

---

# **National Bank of Pakistan**

Financial Statements

For the quarter ended March 31, 2009

---

## Directors' Report

It gives me great pleasure to present on behalf of the Board of Directors accounts for the three months period ended March 31, 2009. The Profit for the three months period ended March 31, 2009 after carry over of accumulated profit of 2008 is proposed to be appropriated as follows: -

|   | <i>Rs. in million</i> |
|---|-----------------------|
| Net Profit before taxation for the three months period ended March 31, 2009 | 6,303                 |
| Taxation  |                       |
| -Current year   | 2,791                 |
| -Prior years  | -                     |
| -Deferred   | (702)                 |
|   | 2,089                 |
| After tax profit  | 4,214                 |
| Un-appropriated profit brought forward                                      | 52,456                |
| Incremental depreciation- net of deferred tax                               | 31                    |
|   | 56,701                |
| Profit available for appropriation  | 56,701                |
|   |                       |
| Transfer to Statutory Reserve (10% of after tax profit)                     | 421                   |
|   | 421                   |
| Un-appropriated profit carried forward                                      | 56,280                |
| Basic and diluted earnings per share  | 4.70                  |

The Pakistan economy continues to face the challenges arising due to global economic crisis. Though the economy has shown some positive trends, however, many indicators need to be further improved to put the economy back on stability track.

Net interest income increased by 5% over comparative period last year despite payment of minimum 5% rate on all saving and term deposits effective from June 2008. Non –interest revenue declined to Rs. 3.6 billion from Rs. 4.1 billion of last year attributable mainly to receipt of one off tax compensation on delayed refunds of Rs. 988 million last year. Due to the above pre-tax profit reduced to Rs. 6.3 billion, a reduction of 9.9% from last year.

In this challenging environment , the bank's focus is to ensure adequate liquidity, strengthening the balance sheet through adequate provisions , effective credit controls and maintaining and building up the bank's capital ad consequently capital ardency ratio. We are pleased to inform you that the bank has highest equity amongst the Pakistani banks with one of the highest capital adequacy ratios in the banking industry.

Going forward, we expect the economy to remain under pressure during 2009 putting stress on the credit quality of the system. The bank is fully geared to meet the challenges and we are confident that bank's diversified revenue streams will enable it to maintain its leadership position in the banking industry.

We extend our appreciation to the bank's staff for their commitment, dedication and hard work in achieving these excellent results. We 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: April 29, 2009

**NATIONAL BANK OF PAKISTAN**  
**INTERIM CONDENSED BALANCE SHEET**  
**AS AT MARCH 31, 2009**

|   |         | (Un-audited)<br>March 31,<br>2009 | (Audited)<br>December 31<br>2008 |
|---|---------|-----------------------------------|----------------------------------|
|   | Note    | ----- (Rupees in '000) -----      |                                  |
| <b>ASSETS</b>                                       |         |                                   |                                  |
| Cash and balances with treasury banks               |         | 121,809,186                       | 106,503,756                      |
| Balances with other banks                           |         | 34,467,764                        | 38,344,608                       |
| Lendings to financial institutions                  |         | 19,097,529                        | 17,128,032                       |
| Investments   | 4       | 185,870,201                       | 170,822,491                      |
| Advances  | 5       | 405,277,080                       | 412,986,865                      |
| Operating fixed assets                              |         | 24,492,091                        | 24,217,655                       |
| Deferred tax assets                                 |         | 3,138,355                         | 3,204,572                        |
| Other assets  |         | 47,416,788                        | 44,550,347                       |
|   |         | <b>841,568,994</b>                | <b>817,758,326</b>               |
| <b>LIABILITIES</b>                                  |         |                                   |                                  |
| Bills payable                                       |         | 6,310,649                         | 10,219,061                       |
| Borrowings  |         | 48,074,743                        | 40,458,926                       |
| Deposits and other accounts                         | 6       | 640,509,415                       | 624,939,016                      |
| Sub-ordinated loans                                 |         | -                                 | -                                |
| Liabilities against assets subject to finance lease |         | 33,239                            | 25,274                           |
| Other liabilities                                   |         | 36,465,455                        | 39,656,831                       |
|   |         | <b>731,393,501</b>                | <b>715,299,108</b>               |
| <b>NET ASSETS</b>                                   |         | <b>110,175,493</b>                | <b>102,459,218</b>               |
| <b>REPRESENTED BY</b>                               |         |                                   |                                  |
| Share capital                                       |         | 8,969,751                         | 8,969,751                        |
| Reserves  |         | 20,329,322                        | 19,941,047                       |
| Unappropriated profit                               |         | 56,280,098                        | 52,456,204                       |
|   |         | <b>85,579,170</b>                 | <b>81,367,002</b>                |
| Surplus on revaluation of assets                    | 7 & (i) | 24,596,323                        | 21,092,216                       |
|   |         | <b>110,175,493</b>                | <b>102,459,218</b>               |

**CONTINGENCIES AND COMMITMENTS**

8

(i) The above surplus on revaluation of assets include impairment loss (net of tax) of Rs.316 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of March 31, 2009. Had the impairment loss been fully charged to profit and loss account, the 'Surplus on revaluation of assets' (net of tax) would have been higher by Rs.316 million and the unappropriated profit would have been lower by the same amount. (See note 7.1)

(ii) The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

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

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

**NATIONAL BANK OF PAKISTAN**  
**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT - (UN-AUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009**

|  | Quarter<br>Ended<br>March 31,<br>2009 | Quarter<br>Ended<br>March 31,<br>2008 |
|--|---------------------------------------|---------------------------------------|
| Note   |                                       |                                       |
| Mark-up / Return / Interest earned   | 18,796,238                            | 13,555,183                            |
| Mark-up / Return / Interest expensed   | 9,329,689                             | 4,509,013                             |
| Net mark-up / Interest income  | 9,466,549                             | 9,046,170                             |
| Provision against non-performing loans and advances                                      | 1,584,427                             | 1,524,516                             |
| Provision for diminution in the value of investments                                     | 116,912                               | -                                     |
| Bad debts written off directly   | -                                     | -                                     |
|  | 1,701,339                             | 1,524,516                             |
| Net mark-up / interest income after provisions   | 7,765,210                             | 7,521,654                             |
| <b>NON MARK-UP/ INTEREST INCOME</b>  |                                       |                                       |
| Fee, commission and brokerage income   | 1,748,017                             | 1,612,044                             |
| Dividend income  | 232,564                               | 76,037                                |
| Income from dealing in foreign currencies  | 1,158,349                             | 1,222,655                             |
| Gain on sale of securities   | 259,426                               | 154,985                               |
| Unrealized gain / (loss) on revaluation of<br>investments classified as held for trading | -                                     | 39,288                                |
| Other income   | 260,185                               | 1,002,727                             |
| Total non-mark-up / interest income  | 3,658,541                             | 4,107,736                             |
|  | 11,423,751                            | 11,629,390                            |
| <b>NON MARK-UP/ INTEREST EXPENSES</b>  |                                       |                                       |
| Administrative expenses  | 5,117,957                             | 4,128,228                             |
| Other provisions / write offs  | 2,572                                 | 7,204                                 |
| Other charges  | -                                     | 493,378                               |
| Total non-mark-up / interest expenses  | 5,120,529                             | 4,628,810                             |
|  | 6,303,222                             | 7,000,580                             |
| Extra ordinary items   | -                                     | -                                     |
| <b>PROFIT BEFORE TAXATION</b>  | 6,303,222                             | 7,000,580                             |
| Taxation - Current   | 2,790,873                             | 2,494,714                             |
| - Prior year(s)  | -                                     | -                                     |
| - Deferred   | (701,996)                             | (52,077)                              |
|  | 2,088,877                             | 2,442,637                             |
| <b>PROFIT AFTER TAXATION</b>   | 4,214,345                             | 4,557,943                             |
| Unappropriated profit brought forward  | 52,456,204                            | 51,147,457                            |
| Transfer from surplus on revaluation of fixed assets                                     | 30,983                                | 22,294                                |
| <b>Profit available for appropriation</b> (See note 7.1)                                 | 56,701,532                            | 55,727,694                            |
| <b>Basic and diluted earnings per share (Rupees)</b>                                     | <b>9</b>                              | <b>5.08</b>                           |
|  | <b>4.70</b>                           | <b>5.08</b>                           |

(i) The profit for the year does not include impairment loss (net of tax) of Rs. 316 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments in accordance with the treatment allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of March 31, 2009 and has been taken to 'Surplus on revaluation of assets' (net of tax) account as shown in the balance sheet. Had the impairment loss been fully charged to profit and loss account, profit after tax for the year would have been lower by Rs. 316 million and earnings per share would have been lower by Rs. 0.35 (See note 7.1)

