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# **National Bank of Pakistan**

**Standalone Financial Statements**

**For the Quarter ended September 30, 2010**

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## Directors' Report

It gives me great pleasure to present on behalf of the Board of Directors accounts for the nine months period ended September 30, 2010. The Profit for the nine months period ended September 30, 2010 after carry forward of accumulated profit of 2009 is proposed to be appropriated as follows: -

	<i>Rs. in million</i>
Net Profit before taxation for the nine months period ended Sep 30, 2010	16,630
Taxation	
-Current year	6,700
-Prior years	-
-Deferred	(1,433)
	5,267
After tax profit	11,363
Un-appropriated profit brought forward (restated)	60,697
Transfer from surplus on revaluation of fixed assets	88
-	
Profit available for appropriation	72,148
Cash Dividend paid	(8,073)
Transfer to Statutory Reserve (10% of after tax profit)	(1,136)
Bonus shares issued	(2,691)
Un-appropriated profit carried forward	60,248

The Bank recorded impressive growth in terms of profit and balance sheet despite challenging external environment. After tax profit of the Bank stands at Rs. 11.4 billion showing an increase of Rs.2.0 billion or 21% compared to corresponding period. Net interest income of the bank registered an increase of around Rs. 4.0 billion or 14%. The increase is attributed to both volume and rate increase. This growth was made possible by across the board increase in all areas.

Non interest / mark up income recorded an increase of Rs. 148 million despite no dividend on NIT units, which last year was 1.3 billion as these units were redeemed in December 2009. This reduction in dividend income was compensated by an impressive increase in capital gains as the bank capitalized on good opportunities for sale of its shares portfolio.

Administrative expenses show an increase of Rs. 3.9 billion or 25% compared to corresponding period mainly due to inflation linked salary increases and increase in other expenses mainly related to inflation.

Due to focused approach, NPL provisioning during the period decreased compared to the corresponding period last year, provision against investments were higher mainly on account of impairment provision against shares.

Deposits increased by Rs. 17 billion from December 31, 2009, whereas compared to corresponding period September 30, 2009 deposits are higher by Rs. 90 billion or 14%. The increase in deposits was mainly recorded in CASA (Current & Saving) categories. Advances reflect a decline of Rs.27 billion mainly on account of repayment of seasonal finances and conversion of some power related project loans into term finance certificates due to which the increase is reflected in investments.

We are pleased to inform that JCR VIS Credit rating agency has reaffirmed NBP's long term credit rating of 'AAA/A-1+' on a standalone basis. This rating reflects bank's well capitalized position, diversified deposit base and extensive outreach in the domestic market.

Going forward the Bank is making concerted efforts to focus on recoveries as well as on increasing its CASA deposits so as to reduce the cost of funds and improve its margins. During the month of August 2010 the bank opened its first branch in Riyadh Saudi Arabia. This will be an excellent venture as the bank shall focus on capturing sizable portion of bilateral trade and investment business. The Bank is also making progress in the implementation of the 'Core Banking Software'. This conversion of the bank's I.T. platform will give a competitive advantage for further market penetration and new venues for income generation.

In the end we extend our appreciation to the bank's staff for their commitment, dedication and hard work in achieving these excellent results. We also would like to express our appreciation to our stakeholders, regulators and our valued customers for their support and continued confidence in NBP.

On behalf of Board of Directors

S. Ali Raza

**Chairman & President**

Date: October 29, 2010

# National Bank of Pakistan

## Unconsolidated Condensed Interim Statement of Financial Position As at Sept 30, 2010

		(Un-Audited)	
		Sept 30 2010	Dec 31 2009
	Note	----- (Rupees in '000') ----- (Restated)	
<b>ASSETS</b>			
Cash and balances with treasury banks		72,390,482	115,827,868
Balances with other banks		25,161,056	28,405,564
Lendings to financial institutions - net		32,799,388	19,587,176
Investments - net	6	258,269,514	217,642,822
Advances - net	7	447,997,394	475,243,431
Operating fixed assets		26,059,519	25,147,192
Deferred tax assets - net	8	5,126,048	3,062,271
Other assets		61,056,095	59,666,438
		<b>928,859,496</b>	<b>944,582,762</b>
<b>LIABILITIES</b>			
Bills payable		7,203,785	10,621,169
Borrowings		20,222,427	45,278,138
Deposits and other accounts	9	744,095,539	727,464,825
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		102,539	42,629
Deferred tax liabilities		-	-
Other liabilities		38,574,956	42,269,623
		<b>810,199,246</b>	<b>825,676,384</b>
<b>NET ASSETS</b>			
		<b>118,660,250</b>	<b>118,906,378</b>
<b>REPRESENTED BY</b>			
Share capital		13,454,628	10,763,702
Reserves		23,995,080	22,681,707
Unappropriated profit		60,248,197	60,696,510
		<b>97,697,905</b>	<b>94,141,919</b>
Surplus on revaluation of assets - net	10	20,962,345	24,764,459
		<b>118,660,250</b>	<b>118,906,378</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these unconsolidated condensed interim financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Statement of Financial Position**  
**As at Sept 30, 2010**

		(Un-Audited) Sept 30 2010	Dec 31 2009	(Audited) Dec 31 2008
	Note	(Rupees in '000')		
		(Restated)		
<b>ASSETS</b>				
Cash and balances with treasury banks		72,390,482	115,827,868	106,503,756
Balances with other banks		25,161,056	28,405,564	38,344,608
Lendings to financial institutions - net		32,799,388	19,587,176	17,128,032
Investments - net	6	258,269,514	217,642,822	170,822,491
Advances - net	7	447,997,394	475,243,431	412,986,865
Operating fixed assets		26,059,519	25,147,192	24,217,655
Deferred tax assets - net	8	5,126,048	3,062,271	3,204,572
Other assets		61,056,095	59,666,438	44,550,347
		<b>928,859,496</b>	<b>944,582,762</b>	<b>817,758,326</b>
<b>LIABILITIES</b>				
Bills payable		7,203,785	10,621,169	10,219,061
Borrowings		20,222,427	45,278,138	40,458,926
Deposits and other accounts	9	744,095,539	727,464,825	624,939,016
Sub-ordinated loans		-	-	-
Liabilities against assets subject to finance lease		102,539	42,629	25,274
Deferred tax liabilities		-	-	-
Other liabilities		38,574,956	42,269,623	39,656,831
		<b>810,199,246</b>	<b>825,676,384</b>	<b>715,299,108</b>
<b>NET ASSETS</b>		<b>118,660,250</b>	<b>118,906,378</b>	<b>102,459,218</b>
<b>REPRESENTED BY</b>				
Share capital		13,454,628	10,763,702	8,969,751
Reserves		23,995,080	22,681,707	19,941,047
Unappropriated profit		60,248,197	60,696,510	52,456,204
		<b>97,697,905</b>	<b>94,141,919</b>	<b>81,367,002</b>
Surplus on revaluation of assets - net	10	20,962,345	24,764,459	21,092,216
		<b>118,660,250</b>	<b>118,906,378</b>	<b>102,459,218</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	11			

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these unconsolidated condensed interim financial statements.

Chairman & President

Director

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# National Bank of Pakistan

## Unconsolidated Condensed Interim Profit and Loss Account (Un-Audited)

For the Quarter and Nine Months Ended Sept 30, 2010

	Quarter Ended Sept 30 2010	Nine Months Ended Sept 30 2010	Quarter Ended Sept 30 2009	Nine Months Ended Sept 30 2009	
<b>Note</b>	----- (Rupees in '000') -----				
	------(Restated)-----				
Mark-up / return / interest earned	22,108,324	65,579,026	18,663,111	55,931,541	
Mark-up / return / interest expensed	11,184,484	33,917,144	9,958,684	28,247,726	
Net mark-up / interest income	10,923,840	31,661,882	8,704,427	27,683,815	
Provision against non-performing advances - net	1,710,513	4,588,942	3,567,291	8,631,720	
Provision for diminution in value of investments - net	540,856	2,117,300	(369,631)	121,480	
Provision against off-balance sheet obligations	-	3,965	-	20,237	
Bad debts written off directly	419	419	(69)	56	
	2,251,788	6,710,626	3,197,591	8,773,493	
Net mark-up / interest income after provisions	8,672,052	24,951,256	5,506,836	18,910,322	
<b>NON MARK-UP/ INTEREST INCOME</b>					
Fee, commission and brokerage income	2,261,605	7,006,003	2,029,414	6,354,927	
Dividend income	141,768	643,690	1,399,238	1,702,366	
Income from dealing in foreign currencies	407,596	1,669,588	638,576	2,565,583	
Gain / (loss) on sale and redemption of securities - net	229,464	1,939,800	174,745	237,327	
Unrealized gain / (loss) on revaluation of investments classified as Held-for-trading	(716)	(6,574)	(5,650)	54,421	
Other income	47,837	135,393	36,883	325,486	
Total non-mark-up / interest income	3,087,554	11,387,900	4,273,206	11,240,110	
	11,759,606	36,339,156	9,780,042	30,150,432	
<b>NON MARK-UP/ INTEREST EXPENSES</b>					
Administrative expenses	6,694,631	19,518,947	5,443,123	15,425,744	
Other provisions / write offs	61,887	144,659	11,732	475,546	
Other charges	23,002	45,408	14,959	249,068	
Total non-mark-up / interest expenses	6,779,520	19,709,014	5,469,814	16,150,358	
	4,980,086	16,630,142	4,310,228	14,000,074	
Extra ordinary / unusual items	-	-	-	-	
<b>PROFIT BEFORE TAXATION</b>	4,980,086	16,630,142	4,310,228	14,000,074	
Taxation - Current	1,969,047	6,699,869	1,823,703	6,340,587	
- Prior year(s)	-	-	-	-	
- Deferred	(531,675)	(1,433,157)	(633,159)	(1,741,479)	
	1,437,372	5,266,712	1,190,544	4,599,108	
<b>PROFIT AFTER TAXATION</b>	3,542,714	11,363,430	3,119,684	9,400,966	
<b>Basic and diluted earnings per share (Rupees)</b>	12	2.63	8.45	2.32	6.99

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these unconsolidated condensed interim financial statements.

