assets</b>		
Assets	185,354	229,550
Advance	26,135	-
Provisions	<u>(3,394)</u>	<u>(3,394)</u>
	208,095	226,156
	<u>3,343,159</u>	<u>837,408</u>
	(Un-audited) Nine Months Period ended September 30, 2016 ----- (Rupees in '000') -----	(Un-audited) Nine Months Period ended September 30, 2015 ----- (Rupees in '000') -----
<b>PROFIT AND LOSS ACCOUNT</b>		
Profit / Return earned on financings, investments and placements	808,312	505,398
Profit / Return expensed on deposit	<u>289,378</u>	<u>146,693</u>
Net spread earned	518,934	358,705
Depreciation on assets given on ijarah	<u>(50,006)</u>	<u>(64,342)</u>
	468,928	294,363
Provision against advances and investments	-	(3,394)
Provision reversed against advances and investments	-	20,627
	-	17,233
Profit after provision	<u>468,928</u>	<u>311,596</u>
<b>Other income</b>		
Fee, commission and brokerage income	107,699	47,181
Income from dealing in foreign currencies	2,098	162
Other income	<u>2,400</u>	<u>1,958</u>
Total other income	<u>112,197</u>	<u>49,301</u>
	581,125	360,897
<b>Other expenses</b>		
Administrative expenses	<u>(770,547)</u>	<u>(383,236)</u>
<b>Profit before taxation</b>	<u>(189,422)</u>	<u>(22,339)</u>



	(Un-audited) Nine Months Period ended September 30, 2016 ----- (Rupees in '000') -----	(Un-audited) Nine Months Period ended September 30, 2015
<b>CASH FLOW STATEMENT</b>		
<b>Cash flow from operating activities</b>		
(Loss) / profit for the period	(189,422)	(22,339)
Adjustments :		
Depreciation - Own assets	9,636	2,462
Depreciation - Ijarah assets	50,006	64,527
Reversal of provision against non performing financings	-	(17,233)
	<u>59,642</u>	<u>49,756</u>
	(129,780)	27,417
(Increase) / decrease in operating assets		
Balance with other banks	3,383,999	(6,576,869)
Due from Financial Institutions	1,291,206	-
Financings and investments	(12,394,295)	(454,460)
Other assets	(690,385)	(421,919)
	<u>(8,409,475)</u>	<u>(7,453,248)</u>
Increase / (decrease) in operating liabilities		
Bills payable	38,928	27,183
Deposits and other accounts	6,519,838	8,201,980
Borrowings from Head Office	3,105,443	(381,816)
Other liabilities	(89,087)	159,657
	<u>9,575,122</u>	<u>8,007,004</u>
Net cash generated from operating activities	1,035,867	581,173
<b>Cash flow from investing activities</b>		
Investment in operating fixed assets	(53,474)	-
Net cash used in investing activities	<u>(53,474)</u>	-
<b>Cash flow from financing activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>Increase in cash and cash equivalents</b>	<u>982,393</u>	<u>581,173</u>
Cash and cash equivalents at beginning of the period	1,086,611	173,676
<b>Cash and cash equivalents at the end of the period</b>	<u><u>2,069,004</u></u>	<u><u>754,849</u></u>

## 22. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on October 27, 2016.

## 23. GENERAL

### 23.1 Changes in presentation of consolidated condensed interim financial statements

During the period, SBP issued BSD Circular letter No. 05 dated February 29, 2016 whereby banks having Islamic Banking Branches (IBBs) were advised to classify Islamic Financing and Related Assets under the head of "Advances" in their financial statements. Further the banks were advised to classify the Bai Muajjal of Government of Pakistan Sukuk with State Bank of Pakistan and other Financial Institutions under the head "Lendings to Financial Institutions", however Bai Muajjal transactions with Government of Pakistan are required to be reported under "Investments" as " Other Federal Government Securities".

The above requirements have resulted in change in the presentation of Islamic Financing and Related Assets and Bai Muajjal transactions in the consolidated condensed interim financial statements and as a result corresponding figures have also been reclassified in these consolidated condensed interim financial statements as follows:

- Bai Muajjal of Rs.2,944 million has been reclassified from Lending to financial institutions to Investments.
- Assets given on Ijarah of Rs. 230 million (net) have been reclassified from Operating fixed assets to Advances.

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

Chairman / President

Director

Director

Director