(ii) The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

**NATIONAL BANK OF PAKISTAN**  
**INTERIM CONDENSED CASH FLOW STATEMENT - (UN-AUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009**

|   | Three months period ended    |                           |
|---|------------------------------|---------------------------|
|   | March 31,<br>2009            | March 31,<br>2008         |
|   | ----- (Rupees in '000) ----- |                           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                              |                           |
| Profit before taxation  | 6,303,222                    | 7,000,580                 |
| Less: Dividend income   | 232,564                      | 76,037                    |
|   | <u>6,070,658</u>             | <u>6,924,543</u>          |
| <b>Adjustments</b>  |                              |                           |
| Depreciation  | 250,627                      | 207,435                   |
| Provision against non-performing loans and advances                                   | 1,584,427                    | 1,524,516                 |
| Provision for diminution in the value of investments                                  | 116,912                      | -                         |
| Unrealized gain / (loss) on revaluation of investments classified as held for trading | -                            | (39,288)                  |
| Other provision / write off   | 2,572                        | 7,204                     |
| Gain on sale of fixed assets  | (1,403)                      | (1,035)                   |
| Financial charges on leased assets  | 2,742                        | 3,440                     |
|   | <u>1,955,877</u>             | <u>1,702,272</u>          |
|   | <b>8,026,535</b>             | <b>8,626,815</b>          |
| <b>(Increase) / decrease in operating assets</b>                                      |                              |                           |
| Lendings to financial institutions  | (1,969,497)                  | (2,854,919)               |
| Held-for-trading securities   | 1,007,496                    | (304,247)                 |
| Advances  | 6,125,358                    | (22,483,428)              |
| Other assets  | (4,119,404)                  | (896,305)                 |
|   | <u>1,043,953</u>             | <u>(26,538,899)</u>       |
| <b>Increase / (decrease) in operating liabilities</b>                                 |                              |                           |
| Bills payable   | (3,908,412)                  | (1,026,512)               |
| Borrowings  | 7,231,265                    | 6,701,235                 |
| Deposits and other accounts   | 15,570,399                   | (27,431,876)              |
| Other liabilities (excluding current taxation)  | (3,191,376)                  | (5,456,157)               |
|   | <u>15,701,876</u>            | <u>(27,213,310)</u>       |
| Income tax paid   | (1,537,910)                  | (2,896,502)               |
| Financial charges paid  | (2,742)                      | (3,440)                   |
|   | <u>(1,540,652)</u>           | <u>(2,899,942)</u>        |
| <b>Net cash flow from operating activities</b>  | <b>23,231,712</b>            | <b>(48,025,336)</b>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                              |                           |
| Net investments in available-for-sale securities                                      | (21,183,944)                 | 20,103,457                |
| Proceeds from held-to-maturity securities   | 9,316,154                    | 1,137,308                 |
| Dividend received   | 232,564                      | 76,037                    |
| Investments in operating fixed assets   | (514,907)                    | (511,499)                 |
| Sale proceeds of operating fixed assets disposed off                                  | 1,403                        | 1,035                     |
| <b>Net cash used in investing activities</b>  | <b>(12,148,730)</b>          | <b>20,806,338</b>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                              |                           |
| Payments of lease obligations   | (5,787)                      | (4,004)                   |
| Dividend paid   | -                            | -                         |
| <b>Net cash used in financing activities</b>  | <b>(5,787)</b>               | <b>(4,004)</b>            |
| Effects of exchange rate changes on cash and cash equivalents                         | (33,160)                     | 267,475                   |
| <b>Net increase in cash and cash equivalents</b>                                      | <b>11,044,035</b>            | <b>(26,955,527)</b>       |
| Cash and cash equivalents at beginning of the period                                  | <u>144,676,388</u>           | <u>131,456,989</u>        |
| Cash and cash equivalents at the end of the period                                    | <u><u>155,720,423</u></u>    | <u><u>104,501,462</u></u> |

(ii) The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

Chairman & President

Director

Director

Director

NATIONAL BANK OF PAKISTAN  
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009

|  | Share capital    | Reserves              |                                   |                   | General reserve | Unappropriated profit | Total             |
|--|------------------|-----------------------|-----------------------------------|-------------------|-----------------|-----------------------|-------------------|
|  |                  | Exchange equalisation | Reserve for issue of Bonus Shares | Statutory reserve |                 |                       |                   |
| ----- (Rupees in '000) -----   |                  |                       |                                   |                   |                 |                       |                   |
| Balance as at January 1, 2008  | 8,154,319        | 3,364,312             | -                                 | 11,886,474        | 521,338         | 45,344,188            | 69,270,631        |
| Exchange adjustments on revaluation of capital of foreign branches                         | -                | 267,475               | -                                 | -                 | -               | -                     | 267,475           |
| Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax | -                | -                     | -                                 | -                 | -               | 22,294                | 22,294            |
| <b>Net income recognised directly in equity</b>  | -                | 267,475               | -                                 | -                 | -               | 22,294                | 289,769           |
| Profit after taxation for the three months period ended March 31, 2008                     | -                | -                     | -                                 | -                 | -               | 4,557,943             | 4,557,943         |
| <b>Total recognised income and expense for the period</b>                                  | -                | -                     | -                                 | -                 | -               | 4,557,943             | 4,557,943         |
| Transfer to statutory reserve  | -                | -                     | -                                 | 455,794           | -               | (455,794)             | -                 |
| Issue of bonus shares (10%)  | -                | -                     | 815,432                           | -                 | -               | (815,432)             | -                 |
| Cash Dividend (Rs. 7.5 per share)  | -                | -                     | -                                 | -                 | -               | (6,115,739)           | (6,115,739)       |
| <b>Balance as at March 31, 2008</b>  | <b>8,154,319</b> | <b>3,631,787</b>      | <b>815,432</b>                    | <b>12,342,268</b> | <b>521,338</b>  | <b>42,537,460</b>     | <b>68,002,604</b> |
| Balance as at April 1, 2008  | 8,154,319        | 3,631,787             | 815,432                           | 12,342,268        | 521,338         | 42,537,460            | 68,002,604        |
| Exchange adjustments on revaluation of capital of foreign branches                         | -                | 2,355,589             | -                                 | -                 | -               | -                     | 2,355,589         |
| Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax | -                | -                     | -                                 | -                 | -               | 108,162               | 108,162           |
| <b>Net income recognised directly in equity</b>  | -                | 2,355,589             | -                                 | -                 | -               | 108,162               | 2,463,751         |
| Profit after taxation for the nine months period ended December 31, 2007                   | -                | -                     | -                                 | -                 | -               | 10,900,647            | 10,900,647        |
| <b>Total recognised income and expense for the period</b>                                  | -                | 2,355,589             | -                                 | -                 | -               | 11,008,809            | 13,364,398        |
| Transfer to statutory reserve  | -                | -                     | -                                 | 1,090,065         | -               | (1,090,065)           | -                 |
| Issue of bonus shares (10%)  | 815,432          | -                     | (815,432)                         | -                 | -               | -                     | -                 |
| <b>Balance as at December 31, 2008</b>   | <b>8,969,751</b> | <b>5,987,376</b>      | <b>-</b>                          | <b>13,432,333</b> | <b>521,338</b>  | <b>52,456,204</b>     | <b>81,367,002</b> |
| Balance as at January 1, 2009  | 8,969,751        | 5,987,376             | -                                 | 13,432,333        | 521,338         | 52,456,204            | 81,367,002        |
| Exchange adjustments on revaluation of capital of foreign branches                         | -                | (33,160)              | -                                 | -                 | -               | -                     | (33,160)          |
| Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax | -                | -                     | -                                 | -                 | -               | 30,983                | 30,983            |
| <b>Net income recognised directly in equity</b>  | -                | (33,160)              | -                                 | -                 | -               | 30,983                | (2,177)           |
| Profit after taxation for the three months period ended March 31, 2009                     | -                | -                     | -                                 | -                 | -               | 4,214,345             | 4,214,345         |
| <b>Total recognised income and expense for the period</b>                                  | -                | -                     | -                                 | -                 | -               | 4,245,328             | 4,212,168         |
| Transfer to statutory reserve  | -                | -                     | -                                 | 421,435           | -               | (421,435)             | -                 |
| <b>Balance as at March 31, 2009</b>  | <b>8,969,751</b> | <b>5,954,216</b>      | <b>-</b>                          | <b>13,853,768</b> | <b>521,338</b>  | <b>56,280,098</b>     | <b>85,579,170</b> |

(ii) The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

Chairman & President

Director

Director

Director

**NATIONAL BANK OF PAKISTAN**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009**

**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. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,254 (2008: 1,254) branches in Pakistan and 22 (2008: 22) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the bank also provides services as trustee to National Investment Trust (NIT) and Long Term Credit Fund (LTCF)

**2. STATEMENT OF COMPLIANCE**

**2.1** These interim condensed unconsolidated financial statements have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

**2.2** The SBP 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 No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

**2.3** The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2008.

**3. ACCOUNTING POLICIES**

The accounting policies adopted in preparation of these interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the bank for the year ended December 31, 2008.