Chairman & President

Director

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Director

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Statement of Changes in Equity (Un-Audited)**  
**For the Nine Months Ended Sept 30, 2010**

Share Capital	Reserves			Revenue General	Unappropriated Profit	Total
	Capital		Statutory			
	Exchange Translation					
(Rupees in '000)						
Balance as at January 1, 2009	8,969,751	5,987,376	13,432,333	521,338	52,456,204	81,367,002
<b>Comprehensive income</b>						
Profit after taxation for the nine months ended Sept 30, 2009	-	-	-	-	10,050,966	10,050,966
Other comprehensive income - net of tax	-	727,413	-	-	-	727,413
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of deferred tax	-	727,413	-	-	10,050,966	10,778,379
Transfer to statutory reserve	-	-	1,005,097	-	(1,005,097)	-
<b>Transactions with owners</b>						
Transfer to reserve for issue of bonus shares	-	-	-	-	-	-
Issue of bonus shares (20%)	1,793,951	-	-	-	(1,793,951)	-
Cash dividend (Rs. 6.5 per share)	-	-	-	-	(5,830,338)	(5,830,338)
<b>Balance as at Sept 30, 2009 (as previously reported)</b>	<b>10,763,702</b>	<b>6,714,789</b>	<b>14,437,430</b>	<b>521,338</b>	<b>53,970,734</b>	<b>86,407,993</b>
Restatement due to effect of an error	-	-	-	-	(650,000)	(650,000)
<b>Balance as at Sept 30, 2009 — (Restated)</b>	<b>10,763,702</b>	<b>6,714,789</b>	<b>14,437,430</b>	<b>521,338</b>	<b>53,320,734</b>	<b>85,757,993</b>
Balance as at Oct 1, 2009 — (Restated)	10,763,702	6,714,789	14,437,430	521,338	53,320,734	85,757,993
<b>Comprehensive income</b>						
Profit after taxation for the three months ended December 31, 2009	-	-	-	-	8,160,880	8,160,880
Other comprehensive income - net of tax	-	192,062	-	-	-	192,062
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of deferred tax	-	192,062	-	-	8,160,880	8,352,942
Transfer to statutory reserve	-	-	816,088	-	(816,088)	-
<b>Balance as at December 31, 2009 — (Restated)</b>	<b>10,763,702</b>	<b>6,906,851</b>	<b>15,253,518</b>	<b>521,338</b>	<b>60,696,510</b>	<b>94,141,919</b>
Balance as at January 1, 2010 — (Restated)	10,763,702	6,906,851	15,253,518	521,338	60,696,510	94,141,919
<b>Comprehensive income</b>						
Profit after taxation for the nine months ended Sept 30, 2010	-	-	-	-	11,363,430	11,363,430
Other comprehensive income - net of tax	-	177,030	-	-	-	177,030
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of deferred tax	-	177,030	-	-	11,363,430	11,540,460
Transfer to statutory reserve	-	-	1,136,343	-	(1,136,343)	-
<b>Transactions with owners</b>						
Transfer to reserve for issue of bonus shares	-	-	-	-	-	-
Issue of bonus shares (25%)	2,690,926	-	-	-	(2,690,926)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	(8,072,777)	(8,072,777)
<b>Balance as at Sept 30, 2010</b>	<b>13,454,628</b>	<b>7,083,881</b>	<b>16,389,861</b>	<b>521,338</b>	<b>60,248,197</b>	<b>97,697,905</b>

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these unconsolidated condensed interim financial statements.

Chairman & President

Director

Director

Director

# National Bank of Pakistan

## Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the Nine Months Ended Sept 30, 2010

	<b>Quarter Ended Sept 30 2010</b>	<b>Nine Months Ended Sept 30 2010</b>	Quarter Ended Sept 30 2009	Nine Months Ended Sept 30 2009
	----- (Rupees in '000') -----			
	----- (Restated) -----			
Profit after taxation	3,542,714	11,363,430	3,119,684	9,400,966

### Other comprehensive (loss) / income:

Exchange adjustments on translation of net assets of foreign branches	386,649	177,030	409,467	727,413
Income tax relating to component of other comprehensive (loss) / income	-	-	-	-
Other comprehensive (loss) / income - net of tax	386,649	177,030	409,467	727,413
<b>Total comprehensive income</b>	<b>3,929,363</b>	<b>11,540,460</b>	<b>3,529,151</b>	<b>10,128,379</b>

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these unconsolidated condensed interim financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**  
**Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)**  
**For the Nine Months Ended Sept 30, 2010**

**Nine Months**                      **Nine Months**  
**Ended**                                      **Ended**  
**Sep 30, 2010**                      **Sep 30, 2009**  
**----- (Rupees in '000') -----**  
(Restated)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	16,630,142	14,000,074
Less: Dividend income	643,690	1,702,366
	15,986,452	12,297,708

**Adjustments**

Depreciation	678,484	546,998
Provision against non-performing advances - net	4,588,942	8,631,720
Provision for diminution in value of investments - net	2,117,300	121,480
Provision against off-balance sheet obligations	3,965	20,237
Bad debts written off directly	419	56
Other provisions / write offs	144,659	475,546
Gain on sale of fixed assets	(20,679)	(2,768)
Financial charges on leased assets	7,766	7,906
	7,520,856	9,801,175
	23,507,308	22,098,883

**(Increase) / decrease in operating assets**

Lendings to financial institutions - net	(13,153,712)	12,029,390
Held-for-trading securities	(6,709,310)	(3,535,017)
Advances - net	22,657,095	(31,149,751)
Other assets (excluding advance taxation)	(2,043,409)	(12,838,074)
	750,664	(35,493,452)

**Increase / (decrease) in operating liabilities**

Bills payable	(3,417,384)	(2,821,593)
Borrowings	(25,702,930)	10,026,391
Deposits and other accounts	16,630,714	29,579,004
Other liabilities (excluding current taxation)	(3,714,105)	(1,725,848)
	(16,203,705)	35,057,954

Income tax paid	(6,173,248)	(6,343,282)
Financial charges paid	(7,766)	(7,906)
	(6,181,014)	(6,351,188)

**Net cash from operating activities**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net investments in Available-for-sale securities	(47,873,520)	(67,538,772)
Net proceeds from Held-to-maturity securities	7,833,544	11,501,483
Investments in associates and joint venture	(328,853)	-
Dividend income received	643,690	1,702,366
Investments in operating fixed assets	(1,590,811)	(1,310,552)
Sale proceeds of operating fixed assets disposed off	20,679	2,768
<b>Net cash used in investing activities</b>	<b>(41,295,271)</b>	<b>(55,642,707)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments of lease obligations	(26,822)	(13,308)
Dividend paid	(8,057,304)	(5,830,338)
<b>Net cash used in financing activities</b>	<b>(8,084,126)</b>	<b>(5,843,646)</b>

Effects of exchange rate changes on cash and cash equivalents

	177,030	727,413
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**Net increase in cash and cash equivalents**

	(47,329,113)	(45,446,743)
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Cash and cash equivalents at beginning of the period

	144,169,195	144,676,388
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**Cash and cash equivalents at the end of the period**

	96,840,082	99,229,645
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The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these unconsolidated condensed interim financial statements.

Chairman & President

Director

Director

Director

# National Bank of Pakistan

## Notes To The Unconsolidated Condensed Interim Financial Statements (Un-Audited)

For the Nine Months Ended September 30, 2010

### 1. STATUS AND NATURE OF BUSINESS

1.1 National Bank of Pakistan (the bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,265 (2009: 1,265) branches in Pakistan and 23 (2009: 22) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

### 2. STATEMENT OF COMPLIANCE

2.1 These unconsolidated condensed interim financial statements of the bank for the nine months period ended September 30, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

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

2.3 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter 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 unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2009.

2.4 During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

- IAS 27 - Consolidated and Separate Financial Statements (Amendments).
- IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based Payment Transaction.
- IFRS 3 - Business Combinations (Revised).
- IFRIC 17 - Distributions of Non-cash Assets to owners

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statements for the year ended December 31, 2009.

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

### 3. ACCOUNTING POLICIES

The accounting policies adopted in preparation of these unconsolidated condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the bank for the year ended December 31, 2009.

### 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2009.

### 5. 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, 2009.

## 6. INVESTMENTS - net

Note	(Un-Audited) Sept 30, 2010			(Audited) Dec 31, 2009		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	----- (Rupees in '000') -----			----- (Rupees in '000') -----		
<b>6.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
	8,970,362	-	8,970,362	1,987,272	-	1,987,272
	94,173	-	94,173	221,275	-	221,275
	23,705	-	23,705	170,383	-	170,383
<b>Total Held-for-trading securities</b>	<b>9,088,240</b>	<b>-</b>	<b>9,088,240</b>	<b>2,378,930</b>	<b>-</b>	<b>2,378,930</b>
<b>Available- for-sale securities</b>						
Ordinary shares of listed companies	19,711,248	-	19,711,248	15,499,059	-	15,499,059
Ordinary shares of un-listed companies	777,247	-	777,247	753,114	-	753,114
	20,488,495	-	20,488,495	16,252,173	-	16,252,173
Market Treasury Bills	124,545,339	1,385,624	125,930,963	91,064,768	23,504,630	114,569,398
Preference shares	256,081	-	256,081	271,533	-	271,533
Pakistan Investment Bonds	13,394,476	285,005	13,679,481	10,907,159	1,213,247	12,120,406
GoP Foreign Currency Bonds	3,093,816	-	3,093,816	3,021,990	-	3,021,990
Foreign Government Securities	215,424	-	215,424	210,003	-	210,003
Term Finance Certificates, Foreign Currency Debt Securities and Sukuk Bonds	61,057,162	-	61,057,162	30,914,446	-	30,914,446
Investments in mutual funds	1,016,702	-	1,016,702	977,335	-	977,335
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) LoC Units	1,397,619	-	1,397,619	1,042,439	-	1,042,439
National Investment Trust (NIT) Non-LoC Units	500,000	-	500,000	-	-	-
NIT Market Opportunity Fund	1,147,500	-	1,147,500	1,530,000	-	1,530,000
<b>Total Available- for- sale securities</b>	<b>227,575,909</b>	<b>1,670,629</b>	<b>229,246,538</b>	<b>156,655,141</b>	<b>24,717,877</b>	<b>181,373,018</b>
<b>Held-to-maturity securities</b>						
Government Compensation Bonds	-	-	-	1,132,963	-	1,132,963
Pakistan Investment Bonds	8,775,751	-	8,775,751	8,616,000	263,661	8,879,661
GoP Foreign Currency Bonds	-	-	-	371,910	-	371,910
Foreign Government Securities	1,330,606	-	1,330,606	1,392,168	-	1,392,168
Debentures, Bonds, Participation Term Certificates, Foreign Currency Debt Securities and Term Finance Certificates	4,345,278	-	4,345,278	10,508,477	-	10,508,477
<b>Total Held-to-Maturity Securities</b>	<b>14,451,635</b>	<b>-</b>	<b>14,451,635</b>	<b>22,021,518</b>	<b>263,661</b>	<b>22,285,179</b>
<b>Investments in associates</b>	<b>1,049,669</b>	<b>-</b>	<b>1,049,669</b>	<b>989,669</b>	<b>-</b>	<b>989,669</b>
<b>Investments in joint ventures</b>	<b>1,581,188</b>	<b>-</b>	<b>1,581,188</b>	<b>1,312,335</b>	<b>-</b>	<b>1,312,335</b>
<b>Investments in subsidiaries</b>	<b>1,939,953</b>	<b>-</b>	<b>1,939,953</b>	<b>1,939,953</b>	<b>-</b>	<b>1,939,953</b>
<b>Investment at cost</b>	<b>255,686,594</b>	<b>1,670,629</b>	<b>257,357,223</b>	<b>185,297,546</b>	<b>24,981,538</b>	<b>210,279,084</b>
<b>Less: Provision for diminution in value of Investments - net</b>	<b>(4,252,712)</b>	<b>-</b>	<b>(4,252,712)</b>	<b>(2,141,534)</b>	<b>-</b>	<b>(2,141,534)</b>
<b>Investments (net of provisions)</b>	<b>251,433,882</b>	<b>1,670,629</b>	<b>253,104,511</b>	<b>183,156,012</b>	<b>24,981,538</b>	<b>208,137,550</b>
Unrealized (loss) / gain on revaluation of investments classified as Held-for-trading	(6,574)	-	(6,574)	2,355	-	2,355
Surplus on revaluation of Available-for-sale securities	5,185,609	(14,032)	5,171,577	9,502,001	916	9,502,917
<b>Total Investments at carrying value</b>	<b>256,612,917</b>	<b>1,656,597</b>	<b>258,269,514</b>	<b>192,660,368</b>	<b>24,982,454</b>	<b>217,642,822</b>

## 6.2 Investment outside Pakistan - Bank Al-Jazira

The Bank holds 17,500,000 (2009: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2009: 5.83%) holding in total share capital of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006.

