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CORPORATE INFORMATION

Board of Directors

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

Audit Committee

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

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

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Mandviwala & Zafar
Advocates & Legal Consultants

Registered & Head Office

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

Registrar & Share Registration Office

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

Website

www.nbp.com.pk

Directors' Report to the shareholders

It gives me great pleasure to present on behalf of the Board of Directors financial statements of the bank for the six months period ended June 30, 2014.

With improved numbers in terms of foreign remittances, foreign exchange reserves and increase in private sector credit uptake, State Bank of Pakistan kept its policy rate unchanged at 10% in July 2014. Although new energy projects are being lined up but the energy crisis remains number one obstacle in business growth, the new military operation in North Waziristan and the resultant displacement of large local population remains a challenge for the law & order position of the country. Despite these challenges, the country's stock exchange saw record high indexes and the start of privatization process in form of further sale of government holding in United Bank Limited and Pakistan Petroleum Limited. Auction of 3G license and funding from foreign financial institutions, improvement of country's rating by Moody's further boosted the confidence of foreign investors as well as private sector locally.

The bank recorded pre-tax profit of Rs. 12.3 billion during the six months period ended June 30, 2014 which is higher by 63% from the corresponding period last year. After tax profit stood at Rs.8.1 billion which is a marked improvement compared to H1 2013 after tax profit of Rs. 5.7 billion, an increase of 42%. Earnings per share for June 2014 stood at Rs.3.82 as against Rs. 2.69 (Restated) of last year. Pre- tax and after tax return on equity stand at 24.0% and 15.9% respectively whereas pre-tax and after tax return on assets are at 1.8% and 1.2% respectively. The bank in second quarter of 2014 recorded after tax profit of Rs. 5.0 billion which compared to first quarter 2014 is 59% higher mainly on account of higher net interest margin and capital gains.

During the period, to account for revised actuarial assumptions due to adoption of revised international Accounting standard 19, charge for defined benefit plan was revised with corresponding revision of pre tax and after tax profit for June 2013 which were restated at Rs. 7,550 and Rs. 5,725 million as against last year reported amount of Rs. 8,003 and Rs. 6,021 million respectively.

Despite increase in interest rates by 100 bps in last quarter of 2013, net interest income on reported basis is showing decline of 2.8% compare to corresponding period last year on account of one large markup income in one of the non-performing loan. Excluding this impact, net interest margin is higher by 14% due to increase in rate and shifting of some T.Bills portfolio into Pakistan Investment Bonds. Net interest income still remains under pressure due to non-accrual drag of certain GoP guaranteed public sector loans. The bank however have increased its investment in higher yielding Pakistan Investment Bonds which helped in improving the net interest income.

Non interest/markup income increased by Rs. 2.5 billion or 19% compared to the corresponding period last year. Fees / commission income is showing increase of 8% due to downward revision in agency commission; however the same was offset through higher volumes. Exchange income remained robust with growth of 11% as the bank took advantage of the opportunities available in the currency market. The Bank capitalized on record high stock exchange index and recorded a gain of Rs. 4.5 billion which compared to corresponding period last year is higher by Rs. 1.8 billion or 67%. Dividend income is lower than last year on account of lower payout by some companies and reduction in portfolio size. Other income is higher on account of compensation on tax refunds due to increase in refund size.

Administrative expenses increased by 9.6% compared to January-June 2013. Annual staff increments and commencement of amortization charge for core banking application were the major factors for the increase. This application will enable the bank to provide enhanced customers services and increase efficiency across its various business functions.

The bank's efforts on reducing its non performing loans have started to yield positive results as NPLs reduced by Rs. 10.4 billion compared to March 2014 and by Rs. 6.2 billion compare to December 2013. The bank is focusing on recoveries in its overseas operations as well and a special team is looking into the recovery efforts. We are confident that these efforts will yield positive results in coming months. Provision charge against advances reduced by Rs. 4.5 billion or 70% mainly on account of better recoveries, reduction in non performing loans.

Deposits compared to December 2013, increased by Rs.37.5 billion. Compared to March 2014 deposits show an increase of Rs. 121 billion. Compared to year end December 2013 advances show an increase of Rs. 4.4 billion mainly due to higher commodity financing and retail loans. The bank is strongly capitalized with capital and reserves of Rs. 160 billion, which translates into break- up value per share of Rs.75.1/- per share.

Banking sector spreads are expected to remain under pressure. The bank is focusing on consolidation and recoveries to bring down the non-performing loans. Our dedicated efforts for recoveries in overseas operations is also yielding positive results and we hope to have a stage wise reduction in the overseas non performing loans. Recovery of overdue payments from PSEs is our major challenge. We are building a liability team to procure low cost deposit, increase in average deposit per account. Recently NBP have started its 'SMS Alert' service which will further improve customer service standards.

The Bank's rating was re-affirmed at "AAA" by JCR VIS Credit rating agency in June 2014.

The Profit for the six months period ended June 30, 2014 after carry forward of accumulated profit of 2014 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the six months period ended June 30, 2014	12,277
Taxation	
- Current year	3,332
- Prior year(s)	-
- Deferred	817
	4,149
After tax profit	8,128
Un-appropriated profit brought forward	48,046
Other comprehensive income-net of tax	(109)
Transfer from surplus on revaluation of fixed assets—	63
Profit available for appropriation	56,128
Transfer to Statutory Reserve (10% of after tax profit)	(813)
Cash Dividend paid	(4,255)
Un-appropriated profit carried forward	51,060

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

On behalf of the Board of Directors

Syed Ahmed Iqbal Ashraf
President

Date: August 19, 2014

Auditors' Report to the members on Review of Interim Financial Information

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza
Beaumont Road
Karachi 75530, Pakistan

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530, Pakistan

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of National Bank of Pakistan (the Bank) as at June 30, 2014 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity and explanatory notes (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matters

The figures of the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income for the quarter ended June 30, 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2014.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner:
Arslan Khalid

Karachi
Date: August 19, 2014

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner:
Syed Iftikhar Anjum

**Unconsolidated Condensed Interim Statement of Financial Position (Un-Audited)
As at June 30, 2014**

		(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		161,767,165	157,930,297
Balances with other banks		14,413,130	17,457,523
Lendings to financial institutions - net		30,587,397	51,938,689
Investments - net	7	475,411,327	397,958,681
Advances - net	8	619,842,397	615,419,874
Operating fixed assets	9	32,473,141	32,702,121
Deferred tax assets - net	10	10,104,777	10,955,008
Other assets		97,233,655	79,979,063
		1,441,832,989	1,364,341,256
LIABILITIES			
Bills payable		30,910,263	13,894,667
Borrowings from financial institutions		34,011,757	21,994,839
Deposits and other accounts	11	1,138,667,808	1,101,138,574
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		18,698	24,034
Deferred tax liabilities		-	-
Other liabilities		78,271,428	71,002,438
		1,281,879,954	1,208,054,552
NET ASSETS			
		159,953,035	156,286,704
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		31,205,771	31,538,695
Unappropriated profit		51,060,013	48,045,930
		103,540,915	100,859,756
Surplus on revaluation of assets - net	12	56,412,120	55,426,948
		159,953,035	156,286,704
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

**Unconsolidated Condensed Interim Profit and Loss Account (Un-Audited)
For The Half Year Ended June 30, 2014**

		Quarter Ended June 30, 2014	Half Year Ended June 30, 2014	Quarter Ended June 30, 2013	Half Year Ended June 30, 2013
	Note	----- (Rupees in '000') -----			
		(Restated)			
Mark-up / Return / Interest earned		28,425,961	53,681,978	25,643,711	49,580,148
Mark-up / Return / Interest expensed		17,578,573	34,209,921	14,449,612	29,554,268
Net mark-up / return / interest income		10,847,388	19,472,057	11,194,099	20,025,880
Provision against non-performing advances - net	8.2	1,187,747	1,989,833	5,950,437	6,527,469
Provision for diminution in value of investments - net	7.2	690,901	863,727	274,641	907,208
Provision against off-balance sheet obligations		(339,200)	(339,200)	-	-
Bad debts written off directly		-	-	2,913	2,913
		1,539,448	2,514,360	6,227,991	7,437,590
Net mark-up / interest income after provisions		9,307,940	16,957,697	4,966,108	12,588,290
NON MARK-UP/ INTEREST INCOME					
Fee, commission and brokerage income		3,281,607	5,924,936	2,909,378	5,478,297
Dividend income		304,665	1,059,719	441,709	1,508,654
Income from dealing in foreign currencies		1,065,822	2,095,978	972,024	1,892,205
Gain on sale and redemption of securities - net		3,827,967	4,570,455	1,781,424	2,783,195
Unrealized loss on revaluation of investments classified as held-for-trading		(2,177)	110	(47,245)	(50,189)
Other income	14	914,118	1,801,735	1,350,462	1,382,289
Total non mark-up / interest income		9,392,002	15,452,933	7,407,752	12,994,451
		18,699,942	32,410,630	12,373,860	25,582,741
NON MARK-UP/ INTEREST EXPENSES					
Administrative expenses		10,004,772	19,292,492	8,825,306	17,619,750
Other provisions / write-offs	15	803,033	815,142	308,597	403,320
Other charges		25,230	25,735	5,227	9,035
Total non mark-up / interest expenses		10,833,035	20,133,369	9,139,130	18,032,105
		7,866,907	12,277,261	3,234,730	7,550,636
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		7,866,907	12,277,261	3,234,730	7,550,636
Taxation - current		1,849,715	3,332,148	1,673,817	3,215,664
- prior year(s)		-	-	815,945	815,945
- deferred		1,033,218	817,083	(1,950,405)	(2,207,903)
		2,882,933	4,149,231	539,357	1,823,706
PROFIT AFTER TAXATION		4,983,974	8,128,030	2,695,373	5,726,930
Basic and diluted earnings per share (Rupees)	16	2.34	3.82	1.27	2.69

