

**National Bank of Pakistan
Half Yearly Report June 2016**

Directors' Report to the Shareholders

On behalf of the Board of Directors, I am pleased to present the financial statements of National Bank of Pakistan for the half year ended June 30, 2016.

Economic Environment:

While most of the emerging markets witnessed an economic go-slow on the back of insipid performance by the developed economies, Pakistan, the second largest economy in South Asia, managed to remain resilient to the situation. Reduction in the import bill mainly, historic low inflation backed by slump in commodity prices, monetary easing are a few to mention the indicators for economic revival.

Continued improvements in economic landscape translated into easing monetary measures and also 3% reduction in policy rate during last 18 months. This low-cost borrowing environment coupled with improved energy supply and fuel costs has created significant growth opportunities for both Large Scale Manufacturing 'LSM' and small & medium industries. This situation is particularly supportive for the private sector which was earlier crowded out due to fiscal imbalances. Despite an increase in development expenditures, the budget deficit remained manageable during FY'16 at 3.4% of GDP. The improvement is a result of containment of current expenditures, sharp increase in tax revenues and LSM growth.

Lower import bills, completion of final round of the IMF bailout programme and the continued stream of foreign remittances have all collectively strengthened foreign exchange reserves which currently stand at a record level of USD 23 billion. In recent months we also witnessed significant FDI as certain local corporates are acquired by Turkish and Dutch investors, projecting build-up in foreign reserves and technological advancement in the country. Despite job pressures in the regional economies, home remittances were recorded at USD i.e. 7% up against year 2015. The PKR-USD exchange rate remained fairly stable in the range of PKR 104 -105/USD during H1'16.

While it may take a couple years for the CPEC to gain momentum; the USD 46 billion promised foreign investment is expected to be a real antidote for chronic energy crises, and to bring unparalleled infrastructural development in the country.

Another significant improvement witnessed recently, was the much-awaited decision by the MSCI to upgrade Pakistan from Frontier to Emerging markets in June 2016. This reclassification reflects the global investors' positive outlook on Pakistan. The PSX 100-Index has picked up significant momentum since Q2' 16 and crossed 40,000 points, posting a strong 15% return during 1H'16.

Constant cut in the policy rate and the increased market liquidity have posed the banking sector to face pressure on both earning as well as balance sheet growth. While deposits remained mostly flat

during Q1'16, picked up pace during the latter part of the period and posted an overall growth of 8.1% during the first half of 2016. Gross advances gained some momentum during the latter part of the period with a growth of 7.5% in H1'16.

Performance Highlights

Profitability:

The Bank recorded unconsolidated pre-tax profit of Rs. 16.53 billion for the half year ended June 30, 2016, i.e. a 9.24% growth over Rs. 15.13 billion of corresponding period last year. Whereas, the after-tax profit increased by 25.29% to Rs. 9.45 billion (1H'15: Rs. 7.54bn) translating into a 29.12% pre-tax return on equity. Earnings per share for the period under review increased by 25.29% to Rs. 4.44, against Rs. 3.54 for the corresponding 1H'15.

Despite continued decline in the discount rates, gross mark-up / interest income remained at Rs. 57.19 billion (1H'15: Rs. 57.40 billion). This was achieved through maintaining an efficient portfolio of advances and investments. Investments into Pakistan Investment Bonds and other Government securities continued to generate healthy yields resulting into stable and consistent contribution to earnings of the bank.

Net mark-up/interest income for the 1H '16 increased by 11.39% to Rs. 27.65 billion as against Rs. 24.82 billion of the corresponding period 1H '15. This was mainly achieved on account of better liability management leading to reduction in the mark-up/interest expense by 9.32% to Rs. 29.55 billion. With a 1.5% reduction, domestic cost of deposits stood at 3.8% for H1'16 (H1'15: 5.3%); whereas, overall cost of funds remained at 4.10%.

Non mark-up/interest income for the half year remained at Rs. 14.17 billion, i.e. lower by 23.46% as against Rs. 18.51 billion for the corresponding 1H period of 2015. The drop was mainly due to lower dividends and capital gains generated through sale of marketable securities which amounted Rs. 1.52 billion and Rs. 3.22 billion i.e. down by 21.6% and 59.07% respectively against the corresponding period. It is however positive to note that the bank efficiently managed to achieve a 23.24% growth in the fee /commission income which increased to Rs. 7.04 billion against Rs. 5.71 billion of corresponding period of 2015. Fee/commission income, being 50% of the total non mark-up income, constitutes the single largest component of this income class. Major contributor towards this component was the commission income earned on government agency services, higher trade business and the advisory fee & commission.

During the period, income from dealing in foreign currencies remained at Rs. 1.65 billion (1H '15:Rs.1.94 billion). The decline in numbers is attributed to lower arbitrage opportunities and fairly stable exchange rates.

Loan Portfolio & NPL: During last couple of years, we have remained more focused on improving loan portfolio quality through efficient lending and effective post-disbursement loan monitoring. Gross NPLs / total advances was at 17.8% as against 18.4% of December 2015. Net addition to NPL during last 6 months is Rs. 4.65 billion; and is mainly due to subjective classification of certain facilities. Significant increase is observed in the Substandard category (Rs. 5.35 billion); whereas NPL in the loss category recorded a reversal/reduction by Rs. 1.59 billion. Net specific provisions charge against NPL for 1H '16 remained significantly lower by 71.51% at Rs. 1.93 billion as against Rs. 6.77 billion net charge for the corresponding 1H '15, due to lower provisions charge against overseas NPL. Coverage ratio at the end of June 2016 is 87.39% compared to 89.35% of December 2015.

Cost Management: With a total non mark-up cost of Rs. 23.61 billion (1H '15: Rs. 21.42 billion), bank's cost to income ratio is 58.8% (H1'15: 58.6%). With a 9.03% increase, administrative expenses increased to Rs. 22.95 billion against Rs. 21.05 billion of the corresponding 1H '15. Increase was mainly recorded in the HR costs which increased due to annual increments. Other non-mark-up expenses remained well controlled within the budget as per industry norms. Major increase in costs was noted during the period under review for branch uplift, IT infrastructure development and the related HR trainings. Bank is also spending large amounts to improve customer service quality, corporate image and market visibility through advertisements and social services.

Balance Sheet:

As the Bank continued to expand its market outreach both in domestic and international markets, the balance sheet footing touched Rs. 1.90 trillion with an increase of 11.6% over Rs. 1.71 trillion as of December 2015. As we continually endeavour to increase our market share of both advances and deposits, banks advances (gross) increased to Rs. 741.56 billion i.e. 7.2% higher than Rs. 691.85 billion as of December 2015. Major growth was recorded in the corporate loans and commodity financing.

With 18.4% growth against Rs. 802.99 billion as of December 2015, bank's investments (gross) increased to Rs. 950.35 billion. Pursuant to our effective risk and capital adequacy management strategy, the investment portfolio is efficiently diversified across zero risk treasury bills and bonds, high dividend yield equities and other interest bearing financial instruments. The Bank remains strongly capitalised in both Tier-I and Tier-II capital.

Deposits recorded a marginal 2.2% drop to Rs. 1,399.41 billion as against Rs. 1,431.04 billion as of December 2015 with 77.6 % being domestic CASA deposits. During the period under review, deposits of the Islamic Banking branches increased by 60% from Rs. 12.70 billion of December 2015 to Rs. 20.32 billion at the end of 1H '16.

Overseas Operations:

Bank's overseas operations posted a pre-provision profit of Rs. 604 million for the period; higher by 109% compared to Rs. 289 million for the corresponding period of last year. Improvement was recorded both in Net interest income and Non Funded Income which respectively increased by 28.4% to Rs. 1,198 million, and by 29.5% to Rs. 728 million. Administrative expenses for the overseas operations increased by 9.6% in line with the volumes.

Credit Rating:

NBP is rated by both the credit rating agencies in Pakistan. In June 2016, both JCR-VIS and PACRA have reaffirmed Bank's credit rating at 'AAA/A-1+' (Triple A/A-One Plus) with a 'Stable' Outlook. The assigned credit rating & outlook reflect NBP's strong ownership structure, strong financial risk profile, firm risk absorption capacity, healthy liquidity and a diversified advances and deposits base on the back of bank's strong franchise and extended market outreach, particularly in remote areas.

Qualitative Overview:

Significant efforts were made during the period under review to enhance our market outreach for financial inclusion of the unbanked masses in the country. Our domestic network consists of 1,403 branches, including Islamic banking branches network of 112 branches (Dec'15:79) in all major cities throughout the Country. Efficient business processing and intelligence systems e.g. Core Banking Application, SAP Financial, SAP-HCM, and other systems have already been implemented. Theta, an automated loan origination system encapsulating paperless approval and workflow management is also at the advanced stages of implementation. This system shall serve as a robust mechanism for initiation, approval and disbursement of over 83 advances products across the bank. Our ATM network has now increased to 1,175 machines with 6 ATM centres. Installation of another 250 ATMs is in progress and is expected to be completed in 2016.

New liability products are being developed to increase CASA deposits and to reduce cost of funds. Our product bucket now includes Bancassurance which will soon be offered at 600+ selected branches across the country. We are also working at advanced stage to launch a Debit Card and adopt alternate delivery channels like mobile banking, internet banking, cash & cheque deposit machines, inter-branch and inter-bank fund transfers through ATMs etc. To achieve our ambition of becoming the 'Bank of Choice', we are invigorating the sales & service culture through uplift & standardisation of branches for greater customer satisfaction and loyalty.

Future Outlook:

NBP will continue progressing in the right direction towards regaining its leadership position, bringing greater financial inclusion, partnering economic development in the country and adopting the best corporate governance practices and business models of the modern-day banking. Unparalleled growth in our market outreach throughout the country will generate more volumetric

earning opportunities in the emerging segments. By virtue of our healthy liquidity and capital adequacy position, we are there to tap in on the LSM and Infrastructural projects. Continuing its pace with increasing market share in advances, our corporate bank will follow a growth strategy with increased lending in LSM sector with particular focus to capitalize on the CPEC related opportunities. The Bank is adopting efficient business modules to offer services like cash management, contextual commerce, branch-less banking via internet, mobile phones, card and card less banking.

Appropriation of Profits:

The Profit for the half year ended June 30, 2016 after carry forward of accumulated profit of 2015 is proposed to be appropriated as follows:

	<i>(Rs. Million)</i>
Profit before tax for half year period ended June 30, 2016	16,532
Taxation	
- Current	5,143
- Prior Year	1,344
- Deferred	598
	7,085
After tax profit for half year period ended June 30, 2016	9,447
Un-appropriated profit brought forward	49,156
Other comprehensive income - net of tax	1,196
Transfer from surplus on revaluation of fixed assets – net of tax	57
Profit available for appropriations	59,856
Transfer to Statutory Reserve (10% of after tax profit)	(945)
Cash dividend – 2015	(15,956)
Un-appropriated profit carried forward	42,955

For and on behalf of the Board of Directors,

Syed Ahmed Iqbal Ashraf

President & CEO

Dated: August 26, 2016

ڈائریکٹرز کی رپورٹ برائے حصص مالکان

میں بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2016ء کو ختم ہونے والے نصف سال کے لیے نیشنل بینک آف پاکستان کے مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔

معاشی صورت حال

جہاں بیش تر ابھرتی ہوئی منڈیوں نے ترقی یافتہ معیشتوں کی طرف سے نسبتاً کمزور کارکردگی کی بناء پر سست روی کا مظاہرہ کیا، پاکستان، جنوبی ایشیا کی دوسری سب سے بڑی معیشت، حالات کا مقابلہ کرنے میں کامیاب رہی۔ بنیادی طور پر اپورٹ بل میں کمی، تاریخی حد تک کم افراط زر، ایشیائے صرف کی قیمتوں میں کمی/ مالیاتی سہولت معاشی بحالی کے لیے چند قابل ذکر اشارے ہیں۔

معاشی منظر نامے میں اور مسلسل بہتری کا نتیجہ گزشتہ 18 ماہ کے دوران مالیاتی اقدامات میں نرمی، پالیسی ریٹ میں 3 فی صد تک کمی کی صورت میں ظاہر ہوا ہے۔ کم تر لاگت میں قرض کے اس ماحول نے بجلی کی بہتر سپلائی اور ایندھن کی لاگت میں کمی کے ساتھ مل کر بڑے پیمانے پر مصنوعات سازی 'LSM' اور چھوٹی اور درمیانی صنعتوں، دونوں کے لیے نمو کے وافر مواقع پیدا کیے ہیں۔ یہ صورت حال نئی شعبے کے لیے خصوصاً مددگار ہے جو قبل ازیں مالیاتی عدم توازن کی وجہ سے مشکلات میں گھرا رہا۔ ترقیاتی اخراجات میں اضافے کے باوجود بجٹ خسارہ مالی سال 2016 کے دوران GDP کے 3.4 فی صد تک محدود رہا۔ یہ بہتری موجودہ اخراجات کو محدود رکھنے، ٹیکس آمدن اور LSM کی نمو میں تیز رفتار اضافے کا نتیجہ ہے۔

کم اپورٹ بلز، آئی ایم ایف بیل آؤٹ پروگرام کے حتمی مرحلے کی تکمیل اور غیر ملکی ترسیلات زر کے تسلسل، سب نے مل کر زرمبادلہ کے ذخائر کو مستحکم کیا ہے جو فی الوقت 23 ارب امریکی ڈالر کی ریکارڈ سطح پر موجود ہے۔ حالیہ مہینوں میں خاطر خواہ براہ راست غیر ملکی سرمایہ کاری بھی دیکھنے میں آئی، جیسا کہ ترکی اور ہالینڈ کے سرمایہ کاروں کی طرف سے بعض مقامی کاروباری ادارے خریدے گئے ہیں، جس سے ملک میں زرمبادلہ کے ذخائر اور تکنیکی ترقی میں اضافہ ہو رہا ہے۔ علاقائی معیشتوں میں ملازمتوں پر دباؤ کے باوجود 2015 کے مقابلے میں رواں سال بیرونی ترسیل زر کی شرح میں 7 فی صد اضافہ ریکارڈ کیا گیا ہے۔ 2016 کے پہلے نصف کے دوران پاکستانی روپے اور امریکی ڈالر کی شرح مبادلہ 104-105 پاکستانی روپے فی امریکی ڈالر کی حد میں مستحکم رہی۔ جہاں سی پیک کو اپنے عروج پر آنے میں ابھی کچھ سال لگ سکتے ہیں، حسب وعدہ 46 ارب ڈالر کی غیر ملکی سرمایہ کاری سے توانائی کے دیرینہ بحران کے حقیقی حل اور ملک میں انفراسٹرکچر کی بے مثال ترقی کی توقع کی جاتی ہے۔