## 6.3 National Investment (Unit) Trust - [NI(U)T]

In the previous year, the Government of Pakistan (GoP) had communicated a methodology to settle the long outstanding issue of the Letter of Comfort (LOC) Holders and National Investment Trust Limited (NITL) which had been discussed between the LOC Holders and NITL. The LOC Holders, as a result of the discussion, had executed agreements with NITL. In case of the bank, the effective date of the agreement had been December 31, 2009. Later, all underlying assets of NI(U)T-LOC Holders' Fund (the Fund) were distributed to the LOC Holders according to their respective holdings in the Fund except for the Strategic Assets and 5% Balance Assets. The Strategic Asset comprised of frozen shares of Pakistan State Oil ("PSO") and Sui Northern Gas Pipeline Limited ("SNGPL"), cash and, other receivables held in the portfolio of the Fund.

It was agreed that the Strategic Assets would be transferred to the bank and the cash received from such transfer would be paid to other LOC Holders except 5% of cash which would be paid to NITL. It was also decided that the 5% Balance Assets would be transferred to NITL. The bank requested GoP to revise the decision to the extent of 5% Balance Assets to be transferred to NITL and give 10% discount to the bank on values of PSO and SNGPL shares.

The GoP considered the viewpoint of the bank over the matter of 5% and reduced the same to 2.5% for the benefits of all LOC Holders. Accordingly, the bank has recorded its share of Balance Assets and a capital gain of Rs. 294 million in the current period. The GOP didn't accede to the request relating to 10% discount. Various discussion in this regard have since been made and any settlement of the Strategic Assets will be made on the basis of further decision from the GOP.

Further, in the month of April 2010, an extra ordinary general meeting of LOC Holders has held to discuss the settlement of liabilities of the Fund. After discussion all LOC Holders agreed to purchase further units of the Fund to retire the outstanding short term financing, accordingly the bank purchased further 11,204,720 units of the Fund for the said purpose. However, the matter entailing the rate at which the Strategic Assets are to be transferred to NBP is still under deliberations

## 6.4 Acquisition of Major Share Holding in National Asset Fullerton Management Limited (NAFA)

On March 31, 2010, the bank acquired entire holding (27%) consisting of 6.75 million shares of NIB Bank Limited in NAFA at Rs. 39.83 per share which has resulted in increase in the bank's post-acquisition holding from pre-acquisition holding of 27% to 54%. The bank has classified its 54% holding as "Investments in Joint Ventures" (Jointly Controlled Entity) because as per the joint venture agreement the bank does not have control to govern some of the financial and operating policies of the jointly controlled entity.

## 7. ADVANCES - net

Loans, cash credits, running finances, etc.

In Pakistan

Outside Pakistan

Bills discounted and purchased (excluding Government treasury bills)

Payable in Pakistan

Payable outside Pakistan

Margin Financing / Continuous Funding System Financing

Advances - gross

Less: Provision against non-performing advances

Specific

General

Advances - net of provision

(Un-audited) Sept 30 2010	(Audited) Dec 31 2009
---------------------------------	-----------------------------

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

434,880,320	469,366,422
50,562,429	38,669,185
<b>485,442,749</b>	508,035,607
2,665,050	2,854,682
19,957,344	19,911,141
<b>22,622,394</b>	22,765,823
<b>60,963</b>	60,963
<b>508,126,106</b>	530,862,393
58,025,762	53,604,048
2,102,950	2,014,914
<b>60,128,712</b>	55,618,962
<b>447,997,394</b>	475,243,431

- 7.1 Advances include Rs. 75,475 million (2009: Rs.70,923 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Sept 30, 2010 (Un-Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	1,304,776	-	1,304,776	-	-
Substandard	8,710,110	2,639	8,712,749	1,110,683	1,110,683
Doubtful	4,552,812	214,233	4,767,045	2,354,402	2,354,402
Loss	58,682,738	2,008,070	60,690,808	54,560,677	54,560,677
	<b>73,250,436</b>	<b>2,224,942</b>	<b>75,475,378</b>	<b>58,025,762</b>	<b>58,025,762</b>

  

Category of Classification	Dec 31, 2009 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	748,091	-	748,091	-	-
Substandard	6,868,363	2,639	6,871,002	1,498,492	1,498,492
Doubtful	6,595,335	648,234	7,243,569	3,194,416	3,194,416
Loss	54,762,617	1,297,794	56,060,411	48,911,140	48,911,140
	<b>68,974,406</b>	<b>1,948,667</b>	<b>70,923,073</b>	<b>53,604,048</b>	<b>53,604,048</b>

- 7.2 During the period, the SBP vide its BSD Circular No. 2 dated June 03, 2010 has amended the Prudential Regulations in respect of provisioning against non-performing advances, the impact of which is immaterial in the current period. To date the bank has taken total FSV benefit of Rs. 2,825 million net of tax of which Rs. 2,417 million would not be available for the distribution of cash and stock dividend to shareholders as required by SBP Regulations.

(Un-Audited)                      (Audited)  
**Sept 30**                              Dec 31  
**2010**                                  2009  
----- (Rupees in '000) -----

## 8. DEFERRED TAX ASSETS - net

### Deductible temporary differences on:

Provision for diminution in the value of investments	1,293,589	552,534
Provision against advances	4,994,526	4,720,840
Provision against off-balance sheet obligation	116,622	116,622
Other provisions	330,631	280,000
Charge against defined benefits plans	1,307,326	927,443
	<b>8,042,694</b>	6,597,439

### Taxable temporary differences on:

Excess of accounting book value of leased assets over lease liabilities	(169)	(7,065)
Difference between accounting book value of fixed assets and tax base	(288,834)	(222,293)
Revaluation of securities	(1,398,239)	(2,028,859)
Revaluation of fixed assets	(1,229,404)	(1,276,951)
	<b>(2,916,646)</b>	(3,535,168)
Net deferred tax assets	<b>5,126,048</b>	3,062,271

(Un-Audited)                      (Audited)  
**Sept 30**                              Dec 31  
**2010**                                      2009  
----- (Rupees in '000) -----

**9. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	196,032,389	194,731,591
Savings deposits	242,427,195	196,373,780
Current accounts - remunerative	76,941,796	75,133,946
Current accounts - non-remunerative	169,332,421	169,043,847
	<b>684,733,801</b>	635,283,164

**Financial Institutions**

Remunerative deposits	33,421,087	48,428,983
Non-remunerative deposits	25,940,651	43,752,678
	<b>59,361,738</b>	92,181,661
	<b>744,095,539</b>	727,464,825

**10. SURPLUS ON REVALUATION OF ASSETS - net**

<b>Surplus on revaluation of fixed assets - net of tax</b>	<b>17,189,007</b>	17,290,401
--	-------------------	------------

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

Federal Government securities	(983,177)	(70,166)
Term Finance Certificates and Sukuks	(645,641)	(763,683)
Quoted shares and mutual funds	(1,280,754)	1,739,784
GoP Foreign Currency Bonds	928,786	556,772
NIT Units	406,006	616,024
NIT Market Opportunity Fund	247,341	360,573
Investment outside Pakistan - Bank Al-Jazira	6,499,016	7,063,613
	<b>5,171,577</b>	9,502,917
Deferred tax liability	(1,398,239)	(2,028,859)
	<b>20,962,345</b>	24,764,459

**11. CONTINGENCIES AND COMMITMENTS**

**11.1 Direct credit substitutes**

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

- Government	16,864,047	17,443,452
- Financial institutions	4,320,921	4,469,377
- Others	10,841,884	11,214,383
	<b>32,026,852</b>	33,127,212

**11.2 Transaction-related contingent liabilities**

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

- Government	19,508,321	18,524,777
- Financial institutions	4,457,516	4,232,783
- Others	9,727,806	9,237,363
	<b>33,693,643</b>	31,994,923

**11.3 Trade-related contingent liabilities**

Letters of credit issued in favour of:

- Government	130,877,865	126,151,618
- Financial institutions	167,248	161,208
- Others	40,187,482	38,736,236
	<b>171,232,594</b>	165,049,062

#### 11.4 Other contingencies

11.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 175 million (2009: Rs. 175 million) and claims relating to former Mehran Bank Limited amounting to Rs. 965 million (2009: Rs. 965 million)].

6,906,507

6,561,411

#### 11.4.2 Taxation

The income tax returns of the bank for global operations and for Azad Jammu Kashmir is due to be filed the tax year 2010 (accounting year ended December 31, 2009) on or before October 30, 2010. Whereas the income tax returns of the bank for global operations and for Azad Jammu Kashmir, upto the tax year 2009 (accounting year ended December 31, 2008), have been filed under section 120 and amended by the Taxation Officer under section 122(5A) of the Income Tax Ordinance, 2001

During the period the bank received various appellate decisions from the Appellate Tribunal Inland Revenue (ATIR) from tax year 2003 through tax year 2007 in which substantial reliefs were allowed for matters including disallowance for bad debts on the basis of SBP's certificates, staff welfare fund, allocation of financial expenditure between taxable and exempt / low tax rate income and revaluation loss on barter trade agreements. Also appeal effects of such decisions have been obtained from the tax department giving rise to aggregate tax refund of Rs. 6,221 million. For the purpose of contingencies, there are only three matters under appeal where management is confident that the appellate decisions will provide necessary relief to the bank. These matters are interest credited to suspense account, allocation of administrative expenditure between taxable and exempt / low tax rate income and disallowance for bad debts on the basis of SBP's certificates. The aggregate effect of aforementioned contingencies work out at Rs. 5,065 million (December 31, 2009: Rs. 7,368 million).