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

**Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
For The Half Year Ended June 30, 2014**

	Quarter ended June 30, 2014	Half Year ended June 30, 2014	Quarter ended June 30, 2013	Half Year ended June 30, 2013
	----- (Rupees in '000') -----			
	(Restated)			
Profit after taxation	4,983,974	8,128,030	2,695,373	5,726,930
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange gain on translation of net assets of foreign branches	291,820	(1,145,727)	560,585	1,153,439
Items not to be reclassified to profit or loss in subsequent periods:				
Remeasurements of defined benefit liability	(167,281)	(167,281)	(1,311,022)	(2,622,043)
Related tax effects	58,548	58,548	458,858	917,715
	(108,733)	(108,733)	(852,164)	(1,704,328)
Other comprehensive income - net of tax	183,087	(1,254,460)	(291,579)	(550,889)
Total comprehensive income transferred to equity	5,167,061	6,873,570	2,403,794	5,176,041

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

**Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)
For The Half Year Ended June 30, 2014**

	Half Year Ended June 30, 2014	Half Year Ended June 30, 2013
	----- (Rupees in '000') -----	
	(Restated)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,277,261	7,550,636
Less: Dividend income	1,059,719	1,508,654
	11,217,542	6,041,982
Adjustments		
Depreciation	1,020,330	774,590
Provision against non-performing loans and advances	1,989,833	6,527,469
Provision for diminution in value of investments	863,727	907,208
Provision against off-balance sheet obligations	(339,200)	-
Other provision / write-offs	815,142	403,320
Gain on sale of fixed assets	(2,495)	(6,279)
Financial charges on leased assets	4,100	2,718
	4,351,437	8,609,026
	15,568,979	14,651,008
(Increase) / Decrease in operating assets		
Lendings to financial institutions	21,351,292	(82,200,512)
Held-for-trading securities	190,865	(2,490,966)
Advances	(6,412,356)	5,978,757
Other assets	(14,888,504)	(1,655,134)
	241,297	(80,367,855)
Increase / (Decrease) in operating liabilities		
Bills payable	17,015,596	4,319,405
Borrowings	12,151,993	(36,660,606)
Deposits and other accounts	37,529,234	108,027,760
Other liabilities (excluding current taxation)	7,245,565	(3,179,570)
	73,942,388	72,506,989
Income tax paid	(6,428,785)	(2,462,002)
Financial charges paid	(4,100)	(2,718)
	(6,432,885)	(2,464,720)
	83,319,779	4,325,422
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from / (net investment in) available-for-sale securities	7,215,916	(48,716,748)
Net investment in held-to-maturity securities	(87,271,852)	(2,143,282)
Proceeds from sales of investment in associates and subsidiaries	2,760,102	8,930,747
Dividend received	1,059,719	1,508,654
Investment in operating fixed assets	(791,350)	(686,518)
Sale proceeds of operating fixed assets disposed off	17,901	33,209
Net cash used in investing activities	(77,009,564)	(41,073,938)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(5,336)	(25,803)
Dividend paid	(4,231,602)	(12,834,170)
Net cash used in financing activities	(4,236,938)	(12,859,973)
Effects of exchange rate changes on cash and cash equivalents	(1,145,727)	1,153,439
Net increase / (decrease) in cash and cash equivalents	927,550	(48,455,050)
Cash and cash equivalents at beginning of the half year	175,130,220	188,054,806
Cash and cash equivalents at end of the half year	176,057,770	139,599,756

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-Audited)
For The Half Year Ended June 30, 2014

Share Capital	Attributable to the Shareholders of the Bank				Unappropriated Profit	Total
	Reserves			Revenue General		
	Exchange Translation	Statutory	Capital			
----- (Rupees in '000') -----						
Balance as at January 1, 2013	18,500,114	7,910,615	20,386,575	521,338	57,418,845	104,737,487
Total Comprehensive Income for the half year ended June 30, 2013 (restated)						
Profit after tax	-	-	-	-	5,726,930	5,726,930
Other comprehensive income - net of tax	-	1,153,439	-	-	(1,704,328)	(550,889)
	-	1,153,439	-	-	4,022,602	5,176,041
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	50,472	50,472
Transfer to Statutory Reserve	-	-	1,204,204	-	(1,204,204)	-
Transactions with Owners, recorded directly in equity						
Issue of Bonus Shares (15%)	2,775,017	-	-	-	(2,775,017)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	(12,950,080)	(12,950,080)
	2,775,017	-	-	-	(15,725,097)	(12,950,080)
Balance as at June 30, 2013	21,275,131	9,064,054	21,590,779	521,338	44,562,618	97,013,920
Total Comprehensive Income for the half year ended December 31, 2013						
Loss after tax	-	-	-	-	(226,906)	(226,906)
Other comprehensive income - net of tax	-	466,723	-	-	3,524,670	3,991,393
	-	466,723	-	-	3,297,764	3,764,487
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	81,349	81,349
Adjustment to Statutory Reserve	-	-	(104,199)	-	104,199	-
Balance as at December 31, 2013	21,275,131	9,530,777	21,486,580	521,338	48,045,930	100,859,756
Total Comprehensive Income for the half year ended June 30, 2014						
Profit after tax	-	-	-	-	8,128,030	8,128,030
Other comprehensive income - net of tax	-	(1,145,727)	-	-	(108,733)	(1,254,460)
	-	(1,145,727)	-	-	8,019,297	6,873,570
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	-	-	-	62,615	62,615
Transfer to Statutory Reserve	-	-	812,803	-	(812,803)	-
Transactions with Owners, recorded directly in equity						
Cash dividend (Rs. 2 per share)	-	-	-	-	(4,255,026)	(4,255,026)
Balance as at June 30, 2014	21,275,131	8,385,050	22,299,383	521,338	51,060,013	103,540,915

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Muneer Kamal
Chairman
Syed Ahmed Iqbal Ashraf
President
Shahid Aziz Siddiqi
Director
Muhammad Naeem
Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited) For The Half Year Ended June 30, 2014

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its 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 1,347 (2013: 1,342) branches in Pakistan and 23 (2013: 23) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim unconsolidated financial statements of the Bank for the six months period ended June 30, 2014 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan. In case where the requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives of the SBP have been followed.
- 2.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 2.3 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2013.
- 2.4 These condensed interim financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.

3. BASIS OF MEASUREMENT

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amount, certain investments, commitments in respect of certain forward foreign exchange contracts and derivatives financial instruments have 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 preparation of these condensed interim unconsolidated financial statements are the same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2013 except as described below:

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendments and interpretation of IFRSs which became effective for the current year:

IAS 32 – Financial Instruments : Presentation – (Amendment)
-Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)
-Recoverable Amount Disclosures for Non-Financial Assets

IFRIC 21 – Levies

The adoption of the above amendments to accounting standards and interpretation did not have any effect on the financial statements.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2013.

7. INVESTMENTS - net

	June 30, 2014			December 31, 2013		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total

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

7.1 Investments by type:
Held-for-trading securities

Market Treasury Bills	1,786,126	-	1,786,126	-	-	-
Pakistan Investment Bonds	25,136	-	25,136	-	-	-
Ordinary Shares of Listed companies	-	-	-	5,027	-	5,027
Ijarah Sukuk Bonds	-	-	-	1,997,100	-	1,997,100
Total held-for-trading securities	1,811,262	-	1,811,262	2,002,127	-	2,002,127

Available-for-sale securities

Ordinary Shares of Listed companies	26,584,230	-	26,584,230	27,727,973	-	27,727,973
Ordinary Shares of Unlisted companies	1,115,080	-	1,115,080	1,125,375	-	1,125,375
	27,699,310	-	27,699,310	28,853,348	-	28,853,348
Market Treasury Bills	79,560,856	597,934	80,158,790	194,001,739	2,816,565	196,818,304
Preference Shares	1,236,900	-	1,236,900	1,236,900	-	1,236,900
Pakistan Investment Bonds	170,832,021	-	170,832,021	57,440,487	-	57,440,487
GoP Foreign Currency Bonds	5,589,278	-	5,589,278	5,873,456	-	5,873,456
Foreign Currency Debt Securities	3,332,428	-	3,332,428	4,704,957	-	4,704,957
Term Finance Certificates / Musharika and Sukuk Bonds	21,396,609	-	21,396,609	20,367,379	-	20,367,379
Investment in Mutual Funds	2,694,220	-	2,694,220	3,486,668	-	3,486,668
Investments Outside Pakistan	463,295	-	463,295	463,295	-	463,295
Total available-for-sale securities	312,804,917	597,934	313,402,851	316,428,229	2,816,565	319,244,794

Held-to-maturity securities

Pakistan Investment Bonds	106,501,307	-	106,501,307	17,964,729	-	17,964,729
GoP Foreign Currency Bonds	2,493,765	-	2,493,765	1,552,435	-	1,552,435
Foreign Government Securities	6,271,596	-	6,271,596	6,633,499	-	6,633,499
Foreign Currency Debt Securities	382	-	382	407	-	407
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	1,629,089	-	1,629,089	3,473,217	-	3,473,217
Total held-to-maturity securities	116,896,139	-	116,896,139	29,624,287	-	29,624,287
Investment in Associates	13,069,153	-	13,069,153	15,789,545	-	15,789,545
Investment in Joint Venture	1,244,835	-	1,244,835	1,244,835	-	1,244,835
Investment in Subsidiaries	4,406,750	-	4,406,750	4,406,750	-	4,406,750
Investments at cost	450,233,056	597,934	450,830,990	369,495,773	2,816,565	372,312,338
Less: Provision for diminution in value of investments	(17,647,236)	-	(17,647,236)	(15,416,719)	-	(15,416,719)
Investments (net of Provision)	432,585,820	597,934	433,183,754	354,079,054	2,816,565	356,895,619
Unrealized loss on revaluation of investments classified as held-for-trading	110	-	110	(139)	-	(139)
Surplus on revaluation of available-for-sale securities	42,227,672	(209)	42,227,463	41,063,712	(511)	41,063,201
Total investments	474,813,602	597,725	475,411,327	395,142,627	2,816,054	397,958,681

	Half year ended June 30, 2014	Year ended December 31, 2013
	----- (Rupees in '000') -----	
Opening balance	15,416,719	13,717,228
Charge for the period / year	1,878,070	2,524,910
Reversals	(1,014,343)	(1,131,911)
	863,727	1,392,999
Transfer in	1,366,790	98,734
Other movement (transferred from interest suspense)	-	207,758
Closing balance	17,647,236	15,416,719

7.2.1 Particulars of provision in respect of type

Available-for-sale securities

	June 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
Ordinary shares of listed companies and mutual funds	4,148,926	4,591,698
Ordinary shares of unlisted companies	380,133	380,133
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,135,745	6,968,569
Preference shares	836,924	836,924

Held-to-maturity securities

Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	638,318	641,771
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Investment in associates

	2,453,055	1,946,379
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Investment in subsidiaries

	54,135	51,245
	17,647,236	15,416,719

7.2.2 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments which resulted in decrease in provision for diminution in value of investments by Rs. 1,543 million (December 31, 2013: Rs. 1,197 million). Accordingly, as of June 30, 2014, the accumulated increase in profit after tax of Rs.1,003 million (December 31, 2013: Rs. 778 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

7.2.3 The SBP through its letter No. BPRD/BRD-(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the impairment arising on shares of Agritech Limited and provision against overdue exposures of Term Finance Certificates. During the period SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of June 30, 2014, 65% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs. 969 million (December 31, 2013: Rs. 1,264 million) and the profit before taxation would have been lower by the same amount.