حال ہی میں سامنے آنے والی ایک اور نمایاں بہتری، MSCI کی طرف سے پاکستان کو جون 2016 میں فرمٹیز سے ایمرجنگ مارکیٹس میں ترقی دینے کا فیصلہ ہے جس کا شدت سے انتظار کیا جا رہا تھا۔ یہ درجہ بندی غیر ملکی سرمایہ کاروں کی پاکستان سے مثبت توقعات کی عکاسی کرتی ہے۔ پی ایس ایکس 100 انڈیکس نے 2016 کی دوسری سہ ماہی میں نمایاں تیزی دکھائی ہے، جو 2016 کے پہلے نصف کے دوران 15 فی صد کے بھرپور منافع کے ساتھ اب 40,000 پوائنٹس تک پہنچ چکا ہے۔

پالیسی ریٹ میں مسلسل کٹوتی اور اضافہ شدہ مارکیٹ لیکویڈیٹی سے بینکاری کے شعبے کو آمدن کے ساتھ ساتھ بیلنس شیٹ کی نمو پر دباؤ کا سامنا کرنا پڑ رہا ہے۔ جہاں ڈپازٹس 2016 کی پہلی سہ ماہی کے دوران زیادہ تر ہموار ہے، انہوں نے مدت کے بعد والے حصے میں زور پکڑا اور 2016 کے پہلے نصف کے دوران 8.1 فی صد کی مجموعی بڑھوتری درج کرائی۔ مجموعی قرضوں نے 2016 کے پہلے نصف میں 7.5 فی صد نمو کے ساتھ اس مدت کے بعد کے حصے میں کچھ رفتار حاصل کر لی۔

کارکردگی کی جھلکیاں منافع کمانے کی اہلیت:

بینک نے 30 جون 2016ء کو ختم ہونے والے پہلے نصف کے لیے 16.53 ارب روپے غیر مجتمع قبل از ٹیکس منافع درج کرایا ہے جو گذشتہ سال کی اسی مدت کے دوران 15.13 ارب روپے کے مقابلے میں 9.24 فی صد زیادہ ہے۔ تاہم بعد از ٹیکس منافع %25.29 اضافے کے ساتھ 9.45 ارب روپے (1H'15:7.54bn) ہو گیا، جو خالص سرمائے پر 29.12 فی صد بعد قبل از ٹیکس منافع بنتا ہے۔ زیر نظر مدت کے لیے فی حصص آمدنی میں %25.29 اضافہ دیکھا گیا جو کہ 2015 کے پہلے نصف کے 3.54 روپے کے مقابلے میں 4.44 روپے ہو گئی۔

ڈسکاؤنٹ ریٹس میں لگا تار کمی کے باوجود، مارک اپ / مارک اپ / انٹرسٹ کی مجموعی آمدنی 57.19 ارب روپے (1H'15:Rs 57.40bn) رہی۔ یہ بہتری بنیادی طور پر دانش مندانہ قرضہ جاتی انتظام اور سرمایہ کاری کے ذریعے حاصل کی گئی۔ پاکستان انویسٹمنٹ بانڈز اور دیگر گورنمنٹ سیکورٹیز میں سرمایہ کاری سے مناسب منفعت کا سلسلہ جاری رہا جس کا نتیجہ آمدن میں مستحکم اور لگا تار اضافہ رہا۔

خالص مارک اپ / انٹرسٹ انکم 2016ء کے پہلے نصف کے دوران %11.39 کی شرح سے اضافہ کے ساتھ 27.65 ارب رہی جو کہ 2015ء کی اسی مدت کے دوران 24.82 ارب روپے تھی۔ یہ کامیابی بنیادی طور پر واجبات کے بہتر انتظام و انصرام کے ذریعے کل مارک اپ / انٹرسٹ خرچ میں %9.32 کمی کر کے 29.55 ارب روپے کرنے سے حاصل ہوئی۔ مزید، ملکی ڈپازٹس کی لاگت میں بھی %1.5 کمی ہوئی جو کہ 2015 کے پہلے نصف میں %5.3 سے کم ہو کے %3.8 رہے، جبکہ فنڈز کی مجموعی لاگت %4.1 رہی۔

نان مارک اپ / انٹرسٹ انکم پہلے نصف سال کے لیے 14.17 ارب روپے رہی جو 2015ء کی اسی مدت کے 18.51 ارب روپے کے مقابلے میں %23.46 کم ہے۔ یہ کمی بنیادی طور پر ڈیویڈنڈ اور سیکورٹیز کی فروخت سے حاصل ہونے والے مالیاتی منافع میں کمی کی وجہ سے ہے جو مذکورہ بالا اسی مدت کے مقابلے میں بالترتیب 11.52 ارب روپے اور 3.22 ارب روپے یعنی %21.6 اور %59.07 گر گئے۔ تاہم یہاں یہ مثبت پہلو قابل ذکر ہے کہ بینک فیس / کمیشن کی مد میں آمدنی میں %23.24 اضافہ حاصل کرنے میں کامیاب رہا ہے جو زیر موازنہ 2015ء کی اسی مدت کے دوران فیس / کمیشن آمدن 5.71 ارب روپے کے مقابلے میں بڑھ کر 7.04 ارب روپے ہو گئی۔ کل نان مارک اپ / انکم کی مد میں %50 حصہ کے ساتھ اس ضمن میں سب سے بڑا جزو رہا۔ فیس / کمیشن آمدن میں بیشتر حصہ گورنمنٹ ایجنسی سروسز کمیشن، ٹریڈ بزنس اور ایڈوائزری فیس اینڈ کمیشن کا رہا۔

اس مدت کے دوران غیر ملکی کرنسیوں کے لین دین سے حاصل شدہ آمدنی 1.65 ارب روپے رہی (1H'15:Rs 1.94 bn)۔ یہ کمی بنیادی طور پر مستحکم شرح مبادلہ اور غیر ملکی کرنسیوں کے فوری لین دین (Arbitrage) کے کم تر مواقع کا نتیجہ ہے۔

قرضہ جات اور غیر فعال قرضے: گزشتہ دو سالوں کے دوران میں ہم نے قرض دینے اور قرض دینے کے بعد موثر نگرانی کے ذریعے قرضہ جات فلیو کا معیار بہتر بنانے پر زیادہ توجہ مرکوز رکھی۔ مجموعی غیر فعال قرضے متناسب کل قرضہ جات دسمبر 2015ء کے %18.4 کے مقابلے میں %17.8 رہے۔ گذشتہ 6 ماہ کے دوران غیر فعال قرضوں میں 4.65 ارب کا خالص اضافہ ہوا، جس کی بڑی وجہ بعض قرضوں کی مخصوص درجہ بندی ہے۔ تاہم خاطر خواہ اضافہ Sub-Standard درجہ بندی (5.35 ارب روپے) میں نظر آیا ہے، جب کہ Loss درجہ بندی میں غیر فعال قرضوں میں 1.59 ارب روپے کی کمی ریکارڈ کی گئی ہے۔ چنانچہ 2016ء کے پہلے نصف میں غیر فعال قرضوں کے مقابل پر ویزنز %71.51 کمی کے ساتھ 1.93 ارب رہی جو کہ 2015ء کے پہلے نصف کے دوران 6.77 ارب روپے تھی۔ یعنی اس مدت کے دوران مجموعی پرویشن چارج انتہائی کم رہا جس کی ایک وجہ بیرون ملک کے غیر فعال قرضوں پر کم

پروویژن چارج ہے۔ جون 2016ء کے اختتام پر غیر فعال قرضوں کی کوریج کی شرح 87.39% رہی جو دسمبر 2015ء میں 89.35% تھی۔

اخراجات کا انتظام وانصرام

23.61 ارب روپے کے مجموعی غیر مارک اپ اخراجات (2015 کا پہلا نصف: 21.42 ارب روپے) کے ساتھ بینک کے خرچ کا آمدنی سے تناسب 55.2% (2015 کا پہلا نصف: 48.6 فی صد) رہا۔ 2015 کے پہلے نصف میں اسی مدت میں 21.05 ارب روپے کے مقابلے میں 9.03% اضافے کے ساتھ انتظامی اخراجات بڑھ کر 22.95 ارب روپے ہو گئے۔ یہ اضافہ بنیادی طور پر افرادی وسائل کی لاگتوں میں ریکارڈ کیا گیا جو تنخواہوں میں سالانہ اضافے کا نتیجہ ہے۔ دیگر نان مارک اپ اخراجات بجٹ اور انڈسٹری کی عمومی سطح کے اندر بخوبی محدود رکھے گئے۔ برانچ کی ترمیم و آرائش، آئی ٹی انفراسٹرکچر کی تیاری اور متعلقہ افرادی وسائل کی تربیت کی لاگتوں پر بھی خاطر خواہ اخراجات ہوئے ہیں۔ بینک کسٹمر سروس کے معیار، کارپوریٹ امیج اور مارکیٹ وزیٹیلٹی میں بہتری کے لیے اشتہاروں اور سوشل سروسز کے ذریعے بھاری رقم خرچ کر رہا ہے۔

بیلنس شیٹ

جیسا کہ بینک مقامی اور بین الاقوامی، دونوں مارکیٹس میں اپنی رسائی بڑھانے کا سلسلہ جاری رکھے ہوئے ہے، بیلنس شیٹ کا کل میزانیہ دسمبر 2015 کے 1.71 کھرب کے مقابلے میں 11.6 فی صد اضافے کے ساتھ 1.90 کھرب روپے رہا۔ ہم ایڈوانسز اور ڈپازٹس دونوں میں اپنا مارکیٹ شیئر بڑھانے کے لیے مسلسل کوشاں ہیں۔ بینک ایڈوانسز (گراس) بڑھ کر 741.56 ارب روپے یعنی دسمبر 2015ء کے 691.85 ارب روپے کے مقابلے میں 7.2% زیادہ ہو گئے ہیں۔ کارپوریٹ قرضوں اور کموڈٹی فنانسنگ کی مد میں بھاری اضافہ دیکھا گیا۔

دسمبر 2015 کے 802.99 ارب روپے کے مقابلے میں 18.4% اضافے کے ساتھ بینک کی انویسٹمنٹس (گراس) بڑھ کر 950.35 ارب روپے ہو گئیں۔ ہماری موثر رسک اینڈ کیپیٹل ایڈیکویسی منیجمنٹ اسٹریٹیجی کی پیروی میں انویسٹمنٹ پورٹ فولیو سے موثر انداز میں خطرے سے خالی ٹریڈری بلز اور بوٹلز، بھاری ڈیویڈنڈ کمانے والی ایکویٹیز اور دیگر منافع بخش مالیاتی تمسکات میں متنوع سرمایہ کاری کی گئی ہے۔ بینک کے پاس سرمائے کی بھرپور فراوانی اور درجہ اول اور درجہ دوم دونوں طرح کے سرمائے کا حامل ہے۔

ڈپازٹس میں معمولی کمی ریکارڈ کی گئی جو دسمبر 2015 کے 1,431 ارب روپے کے مقابلے میں کم ہو کر 2.2% یعنی 1,399.41 ارب روپے ہو گئے، جب کہ ان کا 77.6% CASA ڈپازٹس ہیں۔ اسلامک بینکنگ برانچز کے ڈپازٹس دسمبر 2015 کے 12.70 ارب روپے سے 60 فی صد اضافے کے ساتھ 2016 کے پہلے نصف کے اختتام پر 20.32 ارب روپے ہو گئے۔

بیرون ملک آپریشنز

بینک کے بیرون ملک آپریشن نے زیر جائزہ مدت کے لیے 604 ملین روپے کا پری پروویژن منافع درج کرایا، جو گزشتہ سال اسی مدت کے لیے 289 ملین روپے کے مقابلے میں 109% زیادہ ہے۔ انٹرسٹ کی مد میں خالص آمدنی اور نان فنڈڈ انکم، دونوں بالترتیب 28.4% اضافے کے ساتھ 1,189 ملین روپے اور 29.5% اضافے کے ساتھ 728 ملین روپے ہو گئیں۔ بیرون ملک آپریشنز کے لیے انتظامی اخراجات میں مارکیٹ کے معمول کے مطابق 9.6% اضافہ ہوا۔

کریڈٹ ریٹنگ :

نیشنل بینک آف پاکستان، پاکستان کی دونوں کریڈٹ ریٹنگ ایجنسیز کی طرف سے ریٹنگ کا حامل ہے۔ جون 2016ء میں JCR-VIS اور PACRA، دونوں نے بینک کی ”مستحکم“ توقعات ("Stable" Outlook) کے ساتھ 'AAA/A-1+' (ٹرپل اے/اے ون پلس) ریٹنگ کی توثیق کی ہے۔ یہ تفویض شدہ ریٹنگ نیشنل بینک آف پاکستان کے مستحکم ملکیتی ڈھانچے، مضبوط مالیاتی رسک پروفائل، خطرات پر قابو پانے کی بھرپور صلاحیت، صحت مند لیکویڈیٹی اور متنوع قرضوں اور ڈپازٹ بیس کی عکاسی کرتی ہیں جنہیں بینک کی مستحکم فرنیچر اور وسیع تر، خصوصاً دور دراز علاقوں میں رسائی کی خصوصیت حاصل ہے۔

بلحاظ کیفیت جائزہ

زیر جائزہ مدت کے دوران مارکیٹ میں ہماری رسائی بڑھانے کے لیے نمایاں کوششیں کی گئیں تاکہ بینک اکاؤنٹ نہ رکھنے والے افراد بھی ہمارے ساتھ شامل ہوں۔ ہمارا مقامی نیٹ ورک اب 1,403 شاخوں تک وسعت اختیار کر چکا ہے۔ برانچ نیٹ ورک اب ملک بھر کے بڑے شہروں میں 112 شاخوں تک وسیع ہو چکا ہے (دسمبر 2015: 79)۔ مؤثر کاروباری عمل گیری اور کاروباری انٹیلی جنس سسٹم مثلاً کور بینکنگ اپیلیکیشن، SAP فائینانشل، SAP-HCM اور دیگر سسٹمز پہلے ہی نافذ کیے جا چکے ہیں۔ Theta کے متعارف کرانے کا عمل، جو کاغذی کارروائی سے عاری قرض کی منظوری اور کام کی روانی کے انتظام و انصرام پر مشتمل ایک آٹومیشن لون اور مینجمنٹ سسٹم ہے، تکمیلی مراحل میں ہے۔ یہ سسٹم قرض کی 83 سے زائد پروڈکٹس کی کارروائی کے آغاز، منظوری اور تقسیم کار کے طور پر خدمات انجام دے گا۔ ہمارا اے ٹی ایم نیٹ ورک 6 اے ٹی ایم سینٹرز کے ساتھ 1,188 مشینوں تک وسیع ہو چکا ہے۔ مزید 125 اے ٹی ایمز کی تنصیب کا عمل جاری ہے اور 2016 کے اختتام تک مکمل ہونے کی توقع ہے۔