#### 11.4.3 Provident Fund

As fully explained in note 21.4.3 to the unconsolidated financial statements of the Bank for the year ended December 31, 2009, management in the last year based on the legal advice, calculated interest on the outstanding Provident Fund balance at the five years fixed deposit rate for settlement of the PF balance interpreting the rate as the highest rate as per its understanding of the Supreme Court's decision dated May 04, 2009. Consequently, the difference was adjusted in Bank's Books of Accounts. Some petitioners filed the review petition against the Bank in the Court, asserting that the Bank's interpretation of the highest interest rate was not correct. The legal advisor of the Bank informed management that such petition had not been admitted in the Court.

However, in the current period, it came to management's knowledge that the review petition had actually been admitted in the last year, which the Court heard and decided on September 20, 2010. As per the said Court order:

- The employee on his retirement or leaving the job or the heirs of the person who had passed away, are entitled for the best rate of interest as per scheme instead of prescribed rate on the fixed deposit till the time he was the employee of the Bank ; and
- If the payment has not been made for any reason i.e, litigation, etc., he would be entitled for the best rate of interest admissible to any other ordinary customer till the date of payment.

Therefore, management has treated omission of the fact as prior period error as per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The impact is as follows:

	<b>(Un-audited)</b> <b>Sep 30,</b> <b>2009</b> <b>Rs ' 000</b>
Increase in 'Mark-up / Return / Interest expensed' in Profit and Loss Account	1,000,000
Increase in Deposits "Current Account - Remunerative"	1,000,000
Decrease in tax charge for the nine months	350,000
Increase in Advance Tax	350,000
Decrease in profit for the nine months - after tax	650,000
Decrease in unappropriated profit	650,000
Decrease in earnings per share - after tax (basic and diluted)	Re 0.48

#### 11.4.4 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2009.

#### 11.4.5 Benazir Employees' Stock Option Scheme

The Federal Cabinet approved "Benazir Employees Stock Option Scheme (BESOS)" on August 5, 2009 for empowerment of employees of State Owned Entities through transfer of 12% shares owned by GoP to an employees' trust to be registered. As the Federal Government and the SBP held about 75.60% shares of the bank, it is unclear how transfer of such shares to the employees' trust will take place. Pending resolution of such uncertainties, the cost of such scheme has not been accounted for in these financial statements.

	Sept 30 2010 (Un-Audited) ----- (Rupees in '000) -----	Dec 31 2009 (Audited)
<b>11.5 Commitments in respect of forward exchange contracts</b>		
Purchase	53,500,872	87,829,307
Sale	93,207,461	38,568,464
<b>11.6 Commitments in respect of forward trading of government securities</b>		
Purchase	4,261,000	5,000,000
<b>11.7 Commitments for the acquisition of operating fixed assets</b>	2,361,654	1,537,996
<b>11.8 Other Commitments</b>		
Cross Currency SWAP	5,746,522	6,914,649
<b>12. BASIC AND DILUTED EARNINGS PER SHARE (Un-Audited)</b>		

	Quarter Ended Sept 30 2010	Nine Months Ended Sept 30 2010	Quarter Ended Sept 30 2009 ----- (Restated) -----	Nine Months Ended Sept 30 2009
Profit after taxation (Rupees in '000)	<u>3,542,714</u>	<u>11,363,430</u>	<u>3,119,684</u>	<u>9,400,966</u>
Weighted average number of ordinary shares (in '000)	<u>1,345,463</u>	<u>1,345,463</u>	<u>1,345,463</u>	<u>1,345,463</u>
Basic and diluted earnings per share (Rupees)	<u>2.63</u>	<u>8.45</u>	<u>2.32</u>	<u>6.99</u>

### 13. Transfer and Assignment Agreement with SME Bank Limited

During the Year, the Bank and the SME Bank entered into a transaction for transfer and assignment of Rs 4.947 billion non-performing loans by the SME Bank to the Bank on deferred price basis. These non-performing loans were fully provided.

As per the pricing formula, the Bank will pay to the SME Bank fifty percent of the recoveries of these non-performing loans net of all expenses on annual basis, except for the first two years when higher of the fifty percent of net recoveries or twenty-five percent of the gross recoveries will be paid to SME Bank. The differential on account of payment on the basis of twenty-five percent of gross recoveries in the first two years, if paid, will be adjusted by the Bank against the net recoveries in the subsequent years."

### 14. 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	Total
	----- Rupees in '000 -----						
<b>Sept 30, 2010</b>							
Total income	267,214	1,340,116	13,295,203	24,035,430	994,441	3,117,378	43,049,782
Total expenses	518	33,869	10,142,394	13,217,390	885,757	2,139,711	26,419,640
Net income	<u>266,696</u>	<u>1,306,247</u>	<u>3,152,809</u>	<u>10,818,040</u>	<u>108,684</u>	<u>977,667</u>	<u>16,630,142</u>
<b>Sept 30, 2009 - Restated</b>							
Total income	295,407	1,405,837	12,342,776	20,491,099	1,442,843	2,945,963	38,923,925
Total expenses	518	18,856	9,360,069	13,157,006	737,092	1,650,309	24,923,851
Net income	<u>294,889</u>	<u>1,386,981</u>	<u>2,982,707</u>	<u>7,334,093</u>	<u>705,751</u>	<u>1,295,654</u>	<u>14,000,074</u>

## 15. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its associated undertakings, subsidiary companies, joint ventures, employee benefit plans, and its key management personnel (including their associates). Transactions between the bank and its related parties are carried out under normal commercial term except employee staff loans, return on provident fund and loan given to NBP Exchange Company Limited, that are as per the agreed term. Transactions with related parties during the period are as under:

	(Un-Audited) Sept 30, 2010				(Audited) Dec 31, 2009			
	At January 01	Given during the period	Repaid during the period	At June 30	At January 01	Given during the year	Repaid during the year	At December 31
	----- (Rupees in '000') -----							
<b>Advances</b>								
Key Management Executives	97,439	25,500	(9,890)	113,049	95,931	4,524	(3,016)	97,439
Subsidiaries	575,404	-	(145,004)	430,400	682,730	-	(107,326)	575,404
Associates	1,287,942	6,477	-	1,294,419	1,269,498	18,444	-	1,287,942
	<b>1,960,785</b>	<b>31,977</b>	<b>(154,894)</b>	<b>1,837,868</b>	<b>2,048,159</b>	<b>22,968</b>	<b>(110,342)</b>	<b>1,960,785</b>

	(Un-Audited) Sept 30, 2010				(Audited) Dec 31, 2009			
	At January 01	Received during the period	Repaid during the period	At June 30	At January 01	Received during the year	Repaid during the year	At December 31
	----- (Rupees in '000') -----							
<b>Deposits</b>								
Subsidiaries	259,618	-	(153,509)	106,109	167,224	92,394	-	259,618
Key Management Executives	8,340	51,011	(30,530)	28,821	3,869	38,859	(34,388)	8,340
Pension Fund (Current)	405,351	5,903,009	(6,303,571)	4,789	3,940,161	12,791,620	(16,326,430)	405,351
Pension Fund (Fix Deposit)	7,300,000	2,500,000	(1,500,000)	8,300,000	5,900,000	4,800,000	(3,400,000)	7,300,000
Provident Fund	8,448,101	1,111,219	(480,278)	9,079,042	8,507,300	3,548,530	(3,607,729)	8,448,101
	<b>16,421,410</b>	<b>9,565,238</b>	<b>(8,467,888)</b>	<b>17,518,760</b>	<b>18,518,554</b>	<b>21,271,403</b>	<b>(23,368,547)</b>	<b>16,421,410</b>

	(Un-Audited) Sept 30 2010	(Audited) Dec 31 2009
	----- (Rupees in '000') -----	
<b>Debts Due by company in which a director of the bank is interested as director</b>	<b>13,527,058</b>	<b>13,714,011</b>
<b>Placements with:</b>		
Pension Fund	-	2,900,000
Joint venture	146,594	495,864
Associates / Subsidiaries	25,915	25,881
<b>Deposits with:</b>		
Joint venture	8,540	-
<b>Repo borrowing from:</b>		
Subsidiary	401,760	450,000
<b>Other receivables from subsidiaries</b>	<b>44,893</b>	<b>36,764</b>
<b>Other payables from subsidiaries</b>	<b>521</b>	<b>-</b>

	(Un-Audited) Nine Months Period Ended	
	Sept 30 2010	Sept 30 2009
	----- (Rupees in '000') -----	
<b>Income for the period</b>		
On advances / placements with:		
Subsidiaries	270	4,289
Key management executives	4,343	3,935
Debts Due by company in which a director of the bank is interested as director	1,394,467	548,771
<b>Expenses for the period</b>		
Remuneration to key management executives	245,543	155,549
Charge for defined benefit plan	17,661	7,089
<b>Mark-up on Deposits of:</b>		
Subsidiaries	7,314	187
Provident fund	1,316,910	1,273,964
Pension fund	600,278	-
Key management executives	1,123	513
Commission paid to subsidiaries	4,690	563
<b>Mark-up on Repo Borrowing of:</b>		
Subsidiaries	33,054	39,399

15.1 Although the Federal Government and the SBP held about 75.60% shares of the bank (2009: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

## 16. ISLAMIC BANKING BUSINESS

The bank is operating 8 (December 31, 2009: 8) Islamic banking branches as at September 30, 2010. The statement of financial position and profit and loss account is as under:

	(Un-Audited) Sept 30 2010	(Audited) Dec 31 2009
	----- (Rupees in '000') -----	
<b>Statement of Financial Position</b>		
<b>ASSETS</b>		
Cash and balances with treasury banks	49,711	43,290
Investments	406,209	144,789
Financing and receivables	360,774	736,417
Fixed assets	107,451	104,314
Other assets	27,154	8,627
	<b>951,299</b>	<b>1,037,437</b>
<b>LIABILITIES</b>		
Bills payable	4,433	6,070
Deposits and other accounts	594,030	507,760
Due to Head Office	93,130	246,385
Other liabilities	32,491	58,870
	<b>724,084</b>	<b>819,085</b>
<b>NET ASSETS</b>	<b>227,215</b>	<b>218,352</b>
<b>REPRESENTED BY</b>		
Islamic banking fund	300,000	300,000
Un-remitted loss	(19,679)	(11,437)
	<b>280,321</b>	<b>288,563</b>
Deficit on revaluation of assets	(53,106)	(70,211)
	<b>227,215</b>	<b>218,352</b>
	Sept 30 2010 (Un-Audited)	Sept 30 2009 (Un-Audited)
	----- (Rupees in '000') -----	
<b>Profit and Loss Account</b>		
Profit / return on financing and placements earned	118,343	142,090
Profit / return on deposit and other dues expensed	33,289	62,033
Net spread earned	85,054	80,057
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	2,509	11,200
Income from dealing in foreign currencies	355	-
Other income	24	-
Total other income	2,887	11,200
<b>OTHER EXPENSES</b>		
Administrative expenses	107,620	81,207
Other charges	-	-
Total other expenses	107,620	81,207
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	<b>(19,679)</b>	<b>10,050</b>

**17. DATE OF AUTHORIZATION FOR ISSUE**

The unconsolidated condensed interim financial statements were authorized for issue on October 29, 2010 by the Board of Directors of the bank.