7.3 These carry fixed markup at the rate ranging from 9% to 12% per annum (December 31, 2013: 8 to 12% per annum) having maturity ranging from 3 to 10 years.

7.4 During the period, the Bank has invested and redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 7,550 million and Rs.10,171 million respectively.

	Note	June 30, 2014	December 31, 2013
		----- (Rupees in '000') -----	
8. ADVANCES - net			
Loans, cash credits, running finances, etc.			
In Pakistan		627,455,401	622,111,491
Outside Pakistan		52,082,599	55,728,672
		679,538,000	677,840,163
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		18,151,305	12,353,303
Payable outside Pakistan		14,177,113	17,821,493
		32,328,418	30,174,796
Advances - gross		711,866,418	708,014,959
Less: Provision against non-performing loans - specific	8.2	88,960,924	89,736,638
- general	8.2	3,063,097	2,858,447
		92,024,021	92,595,085
Advances - net of provision		619,842,397	615,419,874

8.1 Advances include Rs.109,420 million (December 31, 2013: Rs. 115,617 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2014				
	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000') -----					
Other Assets Especially Mentioned	1,131,239	-	1,131,239	6,476	6,476
Substandard	11,523,506	507,681	12,031,187	2,911,409	2,911,409
Doubtful	6,148,374	1,062,407	7,210,781	2,671,630	2,671,630
Loss	71,790,721	17,255,618	89,046,339	83,371,409	83,371,409
	90,593,840	18,825,706	109,419,546	88,960,924	88,960,924

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

8.2 Particulars of provision against non-performing advances

	Half year ended June 30, 2014			Year ended December 31, 2013		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	89,736,638	2,858,447	92,595,085	72,142,434	3,308,579	75,451,013
Exchange adjustments	(883,231)	(26,382)	(909,613)	385,745	50,463	436,208
Charge for the period	3,402,042	231,033	3,633,075	21,398,295	465,258	21,863,553
Reversals	(1,643,242)	-	(1,643,242)	(3,721,125)	(756,027)	(4,477,152)
	1,758,800	231,033	1,989,833	17,677,170	(290,769)	17,386,401
Transfer (out) / in	(1,650,189)	-	(1,650,189)	111,092	(209,826)	(98,734)
Amounts written off	(1,095)	-	(1,095)	-	-	-
Amount charged off	-	-	-	(578,716)	-	(578,716)
Other adjustments	-	-	-	(1,087)	-	(1,087)
Closing balance	88,960,923	3,063,098	92,024,021	89,736,638	2,858,447	92,595,085

8.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 3,902 million (December 31, 2013: Rs. 5,219 million). Accordingly, as of June 30, 2014, the accumulated profit after tax of Rs. 2,536 million (December 31, 2013: Rs.3,392 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

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

8.5 The SBP through its letter No. BPRD/BRD-(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Agritech Limited. During the period SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of June 30, 2014, 65% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015 Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs. 878 million (December 31, 2013: Rs. 1,226 million) and the profit before taxation would have been lower by the same amount.

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.

	June 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
9. OPERATING FIXED ASSETS		
Capital work-in-progress	1,193,342	2,700,075
Property and equipment	30,145,837	29,986,702
Intangible assets	1,133,962	15,344
	<u>32,473,141</u>	<u>32,702,121</u>

9.1 Additions and disposals during the period amounted to Rs. 750.244 million (June 30, 2013: Rs. 556.491 million) and Rs. 77.046 million (June 30, 2013: Rs. 26.930 million) respectively.

	June 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
10. DEFERRED TAX ASSETS - net		
Deferred tax assets arising in respect of		
Provision for diminution in the value of investments	3,784,136	3,481,832
Provision against non-performing advances	4,985,794	6,634,726
Other provisions	1,557,947	1,272,647
Provision against defined benefits plans	8,198,501	7,740,890
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
	<u>19,334,907</u>	<u>19,938,624</u>
Deferred tax liabilities arising in respect of		
Excess of accounting book value of leased assets over lease liabilities	(11,723)	(16,202)
Difference between accounting book value of fixed assets and tax base	(438,353)	(245,340)
Revaluation of securities	(7,456,127)	(7,364,431)
Revaluation of fixed assets	(1,323,927)	(1,357,643)
	<u>(9,230,130)</u>	<u>(8,983,616)</u>
Net deferred tax assets	<u>10,104,777</u>	<u>10,955,008</u>

	June 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	274,703,208	290,646,462
Savings deposits	310,914,789	313,804,148
Current accounts - remunerative	136,075,282	114,379,969
Current accounts - non-remunerative	278,324,774	236,565,784
	<u>1,000,018,053</u>	<u>955,396,363</u>
Financial Institutions		
Remunerative deposits	43,339,762	49,987,013
Non-remunerative deposits	95,309,993	95,755,198
	<u>138,649,755</u>	<u>145,742,211</u>
	<u>1,138,667,808</u>	<u>1,101,138,574</u>

	June 30, 2014	December 31, 2013
12. SURPLUS ON REVALUATION OF ASSETS - net	----- (Rupees in '000') -----	
Surplus on revaluation of fixed assets	22,964,711	23,085,821
Deferred tax liability	<u>(1,323,927)</u>	<u>(1,357,643)</u>
	21,640,784	21,728,178

Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax

Federal Government Securities	227,946	797,268
Term Finance Certificates	41,106	(8,795)
Shares and mutual funds	22,877,096	21,725,355
GoP Foreign Currency Bonds	582,138	388,652
Foreign Currency Debt Securities	165,334	145,270
Investments outside Pakistan	<u>18,333,843</u>	<u>18,015,451</u>
	42,227,463	41,063,201
Deferred Tax liability	<u>(7,456,127)</u>	<u>(7,364,431)</u>
	<u>34,771,336</u>	<u>33,698,770</u>
	<u>56,412,120</u>	<u>55,426,948</u>

13. CONTINGENCIES AND COMMITMENTS

13.1 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	2,692,024	2,593,191
- Financial institutions	5,412,891	2,555,291
- Others	<u>19,173,755</u>	<u>16,513,963</u>
	<u>27,278,670</u>	<u>21,662,445</u>

13.2 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	18,738,250	17,078,928
- Financial institutions	4,785,476	4,578,538
- Others	<u>31,345,053</u>	<u>33,810,668</u>
	<u>54,868,779</u>	<u>55,468,134</u>

13.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	136,639,490	136,703,020
- Financial institutions	15,618,720	8,972,738
- Others	<u>73,711,593</u>	<u>60,893,127</u>
	<u>225,969,803</u>	<u>206,568,885</u>

	June 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
13.4 Other contingencies		
13.4.1 Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.192 million (2013: Rs. 188 million) and claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2013: Rs. 1,597 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably.	13,532,882	13,974,192

13.4.2 Taxation

The tax returns of the Bank have been filed and amended by the tax authorities up to Tax Year 2013. For Azad Kashmir Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2013.

During the period, the order for the tax year 2013 was rectified which resulted in increase in determined refunds amounting to Rs 1,637 million. Further in respect of monitoring of withholding taxes under section 149, 150 and 151 of the Income Tax Ordinance, 2001, for the tax years 2009 to 2013, the tax department has rectified the orders which resulted in decrease in demand of Rs. 574 million for all years which is subject to further rectification. An appeal is also pending before the Appellate Tribunal Inland Revenue on legal grounds.

The other matters under contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on June 30, 2014 amounts to Rs.10,461 million (December 31, 2013: Rs. 10,593 million). 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.

FBR have also passed orders under provisions of the FED Act in respect of the Federal Excise Duty payable on the services rendered by the Bank for the tax year 2014. The demand raised includes FED recoverable from SBP amounting to Rs. 229 million on the commission income derived from the treasury services provided to the State Bank of Pakistan/ Federal Government of Pakistan. Appeals have been filed before various appellate forums including reference and constitutional petitions before High Court of Sindh wherein apart from other legal grounds, the principal ground is levy of duty on service which are not specified in the First Schedule to the Customs Act, 1969 and specially for Tax year 2011 levy of duty by FBR on services provided in province of Sindh after promulgation of Sindh Sales Tax on Services Act, 2011.

The Bank is also contesting levy of Sindh Sales Tax amounting to Rs. 171.45 million for the period from July, 2011 to March, 2012 on the services provided to Federal Government through State Bank of Pakistan in the province of Sindh, principally on the ground that the Federal Government/State Bank of Pakistan cannot be subject to provincial levy under the provisions of the Constitution of the Islamic Republic of Pakistan.

13.4.3 Other contingencies

The status of contingencies in respect of barter trade agreement, golden handshake and pensionary benefits to retired employees is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2013. In case of encashment of unavailed leaves, the Lahore High Court dismissed the petitions of the subject ex-employees in April 2014. Some of the Petitioners have filed Inter Court appeals against the judgment however notices in that regard have not yet been received.