## 4. INVESTMENTS

|   | March 31, 2009 (Un-audited)  |                        |                    | December 31, 2008 (Audited)  |                        |                    |
|---|------------------------------|------------------------|--------------------|------------------------------|------------------------|--------------------|
|   | Held by<br>bank              | Given as<br>collateral | Total              | Held by<br>bank              | Given as<br>collateral | Total              |
|   | ----- (Rupees in '000) ----- |                        |                    | ----- (Rupees in '000) ----- |                        |                    |
| <b>4.1 Investments by type:</b>   |                              |                        |                    |                              |                        |                    |
| <b>Held-for-trading securities</b>  |                              |                        |                    |                              |                        |                    |
| Ordinary shares of listed companies   | -                            | -                      | -                  | 7,496                        | -                      | 7,496              |
| Ijarah Sukuk Bonds  | -                            | -                      | -                  | 1,000,000                    | -                      | 1,000,000          |
| <b>Available- for- sale securities</b>  |                              |                        |                    |                              |                        |                    |
| Ordinary shares of listed companies   | 3,287,132                    | -                      | 3,287,132          | 3,669,441                    | -                      | 3,669,441          |
| Ordinary shares of unlisted companies   | 1,082,404                    | -                      | 1,082,404          | 716,610                      | -                      | 716,610            |
|   | 4,369,536                    | -                      | 4,369,536          | 4,386,051                    | -                      | 4,386,051          |
| Market Treasury Bills   | 67,833,448                   | 29,032,273             | 96,865,721         | 64,523,811                   | 23,990,054             | 88,513,865         |
| Preference shares   | 275,000                      | -                      | 275,000            | 275,000                      | -                      | 275,000            |
| Pakistan Investment Bonds   | 4,708,686                    | 477,523                | 5,186,209          | 4,105,665                    | 66,987                 | 4,172,652          |
| Federal Investment Bonds  | 940,000                      | -                      | 940,000            | 940,000                      | -                      | 940,000            |
| Gop Foreign Currency Bonds  | 2,079,685                    | -                      | 2,079,685          | 1,212,348                    | -                      | 1,212,348          |
| Foreign Government Securities   | 2,024,488                    | -                      | 2,024,488          | 1,657,303                    | -                      | 1,657,303          |
| Term Finance Certificates / Mushairka,<br>Foreign Currency Debt Securities<br>and Sukuk Bonds | 28,296,786                   | -                      | 28,296,786         | 17,695,681                   | -                      | 17,695,681         |
| Mutual funds  | 993,316                      | -                      | 993,316            | 993,897                      | -                      | 993,897            |
| Investment outside Pakistan - note 4.2  | 463,295                      | -                      | 463,295            | 463,295                      | -                      | 463,295            |
| National Investment Trust (NIT) Units - note 4.3  | 7,643,084                    | -                      | 7,643,084          | 7,643,084                    | -                      | 7,643,084          |
| NIT Market Opportunity Fund   | 1,800,000                    | -                      | 1,800,000          | 1,800,000                    | -                      | 1,800,000          |
| <b>Total Available- for- sale securities</b>  | <b>121,427,324</b>           | <b>29,509,796</b>      | <b>150,937,120</b> | <b>105,696,135</b>           | <b>24,057,041</b>      | <b>129,753,176</b> |
| <b>Held-to-maturity securities</b>  |                              |                        |                    |                              |                        |                    |
| Government Compensation Bonds   | 1,945,186                    | -                      | 1,945,186          | 2,331,182                    | -                      | 2,331,182          |
| Pakistan Investment Bonds   | 9,481,816                    | -                      | 9,481,816          | 9,515,583                    | -                      | 9,515,583          |
| GoP Foreign Currency Bonds  | 8,045,309                    | -                      | 8,045,309          | 15,517,577                   | -                      | 15,517,577         |
| Foreign Government Securities   | 1,722,134                    | -                      | 1,722,134          | 3,150,553                    | -                      | 3,150,553          |
| Debentures, Bonds, Participation Term<br>Certificates and Term Finance Certificates           | 2,812,594                    | -                      | 2,812,594          | 2,808,298                    | -                      | 2,808,298          |
| <b>Total held-to-maturity securities</b>  | <b>24,007,039</b>            | <b>-</b>               | <b>24,007,039</b>  | <b>33,323,193</b>            | <b>-</b>               | <b>33,323,193</b>  |
| <b>Investments in associates</b>  | <b>959,668</b>               | <b>-</b>               | <b>959,668</b>     | <b>959,669</b>               | <b>-</b>               | <b>959,669</b>     |
| <b>Investments in joint ventures</b>  | <b>1,312,335</b>             | <b>-</b>               | <b>1,312,335</b>   | <b>1,312,335</b>             | <b>-</b>               | <b>1,312,335</b>   |
| <b>Investments in subsidiaries</b>  | <b>1,352,458</b>             | <b>-</b>               | <b>1,352,458</b>   | <b>1,352,458</b>             | <b>-</b>               | <b>1,352,458</b>   |
| <b>Investment at cost</b>   | <b>149,058,824</b>           | <b>29,509,796</b>      | <b>178,568,620</b> | <b>143,651,286</b>           | <b>24,057,041</b>      | <b>167,708,327</b> |
| <b>Less: Provision for diminution in<br/>value of Investments</b>                             | <b>(1,656,451)</b>           | <b>-</b>               | <b>(1,656,451)</b> | <b>(1,542,273)</b>           | <b>-</b>               | <b>(1,542,273)</b> |
| <b>Investments (net of provisions)</b>  | <b>147,402,373</b>           | <b>29,509,796</b>      | <b>176,912,169</b> | <b>142,109,013</b>           | <b>24,057,041</b>      | <b>166,166,054</b> |
| Surplus/(Deficit) on revaluation of<br>Held-for-trading securities                            | -                            | -                      | -                  | 1,707                        | -                      | 1,707              |
| Surplus on revaluation of<br>Available-for-sale securities                                    | 8,867,035                    | 90,997                 | 8,958,032          | 4,689,265                    | (34,535)               | 4,654,730          |
| <b>Total investments at market value</b>  | <b>156,269,408</b>           | <b>29,600,793</b>      | <b>185,870,201</b> | <b>146,799,985</b>           | <b>24,022,506</b>      | <b>170,822,491</b> |

|  | Mar 31,<br>2009<br>(Un-audited) | Dec 31,<br>2008<br>(Audited) |
|--|---------------------------------|------------------------------|
| Note   | ----- (Rupees in '000) -----    |                              |
| <b>5. ADVANCES</b>   |                                 |                              |
| Loans, cash credits, running finances, etc.                          |                                 |                              |
| In Pakistan  | 381,266,784                     | 389,997,489                  |
| Outside Pakistan   | 45,533,252                      | 45,145,226                   |
|  | <b>426,800,036</b>              | 435,142,715                  |
| Bills discounted and purchased (excluding Government treasury bills) |                                 |                              |
| Payable in Pakistan  | 2,664,439                       | 2,973,812                    |
| Payable outside Pakistan   | 22,125,662                      | 19,518,940                   |
|  | <b>24,790,101</b>               | 22,492,752                   |
| Margin Financing   | 61,514                          | 192,562                      |
| Advances - gross   | <b>451,651,651</b>              | 457,828,029                  |
| Less: Provision against non-performing loans                         | 5.1 (44,236,734)                | (42,729,947)                 |
|  | <b>(2,137,837)</b>              | (2,111,217)                  |
|  | <b>(46,374,571)</b>             | (44,841,164)                 |
| Advances - net of provision  | <b>405,277,080</b>              | 412,986,865                  |