CASA ڈپازٹس بڑھانے اور فنڈ کی لاگت کم کرنے کے لیے نئی مصنوعات (liability products) تشکیل دی جا رہی ہیں۔ ہم بہت جلد ملک بھر میں 600 سے زائد مخصوص شاخوں پر بینک ایٹورنس کی نئی پروڈکٹ پیش کرنے والے ہیں۔ ہم ایک ڈیپٹ کارڈ لانچ کرنے اور موبائل بینکنگ، انٹرنیٹ بینکنگ، کیش اینڈ چیک ڈپازٹ مشینز، اے ٹی ایمز کے ذریعے انٹرنیٹ اور انٹرنیٹ فنڈ ٹرانسفرز وغیرہ جیسے ڈیلیوری کے متبادل ذرائع اور خدمات اپنانے کیلئے کام کے تکمیلی مرحلے میں ہیں۔ اپنا ”پسندیدہ ترین بینک“ بننے کا نصب العین پانے کے لیے ہم صارف کے بھرپور اطمینان اور وابستگی کی خاطر شاخوں کی تزئین نو اور یکساں ماحول کے ذریعے سیلز اور سروس کلچر کو نیا جوش و جذبہ دینے کے لیے کوشاں ہیں۔

مستقبل کی توقعات :

نیشنل بینک آف پاکستان بینکاری کی صنعت میں اپنا قائدانہ مقام حاصل کرنے، مزید مالیاتی شمولیت لانے، ملکی معاشی ترقی میں اشتراک اور کاروباری انتظام و انصرام کی بہترین اور درجہ اول کے بینکاری بزنس ماڈلز اختیار کرتے ہوئے درست سمت میں اپنی پیش قدمی جاری رکھے گا۔ ملک بھر میں مارکیٹ میں رسائی میں ہماری بے مثال ترقی، ابھرتے ہوئے طبقات میں ہمارے لیے کمائی کے مزید بڑے مواقع پیدا کرے گی۔ ہمارے اثاثوں کے معیار میں بھی بہتری آئے گی، جیسا کہ ہم غیر فعال قرضوں سے بچنے کے لیے قرض دینے کے زیادہ مؤثر طریقے اور ترجیحات اختیار کر رہے ہیں۔ ہماری مستحکم خزانہ جاتی بنیاد اور کیپٹل ایڈیکویسی کی بدولت ہم LSM اور LSM سے متعلق بننے والے انفراسٹرکچرل پروجیکٹ اور سی پیک سے متعلق انفراسٹرکچرل پروجیکٹس

سے فائدہ اٹھانے کے لیے تیار ہیں۔ بینک کیش مینجمنٹ اور بذریعہ انٹرنیٹ، موبائل فونز، کارڈ اور کارڈ لیس بینکنگ جیسی خدمات پیش کرنے کے لیے موثر بزنس ماڈیولز اختیار کر رہا ہے۔

منافع جات کا استعمال

2015 کا جمع شدہ منافع کو آگے لانے کے بعد 30 جون 2016 کو ختم ہونے والے نصف سال کے لیے منافع بمطابق ذیل استعمال میں لانے (appropriation) کی تجویز پیش کی جاتی ہے:

رقم ملین روپوں میں

16,532 30 جون 2016 کو ختم ہونے والے نصف سال کے لیے قبل از ٹیکس منافع

ٹیکس

5,143

موجودہ سال

1,344

پچھلے سال

598

مؤخر شدہ

7,085

کل

9,447

30 جون 2016 کو ختم ہونے والے نصف سال کے لیے بعد از ٹیکس منافع

49,156

آگے منتقل کیا گیا، غیر استعمال شدہ منافع

1,196

دیگر جامع آمدن۔ بعد از ٹیکس

57

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

59,856

استعمال کے لیے دستیاب منافع

(945)

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

(15,956)

کیش ڈیویڈنڈ۔ 2015

42,955

آگے منتقل کیا گیا غیر استعمال شدہ منافع

از طرف بورڈ آف ڈائریکٹرز

سید احمد اقبال اشرف

پریذیڈنٹ اینڈ سی ای او

بتاریخ: 26 اگست 2016ء

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

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **National Bank of Pakistan (the Bank)** as at **30 June 2016** and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the unconsolidated condensed Interim financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matter

- i) The interim financial information for the half year ended June 30, 2015 and the annual financial statements of the Bank for the year ended December 31, 2015 were reviewed / audited by EY Ford Rhodes & Co. and KPMG Taseer Hadi & Co., whose review report dated August 21, 2015 and audit report dated February 19, 2016 expressed an unmodified conclusion and an unmodified opinion on the aforementioned financial statements.
- ii) The figures for the quarters ended 30 June 2016 and 30 June 2015 in the unconsolidated condensed interim profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been subject to the review and therefore, we do not express a conclusion thereon.

EY Ford Rhodes
Chartered Accountants

Engagement Partner:
Arslan Khalid

Grant Thornton Anjum Rahman
Chartered Accountants

Engagement Partner:
Khaliq-ur-Rahman

Date: August 26, 2016

**National Bank of Pakistan
Unconsolidated Condensed
Interim Financial Statements
For the half year ended June 30, 2016**

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

		(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		146,486,761	150,899,778
Balances with other banks		18,280,800	20,128,273
Lendings to financial institutions - net		8,682,143	7,694,516
Investments - net	7	976,984,360	829,245,898
Advances - net	8	626,275,645	578,122,160
Operating fixed assets	9	32,479,475	31,706,237
Deferred tax assets	10	8,124,703	9,669,359
Other assets		<u>87,547,950</u>	<u>78,895,162</u>
		1,904,861,837	1,706,361,383
LIABILITIES			
Bills payable		10,200,476	9,171,616
Borrowings from financial institutions	11	247,127,335	21,911,190
Deposits and other accounts	12	1,399,413,732	1,431,036,598
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		30,849	35,800
Deferred tax liabilities		-	-
Other liabilities		83,609,093	75,854,704
		1,740,381,485	1,538,009,908
NET ASSETS		<u>164,480,352</u>	<u>168,351,475</u>
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		46,825,430	45,580,712
Unappropriated profit		<u>42,954,873</u>	<u>49,155,590</u>
		111,055,434	116,011,433
Surplus on revaluation of assets - net	13	53,424,918	52,340,042
		<u>164,480,352</u>	<u>168,351,475</u>
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016	Quarter Ended June 30, 2015	Half Year Ended June 30, 2015
Note ----- (Rupees in '000') -----				
Mark-up / Return / Interest earned	30,225,092	57,195,551	28,149,430	57,405,001
Mark-up / Return / Interest expensed	14,603,613	29,548,636	13,916,717	32,585,932
Net mark-up / return / interest income	15,621,479	27,646,915	14,232,713	24,819,069
Provision against non-performing advances - net	8.2 866,865	1,929,158	3,724,382	6,771,302
Reversal of provision for diminution in value of investments - net	7.2 (194,536)	(253,829)	(295,717)	(141,612)
Provision against off-balance sheet obligations	-	-	25,750	140,238
Bad debts written off directly	-	-	-	-
	672,329	1,675,329	3,454,415	6,769,928
Net mark-up / interest income after provisions	14,949,150	25,971,586	10,778,298	18,049,141
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	4,219,242	7,037,986	3,054,008	5,710,857
Dividend income	671,431	1,523,140	1,207,926	1,942,668
Income from dealing in foreign currencies	660,113	1,654,849	603,271	2,059,016
Gain on sale and redemption of securities - net	1,760,068	3,226,726	4,386,322	7,883,063
Unrealized loss on revaluation of investments classified as held-for-trading	(11,617)	(5,431)	(4,533)	(734)
Other income	15 329,417	730,655	798,951	915,553
Total non mark-up / interest income	7,628,654	14,167,925	10,045,945	18,510,423
	22,577,804	40,139,511	20,824,243	36,559,564
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	11,594,369	22,953,988	10,489,987	21,053,381
Other provisions / write-offs	16 510,093	539,266	202,584	354,535
Other charges	111,548	113,770	16,572	17,231
Total non mark-up / interest expenses	12,216,010	23,607,024	10,709,143	21,425,147
	10,361,794	16,532,487	10,115,100	15,134,417
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	10,361,794	16,532,487	10,115,100	15,134,417
Taxation - current	2,626,525	5,143,335	3,841,706	6,580,509
- prior year(s)	17 1,343,826	1,343,826	2,298,465	2,298,465
- deferred	981,066	598,124	(288,271)	(1,284,585)
	4,951,417	7,085,285	5,851,900	7,594,389
PROFIT AFTER TAXATION	5,410,377	9,447,202	4,263,200	7,540,028
Basic and diluted earnings per share (Rupees)	18 2.54	4.44	2.00	3.54

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016	Quarter Ended June 30, 2015	Half Year Ended June 30, 2015
----- (Rupees in '000') -----				
Profit after taxation	5,410,377	9,447,202	4,263,200	7,540,028
Other comprehensive income:				
<i><u>Items to be reclassified to profit or loss</u></i>				
<i><u>in subsequent periods:</u></i>				
Exchange gain/ (loss) on translation of net assets of foreign branches	89,628	299,998	(159,157)	(145,156)
<i><u>Items not to be reclassified to profit or loss</u></i>				
<i><u>in subsequent periods:</u></i>				
Remeasurements of defined benefit liability	4,589,331	1,840,278	2,497,445	836,300
Related tax effects	(1,606,266)	(644,097)	(874,106)	(292,705)
	2,983,065	1,196,181	1,623,339	543,595
Other comprehensive income - net of tax	3,072,693	1,496,179	1,464,182	398,439
Total comprehensive income transferred to equity	8,483,070	10,943,381	5,727,382	7,938,467

Components of comprehensive income not reflected in equity:

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

Surplus on revaluation of available-for-sale securities	1,724,725	(25,942)	1,912,566	1,500,683
Related tax effects	(628,731)	(181,134)	(6,314,801)	(7,859,028)
Other comprehensive income/ (loss) - net of tax	1,095,994	(207,076)	(4,402,235)	(6,358,345)

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

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NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Half Year Ended June 30, 2016	Half Year Ended June 30, 2015
----- (Rupees in '000') -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,532,487	15,134,417
Less: Dividend income	1,523,140	1,942,668
	15,009,347	13,191,749
Adjustments		
Depreciation	1,307,549	912,889
Provision against non-performing loans and advances	1,929,158	6,771,302
Provision for diminution in value of investments	(253,829)	(141,612)
Provision against off-balance sheet obligations	-	140,238
Other provision / write-offs	539,266	354,535
Gain on sale of fixed assets	(13,736)	-
Financial charges on leased assets	1,348	1,064
	3,509,756	8,038,416
	18,519,103	21,230,165
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(3,987,627)	47,883,616
Held-for-trading securities	(6,298,197)	(6,106,815)
Advances	(49,082,643)	12,825,619
Other assets	(6,248,462)	(7,439,734)
	(65,616,929)	47,162,686
Increase / (Decrease) in operating liabilities		
Bills payable	1,028,860	11,218,524
Borrowings	202,692,923	(9,480,959)
Deposits and other accounts	(31,622,866)	40,744,588
Other liabilities (excluding current taxation)	8,960,760	(887,662)
	181,059,677	41,594,491
Income tax paid	(8,574,275)	(6,770,800)
Financial charges paid	(1,348)	(1,064)
	(8,575,623)	(6,771,864)
Net cash generated from operating activities	125,386,228	103,215,478
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(123,945,366)	(57,547,822)
Net investments in held-to-maturity securities	(17,705,174)	(18,134,667)
Proceeds from investments in associates and subsidiaries	426,804	8,518,102
Dividend received	1,523,140	1,942,668
Investments in operating fixed assets	(1,975,103)	(852,397)
Sale proceeds of operating fixed assets disposed off	19,662	-
Net cash used in investing activities	(141,656,037)	(66,074,116)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(4,951)	(2,804)
Dividend paid	(15,961,034)	(11,502,047)
Net cash used in financing activities	(15,965,985)	(11,504,851)
Effects of exchange rate changes on cash and cash equivalents	299,998	(145,156)
Net (decrease) / increase in cash and cash equivalents	(31,935,796)	25,491,355
Cash and cash equivalents at beginning of the half year	170,386,744	118,394,883
Cash and cash equivalents at the end of the half year	138,450,948	143,886,238

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

Share Capital	Attributable to the Shareholders of the Bank					Unappropriated Profit	Total
	Reserves						
	Capital		Revenue				
	Exchange Translation	Statutory	General Loan Loss	General			
----- (Rupees in '000') -----							
Balance as at January 1, 2014	21,275,131	8,562,865	22,989,403	-	521,338	57,006,813	110,355,550
Total comprehensive income for the half year ended June 30, 2015							
Profit after tax	-	-	-	-	-	7,540,028	7,540,028
Other comprehensive income - net of tax	-	(145,156)	-	-	-	543,595	398,439
	-	(145,156)	-	-	-	8,083,623	7,938,467
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	59,967	59,967
Transfer to statutory reserve	-	-	754,003	-	-	(754,003)	-
Transfer to general loan loss reserve	-	-	-	12,000,000	-	(12,000,000)	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 5.5 per share)	-	-	-	-	-	(11,701,322)	(11,701,322)
	-	-	-	-	-	(11,701,322)	(11,701,322)
Balance as at June 30, 2015	21,275,131	8,417,709	23,743,406	12,000,000	521,338	40,695,078	106,652,662
Total comprehensive income for the half year ended December 31, 2015							
Profit after tax	-	-	-	-	-	11,678,836	11,678,836
Other comprehensive income - net of tax	-	(269,624)	-	-	-	(2,110,408)	(2,380,032)
	-	(269,624)	-	-	-	9,568,428	9,298,804
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	59,967	59,967
Transfer to statutory reserve	-	-	1,167,883	-	-	(1,167,883)	-
Balance as at December 31, 2015	21,275,131	8,148,085	24,911,289	12,000,000	521,338	49,155,590	116,011,433
Total comprehensive income for the half year ended June 30, 2016							
Profit after tax	-	-	-	-	-	9,447,202	9,447,202
Other comprehensive income - net of tax	-	299,998	-	-	-	1,196,181	1,496,179
	-	299,998	-	-	-	10,643,383	10,943,381
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	56,969	56,969
Transfer to statutory reserve	-	-	944,720	-	-	(944,720)	-
Transactions with owners, recorded directly in equity							
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(15,956,348)	(15,956,348)
Balance as at June 30, 2016	21,275,131	8,448,083	25,856,009	12,000,000	521,338	42,954,873	111,055,434

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

NATIONAL BANK OF PAKISTAN
NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

1. STATUS AND NATURE OF BUSINESS

- 1.1** National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,404 (2015: 1,403) branches in Pakistan and 21 (2015: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

2. STATEMENT OF COMPLIANCE

- 2.1** These condensed interim unconsolidated financial statements of the Bank for the half year ended June 30, 2016 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where the requirements differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 2.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 2.3** The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2015.
- 2.4** These condensed interim unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

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

4.1 Non-banking assets acquired in satisfaction of claims

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

4.2 New standards, interpretations and amendments

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

Standard or Interpretation

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

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

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

5. ACCOUNTING ESTIMATES

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

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2015.