**18. GENERAL**

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

**Chairman & President**

**Director**

**Director**

**Director**

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# **National Bank of Pakistan**

**Consolidated Financial Statements**

**For the Quarter ended September 30, 2010**

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**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Financial Position**  
**As at Sept 30, 2010**

		(Un-Audited) Sept 30 2010	Dec 31 2009
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		72,822,832	116,668,514
Balances with other banks		25,426,280	28,786,397
Lendings to financial institutions - net		32,954,388	19,683,526
Investments - net	6	258,579,299	217,596,037
Advances - net	7	449,266,060	475,338,439
Operating fixed assets - net		26,124,620	25,200,870
Deferred tax assets	8	5,127,667	3,064,459
Other assets		61,799,546	59,915,027
		<b>932,100,692</b>	946,253,269
<b>LIABILITIES</b>			
Bills payable		7,203,785	10,621,169
Borrowings		20,222,427	44,828,138
Deposits and other accounts	9	745,289,929	727,513,013
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		102,539	42,629
Deferred Tax Liabilities		-	-
Other Liabilities		38,541,214	42,455,768
		<b>811,359,894</b>	825,460,717
<b>NET ASSETS</b>		<b>120,740,799</b>	120,792,553
<b>REPRESENTED BY</b>			
Share capital		13,454,627	10,763,702
Reserves		24,875,364	23,395,059
Unappropriated Profit		61,268,333	61,696,595
		<b>99,598,324</b>	95,855,356
Minority Interest		112,092	110,930
		<b>99,710,416</b>	95,966,286
Surplus on revaluation of assets - net	10	21,030,383	24,826,267
		<b>120,740,799</b>	120,792,553
<b>CONTINGENCIES AND COMMITMENTS</b>	11		

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these consolidated condensed interim financial statements.

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**Chairman & President**

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**Director**

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**Director**

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**Director**

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Financial Position**  
**As at Sept 30, 2010**

		(Un-Audited) Sept 30 2010	Dec 31 2009	(Audited) Dec 31 2008
	Note	(Rupees in '000')		
		(Restated)		
<b>ASSETS</b>				
Cash and balances with treasury banks		<b>72,822,832</b>	116,668,514	106,778,346
Balances with other banks		<b>25,426,280</b>	28,786,397	39,490,730
Lendings to financial institutions - net		<b>32,954,388</b>	19,683,526	17,139,081
Investments - net	6	<b>258,579,299</b>	217,596,037	171,204,889
Advances - net	7	<b>449,266,060</b>	475,338,439	413,076,389
Operating fixed assets - net		<b>26,124,620</b>	25,200,870	24,271,964
Deferred tax assets	8	<b>5,127,667</b>	3,064,459	3,203,565
Other assets		<b>61,799,546</b>	59,915,027	44,912,238
		<b>932,100,692</b>	946,253,269	820,077,202
<b>LIABILITIES</b>				
Bills payable		<b>7,203,785</b>	10,621,169	10,219,061
Borrowings		<b>20,222,427</b>	44,828,138	40,044,291
Deposits and other accounts	9	<b>745,289,929</b>	727,513,013	625,349,270
Sub-ordinated loans		-	-	-
Liabilities against assets subject to finance lease		<b>102,539</b>	42,629	25,274
Other Liabilities		<b>38,541,214</b>	42,455,768	39,988,100
		<b>811,359,894</b>	825,460,717	715,625,996
<b>NET ASSETS</b>				
		<b>120,740,799</b>	120,792,552	104,451,206
<b>REPRESENTED BY</b>				
Share capital		<b>13,454,627</b>	10,763,702	8,969,751
Reserves		<b>24,875,364</b>	23,395,059	20,476,863
Unappropriated Profit		<b>61,268,333</b>	61,696,595	53,567,326
		<b>99,598,324</b>	95,855,356	83,013,940
Minority Interest		<b>112,092</b>	110,930	112,699
		<b>99,710,416</b>	95,966,286	83,126,639
Surplus on revaluation of assets - net	10	<b>21,030,383</b>	24,826,267	21,324,568
		<b>120,740,799</b>	120,792,553	104,451,206
<b>CONTINGENCIES AND COMMITMENTS</b>				
	11			

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these consolidated condensed interim financial statements.

\_\_\_\_\_  
Chairman & President

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Director

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Director

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Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)**  
**For the Nine Months Period Ended Sept 30, 2010**

	Quarter Ended Sept 30 2010	Nine Months Ended Sept 30 2010	Quarter Ended Sept 30 2009	Nine Months Ended Sept 30 2009
Note	----- (Rupees in '000') -----			
	----- (Restated) -----			
Mark-up / return / interest earned	22,179,833	65,785,216	18,704,253	56,051,294
Mark-up / return / interest expensed	11,183,616	33,911,764	9,946,670	28,211,557
Net mark-up / interest income	10,996,216	31,873,452	8,757,583	27,839,737
Provision against non-performing loans & advances - net	1,710,513	4,588,942	3,564,761	8,631,720
Provision for diminution in the investments value - net	540,856	2,117,300	(367,266)	147,345
Provision against off-balance sheet obligations	-	3,965	-	20,237
Bad debts written off directly	56	419	-	56
	2,251,425	6,710,626	3,197,495	8,799,358
Net mark-up / interest income after provisions	8,744,791	25,162,826	5,560,088	19,040,379
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission & brokerage income	2,273,402	7,055,079	2,048,085	6,403,898
Dividend income	141,768	643,690	1,399,238	1,702,366
Income from dealing in foreign currencies	434,017	1,720,905	662,452	2,621,378
Gain / (loss) on sale of securities	229,464	1,939,800	175,125	237,707
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	(716)	(6,574)	(5,650)	54,421
Share of loss from joint ventures	(58,865)	(84,706)	(5,652)	441
Share of profit from associate	1,126	9,245	1,022	6,035
Other income	52,769	142,192	36,826	327,853
Total non mark-up / interest income	3,072,965	11,419,631	4,311,446	11,354,099
	11,817,756	36,582,457	9,871,534	30,394,478
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	6,756,162	19,711,060	5,496,471	15,578,350
Other provisions / write offs	66,190	144,436	23,357	506,874
Other charges	23,002	45,408	14,834	249,068
Total non mark-up / interest expenses	6,845,354	19,900,904	5,534,662	16,334,292
	4,972,402	16,681,553	4,336,872	14,060,186
Extra ordinary items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	4,972,402	16,681,553	4,336,872	14,060,186
Taxation - Current	1,969,781	6,702,198	1,834,537	6,354,358
- Prior year(s)	-	-	(1,316)	(1,316)
- Deferred	(531,923)	(1,433,560)	(664,771)	(1,763,375)
	1,437,858	5,268,639	1,168,450	4,589,667
<b>PROFIT AFTER TAXATION</b>	3,534,544	11,412,914	3,168,422	9,470,519
<b>Attributable to:</b>				
Shareholders of the Bank	3,536,556	11,414,076	3,147,464	9,469,143
Minority Interest	(2,012)	(1,162)	665	1,376
	3,534,544	11,412,914	3,168,422	9,470,519
	----- Rupees -----			
<b>Basic and Diluted Earnings per Share (Rupees)</b>	12	2.63	8.48	2.35
		7.04		

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these consolidated condensed interim financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
**For the Nine Months Ended Sept 30, 2010**

	Quarter Ended Sept 30 2010	Nine Months Ended Sept 30 2010	Quarter Ended Sept 30 2009	Nine Months Ended Sept 30 2009
	----- (Rupees in '000') -----			
	----- (Restated) -----			
Profit after taxation	3,534,544	11,412,914	3,168,422	9,470,519

**Other comprehensive (loss) / income:**

Exchange adjustments on translation of net assets of foreign branches	496,725	343,962	1,056,560	833,104
Income tax relating to component of other comprehensive (loss) / income	-	-	-	-
Other comprehensive (loss) / income - net of tax	496,725	343,962	1,056,560	833,104
<b>Total comprehensive income</b>	<b>4,031,270</b>	<b>11,756,877</b>	<b>4,224,982</b>	<b>10,303,622</b>

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these consolidated condensed interim financial statements.

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Chairman & President

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Director

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Director

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Director

National Bank of Pakistan  
Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)  
For the Nine Months Period Ended Sept 30, 2010