5.1 Advances include Rs.61,428 million (2008: Rs.56,462 million) which have been placed under the non-performing status as detailed below:

| Category of Classification        | Domestic          | Overseas       | Total             | Provision         | Provision         |
|-----------------------------------|-------------------|----------------|-------------------|-------------------|-------------------|
|                                   |                   |                |                   | Required          | Held              |
| ----- (Rupees in '000) -----      |                   |                |                   |                   |                   |
| Other Assets Especially Mentioned | 2,402,636         | -              | 2,402,636         | -                 | -                 |
| Substandard                       | 7,241,867         | 60,881         | 7,302,748         | 1,721,455         | 1,721,455         |
| Doubtful                          | 11,047,325        | 29,175         | 11,076,500        | 5,410,292         | 5,410,292         |
| Loss                              | 39,824,515        | 821,980        | 40,646,495        | 37,104,987        | 37,104,987        |
|                                   | <b>60,516,343</b> | <b>912,036</b> | <b>61,428,379</b> | <b>44,236,734</b> | <b>44,236,734</b> |

|                                       | Mar 31, 2009<br>(Un-audited) | Dec 31, 2008<br>(Audited) |
|---------------------------------------|------------------------------|---------------------------|
|                                       | ----- (Rupees in '000) ----- |                           |
| <b>6. DEPOSITS AND OTHER ACCOUNTS</b> |                              |                           |
| <b>Customers</b>                      |                              |                           |
| Fixed deposits                        | 161,323,874                  | 141,949,041               |
| Savings deposits                      | 183,118,936                  | 179,807,400               |
| Current accounts - remunerative       | 52,011,021                   | 50,893,400                |
| Current accounts - non-remunerative   | 140,149,646                  | 143,216,221               |
|                                       | <b>536,603,477</b>           | 515,866,062               |
| <b>Financial Institutions</b>         |                              |                           |
| Remunerative deposits                 | 48,440,777                   | 64,509,320                |
| Non-remunerative deposits             | 55,465,161                   | 44,563,634                |
|                                       | <b>103,905,938</b>           | 109,072,954               |
|                                       | <b>640,509,415</b>           | 624,939,016               |

**7. SURPLUS ON REVALUATION OF ASSETS**

**Surplus on revaluation of fixed assets - net of tax** **17,302,176** 17,333,159

**Surplus on revaluation of securities - net of tax**

|  |                    |            |
|--|--------------------|------------|
| Federal Government securities                | <b>40,929</b>      | (820,863)  |
| Term Finance Certificates                    | <b>(133,910)</b>   | (87,983)   |
| Quoted shares and mutual funds               | <b>(23,673)</b>    | (438,078)  |
| Gop Foreign Currency Bonds                   | <b>(624,008)</b>   | (679,108)  |
| NIT Units                                    | <b>4,068,555</b>   | 2,386,570  |
| NIT Market Opportunity Fund                  | <b>(199,579)</b>   | (796,196)  |
| Investment outside Pakistan - Bank Al-Jazira | <b>5,829,718</b>   | 5,090,388  |
|  | <b>8,958,032</b>   | 4,654,730  |
| Deferred tax liability                       | <b>(1,663,885)</b> | (895,673)  |
|  | <b>24,596,323</b>  | 21,092,216 |

- 7.1** As of the balance sheet date, the impairment loss on listed equity securities and mutual fund investments held under 'Available-for-sale' category amounts to Rs. 862 million. In view of the SBP directive vide its BSD Circular No. 4 dated February 13, 2009 and management estimates regarding price recovery in equity market, the impairment loss to the extent of Rs. 394 million was recognised in the profit and loss account for the year ended December 31, 2008 and out of the balance of Rs. 468 million (net of tax of Rs. 421 million), the impairment loss to the extent of Rs. 117 million has been recognised in the profit and loss account for the current quarter and balance of Rs. 351 million (net of tax of Rs. 316 million) is held under 'Surplus on revaluation of assets' account which shall be taken to the profit and loss account in the remaining months of the year 2009 as per the requirement of SBP directive.

**8. CONTINGENCIES AND COMMITMENTS****8.1 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>March 31,<br/>2009<br/>(Un-audited)</b> | <b>December 31,<br/>2008<br/>(Audited)</b> |
|--------------------------|--|--|
|                          | ----- (Rupees in '000) -----               |  |
| - Government             | <b>18,014,047</b>                          | 15,444,979                                 |
| - Financial institutions | <b>6,850,499</b>                           | 5,873,517                                  |
| - Others                 | <b>13,719,053</b>                          | 11,762,514                                 |
|                          | <b>38,583,599</b>                          | 33,081,010                                 |

**8.2 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>18,371,433</b> | 18,660,550 |
| - Financial institutions | <b>4,982</b>      | 5,060      |
| - Others                 | <b>7,781,873</b>  | 7,904,339  |
|                          | <b>26,158,288</b> | 26,569,949 |

**8.3 Trade-related contingent liabilities**

Letters of credit  
Issued in favour of

|                          |                    |             |
|--------------------------|--------------------|-------------|
| - Government             | <b>141,202,913</b> | 133,467,937 |
| - Financial institutions | <b>1,065,705</b>   | 1,007,327   |
| - Others                 | <b>38,395,975</b>  | 36,292,676  |
|                          | <b>180,664,593</b> | 170,767,940 |

**8.4 Other contingencies**

- 8.4.1** Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.172 million (2008: Rs.172 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2008: Rs.965 million)].

**11,442,569** 11,442,569

#### 8.4.2 Taxation

The income tax assessments of the bank for global operations and for Azad Kashmir have been finalized upto and including the Tax year 2008 (accounting year ended December 31, 2007). Appeals filed by the bank and tax department for certain assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

During 2008, the orders for the assessment years 1997-98, 1998-99 and 1999-2000 were given appeal effects in respect of interest in suspense account amounting to Rs.1,880 million the tax impact of which was Rs.1,090 million. Further, the assessments for Tax Years 2006, 2007 and 2008 were amended by the Taxation Authorities disallowing allocation of expenses relating to exempt income, provision against bad and doubtful debts, charge against medical and compensated absences and revaluation of barter balances, the tax impact of which amounts to Rs.5,471 million.

During the year, favourable recommendations by ADRC have been received, in respect of taxability of interest credited to suspense account, cost incurred in respect of employees' special separation scheme, allocation of expenses relating to exempt income, claim of Benevolent Fund and revaluation loss of barter trade agreements.

The aggregate financial effects of all matters in appeals against which tax provisions has not created in the books works out at Rs.14,024 million (December 31, 2008: Rs.14,024 million). No provision there against has been considered necessary by the Bank as the management, based on the opinion of tax lawyers and consultants, expects favorable outcome of the above matters.

#### 8.4.3 Provident Fund

The status of this contingency as disclosed in the annual financial statements for the year ended December 31, 2008 has remained unchanged during the period.

|  | <b>March 31,</b>             | December 31,     |
|--|------------------------------|------------------|
|  | <b>2009</b>                  | 2008             |
|  | <b>(Un-audited)</b>          | (Audited)        |
|  | ----- (Rupees in '000) ----- |                  |
| <b>8.5 Commitments in respect of forward exchange contracts</b>          |                              |                  |
| Purchase   | <b>69,351,212</b>            | 69,361,297       |
| Sale   | <b>60,642,384</b>            | 55,563,737       |
| <b>8.6 Other Commitments</b>   |                              |                  |
| Cross Currency SWAP  | <b>7,693,403</b>             | 8,082,780        |
| <b>8.7 Commitments for the acquisition of operating fixed assets</b>     | <b>387,441</b>               | 490,396          |
| <b>8.8 Commitments for purchase of NIT Market Opportunity Fund units</b> | <b>200,000</b>               | 200,000          |
| <b>8.9 Commitments for investment in NIT State Enterprise Fund</b>       | <b>7,000,000</b>             | 7,000,000        |
| <b>9. BASIC AND DILUTED EARNINGS PER SHARE</b>                           |                              |                  |
|  | <b>Quarter</b>               | Quarter          |
|  | <b>Ended</b>                 | Ended            |
|  | <b>Mar 31,</b>               | Mar 31,          |
|  | <b>2009</b>                  | 2008             |
| Profit after taxation (Rupees in '000)                                   | <u><b>4,214,345</b></u>      | <u>4,557,943</u> |
| Weighted average number of ordinary shares (in '000)                     | <u><b>896,975</b></u>        | <u>896,975</u>   |
| Basic and diluted earnings per share (Rupees)                            | <u><b>4.70</b></u>           | <u>5.08</u>      |