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
Note	----- (Rupees in '000') -----	
7.2 Particulars of provision for diminution in value of investments		
Opening balance	19,432,226	17,517,983
Charge for the period / year	1,314,307	2,406,249
Reversals	(1,568,136)	(1,087,233)
	(253,829)	1,319,016
Adjustment due to settlement of put option in respect of shares of Agritech Limited (an associate)	(477,823)	-
Transfer from advances and other assets	314,213	595,227
Closing balance	<u>19,014,787</u>	<u>19,432,226</u>
7.2.1 Particulars of provision in respect of type		
Available-for-sale securities		
Ordinary shares of listed companies and mutual funds	2,850,781	3,329,066
Ordinary shares of unlisted companies	398,923	398,923
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,896,930	9,962,240
Preference shares	433,444	446,444
Held-to-maturity securities		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	619,324	619,324
Investment in associates	3,805,199	3,955,809
Investment in subsidiaries	1,010,186	720,420
	<u>19,014,787</u>	<u>19,432,226</u>
7.2.2 Particulars of provision in respect of segments		
Fully Paid up Ordinary Shares	3,191,828	3,670,113
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	10,516,254	10,581,564
Other investments	491,320	504,320
Investments in associates	3,805,199	3,955,809
Investments in subsidiaries	1,010,186	720,420
	<u>19,014,787</u>	<u>19,432,226</u>

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

8. ADVANCES - net

Loans, cash credits, running finances, etc.

In Pakistan	667,248,261	620,431,284
Outside Pakistan	52,383,297	54,341,432
	719,631,558	674,772,716
Islamic financing and related assets	1,849,155	1,026,891
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	11,979,427	8,664,566
Payable outside Pakistan	8,103,642	7,387,939
	20,083,069	16,052,505
Advances - gross	741,563,782	691,852,112
Less: Provision against non-performing loans - specific	8.2 112,086,276	110,765,591
- general	8.2 3,201,861	2,964,361
	115,288,137	113,729,952
Advances - net of provision	<u>626,275,645</u>	<u>578,122,160</u>

- 8.1 Advances include Rs.131,929 million (December 31, 2015: Rs. 127,280 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2016 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	2,541,148	-	2,541,148	53,017	53,017
Substandard	12,430,796	67,128	12,497,924	2,971,725	2,971,725
Doubtful	3,096,991	76,101	3,173,092	1,096,352	1,096,352
Loss	82,142,346	31,574,522	113,716,868	107,965,182	107,965,182
	100,211,281	31,717,751	131,929,032	112,086,276	112,086,276

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

8.2 Particulars of provision against non-performing advances

	June 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	110,765,591	2,964,361	113,729,952	98,158,511	3,201,464	101,359,975
Exchange adjustments	(38,503)	898	(37,605)	859,521	16,855	876,376
Charge for the period	3,742,392	298,459	4,040,851	15,775,601	227,540	16,003,141
Reversals	(2,049,837)	(61,856)	(2,111,693)	(4,896,590)	(481,498)	(5,378,088)
	1,692,555	236,603	1,929,158	10,879,011	(253,958)	10,625,053
Transfer (out) / in	(214,444)	-	(214,444)	899,465	-	899,465
Amounts written off	(46,210)	-	(46,210)	(18,227)	-	(18,227)
Amount charged off	(72,713)	-	(72,713)	(12,690)	-	(12,690)
Closing balance	112,086,276	3,201,861	115,288,137	110,765,591	2,964,361	113,729,952

- 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. 2,396 million (December 31, 2015: Rs. 3,598 million). Accordingly, as of June 30, 2016, the accumulated profit after tax of Rs.1,557 million (December 31, 2015: Rs.2,339 million) shall not be available for payment of cash or stock dividend or bonus to employees as required by aforementioned SBP directive.
- 8.4 General provision against consumer loans and Small and Medium Enterprise (SME) financing, represents provision maintained at an amount ranging from 1% to 5% of the performing portfolio as required by the Prudential Regulations issued by the SBP.
- 8.5 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of ASG Metals Private Limited and its associated companies till September 30, 2017. Had that relaxation not provided, the amount of non-performing loans would have been higher by Rs. 1,870 and provision would be higher by Rs.955 million.
- 8.6 The State Bank of Pakistan has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2016. Accordingly such loans are not included in non-performing loans.

	Note	(Un-audited)	(Audited)
		June 30, 2016	December 31, 2015
----- (Rupees in '000') -----			
9. OPERATING FIXED ASSETS			
Capital work-in-progress		1,543,109	1,348,323
Property and equipment		30,381,465	29,709,654
Intangible assets		554,901	648,260
		<u>32,479,475</u>	<u>31,706,237</u>

9.1 Additions and disposals during the period amounted to Rs 1,780 million (June 30, 2015: Rs. 754 million) and Rs.30 million (June 30, 2015: Rs. 6 million) respectively.

10. DEFERRED TAX ASSETS - net

Deferred tax assets arising in respect of

Provision for diminution in the value of investments	4,009,469	4,098,309
Provision against non-performing advances	6,379,737	8,000,570
Other provisions	2,467,610	2,278,867
Provision against defined benefits plans	10,810,350	10,807,811
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
	<u>24,475,695</u>	<u>25,994,086</u>

Deferred tax liabilities arising in respect of

Excess of accounting book value of leased assets over lease liabilities	(8,213)	(8,097)
Revaluation of securities	(15,285,270)	(15,104,136)
Operating fixed and non-banking assets	(1,057,509)	(1,212,494)
	<u>(16,350,992)</u>	<u>(16,324,727)</u>

Net deferred tax assets

	<u>8,124,703</u>	<u>9,669,359</u>
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11. BORROWINGS

Borrowings include repurchase agreement borrowings amounting to Rs. 211,818 million (December 31, 2015: Rs.10,302 million).

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	316,646,097	330,346,703
Savings deposits	389,918,218	382,223,751
Current accounts - remunerative	211,073,518	183,332,050
Current accounts - non-remunerative	314,612,212	329,949,263
	<u>1,232,250,045</u>	<u>1,225,851,767</u>

Financial Institutions

Remunerative deposits	39,635,654	109,610,825
Non-remunerative deposits	127,528,033	95,574,006
	<u>167,163,687</u>	<u>205,184,831</u>
	<u>1,399,413,732</u>	<u>1,431,036,598</u>

		(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Note	----- (Rupees in '000') -----	
13. SURPLUS ON REVALUATION OF ASSETS - net			
Surplus on revaluation of fixed assets		22,944,435	23,002,503
Surplus on revaluation of non-banking assets	4.1	1,440,645	-
Surplus on revaluation of Available-for-sale securities - net of tax			
Federal Government Securities		9,392,284	9,109,036
Term Finance Certificates and Sukuks		13,859	59,167
Shares and mutual funds		27,939,114	26,089,659
GoP Foreign Currency Bonds		260,077	288,428
Foreign Currency Debt Securities		128,205	39,306
Investments outside Pakistan		7,918,216	10,092,101
		<u>45,651,755</u>	<u>45,677,697</u>
		<u>70,036,835</u>	<u>68,680,200</u>
Deferred Tax liability			
Surplus on revaluation of fixed assets		(1,205,346)	(1,236,022)
Surplus on revaluation of non-banking assets	4.1	(121,301)	-
Surplus on revaluation of Available-for-sale securities		(15,285,270)	(15,104,136)
		<u>(16,611,917)</u>	<u>(16,340,158)</u>
		<u>53,424,918</u>	<u>52,340,042</u>

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

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

- Government	4,760,767	7,422,663
- Financial institutions	7,898,664	6,329,462
- Others	15,134,758	21,583,972
	<u>27,794,189</u>	<u>35,336,097</u>

14.2 Transaction-related contingent liabilities

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

- Government	16,858,832	13,470,397
- Financial institutions	10,139,818	1,934,967
- Others	24,006,453	9,945,571
	<u>51,005,103</u>	<u>25,350,935</u>

14.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	344,068,395	221,145,520
- Financial institutions	4,180,209	-
- Others	54,150,629	48,844,025
	<u>402,399,233</u>	<u>269,989,545</u>

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

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

14,588,783

17,262,055

14.4.2 Taxation

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

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

14.4.3 Barter Trade Agreements

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

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

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

14.4.5 Foreign Exchange repatriation case

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

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
	----- (Rupees in '000') -----	
14.5 Commitments in respect of forward exchange contracts		
Purchase	141,534,962	273,199,134
Sale	116,054,839	183,645,395
14.6 Other Commitments		
Professional services to be received	58,645	81,095
14.7 Commitments for the acquisition of operating fixed assets	1,164,913	1,344,860

15. OTHER INCOME

Other Income includes Rs 710 million (June 30: 2015: Rs 827 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

16. OTHER PROVISIONS AND WRITE - OFFS

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

17. TAXATION

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

18. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016	Quarter Ended June 30, 2015	Half Year Ended June 30, 2015
Profit after taxation (Rupees in '000')	5,410,377	9,447,202	4,263,200	7,540,028
Weighted average number of ordinary shares (in '000')	2,127,513	2,127,513	2,127,513	2,127,513
Basic and diluted earnings per share (Rupees)	2.54	4.44	2.00	3.54

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- (Rupees in '000') -----						
Half year ended June 30, 2016 (Un-audited)							
Total income	456,099	175,656	5,021,439	30,745,257	1,469,893	3,946,497	41,814,841
Inter segment revenue	-	(113,898)	4,791,183	(4,677,285)	-	-	-
Total expenses	14,508	-	8,941,991	12,044,632	1,037,782	3,243,440	25,282,354
Net income	441,591	61,758	870,631	14,023,340	432,111	703,057	16,532,487
Segment assets (Gross)	-	7,767,337	240,786,244	1,633,471,839	-	22,836,417	1,904,861,837
Segment non - performing loans	-	-	14,137,785	117,791,247	-	-	131,929,032
Segment provision required	-	-	7,443,835	107,844,302	-	-	115,288,137
Segment liabilities	-	-	454,841,497	1,285,539,988	-	-	1,740,381,485
Segment return on assets (ROA) (%)	0.00%	2.98%	0.77%	1.83%	0.00%	6.31%	
Segment cost of funds (%)	0.00%	0.00%	3.18%	4.38%	0.00%	0.00%	
Half year ended June 30, 2015 (Un-audited)							
Total income	156,183	172,586	1,809,197	36,598,958	1,370,278	3,222,290	43,329,493
Inter segment revenue	-	(27,134)	9,028,655	(9,001,520)	-	-	-
Total expenses	16,165	-	9,872,026	14,002,783	1,089,212	3,214,889	28,195,075
Net income	140,018	145,452	965,826	13,594,655	281,066	7,401	15,134,418
Segment assets (Gross)	-	15,894,090	256,901,900	1,279,355,745	-	22,924,118	1,575,075,853
Segment non - performing loans	-	-	12,687,949	108,220,774	-	-	120,908,723
Segment provision required	-	-	7,007,905	101,353,080	-	-	108,360,985
Segment liabilities	-	-	423,894,943	983,064,097	-	-	1,406,959,040
Segment return on assets (ROA) (%)	0.00%	3.16%	0.84%	2.14%	0.00%	0.12%	
Segment cost of funds (%)	0.00%	0.00%	5.32%	5.15%	0.00%	0.00%	

20. RELATED PARTY TRANSACTIONS

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

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

There are no transactions with key management personnel other than under advance salary.

	30 June 2016 (Un-audited)				31 December 2015 (Audited)			
	At 01 January 2016	Given during the year	Repaid during the year	At 30 June 2016	At 01 January 2015	Given during the year	Repaid during the year	At 31 December 2015
(Rupees in '000)								
Advances								
Key Management Executives	193,530	22,130	(44,110)	171,550	186,667	-	(27,556)	159,111
Adjustments*	5,281	-	-	5,281	34,419	-	-	34,419
	198,811	22,130	(44,110)	176,831	221,086	-	(27,556)	193,530
Subsidiaries	426,139	249,957	(160,916)	515,180	603,556	-	(177,417)	426,139
Associates	5,129,535	-	(3,000)	5,126,535	5,410,612	-	(281,077)	5,129,535
Debts due by Company in which director is interested as director	6,020,112	1,033,760	(1,033,760)	6,020,112	9,115,000	62,566,778	(65,661,666)	6,020,112
Adjustments*	(6,020,112)	-	-	(6,020,112)	-	-	-	-
	-	1,033,760	(1,033,760)	-	9,115,000	62,566,778	(65,661,666)	6,020,112
	5,754,485	1,305,846	(1,241,786)	5,818,546	15,350,254	62,566,778	(66,147,716)	11,769,316

	30 June 2016 (Un-audited)				31 December 2015 (Audited)			
	At 01 January 2016	Received during the year	Repaid during the year	At 30 June 2016	At 01 January 2015	Received during the year	Repaid during the year	At 31 December 2015
(Rupees in '000)								
Deposits								
Subsidiaries	2,301,513	102,053	(1,083,894)	1,319,672	411,597	1,893,022	(3,106)	2,301,513
Associates	-	-	-	-	26,038	-	(26,038)	-
Key Management Executives	18,554	230,084	(220,517)	28,121	19,309	303,945	(310,206)	13,048
Adjustments*	(4,284)	-	-	(4,284)	5,506	-	-	5,506
	14,270	230,084	(220,517)	23,836	24,815	303,945	(310,206)	18,554
Pension Fund (Current)	3,371	2,249,199	(2,242,793)	9,777	4,248	27,290,824	(27,291,701)	3,371
Pension Fund (Fixed Deposit)	2,300,000	2,000,000	(2,000,000)	2,300,000	7,300,000	2,300,000	(7,300,000)	2,300,000
Pension Fund (N.I.D.A A/c)	1,128,437	1,476,600	(966,400)	1,638,637	1,056,675	13,584,552	(13,512,790)	1,128,437
Provident Fund	13,391,708	1,831,216	(1,935,241)	13,287,683	13,123,803	2,400,226	(2,132,321)	13,391,708
	19,139,299	7,889,152	(8,448,845)	18,579,606	21,947,176	47,772,569	(50,576,162)	19,143,583

* Adjustments due to changes in key management executives.