Share capital	Reserves				Sub Total	Minority Interest	Total	
	Capital			Revenue Unappropriated profit				
	Exchange Translation	Statutory	General					
(Rupees in '000)								
Balance as at January 1, 2009	8,969,751	6,432,145	13,523,380	521,338	53,567,323	83,013,937	112,699	83,126,636
Profit after Taxation for the Nine Months period ended Sept 30, 2009	-	-	-	-	10,120,519	10,120,519	1,376	10,121,895
Other Comprehensive Income - net of tax	-	833,104	-	-	-	833,104	-	833,104
	-	833,104	-	-	10,120,519	10,953,623	1,376	10,954,999
Transfer from Surplus on Revaluation of Fixed Assets	-	-	-	-	92,949	92,949	-	92,949
Transfer to Statutory Reserve	-	-	1,005,097	-	(1,005,097)	-	-	-
<b>Transactions with Owners</b>								
Transfer to reserve for issue of bonus shares								
Issue of Bonus Shares (20%)	1,793,950	-	-	-	(1,793,950)	-	-	-
Cash dividend (Rs. 6.5 per share)	-	-	-	-	(5,830,338)	(5,830,338)	-	(5,830,338)
<b>Balance as at Sept 30, 2009 (as previously reported)</b>	<b>10,763,701</b>	<b>7,265,249</b>	<b>14,528,477</b>	<b>521,338</b>	<b>55,151,406</b>	<b>88,230,171</b>	<b>114,075</b>	<b>88,344,246</b>
Restatement due to effect of an error	-	-	-	-	(650,000)	(650,000)	-	(650,000)
<b>Balance as at Sept 30, 2009 — (Reinstated)</b>	<b>10,763,701</b>	<b>7,265,249</b>	<b>14,528,477</b>	<b>521,338</b>	<b>54,501,406</b>	<b>87,580,171</b>	<b>114,075</b>	<b>87,694,246</b>
Balance as at Oct 1, 2009 — (Restated)	10,763,701	7,265,249	14,528,477	521,338	54,501,406	87,580,171	114,075	87,694,246
Profit after taxation for the three months period ended Dec 31, 2009	-	-	-	-	7,980,292	7,980,292	(3,145)	7,977,147
Other Comprehensive Income - net of tax	-	263,907	-	-	-	263,907	-	263,907
	-	263,907	-	-	7,980,292	8,244,199	(3,145)	8,241,054
Transfer from Surplus on Revaluation of Fixed Assets	-	-	-	-	30,985	30,985	-	30,985
Transfer to Statutory Reserve	-	-	816,088	-	(816,088)	-	-	-
<b>Balance as at December 31, 2009 — (Restated)</b>	<b>10,763,701</b>	<b>7,529,156</b>	<b>15,344,565</b>	<b>521,338</b>	<b>61,696,595</b>	<b>95,855,355</b>	<b>110,930</b>	<b>95,966,285</b>
Balance as at January 1, 2010 — (Restated)	10,763,701	7,529,156	15,344,565	521,338	61,696,595	95,855,355	110,930	95,966,285
Profit after Taxation for the Nine Months period ended Sept 30, 2010	-	-	-	-	11,412,914	11,412,914	1,162	11,414,076
Other Comprehensive Income - net of tax	-	343,962	-	-	-	343,962	-	343,962
	-	343,962	-	-	11,412,914	11,756,877	1,162	11,758,039
Transfer from Surplus on Revaluation of Fixed Assets	-	-	-	-	58,868	58,868	-	58,868
Transfer to Statutory Reserve	-	-	1,136,343	-	(1,136,343)	-	-	-
<b>Transactions with Owners</b>								
Transfer to reserve for issue of bonus shares								
Issue of Bonus Shares (25%)	2,690,925	-	-	-	(2,690,925)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	(8,072,776)	(8,072,776)	-	(8,072,776)
<b>Balance as at Sept 30, 2010</b>	<b>13,454,627</b>	<b>7,873,118</b>	<b>16,480,908</b>	<b>521,338</b>	<b>61,268,333</b>	<b>99,598,324</b>	<b>112,092</b>	<b>99,710,416</b>

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these consolidated condensed interim financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)**  
**For the Nine Months Period Ended Sept 30, 2010**

	Nine Months Ended Sept 30 2010	Nine Months Ended Sept 30 2009
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		(Restated)
Profit before taxation	16,681,553	14,060,186
Less: Dividend income	643,690	1,702,366
	<u>16,037,863</u>	<u>12,357,820</u>
<b>Adjustments:</b>		
Depreciation	689,127	556,450
Provision against non-performing advances - net	4,588,942	8,631,720
Provision / (reversal) for diminution in the value of investments - net	2,117,300	147,345
Provision against off balance sheet obligations	3,965	20,237
Bad Debts Written off directly	419	56
Other provisions / write offs	144,436	506,874
Gain on sale of fixed assets	(22,020)	(2,428)
Financial charges on leased assets	7,766	8,145
Share of loss / profit from joint ventures	84,706	(441)
Share of profit from associates	(9,245)	(6,035)
	<u>7,605,397</u>	<u>9,861,923</u>
	<u>23,643,259</u>	<u>22,219,743</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions - net	(13,212,362)	11,487,993
Held-for-trading securities	(7,146,508)	(3,678,222)
Advances - net	21,483,437	(31,231,950)
Other assets (excluding advance taxation - net)	(2,614,253)	(12,897,938)
	<u>(1,489,686)</u>	<u>(36,320,117)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(3,417,384)	(2,821,593)
Borrowings	(25,252,930)	10,441,026
Deposits and other accounts	17,776,916	29,352,876
Other liabilities	(3,933,992)	(1,767,373)
	<u>(14,827,390)</u>	<u>35,204,936</u>
Income tax paid	(6,173,926)	(6,346,798)
Financial charges paid	(7,766)	(8,145)
	<u>(6,181,692)</u>	<u>(6,354,943)</u>
<b>Net cash flow from operating activities</b>	<u>1,144,491</u>	<u>14,749,619</u>
(Net investments) in available-for-sale securities	(47,606,822)	(67,489,447)
Proceeds from held-to-maturity securities	7,762,322	11,519,176
Dividend income received	643,690	1,702,366
Investment in associate / joint venture	(328,853)	-
Investments in operating fixed assets	(1,612,877)	(1,344,038)
Sale proceeds of property and equipment disposed off	22,020	2,428
<b>Net cash (used) in investing activities</b>	<u>(41,120,520)</u>	<u>(55,609,515)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of lease obligations	(26,822)	(11,672)
Dividend paid	(8,057,303)	(5,830,338)
<b>Net cash used in financing activities</b>	<u>(8,084,125)</u>	<u>(5,842,010)</u>
Effects of exchange rate changes on cash and cash equivalents	207,136	1,185,094
<b>Net increase in cash and cash equivalents</b>	<u>(47,853,018)</u>	<u>(45,516,812)</u>
Cash and cash equivalents at beginning of the period	<u>145,390,674</u>	<u>146,097,099</u>
Cash and cash equivalents at the end of the period	<u>97,537,656</u>	<u>100,580,287</u>

The annexed notes 1 to 18 including restated statement of financial position for three years form an integral part of these consolidated condensed interim financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

**For the Nine Months Period Ended Sept 30, 2010**

**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
- NBP Capital Limited
- NBP Exchange Company Limited
- NBP Modaraba Management Company Limited
- Taurus Securities Limited
- National Agriculture & Storage Company Limited
- 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 1,265 (2009: 1,265) branches in Pakistan and 23 (2009: 22) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT) and Long Term Credit Fund (LTCF).

NBP Capital Limited, CJSC Subsidiary Bank of NBP in Kazakhstan, NBP Exchange Company Limited, NBP Modaraba Management Company Limited and National Agricultural & Storage Company Limited are wholly owned subsidiaries of the holding company while the controlling interest in Taurus Securities Limited is 58.32%, and Cast-N-Link Products Limited is 76.51%.

1.2 Basis of Consolidation

- The interim condensed consolidated financial statements include the interim condensed financial statements of the holding company and its subsidiary companies - "the Group".
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the interim condensed consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- National Agriculture & Storage Company Limited and Cast-N-Link Product Limited have not been Consolidated, as SECP has allowed exemption under sub-section (8), of section 237, of the Companies Ordinance, 1984 vide letter no. EMD/233/627/2002-1720 dated July 7, 2010 till December 31, 2010

## 2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements of the bank for the nine months period ended September 30, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3 The disclosures made in these condensed consolidated interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the annual consolidated financial statements of the Bank for the year ended December 31, 2009.
- 2.4 During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

- IAS 27 - Consolidated and Separate Financial Statements (Amendments).
- IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based Payment Transaction.
- IFRS 3 - Business Combinations (Revised).
- IFRIC 17 - Distributions of Non-cash Assets to owners

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statements for the year ended December 31, 2009.

## 3. ACCOUNTING POLICIES

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the holding company for the year ended December 31, 2009.

## 4. ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates/judgments and associated assumptions used in the preparation of these interim condensed financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the bank for the year ended December 31, 2009.

## 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the bank for the year ended December 31, 2009.

## 6. INVESTMENTS

Note	September 30, 2010 (Un-audited)			December 31, 2009 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
<b>6.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Ordinary shares of listed companies	23,705	-	23,705	170,383	-	170,383
Market Treasury Bills	9,407,560	-	9,407,560	1,987,272	-	1,987,272
Pakistan Investment Bonds	94,173	-	94,173	221,275	-	221,275
<b>Total Held-for-Trading Securities</b>	<b>9,525,438</b>	<b>-</b>	<b>9,525,438</b>	<b>2,378,930</b>	<b>-</b>	<b>2,378,930</b>
<b>Available- for- sale securities</b>						
Ordinary shares of listed companies	19,714,600	-	19,714,600	15,507,402	-	15,507,402
Ordinary shares of unlisted companies	777,247	-	777,247	753,114	-	753,114
	20,491,847	-	20,491,847	16,260,516	-	16,260,516
Market Treasury Bills	124,545,339	1,385,624	125,930,963	91,064,768	23,504,630	114,569,398
Preference shares	278,581	-	278,581	294,033	-	294,033
Pakistan Investment Bonds	13,602,476	285,005	13,887,481	11,117,142	1,213,247	12,330,389
Federal Investment Bonds	-	-	-	-	-	-
GoP Foreign Currency Bonds	3,093,816	-	3,093,816	3,021,990	-	3,021,990
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	61,118,885	-	61,118,885	30,985,145	-	30,985,145
Mutual funds	1,043,830	-	1,043,830	1,041,137	-	1,041,137
Foreign Government Securities	215,424	-	215,424	424,078	-	424,078
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
NIT Market Opportunity Fund	1,147,500	-	1,147,500	1,530,000	-	1,530,000
National Investment Trust (NIT) LoC Units	1,397,619	-	1,397,619	1,042,439	-	1,042,439
National Investment Trust (NIT) Non-LoC Units	500,000	-	500,000	-	-	-
<b>Total Available- for- sale securities</b>	<b>227,898,613</b>	<b>1,670,629</b>	<b>229,569,242</b>	<b>157,244,543</b>	<b>24,717,877</b>	<b>181,962,420</b>
<b>Held-to-maturity securities</b>						
Government Compensation Bonds	-	-	-	1,132,963	-	1,132,963
Pakistan Investment Bonds	8,858,377	-	8,858,377	8,702,404	263,661	8,966,065
Federal Investment Bonds	-	-	-	-	-	-
Market Treasury Bills	-	-	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	371,910	-	371,910
Foreign Government Securities	1,330,606	-	1,330,606	1,392,168	-	1,392,168
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	4,420,278	-	4,420,278	10,508,477	-	10,508,477
Certificates of Investment	-	-	-	-	-	-
<b>Total Held-to-maturity securities</b>	<b>14,609,261</b>	<b>-</b>	<b>14,609,261</b>	<b>22,107,922</b>	<b>263,661</b>	<b>22,371,583</b>
<b>Investments in associates</b>	<b>1,255,928</b>	<b>-</b>	<b>1,255,928</b>	<b>1,185,085</b>	<b>-</b>	<b>1,185,085</b>
<b>Investments in joint ventures</b>	<b>2,733,234</b>	<b>-</b>	<b>2,733,234</b>	<b>2,412,261</b>	<b>-</b>	<b>2,412,261</b>
<b>Investments in subsidiaries</b>	<b>3,245</b>	<b>-</b>	<b>3,245</b>	<b>3,245</b>	<b>-</b>	<b>3,245</b>
<b>Investment at cost</b>	<b>256,025,719</b>	<b>1,670,629</b>	<b>257,696,348</b>	<b>185,331,986</b>	<b>24,981,538</b>	<b>210,313,524</b>
<b>Less: Provision for diminution in value of Investments</b>	<b>(4,252,712)</b>	<b>-</b>	<b>(4,252,712)</b>	<b>(2,187,187)</b>	<b>-</b>	<b>(2,187,187)</b>
<b>Investments (net of provisions)</b>	<b>251,773,007</b>	<b>1,670,629</b>	<b>253,443,636</b>	<b>183,144,799</b>	<b>24,981,538</b>	<b>208,126,337</b>
Deficit on revaluation of Held-for-trading securities	(6,574)	-	(6,574)	2,355	-	2,355
Surplus on revaluation of Available-for-sale securities	5,156,269	(14,032)	5,142,237	9,466,428	915	9,467,343
<b>Total investments at market value</b>	<b>256,922,702</b>	<b>1,656,597</b>	<b>258,579,299</b>	<b>192,613,582</b>	<b>24,982,453</b>	<b>217,596,035</b>

## 6.2 Investment outside Pakistan - Bank Al-Jazira

The Bank holds 17,500,000 (2009: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2009: 5.83%) holding in total share capital of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006.