	June 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
13.5 Commitments in respect of forward exchange contracts		
Purchase	202,503,985	204,673,055
Sale	104,895,287	132,796,307
13.6 Other Commitments		
Professional services to be received	148,383	169,330
13.7 Commitments for the acquisition of operating fixed assets	1,697,808	1,732,023

14. OTHER INCOME

Other income includes Rs. 1,729 million (June 30, 2013: Rs. 1,303 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

15. OTHER PROVISIONS / WRITE OFFS

These include provision of Rs. 665.895 million made on account of shortfall in certain collection accounts and other financial improprieties for which investigation and legal actions are being taken by the Bank.

16. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter ended June 30, 2014	Half Year ended June 30, 2014	Quarter ended June 30, 2013	Half Year ended June 30, 2013
Profit after taxation (Rupees in '000')	<u>4,983,974</u>	<u>8,128,030</u>	<u>2,695,373</u>	<u>5,726,930</u>
Weighted average number of ordinary shares (in '000')	<u>2,127,513</u>	<u>2,127,513</u>	<u>2,127,513</u>	<u>2,127,513</u>
Basic and diluted earnings per share (Rupees)	<u>2.34</u>	<u>3.82</u>	<u>1.27</u>	<u>2.69</u>

16.1 Earnings per share for the periods ended June 30, 2013 has been restated for the effect of bonus shares issued.

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- (Rupees in '000') -----						
Half year ended June 30, 2014							
Total income	274,084	205,694	5,240,905	25,191,203	977,117	3,035,988	34,924,991
Inter segment revenue	-	(27,374)	4,991,640	(4,964,266)	-	-	-
Total expenses	<u>10,519</u>	<u>33,447</u>	<u>9,592,267</u>	<u>10,027,490</u>	<u>806,558</u>	<u>2,177,449</u>	<u>22,647,730</u>
Net income	<u>263,565</u>	<u>144,873</u>	<u>640,278</u>	<u>10,199,447</u>	<u>170,559</u>	<u>858,539</u>	<u>12,277,261</u>
Segment assets (Gross)	-	1,811,261	238,037,167	1,182,403,872	-	19,580,689	1,441,832,989
Segment non - performing loans	-	-	9,478,506	99,941,040	-	-	109,419,546
Segment provision required	-	-	8,372,488	83,651,533	-	-	92,024,021
Segment liabilities	-	-	286,917,377	962,781,692	-	32,180,884	1,281,879,953
Segment return on assets (ROA) (%)	0.00%	12.76%	0.57%	1.82%	0.00%	13.48%	
Segment cost of funds (%)	0.00%	0.00%	6.40%	6.01%	0.00%	0.00%	
Half year ended June 30, 2013							
Total income	101,515	159,778	5,406,799	23,542,016	882,650	2,927,573	33,020,331
Inter segment revenue	-	3,366	4,970,032	(4,973,398)	-	-	-
Total expenses	9,959	36,726	9,629,401	13,028,826	760,328	2,004,455	25,469,695
Net income	<u>91,556</u>	<u>126,418</u>	<u>747,430</u>	<u>5,539,792</u>	<u>122,322</u>	<u>923,118</u>	<u>7,550,636</u>
Segment assets (Gross)	-	1,151,386	221,583,728	1,148,150,112	-	17,278,714	1,388,163,940
Segment non - performing loans	-	-	7,813,507	85,278,694	-	-	93,092,201
Segment provision required	-	-	7,277,639	71,587,633	-	-	78,865,272
Segment liabilities	-	-	247,446,018	976,486,744	-	19,156,641	1,243,089,403
Segment return on assets (ROA) (%)	0.00%	8.16%	0.73%	1.06%	0.00%	14.63%	
Segment cost of funds (%)	0.00%	0.00%	5.86%	5.92%	0.00%	0.00%	

18. 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).

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

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

	2014				2013			
	At January 01,	Given during the half year	Repaid during the half year	At June 30,	At January 01,	Given during the year	Repaid during the year	At December 31,
	(Rupees in '000')							
Advances								
Key Management Executives	144,607	-	(13,416)	151,775	134,343	32,972	(22,708)	144,607
Adjustments*	20,584	-	-	-	-	-	-	-
	165,191	-	(13,416)	151,775	134,343	32,972	(22,708)	144,607
Subsidiaries	874,328	-	(229,404)	644,924	980,523	188,796	(294,991)	874,328
Associates	5,433,806	-	(18,194)	5,415,612	4,122,053	1,311,753	-	5,433,806
Debts due by Company in which director is interested as director	9,613,756	60,202,430	(62,661,272)	7,174,876	5,711,940	1,589,000	(10,052,116)	9,613,756
* Adjustment	19,962	-	-	-	12,364,932	-	-	-
	9,633,718	60,202,430	(62,661,272)	7,174,876	18,076,872	1,589,000	(10,052,116)	9,613,756
	16,107,043	60,202,430	(62,922,286)	13,387,187	23,313,791	3,122,521	(10,369,815)	16,066,497

	2014				2013			
	At January 01,	Received during the half year	Repaid during the half year	At June 30,	At January 01,	Received during the year	Repaid during the year	At December 31,
	(Rupees in '000')							
Deposits								
Subsidiaries	298,668	327,140	(84,460)	541,348	546,928	3,339	(251,599)	298,668
Associates	12,038,914	-	-	12,038,914	15,025,349	-	(2,986,435)	12,038,914
Key Management Executives	13,402	141,288	(134,473)	15,427	15,416	292,747	(297,630)	10,533
Adjustments*	(4,790)	-	-	-	2,869	-	-	2,869
	8,612	141,288	(134,473)	15,427	18,285	292,747	(297,630)	13,402
Pension Fund (Current)	4,393	19,795,070	(19,795,443)	4,020	4,676	62,759,037	(62,759,320)	4,393
Pension Fund (Fixed Deposit)	11,500,000	7,000,000	(10,700,000)	7,800,000	13,600,000	25,157,100	(27,257,100)	11,500,000
Pension Fund (N.I.D.A A/c)	270,228	9,914,491	(9,965,994)	218,725	49,300	18,966,084	(18,745,156)	270,228
Provident Fund (Current)	12,886,715	1,447,951	(1,053,568)	13,281,098	12,448,399	2,695,075	(2,256,759)	12,886,715
	37,007,530	38,625,940	(41,733,938)	33,899,532	41,692,937	109,873,382	(114,553,999)	37,012,320

* Adjustments due to changes in key management executives.

	June 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
Placements with:		
Joint Venture	87,435	37,621
Repo Borrowing from:		
Joint Venture	181,779	171,554
Other receivables from subsidiaries	98,384	104,242
Other payables to subsidiaries	-	4,227
Off-Balance sheet items - Joint Venture	220,823	228,721
Investment made in associates	7,550,384	9,890,010
Redemption / sale of investment in associates	10,170,776	18,820,757
	Half Year ended June 30, 2014	Half Year ended June 30, 2013
	----- (Rupees in '000') -----	
Dividends from Associates	-	196,132
Income for the period		
On advances / placements with:		
Subsidiaries	22,433	29,371
Joint Venture	132	622
Key management executives	1,061	1,011
Debts due by company in which a director of the Bank is interested as director	556,730	969,000
On Reverse Repo / Lendings with:		
Subsidiaries	-	4,175
Expenses for the period		
Remuneration to key management executives	126,641	133,717
Charge for defined benefit plan	41,033	43,326
Mark-up on Deposits of:		
Subsidiaries	14,932	31,045
Associates	49,476	98,953
Provident fund	1,117,405	1,024,723
Pension fund	40,475	152,123
Key management executives	1,006	874
Companies in which director is interested as director	-	60,920
Commission paid to subsidiaries	1,570	1,783
Mark-up on Borrowing (Repo / Call):		
Joint Venture	304	123

18.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75% 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 (domestic operations only) amounting to Rs. 2,904 million for the six months period ended June 30, 2014. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 227.636 million and Rs. 345.535 million respectively.

19. ISLAMIC BANKING BUSINESS

The Bank is operating 20 (December 31, 2013: 18) Islamic banking branches as at June 30, 2014. Statement of financial position and profit and loss account are as under:

	June 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	130,808	263,743
Balances with other banks	340	80
Investments	2,432,064	4,819,868
Islamic financing and related assets	361,448	951,020
Operating fixed assets	41,570	59,554
Other assets	135,537	162,952
	3,101,767	6,257,217
Liabilities		
Bills Payable	6,955	9,547
Deposits and other accounts		
- Current accounts	873,460	1,520,348
- Saving accounts	552,563	571,311
- Term deposits	671,841	684,746
- Deposit from financial institutions - Remunerative	2,537	2,261,206
Due to Head Office	140,683	283,959
Other liabilities	39,812	58,960
	2,287,851	5,390,077
Net Assets	813,916	867,140
Represented By		
Islamic Banking Fund	800,000	800,000
Unappropriated profit	13,916	67,140
	813,916	867,140
Surplus on revaluation of assets - net	-	-
	813,916	867,140
	Half year ended June 30, 2014	Half year ended June 30, 2013
	----- (Rupees in '000') -----	
PROFIT AND LOSS ACCOUNT		
Profit / Return earned on financings, investments and placements	244,558	237,738
Profit / Return expensed on deposit	97,904	59,245
Net spread earned	146,654	178,493
Depreciation on assets given on ijarah	(34,628)	(63,083)
	112,026	115,410
Provision against advances and investments	-	-
Provision reversed against advances and investments	7,931	2,031
	7,931	2,031
Profit after provision	119,957	117,441
Other income		
Fee, commission and brokerage income	19,302	2,134
Income from dealing in foreign currencies	(850)	-
Other income	(175)	-
Total other income	18,277	2,134
Other expenses		
Administrative expenses	(124,318)	(76,258)
Profit before taxation	13,916	43,317

	Half year ended June 30, 2014	Half year ended June 30, 2013
----- (Rupees in '000) -----		
CASH FLOW STATEMENT		
Cash Flow from Operating Activities		
Profit for the period	13,916	43,317
Adjustments :		
Depreciation - Own assets	1,571	808
Depreciation - Ijarah assets	34,628	63,083
Reversal against non performing financings	(7,931)	(2,031)
	<u>28,268</u>	<u>61,860</u>
	42,184	105,177
(Increase) / Decrease in operating assets		
Due from Financial Institutions	(260)	753,957
Financings	2,950,679	(1,874,479)
Other assets	27,415	(98,909)
	<u>2,977,834</u>	<u>(1,219,431)</u>
(Increase) / Decrease in operating liabilities		
Bills payable	(2,592)	1,831
Deposits and other accounts	(2,937,210)	789,651
Borrowings from Head Office	(194,003)	283,498
Other liabilities	(19,148)	51,655
	<u>(3,152,953)</u>	<u>1,126,635</u>
Net cash (used in) / generated from operating activities	(132,935)	12,381
Cash Flow from Investing Activities		
Investment in operating fixed assets	-	(3,025)
Net cash used in investing activities	-	(3,025)
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
(Decrease) / Increase in cash and cash equivalents	<u>(132,935)</u>	<u>9,356</u>
Cash and cash equivalents at beginning of the half year	263,743	173,725
Cash and cash equivalents at the end of the half year	<u>130,808</u>	<u>183,081</u>

20. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 19, 2014.