	(Un-audited) (Audited)	
	June 30, 2016	December 31, 2015
Rupees in '000		
Placements with:		
Joint venture	470,523	68,450
Repo borrowing from:		
Joint venture	141,986	399,496
Other receivables from subsidiaries	178,026	86,239
Other payables to subsidiaries	4,527	5,154
Off Balance Sheet Items - Joint Venture	453,324	-
Redemption / sale of investment in associates	757,555	8,518,102
Lease finance liabilities paid to subsidiaries	4,951	10,744

	(Un-audited) Half year ended June 30, 2016	(Un-audited) Half year ended June 30, 2015
	Rupees in '000	
Income for the period		
On advances / placements with:		
Subsidiaries	545	11,527
Joint Venture	948	1,172
Debts due by company in which director of the bank is interested as director	157	519,000
Financial charges paid on lease assets to subsidiaries	1,363	1,064
Dividend from Subsidiary	11,813	-
Expenses for the period		
Remuneration to key management executives	139,583	128,444
Charge for defined benefit plan	16,750	15,413
Mark-up on Deposits of:		
Subsidiaries	12,566	2,590
Associates	-	-
Provident fund	773,168	977,932
Pension fund	118,431	382,728
Commission paid to subsidiaries	1,779	10,885
Mark-up on Borrowing / Deposits		
Joint Ventures	293	65

20.1 Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 3,755 million for the half year ended June 30, 2016. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 274,663 million, Rs. 485,483 million and Rs. 365,688 million respectively and income earned on advances and profit paid on deposits (domestic only) amounted to Rs. 6,300 million and Rs. 9,366 million respectively.

21. SHARIAH COMPLIANT TRANSACTIONS AND BALANCES

In terms of SECP Circular 14 of 2016 dated April 21, 2016 the Bank is required to disclose certain financial information regarding Shariah compliant modes of transactions. This information is required to facilitate Pakistan Stock Exchange in maintaining its newly developed "All Shares Islamic Index".

Based on such requirements, the following disclosures provide information regarding items of assets, liabilities and income relating to Shariah compliant transaction modes.

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Rupees in '000	
<u>Statement of financial position</u>		
Balances with other banks	7,016,001	3,900,000
Lending to financial institution	959,652	2,875,367
Investments	13,994,801	7,055,633
Deposits	20,324,234	12,701,301
Surplus on revaluation of assets - net	54,310	74,337

	(Un-audited) Half year ended June 30, 2016	(Un-audited) Half year ended June 30, 2015
Profit and loss account		
Mark-up / Return / Interest earned	590,912	419,121
Mark-up / Return / Interest expensed	465,809	533,754
Gain on sale and redemption of securities - net	1,900	-
Dividend Income	1,523,140	1,942,668

Scrip wise details of dividend income for the period are provided below:

Held For Trading Securities

Engro Corporation Limited	817	-
Hascol Petroleum Limited	350	-
Habib Bank Limited	245	-

Available For Sale Securities-Ordinary Shares Of Listed Companies

Adamjee Insurance Company	12,054.46	12,054
Agriauto Industries Limited	1,418.00	-
Al Abbas Sugar Mills	6,181.92	9,091
Allied Bank Limited	18,938.00	30,751
Archroma Pakistan	7,243.00	-
Askari Bank Limited	23,932.00	19,145
Attock Petroleum Limited	15,167.27	12,639
Bank Al Habib Limited	38,632.53	33,114
Bank Alfalah Limited	30,689.57	61,379
Burshane LPG Pakistan	1,816.24	-
Century Insurance Company Limited	5,737.50	1,721
Crescent Steel & Allied Product	7,420.82	-
Dawood Hercules Corporation Limited	28,276.85	4,638
Dawood Lawrencepur Limited	677.00	-
EFU General Insurance Limited	1,235.00	1,647
Engro Corporation Limited	35,713.00	18,359
Engro Fertilizers	1,946.00	1,946
Faran Sugar Mills Limited	1,909.00	382
Fauji Fertilizer Company Limited	185.00	-
Glaxosmithkline	15,587.00	19,491
Habib Bank Limited	31,741.00	31,739
Habib Metropolitan Bank Limited	59,553.57	74,442
Habib Sugar Mills Limited	16,367.00	16,367
Hascol Petroleum Limited	2,007.60	-
Hub Power Company Limited	461,920.00	230,960
IGI Insurance Limited	18,346.00	13,734
IGI Life Insurance	2,500.00	-
International Industries Limited	6,312.64	9,469
Kohinoor Energy Limited	35,473.73	35,474
Kohinoor Textile Mills Limited	466.00	311
Kot Addu Power Company	7,406.00	48,137
KSB Pumps Company Limited	7,615.00	5,439
Linde Pakistan Limited	1,056.00	915
Mari Petroleum Company Limited	10,945.50	-
Mirpurkhas Sugar Mills	2,808.00	-
Nestle Pakistan Limited	448.00	448
Oil and Gas Development Company Limited	4,963.00	7,558
Carried forward	926,101	701,351

	(Un-audited) Half year ended June 30, 2016	(Un-audited) Half year ended June 30, 2015
Brought forward	926,101	701,351
Packages Limited	15,244	9,146
Pak Datacom Limited	938	1,502
Pakgen Power Limited	3,407	4,550
Pakistan Oilfields Limited	962	962
Pakistan Paper Products Limited	39	313
Pakistan Petroleum Limited	2,687	5,150
Pakistan Reinsurance Company Limited	60,419	30,209
Pakistan Services Limited	2,092	-
Pakistan State Oil	125,426	150,511
Pakistan Tobacco	20	13
Pakistan Telecommunication Company Limited	34,862	51,543
Service Industries Limited	21,053	12,632
Shell Pakistan	2,188	1,750
Soneri Bank Limited	25,033	27,026
Thall Limited	23,241	69,722
United Bank Limited	46,606	36,617
Wyeth Pakistan	1,156	-
Pioneer Cement Limited	-	3,296
Shahtaj Sugar Mills	-	817
Fauji Cement Company Limited	-	1,825
Pak Suzuki Motors	-	1,541
Bestway Cement (Formerly Mustehkam)	-	1,092
Hinopak Motors Limited	-	7,011
Fatima Fertilizer Company Limited	-	17,162
Fauji Fertilizer Bin Qasim Limited	-	3,598
Indus Dyeing & Manufacturing	-	2,674
Ordinary Shares Of Un-Listed Companies		
Atlas Power	46,875	93,750
Fauji Oil Terminal	3,810	8,709
National Investment Trust	21,780	31,680
Fortune Securities Limited	-	1,000
National Institute Of Facilitation Technology (Private) Limited	-	21,582
Investment In Mutual Funds		
NIT Equity Market Opportunity Fund	125,569	75,341
AKD Cash Fund	2,640	3,398
HBL Money Market Fund	2,309	12,138
Lakson Money Market Fund	2,770	10,549
Atlas Money Market Fund	3,177	-
NIT Islamic Equity Fund	5,260	-
Meezan Balanced Fund	2,126	2,688
Alfalah Ghp Cash Fund	-	8,919
JS Large Capital Fund	-	77
First Habib Cash Fund	-	5,815
UBL Liquidity Plus Fund	-	8,445
Faysal Money Market Fund	-	7,686
Askari Sovereign Cash Fund	-	7,819
PICIC Cash Fund	-	10,299
NIT Government Bond Fund	-	12,714
ABL Cash Fund	-	14,110
MCB Cash Management Optimizer Fund	-	13,175
Alfalah GHP Money Market Fund	-	13,174
NIT Income Fund	-	22,127
Carried forward	1,507,788	1,527,208

	(Un-audited) Half year ended June 30, 2016	(Un-audited) Half year ended June 30, 2015
Brought forward	1,507,788	1,527,208
Preference Shares-Un-Listed		
Pakistan Mercantile Exchange Limited	3,539	-
Investment In Subsidiary		
Taurus Securities Limited	11,813	-
Associates Mutual Fund		
Nafa Income Opportunity Fund	-	1,166
Nafa Multi Asset Fund	-	2,128
Nafa Riba-Free Savings Fund	-	33,390
Nafa Savings Plus Fund	-	36,559
Nafa Government Securities Liquid Fund	-	271,389
Nafa Islamic Aggressive Income Fund	-	5,701
Nafa Financial Sector Income Fund	-	53,508
Nafa Islamic Asset Allocation Fund	-	11,618
	1,523,140	1,942,668

22. ISLAMIC BANKING BUSINESS

The Bank is operating 112 (December 31, 2015: 79) Islamic banking branches as at June 30, 2016. Statement of financial position and profit and loss account are as under:

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Rupees in '000'	
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	3,371,685	1,086,611
Balances with other banks	7,016,001	3,900,000
Due from financial institutions	959,653	2,875,367
Investments	13,994,801	4,111,625
Islamic financing and related assets	1,657,361	837,408
Operating fixed assets	96,751	61,946
Due from Head Office	-	304,234
Other assets	1,562,262	615,660
	28,658,514	13,792,851
Liabilities		
Bills Payable	142,046	37,588
Deposits and other accounts		
- Current accounts	9,762,085	5,743,529
- Saving accounts	8,851,653	5,535,023
- Term deposits	1,710,496	1,422,749
- Deposit from financial institutions-Remunerative	-	-
Due to Head Office	7,248,879	-
Other liabilities	195,111	350,510
	27,910,270	13,089,399
Net Assets	748,244	703,452
Represented By		
Islamic Banking Fund	800,000	800,000
Unappropriated profit	(97,911)	(100,147)
	702,089	699,853
Surplus on revaluation of investments	46,155	3,599
	748,244	703,452

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
	----- (Rupees in '000') -----	
22.1 Investments		
Sukuk	14,125,608	4,242,432
Provision against investments	(130,807)	(130,807)
	13,994,801	4,111,625
22.2 Islamic financing and related assets		
Murabaha		
Financings	821,778	588,400
Provisions	(188,400)	(188,400)
	633,378	400,000
Diminishing Musharaka		
Financings	825,641	211,252
Provisions	-	-
	825,641	211,252
Ijarah assets		
Assets	195,925	229,550
Advance	5,811	-
Provisions	(3,394)	(3,394)
	198,342	226,156
	1,657,361	837,408

	(Un-audited) Half year ended June 30, 2016	(Un-audited) Half year ended June 30, 2015
	----- (Rupees in '000') -----	

PROFIT AND LOSS ACCOUNT

Profit / Return earned on financings, investments and placements	490,207	312,438
Profit / Return expensed on deposit	(145,713)	83,053
Net spread earned	344,494	229,385
Depreciation on assets given on ijarah	(33,625)	(47,529)
	310,869	181,856
Provision against advances and investments	-	20,627
Provision reversed against advances and investments	-	-
	-	20,627
Profit after provision	310,869	202,483
Other income		
Fee, commission and brokerage income	74,681	29,018
Income from dealing in foreign currencies	370	140
Other income	4,624	146
Total other income	79,675	29,304
	390,544	231,787
Other expenses		
Administrative expenses	(488,455)	(225,216)
Profit before taxation	(97,911)	6,571

(Un-audited) Half year ended June 30, 2016 ----- (Rupees in '000') -----	(Un-audited) Half year ended June 30, 2015
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CASH FLOW STATEMENT**Cash flow from operating activities**

(Loss) / profit for the period	(97,911)	6,571
Adjustments :		
Depreciation - Own assets	28,438	43,615
Depreciation - Ijarah assets	33,625	-
Reversal of provision against non performing financings	-	(20,627)
	62,063	22,988
	(35,848)	29,559
(Increase) / decrease in operating assets		
Balance with other banks	(3,116,001)	-
Due from Financial Institutions	1,915,714	-
Financings and investments	(10,694,198)	(604,427)
Other assets	(946,602)	(529,884)
	(12,841,087)	(1,134,311)
Increase / (decrease) in operating liabilities		
Bills payable	104,458	21,187
Deposits and other accounts	7,622,933	9,186,326
Borrowings from Head Office	7,653,260	(3,726,471)
Other liabilities	(155,399)	34,374
	15,225,252	5,515,416
Net cash generated from operating activities	2,348,317	4,410,664
Cash flow from investing activities		
Investment in operating fixed assets	(63,243)	-
Net cash used in investing activities	(63,243)	-
Cash flow from financing activities		
Net Cash Flow from Financing Activities	-	-
Increase in cash and cash equivalents	2,285,074	4,410,664
Cash and cash equivalents at beginning of the half year	1,086,611	173,942
Cash and cash equivalents at the end of the half year	3,371,685	4,584,606

23. 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 26, 2016.

24. GENERAL**24.1 Changes in presentation of condensed interim financial statements**

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

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

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

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

Chairman

President

Director

Director

Directors' Report to the Shareholders Consolidated Financial Statements

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

In June 2015, due to then adoption of IFRS-10, investments in associated funds were consolidated as per requirements of the said IFRS which were earlier being accounted for under equity method. The SECP, vide notification dated January 28, 2016, withdrew the said requirements and therefore, in annual financial statements of the Group, the investments were again accounted for under equity method. Accordingly, in the instant financial statements, the comparative profit & loss statement for the half year ended June 30, 2015 has been restated accordingly.

A significant improvement has been recorded in consolidated profitability of the bank for the period under review. While pre-tax profit for the half year under review is higher by 18.5% to Rs. 17.21 billion (1H '15: Rs. 14.52 billion), after-tax profit significantly increased by 46.6% to Rs. 10.08 billion (1H '15:Rs. 6.87 billion), which includes 23.7% increase due to decrease in effective tax rate from 52.7% last year to 41.5% for the current period. Major attributes for high profitability are share of profit from the associates of Rs. 100.8 million as against a loss of Rs. 524.2 million recorded during the similar period of 2015. Also, bank's subsidiaries and a JV contributed towards higher profitability by Rs.105.3 million and Rs. 150.5 million respectively as against Rs. 166.5 million and Rs. 172 million for the similar period last year. Cumulatively, for the half year period under review, our subsidiaries, associates and JV add up Rs. 634.5 million to bank's profit as against a loss of Rs. 665.3 million for the similar period last year.