## 6.3 National Investment (Unit) Trust - [NI(U)T]

In the previous year, the Government of Pakistan (GoP) had communicated a methodology to settle the long outstanding issue of the Letter of Comfort (LOC) Holders and National Investment Trust Limited (NITL) which had been discussed between the LOC Holders and NITL. The LOC Holders, as a result of the discussion, had executed agreements with NITL. In case of the bank, the effective date of the agreement had been December 31, 2009. Later, all underlying assets of NI(U)T-LOC Holders' Fund (the Fund) were distributed to the LOC Holders according to their respective holdings in the Fund except for the Strategic Assets and 5% Balance Assets. The Strategic Asset comprised of frozen shares of Pakistan State Oil ("PSO") and Sui Northern Gas Pipeline Limited ("SNGPL"), cash and, other receivables held in the portfolio of the Fund.

It was agreed that the Strategic Assets would be transferred to the bank and the cash received from such transfer would be paid to other LOC Holders except 5% of cash which would be paid to NITL. It was also decided that the 5% Balance Assets would be transferred to NITL. The bank requested GoP to revise the decision to the extent of 5% Balance Assets to be transferred to NITL and give 10% discount to the bank on values of PSO and SNGPL shares.

The GoP considered the viewpoint of the bank over the matter of 5% and reduced the same to 2.5% for the benefits of all LOC Holders. Accordingly, the bank has recorded its share of Balance Assets and a capital gain of Rs. 294 million in the current period. The GOP didn't accede to the request relating to 10% discount. Various discussions have since been made in this regard and any settlement of the Strategic Assets will be made on the basis of further decision from the GOP.

Further, in the month of April 2010, a extra ordinary general meeting of LOC Holders has held to discuss the settlement of liabilities of the Fund. After discussion all LOC Holders agreed to purchase further units of the Fund to retire the outstanding short term financing, accordingly the bank purchased further 11,204,720 units of the Fund for the said purpose. However, the matter entailing the rate at which the Strategic Assets are to be transferred to NBP is still under deliberations.

## 6.4 Acquisition of Major Share Holding in NAFA

On March 31, 2010, the bank acquired entire holding (27%) consisting of 6.75 million shares of NIB Bank Limited in NAFA at Rs. 39.83 per share which has resulted in increase in the bank's post-acquisition holding from pre- acquisition holding of 27% to 54%. The bank has classified its 54% holding as "Investments in Joint Ventures" (Jointly Controlled Entity) because as per the joint venture agreement the bank does not have significant control to govern some of the financial and operating policies of the jointly controlled entity.

### 6.4.1 The share of assets, liabilities, of the jointly controlled entity at June 30, 2010:

	Sept 30 2010 (Un-audited) ----- (Rupees in '000') -----	Dec 31 2009 (Audited)
Current assets	126,769	76,296
Non - current assets	<u>92,132</u>	<u>51,913</u>
	<b>218,901</b>	128,209
Current liabilities	-52,216	-24,355
Non - current liabilities	<u>-15,895</u>	<u>-8,843</u>
	<b>150,791</b>	95,012
Ownership interest	54%	27%
Cost	336,353	67,500
Share of post acquisition profit	<u>-5,186</u>	<u>27,512</u>
	<b>331,167</b>	95,012

The difference between share of net assets and cost of investment represents Goodwill.

	Note	Sept 30 2010 (Un-audited) ----- (Rupees in '000') -----	Dec 31 2009 (Audited)
<b>7. ADVANCES - net</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		434,562,724	468,860,532
Outside Pakistan		51,800,990	39,050,979
		486,363,713	507,911,511
Net investment in finance lease			
In Pakistan		330,481	365,210
Outside Pakistan		-	-
		330,481	365,210
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		2,682,271	2,854,682
Payable outside Pakistan		19,957,344	19,911,141
		22,639,615	22,765,823
Margin Financing		60,963	60,963
Advances - gross		509,394,772	531,103,507
Less: Provision against non-performing loans			
Specific		(58,025,762)	(53,750,154)
General		(2,102,950)	(2,014,914)
		(60,128,712)	(55,765,068)
Advances - net of provision		449,266,060	519,644,911

7.1 Advances include Rs.75,475 million (2009: Rs.71,174 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2010 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	1,304,776	-	1,304,776	-	-
Substandard	8,710,110	2,639	8,712,749	1,110,683	1,110,683
Doubtful	4,552,812	214,233	4,767,045	2,354,402	2,354,402
Loss	58,682,738	2,008,070	60,690,808	54,560,677	54,560,677
	73,250,436	2,224,942	75,475,378	58,025,762	58,025,762

  

Category of Classification	December 31, 2009 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	748,091	-	748,091	-	-
Substandard	6,868,363	2,639	6,871,002	1,498,492	1,498,492
Doubtful	6,595,335	648,234	7,243,569	3,194,416	3,194,416
Loss	55,013,578	1,297,794	56,311,372	49,057,246	49,057,246
	69,225,367	1,948,667	71,174,034	53,750,154	53,750,154

7.2 During the period, the SBP vide its BSD Circular No. 2 dated June 03, 2010 has amended the Prudential Regulations in respect of provisioning against non-performing advances, the impact of which is immaterial in the current period. To date the bank has taken total FSV benefit of Rs. 2,825 million net of tax of which Rs. 2,417 million would not be available for the distribution of cash and stock dividend to shareholders as required by SBP Regulations.

	Sept 30 2010 (Un-audited)	Dec 31 2009 (Audited)
	----- (Rupees in '000) -----	
<b>8. DEFERRED TAX ASSETS - net</b>		
<b>Deferred tax assets arising in respect of</b>		
Provision for diminution in the value of investments	1,293,589	553,506
Provision against advances	4,994,526	4,720,840
Provision against off-balance sheet obligations	116,622	116,622
Other provision	332,818	281,966
Charge against defined benefits plans	1,307,326	927,443
	<u>8,044,881</u>	<u>6,600,377</u>
<b>Taxable temporary differences on:</b>		
Excess of accounting book value of leased assets over lease liabilities	(169)	(7,065)
Difference between accounting book value of fixed assets and tax base	(289,402)	(222,293)
Revaluation of securities	(1,398,239)	(2,028,859)
Revaluation of fixed assets	(1,229,404)	(1,276,951)
Others	-	(750)
	<u>(2,917,214)</u>	<u>(3,535,918)</u>
Net deferred tax assets	<u>5,127,667</u>	<u>3,064,459</u>
<b>9. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	196,129,695	194,851,862
Savings deposits	242,427,512	196,374,087
Current accounts - remunerative	78,144,672	75,321,341
Current accounts - non-remunerative	169,332,421	169,043,847
	<u>686,034,300</u>	<u>635,591,137</u>
<b>Financial Institutions</b>		
Remunerative deposits	33,314,978	48,399,678
Non-remunerative deposits	25,940,651	43,522,198
	<u>59,255,629</u>	<u>91,921,876</u>
	<u>745,289,929</u>	<u>727,513,013</u>
<b>10. SURPLUS ON REVALUATION OF ASSETS</b>		
<b>Surplus on Revaluation of Fixed Assets - net of Tax</b>	17,286,410	17,387,804
<b>Surplus / (Deficit) on Revaluation of Available-for-Sale Securities - net of Tax</b>		
Federal government securities	(1,017,591)	(106,461)
Term finance certificates	(645,410)	(763,248)
Quoted shares and mutual funds	(1,275,912)	1,740,074
Gop foreign currency bonds	928,786	556,772
NIT units	406,006	616,024
NIT market opportunity fund	247,341	360,573
Investment outside pakistan	6,499,016	7,063,613
	<u>5,142,237</u>	<u>9,467,347</u>
Deferred tax liability recognized	(1,398,239)	(2,028,859)
Share of revaluation loss on securities of associates	(25)	(25)
	<u>21,030,383</u>	<u>24,826,267</u>

Note

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**11. CONTINGENCIES AND COMMITMENTS****11.1 Direct credit substitutes**

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

	<b>Sept 30 2010 (Un-audited)</b>	<b>Dec 31 2009 (Audited)</b>
	----- (Rupees in '000) -----	
- Government	<b>16,864,047</b>	17,443,452
- Financial institutions	<b>4,320,921</b>	4,469,377
- Others	<b>10,841,884</b>	11,214,383
	<b>32,026,852</b>	33,127,212

**11.2 Transaction-related contingent liabilities**

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

- Government	<b>19,508,321</b>	18,524,777
- Financial institutions	<b>4,457,516</b>	4,232,783
- Others	<b>9,727,806</b>	9,237,363
	<b>33,693,643</b>	31,994,923

**11.3 Trade-related contingent liabilities**

Letters of credit

Issued in favour of

- Government	<b>130,877,865</b>	126,151,618
- Financial institutions	<b>167,248</b>	161,208
- Others	<b>40,187,482</b>	38,736,236
	<b>171,232,594</b>	165,049,062

**11.4 Other contingencies**

**11.4.1** Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 175 million (2009: Rs. 175 million) and claims relating to former Mehran Bank Limited amounting to Rs. 965 million (2009: Rs. 965 million)].

<b>6,906,507</b>	6,561,411
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**11.4.2 Taxation**

The income tax returns of the bank for global operations and for Azad Jammu Kashmir is due to be filed the tax year 2010 (accounting year ended December 31, 2009) on or before October 30, 2010. Whereas the income tax returns of the bank for global operations and for Azad Jammu Kashmir, upto the tax year 2009 (accounting year ended December 31, 2008), have been filed under section 120 and amended by the Taxation Officer under section 122(5A) of the Income Tax Ordinance, 2001.