#### 10. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

|                         | <b>Corporate</b>           | <b>Trading &amp;</b> | <b>Retail</b>    | <b>Commercial</b> | <b>Payment &amp;</b> | <b>Agency</b>   | <b>Total</b>     |
|-------------------------|----------------------------|----------------------|------------------|-------------------|----------------------|-----------------|------------------|
|                         | <b>Finance</b>             | <b>Sales</b>         | <b>Banking</b>   | <b>Banking</b>    | <b>Settlement</b>    | <b>Services</b> |                  |
|                         | ----- Rupees in '000 ----- |                      |                  |                   |                      |                 |                  |
| <b>March 31, 2009 -</b> |                            |                      |                  |                   |                      |                 |                  |
| Total income            | 75,529                     | 4,127,485            | 3,235,500        | 4,555,731         | 334,114              | 796,731         | 13,125,090       |
| Total expenses          | 148                        | 270,239              | 2,755,292        | 2,771,147         | 232,434              | 792,608         | 6,821,868        |
| Net income              | <u>75,381</u>              | <u>3,857,246</u>     | <u>480,208</u>   | <u>1,784,584</u>  | <u>101,680</u>       | <u>4,123</u>    | <u>6,303,222</u> |
| <b>March 31, 2008 -</b> |                            |                      |                  |                   |                      |                 |                  |
| Total income            | 68,503                     | 3,618,512            | 4,011,147        | 4,526,954         | 297,560              | 631,230         | 13,153,906       |
| Total expenses          | 344                        | 147,701              | 2,385,711        | 2,724,477         | 176,693              | 718,401         | 6,153,327        |
| Net income              | <u>68,159</u>              | <u>3,470,811</u>     | <u>1,625,436</u> | <u>1,802,477</u>  | <u>120,867</u>       | <u>(87,171)</u> | <u>7,000,579</u> |

## 11. 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:

|                                 | For the Three Months Period Ended March 31, 2009 (Un-audited) |                |                  | For the Year Ended December 31, 2008 (Audited) |                |                  |
|---------------------------------|---|----------------|------------------|--|----------------|------------------|
|                                 | Key Management Executives                                     | Subsidiaries   | Associates       | Key Management Executives                      | Subsidiaries   | Associates       |
| ----- (Rupees in '000) -----    |   |                |                  |  |                |                  |
| <b>Advances</b>                 |   |                |                  |  |                |                  |
| At January 01                   | 95,931  | 682,730        | 1,269,498        | 89,102   | 786,382        | 1,515,120        |
| Given during the period / year  | 3,582   | -              | 4,558            | 6,829  | -              | -                |
| Repaid during the period / year | -   | (24,729)       | -                | -  | (103,652)      | (245,622)        |
| At March 31 / Dec 31            | <u>99,513</u>   | <u>658,001</u> | <u>1,274,056</u> | <u>95,931</u>                                  | <u>682,730</u> | <u>1,269,498</u> |

|                                   | For the Three Months Period Ended March 31, 2009 (Un-audited) |                  |                  | For the Year Ended December 31, 2008 (Audited) |                  |                  |
|-----------------------------------|---|------------------|------------------|--|------------------|------------------|
|                                   | Subsidiaries  | Pension Fund     | Provident Fund   | Subsidiaries                                   | Pension Fund     | Provident Fund   |
| ----- (Rupees in '000) -----      |   |                  |                  |  |                  |                  |
| <b>Deposits</b>                   |   |                  |                  |  |                  |                  |
| At January 01                     | 167,224   | 3,940,161        | 8,507,300        | 255,952  | 2,088,976        | 8,078,395        |
| Received during the period / year | 21,613  | 916,317          | 143,404          | -  | 12,055,094       | 1,351,602        |
| Repaid during the period / year   | -   | (3,794,093)      | (322,103)        | (88,728)                                       | (10,203,909)     | (922,697)        |
| At March 31 / Dec 31              | <u>188,837</u>  | <u>1,062,385</u> | <u>8,328,601</u> | <u>167,224</u>                                 | <u>3,940,161</u> | <u>8,507,300</u> |

|   | March 31, 2009 (Un-audited)                                  | December 31, 2008 (Audited)                                  |
|---|--|--|
| ----- (Rupees in '000) -----              |  |  |
| <b>Placements with:</b>                   |  |  |
| Joint venture                             | 421,119  | 420,535  |
| Associates / subsidiaries                 | 25,881   | 25,881   |
| Pension Fund                              | 2,900,000  | 2,900,000  |
| <b>Lendings to:</b>                       |  |  |
| Subsidiary company                        | -  | 113,983  |
| <b>Borrowing From:</b>                    |  |  |
| Subsidiary company                        | 450,000  | 414,635  |
| <b>Other receivables</b>                  | 34,469   | 32,195   |
| <b>Other payables</b>                     | 11,308   | 11,594   |
|   | <b>Three months period ended March 31, 2009 (Un-audited)</b> | <b>Three months period ended March 31, 2008 (Un-audited)</b> |
| ----- (Rupees in '000) -----              |  |  |
| <b>Income for the year</b>                |  |  |
| On advances / placements with:            |  |  |
| Subsidiaries                              | 2,164  | 86   |
| Joint venture                             | 671  | 5,790  |
| <b>Expenses for the year</b>              |  |  |
| Remuneration to key management executives | 101,405  | 19,527   |
| Charge for defined benefit plan           | 2,396  | 1,400  |
| Mark-up on deposits of:                   |  |  |
| Subsidiaries                              | 79   | 152  |
| Provident fund                            | 250,969  | 172,744  |
| Mark-up on Repo borrowing of:             |  |  |
| Subsidiaries                              | 50,830   | 10,908   |
| Commission paid to subsidiaries           | 224  | 811  |

**11.1** Although the Federal Government and the SBP held about 75.48% shares of the bank (2008: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

## **12. ISLAMIC BANKING BUSINESS**

The bank is operating 5 (December 31, 2008: 5) Islamic banking branch as at March 31, 2009. The balance sheet and profit and loss account is as under:

|  | <b>March 31,<br/>2009<br/>(Un-audited)</b> | December 31,<br>2008<br>(Audited) |
|--|--|-----------------------------------|
|  | ----- (Rupees in '000) -----               |                                   |
| <b><u>Balance Sheet</u></b>                        |  |                                   |
| <b>ASSETS</b>                                      |  |                                   |
| Cash and balances with treasury banks              | 20,368                                     | 10,159                            |
| Investments  | 421,484                                    | 509,642                           |
| Financing and Receivables                          | 318,053                                    | 321,650                           |
| Fixed Assets                                       | 4,142                                      | 1,050                             |
| Other assets                                       | 34,656                                     | 45,579                            |
| <b>Total Assets</b>                                | <b>798,703</b>                             | <b>888,080</b>                    |
| <b>LIABILITIES</b>                                 |  |                                   |
| Bills payable                                      | 9,417                                      | 5,993                             |
| Deposits and other accounts                        | 98,068                                     | 47,186                            |
| Due to Head Office                                 | 420,715                                    | 508,591                           |
| Other liabilities                                  | 39,440                                     | 19,577                            |
|  | <b>567,640</b>                             | <b>581,347</b>                    |
| <b>NET ASSETS</b>                                  | <b>231,063</b>                             | <b>306,733</b>                    |
| <b>REPRESENTED BY</b>                              |  |                                   |
| Islamic Banking Fund                               | 300,000                                    | 300,000                           |
| Un remitted (loss) / profit                        | (960)                                      | 5,552                             |
|  | <b>299,040</b>                             | <b>305,552</b>                    |
| Surplus on Revaluation of Assets                   | (67,977)                                   | 1,181                             |
|  | <b>231,063</b>                             | <b>306,733</b>                    |
|  | <b>March 31,<br/>2009<br/>(Un-audited)</b> | March 31,<br>2008<br>(Un-audited) |
|  | ----- (Rupees in '000) -----               |                                   |
| <b><u>Profit and Loss Account</u></b>              |  |                                   |
| Profit / return on financing and placements earned | 42,293                                     | 19,673                            |
| Profit / return on deposit and other dues expensed | 18,909                                     | 6,259                             |
| Net spread earned                                  | 23,384                                     | 13,414                            |
| <b>OTHER INCOME</b>                                |  |                                   |
| Fee, commission and brokerage income               | 235  | 210                               |
| Income from dealing in foreign currencies          | -  | -                                 |
| Other income                                       | 28   | -                                 |
| Total other income                                 | 263  | 210                               |
| <b>OTHER EXPENSES</b>                              |  |                                   |
| Administrative expenses                            | 24,407                                     | 15,636                            |
| Other charges                                      | 200  | -                                 |
| Total other expenses                               | 24,607                                     | 15,636                            |
| <b>PROFIT BEFORE TAXATION</b>                      | <b>(960)</b>                               | <b>(2,012)</b>                    |

**13. DATE OF AUTHORIZATION FOR ISSUE**

The interim condensed financial statements were authorized for issue on April 29, 2009 by the Board of Directors of the Bank.

**14. GENERAL**

- 14.1** Corresponding information has been re-classified or re-arranged in these interim condensed financial statements, wherever necessary, to conform with changes in presentation in the current period.
- 14.2** Figures have been rounded-off to the nearest thousand rupees.