21. GENERAL

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

21.2 The comparative figures in profit and loss account for the half year ended June 30, 2013 has been restated due to retrospective adjustments made in respect of actuarial valuation of employee benefit obligations as explained in note 5.1.3 to the annual financial statements for the year ended December 31, 2013. The impact of such restatements is summarized below:

Increase in administrative expenses	452,445
Decrease in net profit for the period	294,089
Decrease in other comprehensive income	338,494
Decrease in EPS (Rs.)	0.14

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

**Consolidated
Financial Statements
for Half Year Ended
June 30, 2014**

Directors' Report on Consolidated Financial Statement

It gives me great pleasure to present on behalf of the Board of Directors, the Consolidated Report of the National Bank of Pakistan for the half year ended June 30, 2014

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

	Rs. in million
Profit before taxation for half year ended June 30, 2014	11,827
Taxation	
- Current year	3,338
- Prior year(s)	-
- Deferred	820
	4,158
After tax profit	7,669
Other comprehensive income-net of tax	(109)
Profit Brought Forward	49,734
Transfer from surplus on revaluation of fixed assets	63
Profit available for appropriation	57,357
Transfer to Statutory Reserve	(813)
Cash dividend paid	(4,255)
	(5,068)
Profit carried forward	52,290
Earnings per Share (Rs.)	3.62

Syed Ahmed Iqbal Ashraf
President

Date: August 19, 2014

Consolidated Condensed Interim Statement of Financial Position
As at June 30, 2014

		(Un-Audited) June 30 2014	(Audited) December 31 2013
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and Balances with Treasury Banks		162,088,375	158,230,033
Balances with other Banks		15,420,247	18,388,738
Lendings to Financial Institutions		30,600,343	51,941,866
Investments - net	7	473,570,356	396,411,825
Advances - net	8	623,687,103	620,216,609
Operating Fixed Assets - net	9	34,183,083	34,568,864
Deferred Tax Assets	10	10,115,365	10,968,824
Other Assets		98,301,289	80,991,187
		1,447,966,161	1,371,717,946
LIABILITIES			
Bills Payable		30,910,263	13,894,667
Borrowings		34,860,857	23,014,353
Deposits and other Accounts	11	1,139,535,449	1,101,845,283
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		57,061	57,215
Deferred Tax Liabilities		-	-
Other Liabilities		79,285,856	72,242,898
		1,284,649,486	1,211,054,416
NET ASSETS			
		163,316,675	160,663,530
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		32,342,189	33,536,713
Unappropriated profit		52,289,731	49,734,161
		105,907,052	104,546,005
Minority Interest		851,554	820,663
		106,758,606	105,366,668
Surplus on Revaluation of Assets - net	12	56,558,069	55,296,862
		163,316,675	160,663,530
CONTINGENCIES AND COMMITMENTS			
	13		

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

Consolidated Condensed Interim Profit & Loss Account - (Un-Audited) For the Quarter & Half Year ended June 30, 2014

	Quarter Ended June 30 2014	Half Year Ended June 30 2014	Quarter Ended June 30 2013	Half Year Ended June 30 2013
	(Restated)			
Mark-up / Return / Interest earned	28,718,679	54,289,953	25,901,013	50,112,515
Mark-up / Return / Interest expensed	17,586,350	34,255,665	14,467,096	29,585,628
Net Mark-up / Interest income	11,132,329	20,034,288	11,433,917	20,526,887
Provision against non-performing advances- net	8.2 1,178,671	1,989,833	5,950,437	6,527,469
Provision for diminution in the value of investments- net	7.2 690,901	863,727	274,645	907,212
Provision against off balance sheet obligations	(339,200)	(339,200)	-	-
Bad debts written off directly	-	-	2,913	2,913
	1,530,372	2,514,360	6,227,995	7,437,594
Net Mark-up / Interest Income after Provisions	9,601,957	17,519,928	5,205,922	13,089,293
NON MARK-UP / INTEREST INCOME				
Fee, commission & brokerage income	3,474,140	6,326,881	3,093,879	5,850,892
Dividend income	304,665	1,059,719	401,152	1,312,522
Income from dealing In foreign currencies	1,088,757	2,167,098	997,605	1,944,635
Gain on sale and redemption of securities - net	3,827,967	4,570,455	1,769,511	2,783,195
Unrealized(loss) on revaluation of investments classified as held-for-trading	(2,177)	110	(47,245)	(50,189)
Share of profit from joint venture	8,651	19,159	114,791	383,151
Share of loss from associates	(611,671)	(609,887)	(335,836)	(72,578)
Other income	918,030	1,811,664	1,351,040	1,396,114
Total non mark-up / interest income	9,008,362	15,345,199	7,344,897	13,547,742
	18,610,319	32,865,127	12,550,819	26,637,035
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	10,430,808	20,165,991	9,175,051	18,293,220
Other provisions / write offs	803,033	815,142	308,597	403,320
Other charges	25,230	25,735	5,227	9,035
Total non mark-up / interest expenses	11,259,071	21,006,868	9,488,875	18,705,575
	7,351,248	11,858,259	3,061,944	7,931,460
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	7,351,248	11,858,259	3,061,944	7,931,460
Taxation - Current	1,855,381	3,337,814	1,704,940	3,280,672
- Prior year(s)	(116)	(116)	815,945	815,945
- Deferred	1,036,288	820,153	(1,950,271)	(2,207,903)
PROFIT AFTER TAXATION	2,891,553	4,157,851	570,614	1,888,714
	4,459,695	7,700,408	2,491,330	6,042,746
Share holders of the bank	4,442,893	7,669,517	2,485,404	6,011,759
Minority Interest	16,802	30,891	5,926	30,987
	4,459,695	7,700,408	2,491,330	6,042,746
Basic and Diluted Earnings per Share (Rupees)	16 2.10	3.62	1.17	2.84

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

**Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the Quarter & Half Year ended June 30, 2014**

	Quarter ended June 30, 2014	Half Year ended June 30, 2014	Quarter ended June 30, 2013	Half Year ended June 30, 2013
	----- (Rupees in '000') -----			
	(Restated)			
Profit after taxation	4,459,695	7,700,408	2,491,330	6,042,746
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange gain on translation of net assets of foreign branches	293,113	(2,007,326)	612,283	1,115,238
Items not to be reclassified to profit or loss in subsequent periods:				
Remeasurements of defined benefit liability	(167,281)	(167,281)	(1,311,022)	(2,622,043)
Related tax effects	58,548	58,548	458,858	917,715
	(108,733)	(108,733)	(852,164)	(1,704,328)
Other comprehensive income - net of tax	184,380	(2,116,059)	(239,881)	(589,090)
Total comprehensive income transferred to equity	4,644,075	5,584,349	2,251,449	5,453,656

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

**Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)
For the Half Year ended June 30, 2014**

	Half Year Ended June 30 2014	Half Year Ended June 30 2013
	----- (Rupees in '000) -----	
	(Restated)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,858,259	7,931,460
Less: Dividend income	<u>1,059,719</u>	<u>1,312,522</u>
	10,798,540	6,618,938
Adjustments:		
Depreciation	1,253,617	994,900
Provision against non-performing advances	1,989,833	6,527,469
Provision / (reversal) for diminution in the value of investments	863,727	907,212
Provision against off balance sheet obligations	(339,200)	-
Other provisions / write offs	815,142	403,320
Gain on sale of fixed assets	(2,495)	(6,279)
Financial charges on leased assets	4,100	3,420
Share of profit from joint venture	(19,159)	(383,151)
Share of loss from associates	609,887	72,578
	<u>5,175,452</u>	<u>8,519,469</u>
	15,973,992	15,138,407
(Increase) / decrease in operating assets		
Lendings to financial institutions	21,341,523	(82,198,962)
Held-for-trading securities	144,678	(2,764,027)
Advances	(5,460,327)	5,576,989
Other assets (excluding advance taxation - net)	<u>(15,770,410)</u>	<u>(1,088,245)</u>
	255,464	(80,474,245)
Increase / (decrease) in operating liabilities		
Bills payable	17,015,596	4,319,405
Borrowings	11,981,579	(36,533,549)
Deposits and other accounts	37,690,166	108,107,599
Other liabilities	7,019,534	(3,423,076)
	<u>73,706,875</u>	<u>72,470,379</u>
Income tax paid	(5,875,582)	(2,644,510)
Financial charges paid	(4,100)	(3,420)
	<u>(5,879,682)</u>	<u>(2,647,929)</u>
Net cash flow from operating activities	84,056,649	4,486,611
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / (Net investments) in available-for-sale securities	6,897,097	(48,495,375)
Net investments in held-to-maturity securities	(87,015,799)	(2,103,706)
Dividend income received	1,059,719	1,508,654
Proceeds from investments in associates and subsidiaries	3,116,277	8,930,747
Investments in operating fixed assets	(867,836)	(944,903)
Sale proceeds of property and equipment disposed off	17,901	6,279
Net cash (used) in investing activities	(76,792,641)	(41,098,304)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(154)	(25,803)
Dividend paid	(4,231,602)	(12,834,170)
Net cash used in financing activities	(4,231,756)	(12,859,973)
Effects of exchange rate changes on cash and cash equivalents	(2,007,326)	1,115,238
Net increase in cash and cash equivalents	1,024,927	(48,356,428)
Cash and cash equivalents at beginning of the half year	176,361,171	189,151,571
Cash and cash equivalents at the end of the half year	<u>177,386,098</u>	<u>140,795,143</u>