During the period the bank received various appellate decisions from the Appellate Tribunal Inland Revenue (ATIR) from tax year 2003 through tax year 2007 in which substantial reliefs were allowed for matters including disallowance for bad debts on the basis of SBP's certificates, staff welfare fund and allocation of financial expenditure between taxable and exempt / low tax rate income and revaluation loss on barter trade agreements. Also appeal effects of such decisions have been obtained from the tax department giving rise to aggregate tax refund of Rs.6,221 million. For the purpose of contingencies, there are only three matters under appeal where management is confident that the appellate decisions will provide necessary relief to the bank. These matters are interest credited to suspense account, allocation of administrative expenditure between taxable and exempt / low tax rate and disallowance for bad debts on the basis of SBP's certificates. The aggregate effect of aforementioned contingencies work out at Rs. 5,065 million (December 31, 2009: Rs. 7,368 million).

**11.4.2 Provident Fund**

As fully explained in note 21.4.3 to the unconsolidated financial statements of the Bank for the year ended December 31, 2009, management in the last year based on the legal advice, calculated interest on the outstanding Provident Fund balance at the five years fixed deposit rate for settlement of the PF balance interpreting the rate as the highest rate as per its understanding of the Supreme Court's decision dated May 04, 2009. Consequently, the difference was adjusted in Bank's Books of Accounts. Some petitioners filed the review petition against the Bank in the Court, asserting that the Bank's interpretation of the highest interest rate was not correct. The legal advisor of the Bank informed management that such petition had not been admitted in the Court.

However, in the current period, it came to management's knowledge that the review petition had actually been admitted in the last year, which the Court heard and decided on September 20, 2010. As per the said Court order:

- The employee on his retirement or leaving the job or the heirs of the person who had passed away, are entitled for the best rate of interest as per scheme instead of prescribed rate on the fixed deposit till the time he was the employee of the Bank ; and
- If the payment has not been made for any reason i.e, litigation, etc., he would be entitled for the best rate of interest admissible to any other ordinary customer till the date of payment.

Therefore, management has treated omission of the fact as prior period error as per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The impact is as follows:

	(Un-audited) Sep 30, 2009 Rs ' 000
Increase in 'Mark-up / Return / Interest expensed' in Profit and Loss Account	1,000,000
Increase in Deposits "Curent Account - Remunerative"	1,000,000
Decrease in tax charge for the nine months	350,000
Increase in Advance Tax	350,000
Decrease in profit for the nine months - after tax	650,000
Decrease in unappropriated profit	650,000
Decrease in earnings per share - after tax (basic and diluted)	Re 0.48

#### 11.4.3 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2009.

#### 11.4.4 Benazir Employees' Stock Option Scheme

The Federal Cabinet approved "Benazir Employees Stock Option Scheme (BESOS)" on August 5, 2009 for empowerment of employees of State Owned Entities through transfer of 12% shares owned by GoP to an employees' trust to be registered. As the Federal Government and the SBP held about 75.60% shares of the bank , it is unclear how transfer of such shares to the employees' trust will take place. Pending resoulotion of such uncertainties, the cost of such scheme has not been accounted for in these financial statements.

	Sept 30 2010 (Un-audited) ----- (Rupees in '000) -----	Dec 31 2009 (Audited)
<b>11.5 Commitments in respect of forward exchange contracts</b>		
Purchase	53,500,872	87,829,307
Sale	93,207,461	38,568,464
<b>11.6 Commitments in respect of trading with Govt. securities</b>		
Purchase	4,261,000	5,000,000
<b>11.7 Other Commitments</b>		
Cross Currency SWAP	5,746,522	6,914,649
<b>11.8 Commitments for the acquisition of operating fixed assets</b>	2,361,654	1,537,996

#### 12. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended Sep 30 2010	Nine Months Ended Sep 30 2010	Quarter Ended Sep 30 2009	Nine Months Ended Sep 30 2009
			----- (Restated) -----	
Profit after taxation (Rupees in '000)	3,534,544	11,412,914	3,168,422	9,470,519
Weighted average number of ordinary shares (in '000)	1,345,463	1,345,463	1,345,463	1,345,463
Basic and diluted earnings per share (Rupees)	2.63	8.48	2.35	7.04

#### 13 Transfer and Assignment Agreement with SME Bank Limited

During the Year, the Bank and the SME Bank entered into a transaction for transfer and assignment of Rs 4.947 billion non-performing loans by the SME Bank to the Bank on deferred price basis. These non-performing loans were fully provided.

As per the pricing formula, the Bank will pay to the SME Bank fifty percent of the recoveries of these non-performing loans net of all expenses on annual basis, except for the first two years when higher of the fifty percent of net recoveries or twenty-five percent of the gross recoveries will be paid to SME Bank. The differential on account of payment on the basis of twenty-five percent of gross recoveries in the first two years, if paid, will be adjusted by the Bank against the net recoveries in the subsequent years."

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	Rupees in '000								
<b>Sept 30, 2010</b>									
Total income	267,214	35,432,016	13,295,203	24,035,430	994,441	3,117,378	11,077	52,087	77,204,847
Total expenses	518	34,080,283	10,142,394	13,217,390	885,757	2,139,711	9,868	47,373	60,523,294
Net income	266,696	1,351,733	3,152,809	10,818,040	108,684	977,667	1,210	4,715	16,681,553
<b>Sept 30, 2009 - Restated</b>									
Total income	295,407	28,423,766	1,405,837	12,342,776	20,491,099	1,442,843	2,945,963	57,702	67,405,393
Total expenses	518	28,373,670	18,856	9,360,069	13,157,006	737,092	1,650,309	47,687	53,345,207
Net income	294,889	50,096	1,386,981	2,982,707	7,334,093	705,751	1,295,654	10,015	14,060,186

## 15. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, joint ventures, employee benefit plans, and its key management personnel (including their associates). Transactions between the Holding Company and its related parties are carried out under normal commercial term except employee staff loans, return on provident fund and loan given to NBP Exchange Company Limited, that are as per the agreed term. Transactions with related parties during the period are as under:

	(Un-Audited) Sept 30, 2010				(Audited) Dec 31, 2009			
	At Jan 01	Given during the period	Repaid during the period	At Sept 30	At Jan 01	Given during the year	Repaid during the year	At Dec 31
	(Rupees in '000)							
<b>Advances</b>								
Key Management Executives	97,439	25,500	(9,890)	113,049	95,931	4,524	(3,016)	97,439
Associates	1,287,942	6,477	-	1,294,419	1,269,498	18,444	-	1,287,942
	<u>1,385,381</u>	<u>31,977</u>	<u>(9,890)</u>	<u>1,407,469</u>	<u>1,365,429</u>	<u>22,968</u>	<u>(3,016)</u>	<u>1,385,381</u>

	(Un-Audited) Sept 30, 2010				(Audited) Dec 31, 2009			
	At Jan 01	Given during the period	Repaid during the period	At Sept 30	At Jan 01	Given during the year	Repaid during the year	At Dec 31
	(Rupees in '000)							
<b>Deposits</b>								
Key Management Executives	8,340	51,011	(30,530)	28,821	3,869	38,859	-34,388	8,340
Pension Fund (Current)	405,351	5,903,009	(6,303,571)	4,789	3,940,161	12,791,620	(16,326,430)	405,351
Pension Fund (Fix Deposit)	7,300,000	2,500,000	(1,500,000)	8,300,000	5,900,000	4,800,000	(3,400,000)	7,300,000
Provident Fund	8,448,101	1,111,219	(480,278)	9,079,042	8,507,300	3,548,530	(3,607,729)	8,448,101
	<u>16,161,792</u>	<u>9,565,238</u>	<u>(8,314,379)</u>	<u>17,412,652</u>	<u>18,351,330</u>	<u>21,179,009</u>	<u>(23,368,547)</u>	<u>16,161,792</u>

	Sept 30 2010 (Un-audited)	Dec 31 2009 (Audited)
	(Rupees in '000)	
<b>Debts Due by company in which a director of the bank is interested as director</b>	13,527,058	13,714,011
<b>Placements with:</b>		
Pension Fund	-	2,900,000
Joint venture	146,594	495,864
Associates	25,915	25,881
<b>Deposits with:</b>		
Joint venture	8,540	-
	<b>Nine Months Ended Sept 30 2010 (Un-audited)</b>	<b>Nine Months Ended Sept 30 2009 (Un-audited)</b>
	(Rupees in '000)	
<b>Income for the period</b>		
Key Management Executives	4,343	3,935
Debts Due by company in which a director of the bank is interested as director	1,394,467	548,771
<b>Expenses for the period</b>		
Remuneration to key management executives	245,543	155,549
Charge for defined benefit plan	17,661	7,089
<b>Mark-up on deposits of:</b>		
Provident Fund	1,316,910	1,273,964
Pension Fund	600,278	-
Key Management Executives	1,123	513

- 15.1 Although the Federal Government and the SBP held about 75.60% shares of the holding company (2009: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

**16. ISLAMIC BANKING BUSINESS**

The Bank is operating 8 (December 31, 2009: 8) Islamic banking branches as at Sept 30, 2010. The balance sheet and profit and loss account of such branches is as under:

	<b>Sept 30 2010 (Un-audited)</b>	<b>Dec 31 2009 (Audited)</b>
	----- (Rupees in '000) -----	
<b>Balance Sheet</b>		
<b>ASSETS</b>		
Cash and balances with treasury banks	49,711	43,290
Investments	406,209	144,789
Financing and Receivables	360,774	736,417
Fixed Assets	107,451	104,314
Other assets	27,154	8,627
<b>Total Assets</b>	<b>951,300</b>	<b>1,037,437</b>
<b>LIABILITIES</b>		
Bills payable	4,433	6,070
Deposits and other accounts	594,030	507,760
Due to Head Office	93,130	246,385
Other liabilities	32,491	58,870
	<b>724,084</b>	<b>819,085</b>
<b>NET ASSETS</b>	<b>227,216</b>	<b>218,352</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	300,000	300,000
Un remitted (loss) / profit	(19,679)	(11,437)
	<b>280,321</b>	<b>288,563</b>
Surplus on Revaluation of Assets	(53,106)	(70,211)
	<b>227,216</b>	<b>218,352</b>
<b>Profit and Loss Account</b>		
	<b>Sept 30 2010 (Un-audited)</b>	<b>Sept 30 2009 (Un-audited)</b>
	----- (Rupees in '000) -----	
Profit / return on financing and placements earned	118,343	142,090
Profit / return on deposit and other dues expensed	33,289	62,033
Net spread earned	85,054	80,057
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	2,509	1,367
Income from dealing in foreign currencies	355	-
Other income	24	9,834
Total other income	2,887	11,201
<b>OTHER EXPENSES</b>		
Administrative expenses	107,620	81,008
Other charges	-	200
Total other expenses	107,620	81,208
	<b>(19,679)</b>	<b>10,050</b>

**17. DATE OF AUTHORIZATION FOR ISSUE**

The consolidated condensed interim financial statements were authorized for issue on October 29, 2010 by the Board of Directors of the Holding Company.

**18. GENERAL**

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

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 Chairman & President

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 Director

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 Director

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 Director