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

	<i>(Rs. million)</i>
Profit before tax for six months period ended June 30, 2016	17,220
Taxation	
Current	5,203
Prior Year(s)	1,344
Deferred	591
	7,138
After tax profit for six months period ended June 30, 2016	10,081
Non-Controlling interest	(10)
Un-appropriated profit brought forward	52,725
Other comprehensive income - net of tax	1,196
Transfer from surplus on revaluation of fixed assets	57
Profit available for appropriations	64,049
Transfer to Statutory Reserve (10% of after tax profit)	(945)
Cash dividend paid – 2015	(15,956)
Un-appropriated profit carried forward	47,148

On behalf of the Board of Directors,

Syed Ahmed Iqbal Ashraf
President & CEO
Date: August 26, 2016

ڈائریکٹرز کی رپورٹ برائے حصص مالکان (مجمع مالیاتی گوشوارے)

میں بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2016ء کو ختم ہونے والی 6 ماہ کی مدت کے لیے بینک اور اس کی سبسڈریز کے مجمع مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔

جون 2015ء میں IFRS-10 کو اختیار کیے جانے اور اس کے مطابق منسلک فنڈز میں سرمایہ کاری کو مجمع کیا گیا تھا جو اس سے قبل ایکویٹی میٹھڈ کی بنیاد پر شمار کی جاتی تھی، تاہم SECP نے 28 جنوری 2016ء کو اپنے نوٹیفیکیشن کے ذریعے مذکورہ FRS کے تقاضوں کو واپس لے لیا چنانچہ گروپ کے سالانہ مالیاتی گوشواروں میں ان فنڈز کو مجمع نہیں کیا گیا تھا۔ اسی بنا پر حالیہ کھاتوں میں سرمایہ کاری کو دوبارہ ایکویٹی میٹھڈ کے تحت ترتیب دیا گیا ہے۔ اسی طرح 30 جون 2015ء کو ختم ہونے والے نصف سال کے لیے فوری مالیاتی گوشواروں اور نفع نقصان کے تقابلی گوشواروں کو نئے سرے سے ترتیب دیا گیا ہے۔

زیر جائزہ مدت کے دوران بینک کے مجمع منافع میں قابل ذکر بہتری ریکارڈ کی گئی ہے۔ تاہم زیر جائزہ نصف سال میں قبل از ٹیکس منافع %18.5 بڑھ کر 17.21 ارب روپے (2015ء کا پہلا نصف: 14.52 ارب روپے) تک پہنچا، جبکہ بعد از ٹیکس منافع %46.6 بڑھ کر 10.08 ارب روپے (2015ء کا پہلا نصف: 6.87 ارب روپے) رہا، جس میں %23.7 کا اضافہ ٹیکس کی شرح میں موثر کمی کی وجہ سے ہے جو کہ گذشتہ سال کی اسی مدت کے دوران %52.7 سے %41.5 پر آگئی ہے۔ زیادہ منافع کی وجہ منسلک اداروں کی طرف سے 100.8 ملین روپے کا حصہ ہے، جبکہ 2015ء کی اسی مدت کے دوران 524.2 ملین روپے کا نقصان ریکارڈ کیا گیا تھا۔ ساتھ ہی بینک کی سبسڈریز اور جووائنٹ وینچر کی جانب سے اس زیادہ منافع کی مد میں بالترتیب 105.3 ملین روپے اور 150.5 ملین روپے مجمع کرائے گئے جو گذشتہ سال کی اسی مدت کے دوران بالترتیب 166.5 ملین روپے اور 172 ملین روپے تھے۔ مجموعی طور پر زیر جائزہ نصف سال کے لیے ہماری سبسڈریز، ایسوسی ایٹس اور جووائنٹ وینچر نے گذشتہ سال کی اسی مدت کے دوران 665.3 ملین روپے کے نقصان کے مقابلے میں بینک کے منافع میں مجموعی طور پر 634.5 ملین روپے کا حصہ ملا یا۔

مجموعی کاروباری نتائج اور منافع کی تخصیص بورڈ کی سفارش کے مطابق درج ذیل ہیں:

رقم ملین روپوں میں

17,220

30 جون 2016ء کو ختم ہونے والی 6 ماہ کی مدت کے لیے قبل از ٹیکس منافع
ٹیکس

5,203

موجودہ

1,344

گذشتہ سالوں میں

591

مؤخر شدہ

7,138

10,081

30 جون 2016ء کو ختم ہونے والی 6 ماہ کی مدت کے لیے بعد از ٹیکس منافع

(10)

نان کنٹرولنگ انٹرسٹ

52,725

آگے منتقل کیا گیا غیر استعمال شدہ منافع

1,196

دیگر جامع آمدن - نیٹ آف ٹیکس

57

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

64,049

استعمال کے لیے دستیاب منافع

(945)

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

(15,956)

2015ء میں ادا کیا گیا کیش ڈیویڈنڈ

47,148

آگے منتقل کیا گیا غیر استعمال شدہ منافع

از طرف بورڈ آف ڈائریکٹرز

سید احمد اقبال اشرف

صدر اور سی ای او

بتاریخ : 26 اگست 2016ء

**National Bank of Pakistan
Consolidated Condensed
Interim Financial Statements
For the half year ended June 30, 2016**

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

		(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		146,793,521	151,190,845
Balances with other banks		18,766,470	20,639,421
Lendings to financial institutions - net		8,682,143	7,694,516
Investments - net	7	976,634,701	829,190,763
Advances - net	8	628,158,012	580,323,536
Operating fixed assets	9	33,701,787	33,071,124
Deferred tax assets	10	8,133,367	9,672,251
Other assets		89,574,327	80,091,712
		1,910,444,327	1,711,874,168
LIABILITIES			
Bills payable		10,200,476	9,171,616
Borrowings from financial institutions	11	247,309,713	22,384,853
Deposits and other accounts	12	1,399,669,799	1,431,535,397
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		83,759	91,188
Deferred tax liabilities		-	-
Other liabilities		84,849,818	77,036,023
		1,742,113,566	1,540,219,078
NET ASSETS		168,330,762	171,655,091
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		46,084,982	45,202,342
Unappropriated profit		47,148,046	52,724,524
		114,508,158	119,201,997
Non-controlling Interest		723,627	721,816
		115,231,785	119,923,813
Surplus on revaluation of assets - net	13	53,098,977	51,731,278
		168,330,762	171,655,091
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016	Quarter Ended June 30, 2015	Half Year Ended June 30, 2015
Note ----- (Rupees in '000') -----				
Mark-up / Return / Interest earned	30,580,284	57,708,457	28,367,238	57,865,767
Mark-up / Return / Interest expensed	14,637,492	29,581,175	13,926,479	32,616,033
Net mark-up / return / interest income	<u>15,942,792</u>	<u>28,127,282</u>	14,440,760	25,249,734
Provision against non-performing advances - net	8.2 879,381	1,936,914	3,722,907	6,753,358
Reversal of provision for diminution in value of investments - net	7.2 (403,293)	(543,594)	(452,657)	(489,666)
Provision against off-balance sheet obligations	-	-	25,750	140,238
Bad debts written off directly	-	-	-	-
	<u>476,088</u>	<u>1,393,319</u>	3,296,000	6,403,930
Net mark-up / interest income after provisions	<u>15,466,704</u>	<u>26,733,962</u>	11,144,760	18,845,804
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	4,444,430	7,482,904	3,326,216	6,256,900
Dividend income	668,602	1,511,728	724,499	1,459,701
Income from dealing in foreign currencies	691,262	1,721,619	663,147	2,199,520
Gain on sale and redemption of securities - net	1,760,089	3,226,747	4,056,838	7,553,579
Unrealized loss on revaluation of investments classified as held-for-trading	(11,617)	(5,431)	(4,533)	(734)
Share of profit from joint ventures	87,019	150,486	65,255	171,999
Share of profit / (loss) from associates	301,780	100,803	(850,011)	(524,149)
Other income	15 332,161	735,628	809,920	929,922
Total non mark-up / interest income	<u>8,273,726</u>	<u>14,924,485</u>	8,791,331	18,046,737
	<u>23,740,430</u>	<u>41,658,448</u>	19,936,091	36,892,541
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	12,080,373	23,790,331	11,046,020	21,997,606
Other provisions / write-offs	16 505,285	534,458	191,725	348,976
Other charges	111,548	113,770	16,572	17,231
Total non mark-up / interest expenses	<u>12,697,206</u>	<u>24,438,559</u>	11,254,317	22,363,813
	<u>11,043,225</u>	<u>17,219,889</u>	8,681,773	14,528,729
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	<u>11,043,225</u>	<u>17,219,889</u>	8,681,773	14,528,729
Taxation - current	2,667,885	5,202,690	3,880,310	6,633,562
- prior year(s)	17 1,343,826	1,343,826	2,298,465	2,298,465
- deferred	970,327	591,681	(286,818)	(1,277,984)
	<u>4,982,038</u>	<u>7,138,196</u>	5,891,957	7,654,043
PROFIT AFTER TAXATION	<u>6,061,186</u>	<u>10,081,693</u>	2,789,816	6,874,685
Share holders of the bank	6,050,373	10,071,440	2,764,243	6,839,220
Minority Interest	10,813	10,253	25,573	35,466
	<u>6,061,186</u>	<u>10,081,693</u>	<u>2,789,816</u>	<u>6,874,685</u>
Basic and diluted earnings per share (Rupees)	18 <u>2.84</u>	<u>4.73</u>	1.30	3.21

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Quarter Ended June 30, 2016	Half Year Ended June 30, 2016	Quarter Ended June 30, 2015	Half Year Ended June 30, 2015
----- (Rupees in '000') -----				
Profit after taxation	6,061,186	10,081,693	2,789,816	6,874,685
Other comprehensive income:				
<i><u>Items to be reclassified to profit or loss</u></i>				
<i><u>in subsequent periods:</u></i>				
Exchange gain/ (loss) on translation of net assets of foreign branches	(272,451)	(62,081)	(284,547)	(270,546)
<i><u>Items not to be reclassified to profit or loss</u></i>				
<i><u>in subsequent periods:</u></i>				
Remeasurements of defined benefit liability	4,589,331	1,840,278	2,497,445	836,300
Related tax effects	(1,606,266)	(644,097)	(874,106)	(292,705)
	2,983,065	1,196,181	1,623,339	543,595
Other comprehensive income - net of tax	2,710,614	1,134,100	1,338,792	273,049
Total comprehensive income transferred to equity	8,771,801	11,215,793	4,128,608	7,147,734

Components of comprehensive income not reflected in equity:

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

Surplus on revaluation of available-for-sale securities	422,872	(35,511)	(5,153,659)	1,164,262
Related tax effects	1,574,903	30,676	870,412	(91,696)
Other comprehensive income/ (loss) - net of tax	1,997,775	(4,835)	(4,283,247)	1,072,566

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Half Year Ended June 30, 2016	Half Year Ended June 30, 2015
----- (Rupees in '000') -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,219,889	14,528,729
Less: Dividend income	1,511,728	1,459,701
	15,708,160	13,069,028
Adjustments		
Depreciation	1,572,575	1,106,315
Provision against non-performing loans and advances	1,936,914	6,753,358
Provision for diminution in value of investments	(543,594)	(489,666)
Provision against off-balance sheet obligations	-	140,238
Other provision / write-offs	534,458	348,976
Gain on sale of fixed assets	(11,581)	-
Share of (gain)/ loss from joint ventures	(150,486)	(171,999)
Share of profit / (loss) from associates	(100,803)	524,149
Financial charges on leased assets	1,367	4,403
	3,238,849	8,215,774
	18,947,009	21,284,801
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(3,987,627)	47,889,135
Held-for-trading securities	(6,426,456)	(1,380,899)
Advances	(48,771,390)	13,083,913
Other assets	(5,897,897)	(7,894,373)
	(65,083,369)	51,697,777
Increase / (Decrease) in operating liabilities		
Bills payable	1,028,860	11,218,524
Borrowings	202,401,638	(9,823,857)
Deposits and other accounts	(31,865,598)	40,866,813
Other liabilities (excluding current taxation)	8,867,965	7,869,859
	180,432,865	50,131,339
Income tax paid	(8,633,630)	(6,823,853)
Financial charges paid	(1,367)	(4,403)
	(8,634,997)	(6,828,256)
Net cash generated from operating activities	125,661,509	116,285,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(120,949,670)	(57,705,344)
Net investments in held-to-maturity securities	(20,310,559)	(13,512,405)
Proceeds from investments in associates and subsidiaries	166,900	985,396
Dividend received	1,511,728	1,459,701
Investments in operating fixed assets	(2,012,451)	(872,297)
Sale proceeds of operating fixed assets disposed off	17,506	-
Net cash used in from investing activities	(141,576,546)	(69,644,949)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(7,429)	(3,358)
Dividend paid	(15,961,034)	(11,502,047)
Net cash used in financing activities	(15,968,463)	(11,505,405)
Effects of exchange rate changes on cash and cash equivalents	(62,081)	(242,513)
Net (decrease) / increase in cash and cash equivalents	(31,945,581)	34,892,794
Cash and cash equivalents at beginning of the half year	171,188,959	110,373,051
Cash and cash equivalents at the end of the half year	139,243,378	145,265,845

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the Half Year ended June 30, 2016

Share capital	Attributable to the shareholders of the bank						Sub Total	Non Controlling Interest	Total	
	Reserves					Unappropriated profit				
	Capital			Loan Loss	Revenue General					
	Exchange Translation	Bonus Shares Issue	Statutory							
(Rupees in '000)										
Balance as at January 1, 2015	21,275,131	9,388,710	-	23,086,448		521,338	59,751,578	114,023,205	717,017	114,740,222
Total Comprehensive Income for the period										
Profit after tax for the half year ended June 30, 2015 (Restated)	-	-	-	-	-	-	6,839,220	6,839,220	35,466	6,874,685
Other comprehensive income - net of tax	-	(270,546)	-	-	-	-	543,595	273,049	-	273,049
	-	(270,546)	-	-	-	-	7,382,815	7,112,269	35,466	7,147,734
Transferred from surplus on revaluation of fixed assets to unappropriated profit- net of tax	-	-	-	-	-	-	59,967	59,967	-	59,967
Transfer to Statutory Reserve	-	-	-	754,003	-	-	(754,003)	-	-	-
Transfer to General Loss Reserve	-	-	-	-	12,000,000	-	(12,000,000)	-	-	-
Transactions with Owners, recorded directly in equity										
Issue of Bonus shares (15%)	-	-	-	-	-	-	-	-	-	-
Cash dividend (Rs. 5.5 per share)	-	-	-	-	-	-	(11,701,322)	(11,701,322)	-	(11,701,322)
	-	-	-	-	-	-	(11,701,322)	(11,701,322)	-	(11,701,322)
Balance as at June 30, 2015	21,275,131	9,118,164	-	23,840,451	12,000,000	521,338	42,739,034	109,494,118	752,483	110,246,601
Total Comprehensive Income for the period										
Profit after tax for the half year ended December 31, 2015	-	-	-	-	-	-	13,208,814	13,208,814	(1,917)	13,201,896
Other comprehensive income - net of tax	-	(1,445,494)	-	-	-	-	(2,110,408)	(3,555,902)	-	(3,555,902)
	-	(1,445,494)	-	-	-	-	11,093,406	9,647,912	(1,917)	9,645,994
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	-	59,967	59,967	-	59,967
Transfer to Statutory Reserve	-	-	-	1,167,883	-	-	(1,167,883)	-	-	-
Cash dividend paid/ profit distribution by subsidiaries	-	-	-	-	-	-	-	-	(28,750)	(28,750)
Balance as at December 31, 2015	21,275,131	7,672,670	-	25,008,334	12,000,000	521,338	52,724,524	119,201,997	721,816	119,923,814
Total Comprehensive Income for the period										
Profit after tax for the half year ended Jun 30, 2016	-	-	-	-	-	-	10,071,440	10,071,440	10,253	10,081,693
Other comprehensive income - net of tax	-	(62,081)	-	-	-	-	1,196,181	1,134,100	-	1,134,100
	-	(62,081)	-	-	-	-	11,267,621	11,205,540	10,253	11,215,793
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	56,969	56,969	-	56,969
Transfer to Statutory Reserve	-	-	-	944,720	-	-	(944,720)	-	-	-
Transfer to Loan Loss Reserve (refer note 8.6)	-	-	-	-	-	-	-	-	-	-
Transactions with Owners, recorded directly in equity										
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	-	(15,956,348)	(15,956,348)	-	(15,956,348)
Cash dividend paid / Profit distribution by subsidiaries	-	-	-	-	-	-	-	-	(8,442)	(8,442)
	-	-	-	-	-	-	-	-	-	(8,442)
Balance as at June 30, 2016	21,275,131	7,610,589	-	25,953,054	12,000,000	521,338	47,148,046	114,508,158	723,627	115,231,785

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

NATIONAL BANK OF PAKISTAN
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,404 (2015: 1,403) branches in Pakistan and 21 (2015: 21) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to Long Term Credit Fund (LTCF) and Endowment Fund for Student Loan Scheme.