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

**Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the Half Year ended June 30, 2014**

Share capital	Attributable to the shareholders of the bank					Sub Total	Non Controlling Interest	Total	
	Reserves			Revenue General	Unappropriated profit				
	Exchange Translation	Capital Bonus Shares Issue	Statutory						
----- (Rupees in '000) -----									
Balance as at January 1, 2013	18,500,114	9,300,252	-	20,483,620	521,338	59,332,321	108,137,645	790,878	108,928,523
Total Comprehensive Income for the period									
Profit after tax for the half year ended June 30, 2013 (restated)	-	-	-	-	-	6,011,759	6,011,759	30,987	6,042,746
Other comprehensive income - net of tax	-	1,115,238	-	-	-	(1,704,328)	(589,090)	-	(589,090)
	-	1,115,238	-	-	-	4,307,431	5,422,669	30,987	5,453,656
Transferred from surplus on revaluation of fixed assets to unappropriated profit- net of tax	-	-	-	-	-	50,472	50,472	-	50,472
Transfer to Statutory Reserve	-	-	-	1,204,204	-	(1,204,204)	-	-	-
Transactions with Owners, recorded directly in equity									
Issue of Bonus shares (15%)	2,775,017	-	-	-	-	(2,775,017)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,950,079)	(12,950,079)	-	(12,950,079)
	-	-	-	-	-	(15,725,096)	(12,950,079)	-	(12,950,079)
Balance as at June 30, 2013	21,275,131	10,415,490	-	21,687,824	521,338	46,760,924	100,660,706	821,865	101,482,571
Total Comprehensive Income for the period									
Profit after tax for the half year ended December 31, 2013	-	-	-	-	-	(736,980)	(736,980)	1,017	(735,963)
Other comprehensive income - net of tax	-	1,016,260	-	-	-	3,524,670	4,540,930	-	4,540,930
	-	1,016,260	-	-	-	2,787,690	3,803,950	1,017	3,804,967
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	81,349	81,349	-	81,349
Transfer to Statutory Reserve	-	-	-	(104,199)	-	104,199	-	-	-
Cash dividend paid/ profit distribution by subsidiaries	-	-	-	-	-	-	-	(2,219)	(2,219)
Balance as at December 31, 2013	21,275,131	11,431,750	-	21,583,625	521,338	49,734,161	104,546,005	820,663	105,366,668
Total Comprehensive Income for the period									
Profit after tax for the half year ended Jun 30, 2014	-	-	-	-	-	7,669,516	7,669,516	30,891	7,700,408
Other comprehensive income - net of tax	-	(2,007,326)	-	-	-	(108,733)	(2,116,059)	-	(2,116,059)
	-	(2,007,326)	-	-	-	7,560,784	5,553,458	30,891	5,584,349
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	62,615	62,615	-	62,615
Transfer to Statutory Reserve	-	-	-	812,803	-	(812,803)	-	-	-
Transactions with Owners, recorded directly in equity									
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)	-	(4,255,026)
	-	-	-	-	-	(4,255,026)	(4,255,026)	-	(4,255,026)
Balance as at June 30, 2014	21,275,131	9,424,424	-	22,396,428	521,338	52,289,731	105,907,052	851,554	106,758,606

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director

Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited) For The Half Year Ended June 30, 2014

1. THE GROUP AND ITS OPERATIONS

1.1 The “Group” Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,347 (2013: 1,342) branches in Pakistan and 23 (2013: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT), Long Term Credit Fund (LTCF), & Endowment Fund for Student Loan Scheme

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

1.2 Basis of Consolidation

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

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

2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements of the Group for the half year ended June 30, 2014 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual consolidated financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual consolidated financial statements of the group for the year ended December 31, 2013.

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

The accounting policies adopted for preparation of these condensed interim consolidated financial statements are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2013 except as described below:

New / Revised Standards, Interpretations and Amendments

The Group has adopted the following amendments and interpretation of IFRSs which became effective for the current year:

IAS 32 – Financial Instruments : Presentation – (Amendment)
-Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)
-Recoverable Amount Disclosures for Non-Financial Assets

IFRIC 21 – Levies

The adoption of the above amendments to accounting standards and interpretation did not have any effect on the financial statements.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual consolidated financial statements of the group for the year ended December 31, 2013.

7. INVESTMENTS-net

		June 30, 2014			December 31, 2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Note							
7.1 Investments by type:							
Held-for-trading securities							
		483,605	-	483,605	114,333	-	114,333
		1,786,126	-	1,786,126	-	-	-
		-	-	-	328,112	-	328,112
		-	-	-	1,997,100	-	1,997,100
7.3		25,136	-	25,136	-	-	-
	Total Held-for-Trading Securities	2,294,867	-	2,294,867	2,439,545	-	2,439,545
Available- for- sale securities							
		26,584,998	-	26,584,998	27,731,792	-	27,731,792
		1,126,080	-	1,126,080	1,136,375	-	1,136,375
		27,711,078	-	27,711,078	28,868,167	-	28,868,167
	Market Treasury Bills	80,115,395	597,934	80,713,329	194,001,739	2,816,656	196,818,304
	Preference shares	1,259,400	-	1,259,400	1,259,400	-	1,259,400
7.3	Pakistan Investment Bonds	170,832,021	-	170,832,021	57,440,487	-	57,440,487
	GoP Foreign Currency Bonds	5,589,278	-	5,589,278	5,873,456	-	5,873,456
	Foreign Currency Debt Securities	3,332,428	-	3,332,428	4,951,075	-	4,951,075
	Term Finance Certificates / Musharika and Sukuk Bonds	21,425,145	-	21,425,145	20,395,915	-	20,395,915
	Investment in Mutual funds	2,878,389	-	2,878,389	3,664,571	-	3,664,571
	Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
	Total Available- for- sale securities	313,606,429	597,934	314,204,363	316,918,105	2,816,656	319,734,602
Held-to-maturity securities							
7.3	Pakistan Investment Bonds	106,651,622	-	106,651,622	17,964,729	-	17,964,729
	Market Treasury Bills	59,886	-	59,886	466,254	-	466,254
	GoP Foreign Currency Bonds	2,493,765	-	2,493,765	1,552,435	-	1,552,435
	Foreign Government Securities	6,271,596	-	6,271,596	6,633,499	-	6,633,499
	Foreign Currency Debt Securities	382	-	382	407	-	407
	Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	1,629,089	-	1,629,089	3,473,217	-	3,473,217
	Total Held-to-maturity securities	117,106,340	-	117,106,340	30,090,541	-	30,090,541
	Investments in joint venture	3,613,121	-	3,613,121	3,378,076	-	3,378,076
7.4	Investments in associates	11,799,248	-	11,799,248	15,150,570	-	15,150,570
	Investments in subsidiaries	1,245	-	1,245	1,245	-	1,245
	Investment at cost	448,421,250	597,934	449,019,184	367,978,082	2,816,656	370,794,647
7.2	Less: Provision for diminution in value of investments	(17,676,401)	-	(17,676,401)	(15,445,884)	-	(15,445,884)
	Investments (net of provisions)	430,744,849	597,934	431,342,783	352,532,198	2,816,656	355,348,763
	Deficit / Surplus on revaluation of						
	Held-for-trading securities	110	-	110	(139)	-	(139)
	Surplus on revaluation of Available-for-sale securities	42,227,672	(209)	42,227,463	41,055,982	7,219	41,063,201
	Total investments	472,972,631	597,725	473,570,356	393,588,041	2,823,875	396,411,825

	Half year ended June 30 2014 (Un-audited) ----- (Rupees in '000) -----	Year ended December 31 2013 (Audited) -----
7.2 Particulars of provision for diminution in value of investments		
Opening balance	15,445,884	13,742,270
Charge for the year	1,878,070	2,529,033
Reversals	(1,014,343)	(1,131,911)
	863,727	1,397,122
Transfer in	1,366,790	98,734
Amount written off	-	207,758
other movement (Transferred from interest expense)	-	207,758
Closing balance	<u>17,676,401</u>	<u>15,445,884</u>

7.2.1 Particulars of provision in respect of type
Available-for-sale securities

Ordinary shares of listed companies and mutual funds	4,178,091	4,670,863
Ordinary shares of unlisted companies	380,133	380,133
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,135,745	6,968,569
Preference shares	836,924	836,924

Held-to-maturity securities

Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	638,318	641,771
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Investment in associates

Investment in subsidiaries	2,453,055	1,946,379
	54,135	1,245
	<u>17,676,401</u>	<u>15,445,884</u>

7.2.2 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Group has availed the benefit of Forced Sale Value (FSV) against non-performing investments which resulted in decrease in provision for diminution in value of investments by Rs. 1,543 million (December 31, 2013: Rs. 1,197 million). Accordingly, as of June 30, 2014, the accumulated increase in profit after tax of Rs.1,003 million (December 31, 2013: Rs. 778 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

7.2.3 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Group regarding the impairment arising on shares of Agritech Limited and provision against overdue exposures of Term Finance Certificates. During the period SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of June 30, 2014, 65% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs 969 million (December 31, 2013: Rs. 1,264 million) and the profit before taxation would have been lower by the same amount.

7.3 These carry fixed markup at the rate ranging from 9% to 12% per annum (December 31, 2013: 8 to 12% per annum) having maturity ranging from 3 to 10 years.

7.4 During the period, the Group has invested and redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 7,550 million and Rs.10,171 million respectively.