---

**Chairman & President**

---

**Director**

---

**Director**

---

**Director**

---

# **National Bank of Pakistan**

Consolidated Financial Statements

For the quarter ended March 31, 2009

---



**National Bank of Pakistan and its Subsidiary Companies**  
**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT MARCH 31, 2009**

|   |      | March 31 ,<br>2009<br>(Un-audited) | December 31,<br>2008<br>(Audited) |
|---|------|------------------------------------|-----------------------------------|
|   | Note | ----- (Rupees in '000) -----       |                                   |
| <b>ASSETS</b>                                       |      |                                    |                                   |
| Cash and Balances with Treasury Banks               |      | <b>121,904,217</b>                 | 106,778,346                       |
| Balances with Other Banks                           |      | <b>35,098,197</b>                  | 39,490,730                        |
| Lendings to Financial Institutions                  |      | <b>19,525,385</b>                  | 17,139,081                        |
| Investments   | 4    | <b>185,897,115</b>                 | 171,204,889                       |
| Advances  | 5    | <b>405,432,147</b>                 | 413,076,389                       |
| Net Operating Fixed Assets                          |      | <b>24,541,507</b>                  | 24,271,964                        |
| Deferred Tax Assets                                 |      | <b>3,125,599</b>                   | 3,203,565                         |
| Other Assets  |      | <b>47,916,407</b>                  | 44,912,238                        |
|   |      | <b>843,440,574</b>                 | 820,077,202                       |
| <b>LIABILITIES</b>                                  |      |                                    |                                   |
| Bills Payable                                       |      | <b>6,310,649</b>                   | 10,219,061                        |
| Borrowings  |      | <b>48,074,743</b>                  | 40,044,291                        |
| Deposits and Other Accounts                         | 6    | <b>640,584,748</b>                 | 625,349,270                       |
| Sub-ordinated Loans                                 |      |                                    | -                                 |
| Liabilities against Assets Subject to Finance Lease |      | <b>33,239</b>                      | 25,274                            |
| Deferred Tax Liabilities                            |      | -                                  | -                                 |
| Other Liabilities                                   |      | <b>36,654,721</b>                  | 39,988,100                        |
|   |      | <b>731,658,100</b>                 | 715,625,996                       |
| <b>NET ASSETS</b>                                   |      | <b>111,782,474</b>                 | 104,451,206                       |
| <b>REPRESENTED BY</b>                               |      |                                    |                                   |
| Share Capital                                       |      | <b>8,969,751</b>                   | 8,969,751                         |
| Reserves  |      | <b>19,949,632</b>                  | 20,476,863                        |
| Unappropriated Profit                               |      | <b>57,892,942</b>                  | 53,567,326                        |
|   |      | <b>86,812,325</b>                  | 83,013,940                        |
| Minority Interest                                   |      | <b>112,254</b>                     | 112,699                           |
|   |      | <b>86,924,579</b>                  | 83,126,639                        |
| Surplus on Revaluation of Assets                    | 7    | <b>24,857,895</b>                  | 21,324,568                        |
|   |      | <b>111,782,474</b>                 | 104,451,206                       |
| <b>CONTINGENCIES AND COMMITMENTS</b>                |      |                                    |                                   |
|   | 8    |                                    |                                   |

(i) The above surplus on revaluation of assets include impairment loss (net of tax) of Rs.350 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of March 31, 2009. Had the impairment loss been fully charged to profit and loss account, the 'Surplus on revaluation of assets' (net of tax) would have been higher by Rs.350 million and the unappropriated profit would have been lower by the same amount.(See note 7.1)

(ii) The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**National Bank of Pakistan and its Subsidiary Companies**  
**INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - (UN-AUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009**

|  | Three months<br>period ended<br>March 31,<br>2009 | Three months<br>period ended<br>March 31,<br>2008 |
|--|---|---|
| Note   |   |   |
| Mark-up / Return / Interest earned   | 18,843,493  | 13,595,854  |
| Mark-up / Return / Interest expensed   | 9,280,862   | 4,512,109   |
| Net mark-up / Interest income  | <u>9,562,631</u>                                  | <u>9,083,745</u>                                  |
| Provision against non-performing loans and advances                                      | 1,584,427   | 1,524,516   |
| Provision for diminution in the value of investments                                     | 129,324   | -   |
| Bad debts written off directly   | -   | -   |
|  | <u>1,713,751</u>                                  | <u>1,524,516</u>                                  |
| Net mark-up / interest income after provisions   | <u>7,848,880</u>                                  | <u>7,559,229</u>                                  |
| <b>NON MARK-UP / INTEREST INCOME</b>   |   |   |
| Fee, commission and brokerage income   | 1,763,911   | 1,635,105   |
| Dividend income  | 232,564   | 77,836  |
| Income from dealing in foreign currencies  | 1,221,883   | 1,232,706   |
| Gain on sale of securities   | 259,426   | 154,985   |
| Unrealized gain / (loss) on revaluation of<br>investments classified as held for trading | -   | 39,288  |
| Share of profit from joint ventures  | 7,717   | 39,670  |
| Share of profit from associates  | 3,991   | 8,319   |
| Other income   | 268,673   | 1,003,586   |
| Total non mark-up / interest income  | <u>3,758,165</u>                                  | <u>4,191,494</u>                                  |
|  | <u>11,607,045</u>                                 | <u>11,750,723</u>                                 |
| <b>NON MARK-UP / INTEREST EXPENSES</b>   |   |   |
| Administrative expenses  | 5,196,243   | 4,175,039   |
| Other provisions / write offs  | 2,572   | 7,436   |
| Other charges  | -   | 493,378   |
| Total non mark-up / interest expenses  | <u>5,198,815</u>                                  | <u>4,675,853</u>                                  |
|  | <u>6,408,230</u>                                  | <u>7,074,870</u>                                  |
| Extra ordinary items   | -   | -   |
| <b>PROFIT BEFORE TAXATION</b>  | <u>6,408,230</u>                                  | <u>7,074,870</u>                                  |
| Taxation - Current   | 2,816,072   | 2,497,699   |
| - Prior year(s)  | -   | -   |
| - Deferred   | (702,033)   | (52,077)  |
|  | <u>2,114,039</u>                                  | <u>2,445,622</u>                                  |
| <b>PROFIT AFTER TAXATION</b>   | <u>4,294,191</u>                                  | <u>4,629,247</u>                                  |
| Share of minority interest   | 445   | (866)   |
| <b>Profit attributable to shareholders of the holding company</b>                        | <u>4,294,636</u>                                  | <u>4,628,381</u>                                  |
| Unappropriated profit brought forward  | 53,567,323  | 46,232,813  |
| Transfer from surplus on revaluation of fixed assets                                     | 30,983  | 22,294  |
| <b>Profit available for appropriation</b>  | <u>57,892,942</u>                                 | <u>50,883,488</u>                                 |
| <b>Basic and Diluted earnings per share (Rupees)</b>                                     | <b>9</b>  | <b>5.16</b>                                       |
|  | <u>4.79</u>                                       | <u>5.16</u>                                       |

(i) The profit for the year does not include impairment loss (net of tax) of Rs. 350 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments in accordance with the treatment allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of March 31, 2009 and has been taken to 'Surplus on revaluation of assets' (net of tax) account as shown in the balance sheet. Had the impairment loss been fully charged to profit and loss account, profit after tax for the year would have been lower by Rs. 350 million and earnings per share would have been lower by Rs. 0.39 (See note 7.1)

(ii) The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan and its Subsidiary Companies**  
**INTERIM CONDENSED CASH FLOW STATEMENT - (UN-AUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009**