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

1.2 Basis of Consolidation

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

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

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

Material intra-group balances and transactions have been eliminated.

The SECP, vide its letter EMD/233/627/2002-333 dated November 11, 2015 allowed exemption under Section 237(8) of the Companies Ordinance, 1984, based on the fact that investments of the bank in CNL are not material and comprise of 0.000081% of the total assets of the bank and the investment have been fully provided.

2. STATEMENT OF COMPLIANCE

- 2.1** These condensed interim unconsolidated financial statements of the Bank for the half year ended June 30, 2016 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where the requirements differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 2.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 2.3** The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2015.
- 2.4** These condensed interim unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

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

4.1 Non Banking acquired in satisfaction of claims

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

4.2 New Standards, Interpretations and Amendments

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

Standard or Interpretation

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

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

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

5. ACCOUNTING ESTIMATES

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

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2015.

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
Note	----- (Rupees in '000') -----	
7.2 Particulars of provision for diminution in value of investments		
Opening balance	15,453,451	15,668,377
Charge for the period / year	1,314,307	1,055,831
Reversals	(1,857,902)	(1,852,131)
	(543,594)	(796,300)
Adjustment due to settlement of put option in respect of shares of Agritech Limited (an associate)	94,750	-
Transfer from advances and other assets	314,213	595,227
Others	-	(13,853)
Closing balance	15,318,819	15,453,451
7.2.1 Particulars of provision in respect of type		
Available-for-sale securities		
Ordinary shares of listed companies and mutual funds	3,251,673	3,394,043
Ordinary shares of unlisted companies	398,923	398,923
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9,896,930	9,983,942
Preference shares	433,444	446,444
Held-to-maturity securities		
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	619,324	619,324
Investment in associates		
	717,281	609,530
Investment in subsidiaries		
	1,245	1,245
	15,318,819	15,453,451
7.2.2 Particulars of provision in respect of segments		
Fully Paid up Ordinary Shares	3,556,129	3,735,090
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	10,516,254	10,603,266
Other investments	527,910	504,320
Investments in associates	717,281	609,530
Investments in subsidiaries	1,245	1,245
	15,318,819	15,453,451
7.3 These carry fixed mark-up at the rate ranging from 7% to 12% per annum (December 31,2015: 9% to 12%) having maturity ranging from 3 to 10 years.		
8. ADVANCES - net		
Loans, cash credits, running finances, etc.		
In Pakistan	667,808,577	621,615,397
Outside Pakistan	53,094,936	54,635,448
	720,903,513	676,250,845
Islamic financing and related assets	1,849,155	1,026,891
Net investment in finance lease		
In Pakistan	1,127,103	1,270,081
Outside Pakistan	-	-
	1,127,103	1,270,081
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	11,984,016	8,678,788
Payable outside Pakistan	8,103,642	7,387,939
	20,087,658	16,066,727
Advances - gross	743,967,428	694,614,544
Less: Provision against non-performing loans - specific	112,607,554	111,326,647
- general	3,201,862	2,964,361
	115,809,416	114,291,008
Advances - net of provision	628,158,012	580,323,536

- 8.1 Advances include Rs.132,450 million (2015: Rs.128,277 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2016 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	2,541,148	-	2,541,148	53,017	53,017
Substandard	12,430,796	67,128	12,497,924	2,971,725	2,971,725
Doubtful	3,096,991	76,101	3,173,092	1,096,352	1,096,352
Loss	82,439,943	31,798,204	114,238,147	108,486,460	108,486,460
	100,508,878	31,941,433	132,450,311	112,607,554	112,607,554

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

8.2 Particulars of provision against non-performing advances

	June 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	111,326,647	2,964,361	114,291,008	98,549,185	3,201,465	101,750,650
Exchange adjustments	(38,503)	898	(37,605)	859,521	16,854	876,375
Charge for the period	3,750,147	298,459	4,048,606	16,062,482	227,540	16,290,022
Reversals	(2,049,837)	(61,856)	(2,111,693)	(4,944,996)	(481,498)	(5,426,494)
	1,700,310	236,603	1,936,913	11,117,486	(253,958)	10,863,528
Transfer (out) / in	(214,444)	-	(214,444)	899,465	-	899,465
Amounts written off	(46,210)	-	(46,210)	(18,228)	-	(18,228)
Amount charged off	(72,713)	-	(72,713)	(12,690)	-	(12,690)
Other adjustments	(47,533)	-	(47,533)	(68,091)	-	(68,091)
Closing balance	112,607,554	3,201,862	115,809,416	111,326,647	2,964,361	114,291,008

- 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. 2,396 million (December 31, 2015: Rs. 3,598 million). Accordingly, as of June 30, 2016, the accumulated profit after tax of Rs.1,557 million (December 31, 2015: Rs.2,339 million) shall not be available for payment of cash or stock dividend or bonus to employees as required by aforementioned SBP directive.
- 8.4 General provision against consumer loans and Small and Medium Enterprise (SME) financing, represents provision maintained at an amount ranging from 1% to 5% of the performing portfolio as required by the Prudential Regulations issued by the SBP.
- 8.5 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of ASG Metals Private Limited and its associated companies till September 30, 2017. Had that relaxation not provided, the amount of non-performing loans would have been higher by Rs. 1,870 and provision would be higher by Rs.955 million.
- 8.6 The State Bank of Pakistan has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2016. Accordingly such loans are not included in non-performing loans.

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
9. OPERATING FIXED ASSETS		
Capital work-in-progress	1,543,109	1,348,323
Property and equipment	31,037,229	29,709,654
Intangible assets	1,121,450	648,260
	<u>33,701,787</u>	<u>31,706,237</u>

Note

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

9.1 Additions and disposals during the period amounted to Rs 1,780 million (June 30, 2015: Rs. 754 million) and Rs.30 million (June 30, 2015: Rs. 6 million) respectively.

10. DEFERRED TAX ASSETS - net

Deferred tax assets arising in respect of

Provision for diminution in the value of investments	4,027,110	4,117,499
Provision against non-performing advances	6,379,737	8,000,570
Other provisions	2,458,619	2,262,569
Provision against defined benefits plans	10,810,350	10,807,811
Unrealized loss on derivatives	691,907	691,907
Provision against off-balance sheet obligations	116,622	116,622
	<u>24,484,345</u>	<u>25,996,978</u>

Deferred tax liabilities arising in respect of

Excess of accounting book value of leased assets over lease liabilities	(8,199)	(8,097)
Revaluation of securities	(15,285,270)	(15,104,136)
Operating fixed and non-banking assets	(1,057,509)	(1,212,494)
	<u>(16,350,978)</u>	<u>(16,324,727)</u>

Net deferred tax assets

<u>8,133,367</u>	<u>9,672,251</u>
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11. BORROWINGS

Borrowings include repurchase agreement borrowings amounting to Rs. 211,818 million (December 31, 2015: Rs.10,302 million).

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	316,754,187	330,551,976
Savings deposits	389,981,404	382,255,071
Current accounts - remunerative	211,073,518	183,332,050
Current accounts - non-remunerative	315,728,762	332,225,875
	<u>1,233,537,871</u>	<u>1,228,364,972</u>

Financial Institutions

Remunerative deposits	39,174,216	109,257,412
Non-remunerative deposits	126,957,712	93,913,014
	<u>166,131,928</u>	<u>203,170,425</u>
	<u>1,399,669,799</u>	<u>1,431,535,397</u>

		(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Note	----- (Rupees in '000') -----	
13 SURPLUS ON REVALUATION OF ASSETS - net			
Surplus on revaluation of fixed assets		23,346,284	23,002,503
Surplus on revaluation of non-banking assets	4.1	1,440,645	-
Surplus on revaluation of Available-for-sale securities - net of tax			
Federal Government Securities		9,392,284	9,109,036
Term Finance Certificates and Sukuks		13,859	59,167
Shares and mutual funds		27,887,405	26,047,519
GoP Foreign Currency Bonds		260,077	288,428
Foreign Currency Debt Securities		128,205	39,306
Investments outside Pakistan		7,918,216	10,092,101
		<u>45,600,046</u>	<u>45,635,557</u>
		<u>70,386,975</u>	<u>68,638,060</u>
Deferred Tax liability			
Surplus on revaluation of fixed assets		(1,205,346)	(1,236,022)
Surplus on revaluation of non-banking assets	4.1	(121,301)	-
Surplus on revaluation of Available-for-sale securities		(15,285,270)	(15,104,136)
		<u>(16,611,917)</u>	<u>(16,340,158)</u>
Share of Revaluation Loss on Securities of Associates		(676,081)	(566,624)
		<u>53,098,977</u>	<u>51,731,278</u>

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

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

- Government	4,760,767	7,422,663
- Financial institutions	7,898,664	6,329,462
- Others	15,134,758	21,583,972
	<u>27,794,189</u>	<u>35,336,097</u>

14.2 Transaction-related contingent liabilities

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

- Government	16,858,832	13,470,397
- Financial institutions	10,139,818	1,934,967
- Others	24,006,453	9,945,571
	<u>51,005,103</u>	<u>25,350,935</u>

14.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	344,068,395	221,145,520
- Financial institutions	4,180,209	-
- Others	54,150,629	48,844,025
	<u>402,399,233</u>	<u>269,989,545</u>

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

14.4 Other contingencies

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

14,588,783

17,262,055

14.4.2 Taxation

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

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

14.4.3 Barter Trade Agreements

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

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

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

14.4.5 Foreign Exchange repatriation case

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

	(Un-Audited) June 30, 2016	(Audited) December 31, 2015
	----- (Rupees in '000) -----	
14.5 Commitments in respect of forward exchange contracts		
Purchase	141,534,962	273,199,134
Sale	116,054,839	183,645,395
14.6 Other Commitments		
Professional services to be received	58,645	81,095
Commitments for sale of quoted securities under future contracts under counter commitments		174,985
14.7 Commitments for the acquisition of operating fixed assets	1,164,913	1,999,488

15. OTHER INCOME

Other Income includes Rs 710 million (June 30: 2015: Rs 827 million) in respect of compensation on delayed refunds under section 171 of the Income Tax Ordinance, 2001. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

16. OTHER PROVISIONS AND WRITE - OFFS

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

17. TAXATION

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

	Quarter Ended June 30 2016	Half Year Ended June 30 2016	Quarter Ended June 30 2015	Half Year Ended June 30 2015
18. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation (Rupees in '000)	6,050,373	10,071,440	2,764,243	6,839,220
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)	2.84	4.73	1.30	3.21

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	----- Rupees in '000 -----								
Jun 30, 2016-Unaudited									
Total income	456,099	175,656	5,021,439	31,242,495	1,469,893	3,946,497	693,525	46,163	43,051,767
Inter segment revenue		(113,898)	4,791,183	(4,677,285)		-	-	-	-
Total expenses	14,509	-	8,941,991	11,916,098	1,037,782	3,243,440	625,244	52,814	25,831,878
Net income	441,591	61,758	870,631	14,649,112	432,111	703,057	68,281	(6,651)	17,219,889
Segment Assets	-	8,057,104	240,786,244	1,635,801,949	-	22,836,417	2,580,903	381,709	1,910,444,327
Segment Non-Performing Loans	-	-	14,137,785	118,312,526	-	-	-	-	132,450,311
Segment Specific Provision Required	-	-	7,443,835	108,365,581	-	-	-	-	115,809,416
Segment Liabilities	-	-	454,841,497	1,285,309,530	-	-	1,870,635	91,903	1,742,113,566
Segment Return on Assets (ROA) (%)	0.00%	2.98%	0.77%	1.83%	0.00%	6.31%	1.04%	-2.70%	
Segment Cost of Fund (%)	0.00%	0.00%	3.18%	4.38%	0.00%	0.00%	9.33%	6.88%	
Jun 30, 2015 - Unaudited									
Total income	156,183	(959,367)	10,837,851	26,457,528	1,370,278	3,222,290	2,145,661	66,047	43,296,471
Inter segment revenue	-	(26,394)	9,028,651	(9,002,257)		-	-	-	-
Total expenses	15,815	(236,265)	9,740,434	14,130,585	1,067,337	3,152,589	850,541	46,707	28,767,743
Net income	140,368	(749,496)	10,126,068	3,324,686	302,941	69,701	1,295,120	19,340	14,528,729
Segment Assets	-	16,320,577	252,969,822	1,289,274,695	-	19,580,689	2,690,126	573,984	1,581,409,893
Segment Non-Performing Loans	-	-	10,347,877	110,933,577	-	-	-	-	121,281,454
Segment Specific Provision Required	-	-	7,227,259	101,506,457	-	-	-	-	92,307,984
Segment Liabilities	-	(1,172,606)	417,265,678	959,347,554	-	32,180,884	1,952,976	259,749	1,409,834,235
Segment Return on Assets (ROA) (%)	0.00%	0.00%	0.96%	2.10%	0.00%	1.09%	3.41%	3.37%	
Segment Cost of Fund (%)	0.00%	0.00%	5.32%	5.15%	0.00%	0.00%	16.68%	16.00%	

20. RELATED PARTY TRANSACTIONS

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

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

There are no transactions with key management personnel other than under advance salary.