	June 30 2014	December 31 2013	
	----- (Rupees in '000) -----		
8. ADVANCES -net			Note
Loans, cash credits, running finances, etc.			
In Pakistan	628,320,475	622,340,126	
Outside Pakistan	53,997,539	59,167,726	
	682,318,014	681,507,852	
Net investment in finance lease			
In Pakistan	1,334,033	1,413,434	
Outside Pakistan	-	-	
	1,334,033	1,413,434	
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan	18,165,927	12,353,303	
Payable outside Pakistan	14,177,113	17,821,493	
	32,343,040	30,174,796	
Advances - gross	715,995,087	713,096,082	
Less: Provision against non-performing loans - specific	8.2	89,242,216	
- general	8.2	3,065,768	
	92,307,984	92,879,473	
Advances - net of provision	<u>623,687,103</u>	<u>620,216,609</u>	

8.1 Advances include Rs. 109,701 million (2013: Rs.116,098 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2014				
	Domestic	Overseas	Total	Provision Required	Provision Held
	------(Rupees in '000)-----				
Other Assets Especially Mentioned	1,131,239	-	1,131,239	6,476	6,476
Substandard	11,523,506	507,681	12,031,187	2,911,409	2,911,409
Doubtful	6,148,374	1,062,407	7,210,781	2,671,630	2,671,630
Loss	72,072,013	17,255,618	89,327,631	83,652,701	83,652,701
	90,875,132	18,825,706	109,700,838	89,242,216	89,242,216

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

8.2 Particulars of provision against non-performing advances

	Half Year ended June 30, 2014			Year ended December 31, 2013		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	90,003,586	2,875,887	92,879,473	72,387,127	3,308,578	75,695,705
Exchange adjustments	(883,231)	(26,382)	(909,613)	385,746	50,462	436,208
Charge for the period	3,402,042	231,033	3,633,075	21,474,619	465,258	21,939,877
Reversals	(1,643,241)	-	(1,643,241)	(3,721,894)	(758,653)	(4,480,547)
	1,758,801	231,033	1,989,834	17,752,725	(293,395)	17,459,330
Transfer (out) / in	(1,650,189)	-	(1,650,189)	111,092	(209,826)	(98,734)
Amounts written off	(1,095)	-	(1,095)	(1,087)	-	(1,087)
Amounts charged off	-	-	-	(578,716)	-	(578,716)
Other adjustments	14,344	(14,770)	(426)	(53,301)	20,068	(33,233)
Closing balance	89,242,216	3,065,768	92,307,984	90,003,586	2,875,887	92,879,473

8.3 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 3,902 million (December 31, 2013: Rs. 5,219 million). Accordingly, as of June 30, 2014, the accumulated profit after tax of Rs. 2,536 million (December 31, 2013: Rs.3,392 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

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

8.5 The SBP through its letter No. BPRD/BRD/(Policy)/2013-1857 dated February 15, 2013 and BPRD/BRD/(Policy)/2013-11339 dated July 25, 2013 has allowed specific relaxation to the Bank regarding the provision against non performing exposure of Agritech Limited. During the period SBP vide its letter No. BPRD/BRD (Policy)/2014-11546 dated June 27, 2014 has further relaxed the provisioning requirement against classified exposure of Agritech Limited and now as of June 30, 2014, 65% of the required impairment / provision is to be recorded and the remaining amount is to be recorded in a phased manner up to December 31, 2015. Had this relaxation not been availed, the provision against non performing advances would have been higher by Rs.878 million (December 31, 2013: Rs. 1,226 million) and the profit before taxation would have been lower by the same amount.

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.

9. OPERATING FIXED ASSETS	June 30	December 31
	2014	2013
	------(Rupees in '000)-----	
Capital work-in-progress	1,241,333	2,816,408
Property and equipment	31,242,279	31,166,750
Intangible assets	1,699,471	585,706
	34,183,083	34,568,864

9.1 Additions and disposals during the period amounted to Rs.750,244 million (June 30, 2013: Rs. 556,491 million) and Rs. 77,046 million (June 30, 2013: Rs. 26,930 million) respectively.

	June 30 2014	December 31 2013
	----- (Rupees in '000') -----	
10. DEFERRED TAX ASSETS - net		
Deductible temporary differences on:		
Provision for diminution in the value of investments	3,784,136	3,481,832
Provision against advances	4,985,794	6,634,726
Other provision	1,568,535	1,281,478
Charge against defined benefits plans	8,198,501	7,745,875
Unrealized loss on derivatives	691,907	691,907
Provision against off balance sheet obligation	116,622	116,622
	<u>19,345,495</u>	<u>19,952,440</u>
Taxable temporary differences on:		
Excess of accounting book value of leased assets over lease liabilities	(11,723)	(16,202)
Difference between accounting book value of fixed assets and tax base	(438,353)	(245,340)
Revaluation of securities	(7,456,127)	(7,364,431)
Revaluation of operating fixed assets	(1,323,927)	(1,357,643)
	<u>(9,230,130)</u>	<u>(8,983,616)</u>
Net deferred tax liabilities	<u>10,115,365</u>	<u>10,968,824</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	275,477,690	290,646,462
Savings deposits	310,914,789	314,519,205
Current accounts - remunerative	136,075,282	114,379,969
Current accounts - non-remunerative	278,959,281	236,860,331
	<u>1,001,427,042</u>	<u>956,405,967</u>
Financial Institutions		
Remunerative deposits	43,063,752	49,801,525
Non-remunerative deposits	95,044,656	95,637,791
	<u>138,108,407</u>	<u>145,439,316</u>
	<u>1,139,535,449</u>	<u>1,101,845,283</u>
12. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on Revaluation of Fixed Assets - net of Tax	23,349,907	23,490,314
Deferred tax liability	(1,323,927)	(1,357,643)
	<u>22,025,980</u>	<u>22,132,671</u>
Surplus on Revaluation of Securities - net of Tax		
Federal Government securities	227,946	797,268
Term Finance Certificates	41,106	(8,795)
Shares and Mutual Funds	22,877,096	21,725,355
GoP Foreign Currency Bonds	582,138	388,652
Foreign Currency Debt Securities	165,334	145,270
Investment outside Pakistan	18,333,843	18,015,451
	<u>42,227,463</u>	<u>41,063,201</u>
Deferred tax Liability Recognized	(7,456,127)	(7,364,431)
Share of Revaluation Loss on Securities of Associates	(239,247)	(534,579)
	<u>56,558,069</u>	<u>55,296,862</u>
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	2,692,024	2,593,191
- Financial institutions	5,412,891	2,555,291
- Others	19,173,755	16,513,963
	<u>27,278,670</u>	<u>21,662,445</u>

13.2 Transaction-related contingent liabilities

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

- Government
- Financial institutions
- Others

18,738,250	17,078,928
4,785,476	4,578,538
31,345,052	33,810,668
54,868,779	55,468,134

13.3 Trade-related contingent liabilities

Letters of credit Issued in favour of:

- Government
- Financial institutions
- Others

136,639,490	136,703,020
15,618,720	8,972,738
73,711,593	60,893,127
225,969,803	206,568,885

13.4 Other contingencies

- 13.4.1** Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.192 million (2013: Rs. 188 million) and claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2013: Rs. 1,597 million)] and claims relating to employees, the amount involved cannot be ascertained reasonably

13,532,882	13,974,192
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13.4.2 Taxation

The tax returns of the Bank have been filed and amended by the tax authorities up to Tax Year 2013. For Azad Kashmir Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2013.

During the period, the order for the tax year 2013 was rectified which resulted in increase in determined refunds amounting to Rs 1,637 million. Further in respect of monitoring of withholding taxes under section 149, 150 and 151 of the Income Tax Ordinance, 2001, for the tax years 2009 to 2013, the tax department has rectified the orders which resulted in decrease in demand of Rs. 574 million for all years which is subject to further rectification. An appeal is also pending before the Appellate Tribunal Inland Revenue on legal grounds.

The other matters under contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on June 30, 2014 amounts to Rs.10,461 million (December 31, 2013: Rs. 10,593 million). 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.

FBR have also passed orders under provisions of the FED Act in respect of the Federal Excise Duty payable on the services rendered by the Bank for the tax year 2014. The demand raised includes FED recoverable from SBP amounting to Rs 229 million on the commission income derived from the treasury services provided to the State Bank of Pakistan/ Federal Government of Pakistan. Appeals have been filed before various appellate forums including reference and constitutional petitions before High Court of Sindh wherein apart from other legal grounds, the principal ground is levy of duty on service which are not specified in the First Schedule to the Customs Act, 1969 and specially for Tax year 2011 levy of duty by FBR on services provided in province of Sindh after promulgation of Sindh Sales Tax on Services Act, 2011.

The Group is also contesting levy of Sindh Sales Tax amounting to Rs. 171.45 million for the period from July, 2011 to March, 2012 on the services provided to Federal Government through State Bank of Pakistan in the province of Sindh, principally on the ground that the Federal Government/State Bank of Pakistan cannot be subject to provincial levy under the provisions of the Constitution of the Islamic Republic of Pakistan.

13.4.3 Other contingencies

The status of contingencies in respect of barter trade agreement, golden handshake and pensionary benefits to retired employees is same as disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2013. In case of encashment of unavailed leaves, the Lahore High Court dismissed the petitions of the subject ex-employees in April 2014. Some of the Petitioners have filed Inter Court appeals against the judgment however notices in that regard have not yet been received.

	June 30, 2014	December 31, 2013
	----- (Rupees in '000) -----	
13.5 Commitments in respect of forward exchange contracts		
Purchase	202,503,985	204,673,055
Sale	104,895,287	132,796,307
13.6 Other Commitments		
Professional services to be received	148,383	61,330
13.7 Commitments for the acquisition of operating fixed assets	1,697,808	1,732,023

14. OTHER INCOME

Other income includes Rs. 1,729 million (June 30, 2013: Rs. 1,303 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

15. OTHER PROVISIONS / WRITE OFFS

These include provision of Rs. 665.895 million made on account of shortfall in collections accounts due to reported instances of embezzlements and misappropriations for which investigation and legal actions are being taken by the Bank.

	Quarter Ended June 30 2014	Half Year Ended June 30 2014	Quarter Ended June 30 2013	Half Year Ended June 30 2013
16. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation (Rupees in '000)	4,459,695	7,700,408	2,491,330	6,042,746
Weighted average number of ordinary shares (Number '000)	2,127,513	2,127,513	2,127,513	2,127,513
Basic and diluted earnings per share (Rupees)	2.10	3.62	1.17	2.84

16.1 Earnings per share for the periods ended March 31, 2013 and June 30, 2013 has been restated for the effect of bonus shares issued.