|   | Three months period ended    |                     |
|---|------------------------------|---------------------|
|   | March 31,<br>2009            | March 31,<br>2008   |
|   | ----- (Rupees in '000) ----- |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                              |                     |
| Profit before taxation  | 6,408,230                    | 7,074,870           |
| Less: Dividend income   | 232,564                      | 77,836              |
|   | <u>6,175,666</u>             | <u>6,997,034</u>    |
| <b>Adjustments:</b>   |                              |                     |
| Depreciation  | 255,734                      | 211,661             |
| Provision against non-performing advances   | 1,584,427                    | 1,524,516           |
| Provision for diminution in the value of investments                                  | 129,324                      | -                   |
| Unrealized gain / (loss) on revaluation of investments classified as held for trading | -                            | (39,288)            |
| Other provisions / write offs   | 2,572                        | 7,436               |
| Gain on sale of fixed assets  | (1,403)                      | (1,035)             |
| Financial charges on leased assets  | 2,742                        | 4,261               |
| Share of profit from joint ventures   | (7,717)                      | (39,670)            |
| Share of profit from associates   | (3,991)                      | (8,319)             |
|   | <u>1,961,688</u>             | <u>1,659,562</u>    |
|   | <u>8,137,354</u>             | <u>8,656,596</u>    |
| <b>(Increase) / decrease in operating assets</b>                                      |                              |                     |
| Lendings to financial institutions  | (2,386,304)                  | (2,764,677)         |
| Held-for-trading securities   | 1,001,099                    | (304,246)           |
| Advances  | 6,059,814                    | (22,666,207)        |
| Other assets  | (4,337,778)                  | (1,142,141)         |
|   | <u>336,831</u>               | <u>(26,877,271)</u> |
| <b>Increase / (decrease) in operating liabilities</b>                                 |                              |                     |
| Bills payable   | (3,908,412)                  | (1,026,511)         |
| Borrowings  | 7,645,900                    | 6,186,838           |
| Deposits and other accounts   | 15,235,479                   | (27,234,895)        |
| Other liabilities (excluding current taxation)  | (3,333,379)                  | (5,394,051)         |
|   | <u>15,639,587</u>            | <u>(27,468,619)</u> |
| Income tax paid   | (1,482,464)                  | (2,898,269)         |
| Financial charges paid  | (2,742)                      | (4,261)             |
|   | <u>(1,485,206)</u>           | <u>(2,902,530)</u>  |
| <b>Net cash flow from operating activities</b>  | <u>22,628,566</u>            | <u>(48,591,824)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                              |                     |
| Net investments in available-for-sale securities                                      | (21,050,635)                 | 20,157,499          |
| Proceeds from held-to-maturity securities   | 9,222,805                    | 1,605,201           |
| Dividend received   | 232,564                      | 77,836              |
| Investments in operating fixed assets   | (506,293)                    | (541,027)           |
| Sale proceeds of property and equipment disposed off                                  | 1,403                        | 1,035               |
| <b>Net cash used in investing activities</b>  | <u>(12,100,156)</u>          | <u>21,300,544</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                              |                     |
| Payments of lease obligations   | (5,787)                      | (4,121)             |
| Dividend paid   | -                            | -                   |
| <b>Net cash used in financing activities</b>  | <u>(5,787)</u>               | <u>(4,121)</u>      |
| Effects of exchange rate changes on cash and cash equivalents                         | (173,836)                    | 267,475             |
| <b>Net increase in cash and cash equivalents</b>                                      | <u>10,348,786</u>            | <u>(27,027,926)</u> |
| Cash and cash equivalents at beginning of the period                                  | <u>146,097,099</u>           | <u>132,337,685</u>  |
| Cash and cash equivalents at the end of the period                                    | <u>156,445,885</u>           | <u>105,309,759</u>  |

(ii) The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

Chairman & President

Director

Director

Director

National Bank of Pakistan and its Subsidiary Companies  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009**

|  | Attributable to the shareholders of the holding company |                       |                                   |                   |                 |                       |                   | Minority Interest | Total             |
|--|---|-----------------------|-----------------------------------|-------------------|-----------------|-----------------------|-------------------|-------------------|-------------------|
|  | Share capital   | Exchange equalisation | Reserves                          | Statutory reserve | General reserve | Unappropriated profit | Sub total         |                   |                   |
|  |   |                       | Reserve for issue of Bonus Shares |                   |                 |                       |                   |                   |                   |
|  | (Rupees in '000)  |                       |                                   |                   |                 |                       |                   |                   |                   |
| Balance as at January 1, 2008  | 8,154,319   | 3,879,535             | -                                 | 11,977,521        | 521,338         | 46,232,813            | 70,765,526        | 109,729           | 70,875,255        |
| Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures | -   | 308,484               | -                                 | -                 | -               | -                     | 308,484           | -                 | 308,484           |
| Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax             | -   | -                     | -                                 | -                 | -               | 22,294                | 22,294            | -                 | 22,294            |
| <b>Net income recognised directly in equity</b>  | -   | 308,484               | -                                 | -                 | -               | 22,294                | 330,778           | -                 | 330,778           |
| Profit after taxation for the three months period ended March 31, 2008                                 | -   | -                     | -                                 | -                 | -               | 4,628,381             | 4,628,381         | 866               | 4,629,247         |
| <b>Total recognised income and expense for the period</b>  | -   | 308,484               | -                                 | -                 | -               | 4,650,675             | 4,959,159         | 866               | 4,960,025         |
| Transfer to statutory reserve  | -   | -                     | -                                 | 455,794           | -               | (455,794)             | -                 | -                 | -                 |
| Issue of bonus shares (10%)  | -   | -                     | 815,432                           | -                 | -               | (815,432)             | -                 | -                 | -                 |
| Cash Dividend (Rs. 7.5 per share)  | -   | -                     | -                                 | -                 | -               | (6,115,739)           | (6,115,739)       | -                 | (6,115,739)       |
| <b>Balance as at March 31, 2008</b>  | <b>8,154,319</b>  | <b>4,188,019</b>      | <b>815,432</b>                    | <b>12,433,315</b> | <b>521,338</b>  | <b>43,496,523</b>     | <b>69,608,946</b> | <b>110,595</b>    | <b>69,719,541</b> |
| Balance as at April 1, 2008  | 8,154,319   | 4,188,019             | 815,432                           | 12,433,315        | 521,338         | 43,496,523            | 69,608,946        | 110,595           | 69,719,541        |
| Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures | -   | 2,244,126             | -                                 | -                 | -               | -                     | 2,244,126         | -                 | 2,244,126         |
| Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax             | -   | -                     | -                                 | -                 | -               | 108,162               | 108,162           | -                 | 108,162           |
| <b>Net income recognised directly in equity</b>  | -   | 2,244,126             | -                                 | -                 | -               | 108,162               | 2,352,288         | -                 | 2,352,288         |
| Profit after taxation for the nine months period ended December 31, 2008                               | -   | -                     | -                                 | -                 | -               | 11,052,703            | 11,052,703        | 2,104             | 11,054,807        |
| <b>Total recognised income and expense for the period</b>  | -   | 2,244,126             | -                                 | -                 | -               | 11,160,865            | 13,404,991        | 2,104             | 13,407,095        |
| Issue of bonus shares (10%)  | 815,432   | -                     | (815,432)                         | -                 | -               | -                     | -                 | -                 | -                 |
| Cash dividend (Rs 4 per share)   | -   | -                     | -                                 | -                 | -               | -                     | -                 | -                 | -                 |
| Transfer to statutory reserve  | -   | -                     | -                                 | 1,090,065         | -               | (1,090,065)           | -                 | -                 | -                 |
| <b>Balance as at December 31, 2008</b>   | <b>8,969,751</b>  | <b>6,432,145</b>      | <b>-</b>                          | <b>13,523,380</b> | <b>521,338</b>  | <b>53,567,323</b>     | <b>83,013,937</b> | <b>112,699</b>    | <b>83,126,636</b> |
| 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        |
| Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures | -   | (527,231)             | -                                 | -                 | -               | -                     | (527,231)         | -                 | (527,231)         |
| Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax             | -   | -                     | -                                 | -                 | -               | 30,983                | 30,983            | -                 | 30,983            |
| <b>Net income recognised directly in equity</b>  | -   | (527,231)             | -                                 | -                 | -               | 30,983                | (496,248)         | -                 | (496,248)         |
| Profit after taxation for the three months period ended March 31, 2009                                 | -   | -                     | -                                 | -                 | -               | 4,294,636             | 4,294,636         | (445)             | 4,294,191         |
| <b>Total recognised income and expense for the period</b>  | -   | (527,231)             | -                                 | -                 | -               | 4,325,619             | 3,798,388         | (445)             | 3,797,942         |
| Transfer to statutory reserve  | -   | -                     | -                                 | -                 | -               | -                     | -                 | -                 | -                 |
| <b>Balance as at March 31, 2009</b>  | <b>8,969,751</b>  | <b>5,904,914</b>      | <b>-</b>                          | <b>13,523,380</b> | <b>521,338</b>  | <b>57,892,942</b>     | <b>86,812,325</b> | <b>112,254</b>    | <b>86,924,578</b> |

(ii) The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

Chairman & President

Director

Director

Director

## **National Bank of Pakistan and its Subsidiary Companies**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009**

#### **1. THE GROUP AND ITS OPERATIONS**

##### 1.1 The "Group" Consist of:

###### Holding Company

- National Bank of Pakistan

###### Subsidiary Companies

- NBP Capital Limited
- CJSC Subsidiary Bank of NBP in Kazakhstan
- 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 1,254 (2008: 1,254) branches in Pakistan and 22 (2008: 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, JSC 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 these investments are fully provided and financial statements of these subsidiaries are not available.