	30 June 2016 (Un-audited)				31 December 2015 (Audited)			
	At 01 January 2016	Given during the year	Repaid during the year	At 30 June 2016	At 01 January 2015	Given during the year	Repaid during the year	At 31 December 2015
	(Rupees in '000)							
Advances								
Key Management Executives	193,530	22,130	(44,110)	171,550	186,667	-	(27,556)	159,111
Adjustments*	5,281	-	-	5,281	34,419	-	-	34,419
	198,811	22,130	(44,110)	176,831	221,086	-	(27,556)	193,530
Associates	5,129,535	-	(3,000)	5,126,535	5,410,612	-	(281,077)	5,129,535
Debts due by Company in which director is interested as director	6,020,112	1,033,760	(1,033,760)	6,020,112	9,115,000	62,566,778	(65,661,666)	6,020,112
Adjustments*	(6,020,112)	-	-	(6,020,112)	-	-	-	-
	-	1,033,760	(1,033,760)	-	9,115,000	62,566,778	(65,661,666)	6,020,112
	5,328,346	1,055,889	(1,080,870)	5,303,366	14,746,698	62,566,778	(65,970,299)	11,343,177

	30 June 2016 (Un-audited)				31 December 2015 (Audited)			
	At 01 January 2016	Received during the year	Repaid during the year	At 30 June 2016	At 01 January 2015	Received during the year	Repaid during the year	At 31 December 2015
	(Rupees in '000)							
Deposits								
Associates	-	-	-	-	26,038	-	(26,038)	-
Key Management Executives	18,554	230,084	(220,517)	28,121	19,309	303,945	(310,206)	13,048
Adjustments*	(4,284)	-	-	(4,284)	5,506	-	-	5,506
	14,270	230,084	(220,517)	23,836	24,815	303,945	(310,206)	18,554
Pension Fund (Current)	3,371	2,249,199	(2,242,793)	9,777	4,248	27,290,824	(27,291,701)	3,371
Pension Fund (Fixed Deposit)	2,300,000	2,000,000	(2,000,000)	2,300,000	7,300,000	2,300,000	(7,300,000)	2,300,000
Pension Fund (N.I.D.A A/c)	1,128,437	1,476,600	(966,400)	1,638,637	1,056,675	13,584,552	(13,512,790)	1,128,437
Provident Fund	13,391,708	1,831,216	(1,935,241)	13,287,683	13,123,803	2,400,226	(2,132,321)	13,391,708
	16,837,786	7,787,099	(7,364,951)	17,259,934	21,535,579	45,879,547	(50,573,056)	16,842,070

* Adjustments due to changes in key management executives.

	(Un-audited) (Audited)	
	June 30, 2016	December 31, 2015
Rupees in '000		
Placements with:		
Joint venture	470,523	68,450
Repo borrowing from:		
Joint venture	141,986	399,496
Off Balance Sheet Items - Joint Venture	453,324	-
Redemption / sale of investment in associates	757,555	8,518,102

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	(Un-audited) Half year ended June 30, 2016	(Un-audited) Half year ended June 30, 2015
Rupees in '000		
Income for the period		
On advances / placements with:		
Joint Venture	948	1,172
Debts due by company in which director of the bank is interested as director	157	519,000
Financial charges paid on lease assets to subsidiaries	1,363	1,064
Expenses for the period		
Remuneration to key management executives	139,583	128,444
Charge for defined benefit plan	16,750	15,413
Mark-up on Deposits of:		
Associates	-	-
Provident fund	773,168	977,932
Pension fund	118,431	382,728
Mark-up on Borrowing / Deposits		
Joint Ventures	293	65

20.1 Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 3,755 million for the half year ended June 30, 2016. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 274,663 million, Rs. 485,483 million and Rs. 365,688 million respectively and income earned on advances and profit paid on deposits (domestic only) amounted to Rs. 6,300 million and Rs. 9,366 million respectively.

21. SHARIAH COMPLIANT MODE OF TRANSACTIONS AND BALANCES

In terms of SECP Circular 14 of 2016 dated April 21, 2016 the Bank is required to disclose certain financial information regarding Shariah compliant modes of transactions. This information is required to facilitate Pakistan Stock Exchange in maintaining its newly developed "All Shares Islamic Index".

Based on such requirements, the following disclosures provide information regarding items of assets, liabilities and income relating to Shariah compliant transaction mode.

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
Rupees in '000		
<u>Statement of financial position</u>		
Balances with other banks	7,139,966	4,056,511
Lending to financial institution	959,652	2,875,367
Investments	14,018,276	7,084,133
Deposits	20,586,238	12,984,896
Surplus on revaluation of assets - net	54,310	74,337

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	(Un-audited) Half year ended June 30, 2016	(Un-audited) Half year ended June 30, 2015
<u>Profit and loss account</u>		
Mark-up / Return / Interest earned	915,979	805,743
Mark-up / Return / Interest expensed	506,779	598,362
Gain on sale and redemption of securities - net	1,900	-
Dividend Income	1,523,140	1,942,668

Scrip wise details of dividend income for the period are provided below:

Held For Trading Securities

Engro Corporation Limited	817	-
Hascol Petroleum Limited	350	-
Habib Bank Limited	245	-

Available For Sale Securities-Ordinary Shares Of Listed Companies

Adamjee Insurance Company	12,054.46	12,054
Agriauto Industries Limited	1,418.00	-
Al Abbas Sugar Mills	6,181.92	9,091
Allied Bank Limited	18,938.00	30,751
Archroma Pakistan	7,243.00	-
Askari Bank Limited	23,932.00	19,145
Attock Petroleum Limited	15,167.27	12,639
Bank Al Habib Limited	38,632.53	33,114
Bank Alfalah Limited	30,689.57	61,379
Burshane LPG Pakistan	1,816.24	-
Century Insurance Company Limited	5,737.50	1,721
Crescent Steel & Allied Product	7,420.82	-
Dawood Hercules Corporation Limited	28,276.85	4,638
Dawood Lawrencepur Limited	677.00	-
EFU General Insurance Limited	1,235.00	1,647
Engro Corporation Limited	35,713.00	18,359
Engro Fertilizers	1,946.00	1,946
Faran Sugar Mills Limited	1,909.00	382
Fauji Fertilizer Company Limited	185.00	-
Glaxosmithkline	15,587.00	19,491
Habib Bank Limited	31,741.00	31,739
Habib Metropolitan Bank Limited	59,553.57	74,442
Habib Sugar Mills Limited	16,367.00	16,367
Hascol Petroleum Limited	2,007.60	-
Hub Power Company Limited	461,920.00	230,960
IGI Insurance Limited	18,346.00	13,734
IGI Life Insurance	2,500.00	-
International Industries Limited	6,312.64	9,469
Kohinoor Energy Limited	35,473.73	35,474
Kohinoor Textile Mills Limited	466.00	311
Kot Addu Power Company	7,406.00	48,137
KSB Pumps Company Limited	7,615.00	5,439
Linde Pakistan Limited	1,056.00	915
Mari Petroleum Company Limited	10,945.50	-
Mirpurkhas Sugar Mills	2,808.00	-
Nestle Pakistan Limited	448.00	448
Oil and Gas Development Company Limited	4,963.00	7,558
Carried forward	926,101	701,351

National Bank of Pakistan

	(Un-audited) Half year ended June 30, 2016	(Un-audited) Half year ended June 30, 2015
Brought forward	926,101	701,351
Packages Limited	15,244	9,146
Pak Datacom Limited	938	1,502
Pakgen Power Limited	3,407	4,550
Pakistan Oilfields Limited	962	962
Pakistan Paper Products Limited	39	313
Pakistan Petroleum Limited	2,687	5,150
Pakistan Reinsurance Company Limited	60,419	30,209
Pakistan Services Limited	2,092	-
Pakistan State Oil	125,426	150,511
Pakistan Tobacco	20	13
Pakistan Telecommunication Company Limited	34,862	51,543
Service Industries Limited	21,053	12,632
Shell Pakistan	2,188	1,750
Soneri Bank Limited	25,033	27,026
Thall Limited	23,241	69,722
United Bank Limited	46,606	36,617
Wyeth Pakistan	1,156	-
Pioneer Cement Limited	-	3,296
Shahtaj Sugar Mills	-	817
Fauji Cement Company Limited	-	1,825
Pak Suzuki Motors	-	1,541
Bestway Cement (Formerly Mustehkam)	-	1,092
Hinopak Motors Limited	-	7,011
Fatima Fertilizer Company Limited	-	17,162
Fauji Fertilizer Bin Qasim Limited	-	3,598
Indus Dyeing & Manufacturing	-	2,674
Ordinary Shares Of Un-Listed Companies		
Atlas Power	46,875	93,750
Fauji Oil Terminal	3,810	8,709
National Investment Trust	21,780	31,680
Fortune Securities Limited	-	1,000
National Institute Of Facilitation Technology (Private) Limited	-	21,582
Investment In Mutual Funds		
NIT Equity Market Opportunity Fund	125,569	75,341
AKD Cash Fund	2,640	3,398
HBL Money Market Fund	2,309	12,138
Lakson Money Market Fund	2,770	10,549
Atlas Money Market Fund	3,177	-
NIT Islamic Equity Fund	5,260	-
Meezan Balanced Fund	2,126	2,688
Alfalah Ghp Cash Fund	-	8,919
JS Large Capital Fund	-	77
First Habib Cash Fund	-	5,815
UBL Liquidity Plus Fund	-	8,445
Faysal Money Market Fund	-	7,686
Askari Sovereign Cash Fund	-	7,819
PICIC Cash Fund	-	10,299
NIT Government Bond Fund	-	12,714
ABL Cash Fund	-	14,110
MCB Cash Management Optimizer Fund	-	13,175
Alfalah GHP Money Market Fund	-	13,174
NIT Income Fund	-	22,127
Carried forward	1,507,788	1,527,208

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	(Un-audited) Half year ended June 30, 2016	(Un-audited) Half year ended June 30, 2015
Brought forward	1,507,788	1,527,208
Preference Shares-Un-Listed		
Pakistan Mercantile Exchange Limited	3,539	-
Investment In Subsidiary		
Taurus Securities Limited	11,813	-
Associates Mutual Fund		
Nafa Income Opportunity Fund	-	1,166
Nafa Multi Asset Fund	-	2,128
Nafa Riba-Free Savings Fund	-	33,390
Nafa Savings Plus Fund	-	36,559
Nafa Government Securities Liquid Fund	-	271,389
Nafa Islamic Aggressive Income Fund	-	5,701
Nafa Financial Sector Income Fund	-	53,508
Nafa Islamic Asset Allocation Fund	-	11,618
	1,523,140	1,942,668

22. ISLAMIC BANKING BUSINESS

The Bank is operating 112 (December 31, 2015: 79) Islamic banking branches as at June 30, 2016. Statement of financial position and profit and loss account are as under:

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Rupees in '000'	
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	3,371,685	1,086,611
Balances with other banks	7,016,001	3,900,000
Due from financial institutions	959,653	2,875,367
Investments	13,994,801	4,111,625
Islamic financing and related assets	1,657,361	837,408
Operating fixed assets	96,751	61,946
Due from Head Office	-	304,234
Other assets	1,562,262	615,660
	28,658,514	13,792,851
Liabilities		
Bills Payable	142,046	37,588
Deposits and other accounts		
- Current accounts	9,762,085	5,743,529
- Saving accounts	8,851,653	5,535,023
- Term deposits	1,710,496	1,422,749
- Deposit from financial institutions-Remunerative	-	-
Due to Head Office	7,248,879	-
Other liabilities	195,111	350,510
	27,910,270	13,089,399
Net Assets	748,244	703,452
Represented By		
Islamic Banking Fund	800,000	800,000
Unappropriated profit	(97,911)	(100,147)
	702,089	699,853
Surplus on revaluation of investments	46,155	3,599
	748,244	703,452

	(Un-audited) June 30, 2016 ----- (Rupees in '000') -----	(Audited) December 31, 2015
22.1 Investments		
Sukuk	14,125,608	4,242,432
Provision against investments	(130,807)	(130,807)
	<u>13,994,801</u>	<u>4,111,625</u>
22.2 Islamic financing and related assets		
Murabaha		
Financings	821,778	588,400
Provisions	(188,400)	(188,400)
	<u>633,378</u>	<u>400,000</u>
Diminishing Musharaka		
Financings	825,641	211,252
Provisions	-	-
	<u>825,641</u>	<u>211,252</u>
Ijarah assets		
Assets	195,925	229,550
Advance	5,811	-
Provisions	(3,394)	(3,394)
	<u>198,342</u>	<u>226,156</u>
	<u>1,657,361</u>	<u>837,408</u>

	(Un-audited) Half year ended June 30, 2016 ----- (Rupees in '000') -----	(Un-audited) Half year ended June 30, 2015
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PROFIT AND LOSS ACCOUNT

Profit / Return earned on financings, investments and placements	490,207	312,438
Profit / Return expensed on deposit	(145,713)	83,053
Net spread earned	344,494	229,385
Depreciation on assets given on ijarah	(33,625)	(47,529)
	<u>310,869</u>	<u>181,856</u>
Provision against advances and investments	-	20,627
Provision reversed against advances and investments	-	-
	<u>-</u>	<u>20,627</u>
Profit after provision	<u>310,869</u>	<u>202,483</u>
Other income		
Fee, commission and brokerage income	74,681	29,018
Income from dealing in foreign currencies	370	140
Other income	4,624	146
Total other income	<u>79,675</u>	<u>29,304</u>
	<u>390,544</u>	<u>231,787</u>
Other expenses		
Administrative expenses	(488,455)	(225,216)
Profit before taxation	<u>(97,911)</u>	<u>6,571</u>

(Un-audited) Half year ended June 30, 2016 ----- (Rupees in '000') -----	(Un-audited) Half year ended June 30, 2015
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CASH FLOW STATEMENT**Cash flow from operating activities**

(Loss) / profit for the period	(97,911)	6,571
Adjustments :		
Depreciation - Own assets	28,438	43,615
Depreciation - Ijarah assets	33,625	-
Reversal of provision against non performing financings	-	(20,627)
	62,063	22,988
	(35,848)	29,559
(Increase) / decrease in operating assets		
Balance with other banks	(3,116,001)	-
Due from Financial Institutions	1,915,714	-
Financings and investments	(10,694,198)	(604,427)
Other assets	(946,602)	(529,884)
	(12,841,087)	(1,134,311)
Increase / (decrease) in operating liabilities		
Bills payable	104,458	21,187
Deposits and other accounts	7,622,933	9,186,326
Borrowings from Head Office	7,653,260	(3,726,471)
Other liabilities	(155,399)	34,374
	15,225,252	5,515,416
Net cash generated from operating activities	2,348,317	4,410,664
Cash flow from investing activities		
Investment in operating fixed assets	(63,243)	-
Net cash used in investing activities	(63,243)	-
Cash flow from financing activities		
Net Cash Flow from Financing Activities	-	-
Increase in cash and cash equivalents	2,285,074	4,410,664
Cash and cash equivalents at beginning of the half year	1,086,611	173,942
Cash and cash equivalents at the end of the half year	3,371,685	4,584,606

23. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 26, 2016.

24. GENERAL**24.1 Changes in presentation of consolidated condensed interim financial statements**

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

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

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

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

Chairman

President

Director

Director