17. 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 -----								
June 30, 2014									
Total income	274,084	205,694	5,240,905	24,982,647	977,117	3,035,988	601,579	61,473	35,379,487
Inter segment revenue	-	(27,374)	4,991,640	(4,964,266)	-	-	-	-	-
Total expenses	10,519	641,995	9,592,267	9,706,477	806,558	2,177,449	539,931	46,032	23,521,228
Net income	263,565	(463,675)	640,278	10,311,904	170,559	858,539	61,648	15,441	11,858,259
Segment Assets	-	2,666,291	238,037,167	1,183,996,915	-	19,580,689	2,936,048	749,051	1,447,966,161
Segment Non-Performing Loans	-	-	9,478,506	100,222,332	-	-	-	-	109,700,838
Segment Specific Provision Required	-	-	8,372,488	83,935,496	-	-	-	-	92,307,984
Segment Liabilities	-	-	286,917,377	963,168,860	-	32,180,884	1,952,225	430,140	1,284,649,486
Segment Return on Assets (ROA) (%)	0.00%	12.76%	0.57%	1.82%	0.00%	13.48%	2.10%	2.06%	
Segment Cost of Fund (%)	0.00%	0.00%	6.40%	6.01%	0.00%	0.00%	0.18%	0.42%	
June 30, 2013									
Total income	101,515	272,436	5,406,799	23,889,412	882,650	2,927,573	537,453	56,791	34,074,629
Inter segment revenue	-	3,366	4,970,032	(4,973,398)	-	-	-	-	-
Total expenses	9,475	767,816	9,629,401	12,483,758	760,328	2,004,455	444,923	43,013	26,143,169
Net income	92,040	(492,014)	747,430	6,432,256	122,322	923,118	92,530	13,778	7,931,460
Segment Assets	-	1,583,119	221,583,728	1,152,377,898	-	17,278,714	2,987,429	392,814	1,396,203,702
Segment Non-Performing Loans	-	-	7,813,507	85,448,673	-	-	-	-	93,262,180
Segment Specific Provision Required	-	-	7,277,639	71,857,612	-	-	-	-	79,135,251
Segment Liabilities	-	-	247,446,018	975,634,965	-	19,156,641	2,091,350	96,064	1,244,425,038
Segment Return on Assets (ROA) (%)	0.00%	8.16%	0.73%	1.06%	0.00%	14.63%	2.00%	3.51%	
Segment Cost of Fund (%)	0.00%	0.00%	5.86%	5.92%	0.00%	0.00%	0.18%	0.42%	

18. RELATED PARTY TRANSACTIONS

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

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

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

	2014				2013			
	At January 01,	Given during the half year	Repaid during the half year	At June 30,	At January 01,	Given during the year	Repaid during the year	At December 31,
	----- (Rupees in '000) -----							
Advances								
Key Management Executives	144,607	-	(13,416)	151,775	134,343	32,972	(22,708)	144,607
Adjustments*	20,584	-	-	-	-	-	-	-
	165,191	-	(13,416)	151,775	134,343	32,972	(22,708)	144,607
Associates	5,433,806	-	(18,194)	5,415,612	4,122,053	1,311,753	-	5,433,806
Debts due by Company in which director is interested as director	9,613,756	60,202,430	(62,661,272)	7,174,876	5,711,940	1,589,000	(10,052,116)	9,613,756
* Adjustment	19,962	-	-	-	12,364,932	-	-	-
	9,633,718	60,202,430	(62,661,272)	7,174,876	18,076,872	1,589,000	(10,052,116)	9,613,756
	15,232,715	60,202,430	(62,692,882)	12,742,263	22,333,268	2,933,725	(10,074,824)	15,192,169

	2014				2013			
	At January 01,	Received during the half year	Repaid during the half year	At June 30,	At January 01,	Received during the year	Repaid during the year	At December 31,
	----- (Rupees in '000) -----							
Deposits								
Associates	12,038,914	-	-	12,038,914	15,025,349	-	(2,986,435)	12,038,914
Key Management Executives	13,402	141,288	(134,473)	15,427	15,416	292,747	(297,630)	13,402
Adjustments*	(4,790)	-	-	-	2,869	-	-	-
	8,612	141,288	(134,473)	15,427	18,285	292,747	(297,630)	13,402
Pension Fund (Current)	4,393	19,795,070	(19,795,443)	4,020	4,676	62,759,037	(62,759,320)	4,393
Pension Fund (Fixed Deposit)	11,500,000	7,000,000	(10,700,000)	7,800,000	13,600,000	25,157,100	(27,257,100)	11,500,000
Pension Fund (N.I.D.A A/c)	270,228	9,914,491	(9,965,994)	218,725	49,300	18,966,084	(18,745,156)	270,228
Provident Fund (Current)	12,886,715	1,447,951	(1,053,568)	13,281,098	12,448,399	2,695,075	(2,256,759)	12,886,715
	36,708,862	38,298,800	(41,649,478)	33,358,184	41,146,009	109,870,043	(114,302,400)	36,713,652

* Adjustments due to changes in key management executives.

	June 30, 2014	December 31, 2013
	----- (Rupees in '000) -----	
Placements with:		
Joint Venture		87,435
		37,621
Repo Borrowing from:		
Joint Venture		181,779
		171,554
Off-Balance sheet items - Joint Venture	220,823	228,721
Investments in associates	7,550,384	9,890,010
Redemption / sale of investment in associates	10,170,776	18,820,757
	Half Year ended June 30, 2014	Half Year ended June 30, 2013
	----- (Rupees in '000) -----	
Dividends from Associates	-	196132
Income for the period		
On advances / placements with:		
Joint Venture		132
Key management executives		1,061
Debts due by company in which a director of the Bank is interested as director		556,730
		969,000
Expenses for the period		
Remuneration to key management executives	126,641	133,717
Charge for defined benefit plan	41,033	43,326
Mark-up on Deposits of:		
Associates	49,476	98,953
Provident fund	1,117,405	1,024,723
Pension fund	40,475	152,123
Key management executives	1,006	874
Companies in which director are interested as director	-	60,920
Mark-up on Borrowing (Repo / Call):		
Joint Venture	304	123

18.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75% 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 Group 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 Group also earns commission on handling treasury transactions on behalf of the Government of Pakistan (domestic operations only) amounting to Rs. 2,904 million for the six months period ended June 30, 2014. As at the Statement of Financial Position date the loans and advances and deposits relating to Government-related entities amounted to Rs. 227.636 million and Rs. 345.535 million respectively.

19. ISLAMIC BANKING BUSINESS

The Group is operating 20 (December 31, 2013: 18) Islamic banking branches as at June 30, 2014. Statement of financial position and profit and loss account is as under:

	June 30, 2014	December 31, 2013
	----- (Rupees in '000') -----	
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	130,808	263,743
Balances with other banks	340	80
Investments	2,432,064	4,819,868
Islamic financing and related assets	361,448	951,020
Operating fixed assets	41,570	59,554
Other assets	135,537	162,952
	3,101,767	6,257,217
Liabilities		
Bills Payable	6,955	9,547
Deposits and other accounts		
- Current accounts	873,460	1,520,348
- Saving accounts	552,563	571,311
- Term deposits	671,841	684,746
- Deposit from financial institutions - Remunerative	2,537	2,261,206
Due to Head Office	140,683	283,959
Other liabilities	39,812	58,960
	2,287,851	5,390,077
	813,916	867,140
Net Assets		
Represented By		
Islamic Banking Fund	800,000	800,000
Unappropriated profit / (loss)	13,916	67,140
	813,916	867,140
Surplus on revaluation of assets - net	-	-
	813,916	867,140
	Half year ended June 30, 2014	Half year ended June 30, 2013
	----- (Rupees in '000') -----	
PROFIT AND LOSS ACCOUNT		
Profit / Return earned on financings, investments and placements	244,558	237,738
Profit / Return expensed on deposit	97,904	59,245
Net spread earned	146,654	178,493
Depreciation on assets given on ijarah	(34,628)	(63,083)
	112,026	115,410
Provision against advances and investments	-	-
Provision reversed against advances and investments	7,931	2,031
	7,931	2,031
Profit after provision	119,957	117,441
Other income		
Fee, commission and brokerage income	19,302	2,134
Income from dealing in foreign currencies	(850)	-
Other income	(175)	-
Total other income	18,277	2,134
	138,234	119,575
Other expenses		
Administrative expenses	(124,318)	(76,258)
Profit before taxation	13,916	43,317

	Half year ended June 30, 2014	Half year ended June 30, 2013
----- (Rupees in '000) -----		
CASH FLOW STATEMENT		
Cash Flow from Operating Activities		
Profit for the period	13,916	43,317
Adjustments :		
Depreciation - Own assets	1,571	808
Depreciation - Ijarah assets	34,628	63,083
Reversal against non performing financings	(7,931)	(2,031)
	<u>28,268</u>	<u>61,860</u>
	42,184	105,177
(Increase) / Decrease in operating assets		
Due from Financial Institutions	(260)	753,957
Financings	2,950,679	(1,874,479)
Other assets	27,415	(98,909)
	<u>2,977,834</u>	<u>(1,219,431)</u>
(Increase) / Decrease in operating liabilities		
Bills payable	(2,592)	1,831
Deposits and other accounts	(2,937,210)	789,651
Borrowings from Head Office	(194,003)	283,498
Other liabilities	(19,148)	51,655
	<u>(3,152,953)</u>	<u>1,126,635</u>
Net cash (used in) / generated from operating activities	(132,935)	12,381
Cash Flow from Investing Activities		
Investment in operating fixed assets	-	(3,025)
Net cash used in investing activities	-	(3,025)
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
(Decrease) / Increase in cash and cash equivalents	<u>(132,935)</u>	<u>9,356</u>
Cash and cash equivalents at beginning of the half year	263,743	173,725
Cash and cash equivalents at the end of the half year	<u>130,808</u>	<u>183,081</u>

20. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 19, 2014.

21. GENERAL

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

21.2 The comparative figures in profit and loss account for the half year ended June 30, 2013 has been restated due to retrospective adjustments made in respect of actuarial valuation of employee benefit obligations as explained in note 5.1.3 to the annual financial statements for the year ended December 31, 2013. The impact of such restatements is summarized below:

Increase in administrative expenses	452,445
Decrease in net profit for the period	294,089
Decrease in other comprehensive income	338,494
Decrease in EPS (Rs.)	0.14

Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Shahid Aziz Siddiqi
Director

Muhammad Naeem
Director