## **2. STATEMENT OF COMPLIANCE**

- 2.1 These interim condensed consolidated financial statements have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.
- 2.2 The SBP 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 No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 2.3 The disclosures made in these interim condensed consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the holding company for the year ended December 31, 2008.

## **3. ACCOUNTING POLICIES**

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with as those followed in the preparation of the annual consolidated financial statements of the holding company for the year ended December 31, 2008.

## 4. INVESTMENTS

|   | March 31 2009 (Un-audited)   |                        |                    | December 31, 2008 (Audited)  |                        |                    |
|---|------------------------------|------------------------|--------------------|------------------------------|------------------------|--------------------|
|   | Held by<br>bank              | Given as<br>collateral | Total              | Held by<br>bank              | Given as<br>collateral | Total              |
|   | ----- (Rupees in '000) ----- |                        |                    | ----- (Rupees in '000) ----- |                        |                    |
| <b>4.1 Investments by type:</b>   |                              |                        |                    |                              |                        |                    |
| <b>Held-for-trading securities</b>  |                              |                        |                    |                              |                        |                    |
| Ordinary shares of listed companies   | 6,397                        | -                      | 6,397              | 7,496                        | -                      | 7,496              |
| Pakistan Investment Bonds   | -                            | -                      | -                  | -                            | -                      | -                  |
| Market Treasury Bills   | -                            | -                      | -                  | -                            | -                      | -                  |
| Ijara Sukuk Bonds   | -                            | -                      | -                  | 1,000,000                    | -                      | 1,000,000          |
| <b>Available- for- sale securities</b>  |                              |                        |                    |                              |                        |                    |
| Ordinary shares of listed companies   | 3,287,132                    | -                      | 3,287,132          | 3,673,105                    | -                      | 3,673,105          |
| Ordinary shares of unlisted companies   | 1,082,404                    | -                      | 1,082,404          | 716,610                      | -                      | 716,610            |
|   | 4,369,536                    | -                      | 4,369,536          | 4,389,715                    | -                      | 4,389,715          |
| Market Treasury Bills   | 67,839,036                   | 29,032,273             | 96,871,309         | 64,523,811                   | 23,990,054             | 88,513,865         |
| Preference shares   | 297,500                      | -                      | 297,500            | 297,500                      | -                      | 297,500            |
| Pakistan Investment Bonds   | 4,905,705                    | 477,523                | 5,383,228          | 4,306,820                    | 66,987                 | 4,373,807          |
| Federal Investment Bonds  | 940,000                      | -                      | 940,000            | 940,000                      | -                      | 940,000            |
| GoP Foreign Currency Bonds  | 2,079,685                    | -                      | 2,079,685          | 1,212,348                    | -                      | 1,212,348          |
| Debentures, Bonds, Participation Term<br>Certificates and Term Finance Certificates | 28,382,434                   | -                      | 28,382,434         | 17,876,117                   | -                      | 17,876,117         |
| Mutual funds  | 1,045,810                    | -                      | 1,045,810          | 1,082,700                    | -                      | 1,082,700          |
| Foreign Government Securities   | 2,024,488                    | -                      | 2,024,488          | 1,657,303                    | -                      | 1,657,303          |
| Investment outside Pakistan - note 4.2  | 463,295                      | -                      | 463,295            | 463,295                      | -                      | 463,295            |
| NIT Market Opportunity Fund   | 1,800,000                    | -                      | 1,800,000          | 1,800,000                    | -                      | 1,800,000          |
| National Investment Trust (NIT) Units - note 4.3                                    | 7,643,084                    | -                      | 7,643,084          | 7,643,084                    | -                      | 7,643,084          |
| <b>Total Available- for- sale securities</b>  | <b>121,790,573</b>           | <b>29,509,796</b>      | <b>151,300,369</b> | <b>106,192,693</b>           | <b>24,057,041</b>      | <b>130,249,734</b> |
| <b>Held-to-maturity securities</b>  |                              |                        |                    |                              |                        |                    |
| Government Compensation Bonds   | 1,945,186                    | -                      | 1,945,186          | 2,331,182                    | -                      | 2,331,182          |
| Provincial Government Securities  | -                            | -                      | -                  | -                            | -                      | -                  |
| Pakistan Investment Bonds   | 9,571,587                    | -                      | 9,571,587          | 9,515,583                    | -                      | 9,515,583          |
| Market Treasury Bills   | -                            | -                      | -                  | -                            | -                      | -                  |
| GoP Foreign Currency Bonds  | 8,045,309                    | -                      | 8,045,309          | 15,623,010                   | -                      | 15,623,010         |
| Foreign Government Securities   | 1,743,406                    | -                      | 1,743,406          | 3,959,627                    | -                      | 3,959,627          |
| Debentures, Bonds, Participation Term<br>Certificates and Term Finance Certificates | 2,812,594                    | -                      | 2,812,594          | 1,911,484                    | -                      | 1,911,484          |
| Certificates of Investment  | -                            | -                      | -                  | -                            | -                      | -                  |
| <b>Total Held-to-maturity securities</b>  | <b>24,118,081</b>            | <b>-</b>               | <b>24,118,081</b>  | <b>33,340,886</b>            | <b>-</b>               | <b>33,340,886</b>  |
| <b>Investments in associates</b>  | <b>1,145,525</b>             | <b>-</b>               | <b>1,145,525</b>   | <b>1,139,777</b>             | <b>-</b>               | <b>1,139,777</b>   |
| <b>Investments in joint ventures</b>  | <b>2,105,732</b>             | <b>-</b>               | <b>2,105,732</b>   | <b>2,451,411</b>             | <b>-</b>               | <b>2,451,411</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>149,169,554</b>           | <b>29,509,796</b>      | <b>178,679,350</b> | <b>144,135,508</b>           | <b>24,057,041</b>      | <b>168,192,549</b> |
| <b>Less: Provision for diminution in<br/>value of Investments</b>                   | <b>(1,668,863)</b>           | <b>-</b>               | <b>(1,668,863)</b> | <b>(1,542,273)</b>           | <b>-</b>               | <b>(1,542,273)</b> |
| <b>Investments (net of provisions)</b>  | <b>147,500,691</b>           | <b>29,509,796</b>      | <b>177,010,487</b> | <b>142,593,235</b>           | <b>24,057,041</b>      | <b>166,650,276</b> |
| Deficit on revaluation of<br>Held-for-trading securities                            | -                            | -                      | -                  | 1,707                        | -                      | 1,707              |
| Surplus on revaluation of<br>Available-for-sale securities                          | 8,795,631                    | 90,997                 | 8,886,628          | 4,587,441                    | (34,535)               | 4,552,906          |
| <b>Total investments at market value</b>  | <b>156,296,322</b>           | <b>29,600,793</b>      | <b>185,897,115</b> | <b>147,182,383</b>           | <b>24,022,506</b>      | <b>171,204,889</b> |

|  | Note | March 31,<br>2009<br>(Un-audited) | December 31,<br>2008<br>(Audited) |
|--|------|-----------------------------------|-----------------------------------|
| ----- (Rupees in '000) -----   |      |                                   |                                   |
| <b>5. ADVANCES</b>   |      |                                   |                                   |
| Loans, cash credits, running finances, etc.                          |      |                                   |                                   |
| In Pakistan  |      | 380,766,202                       | 389,450,214                       |
| Outside Pakistan   |      | 45,665,116                        | 45,292,545                        |
|  |      | <b>426,431,318</b>                | 434,742,758                       |
| Net investment in finance lease                                      |      |                                   |                                   |
| In Pakistan  |      | 386,213                           | 467,392                           |
| Outside Pakistan   |      | -                                 | -                                 |
|  |      | <b>386,213</b>                    | 467,392                           |
| Bills discounted and purchased (excluding Government treasury bills) |      |                                   |                                   |
| Payable in Pakistan  |      | 2,664,439                         | 2,973,812                         |
| Payable outside Pakistan   |      | 22,125,662                        | 19,518,940                        |
|  |      | <b>24,790,101</b>                 | 22,492,752                        |
| Margin Financing   |      | <b>202,762</b>                    | 255,453                           |
| Advances - gross   |      | <b>451,810,394</b>                | 457,958,355                       |
| Less: Provision against non-performing loans                         |      |                                   |                                   |
| Specific   | 5.1  | (44,236,734)                      | (42,770,749)                      |
| General  |      | (2,141,513)                       | (2,111,217)                       |
|  |      | <b>(46,378,247)</b>               | (44,881,966)                      |
| Advances - net of provision  |      | <b>405,432,147</b>                | 413,076,389                       |

5.1 Advances include Rs.61,428 million (2008: Rs.56,462 million) which have been placed under the non-performing status as detailed below:

| Category of Classification        | Domestic          | Overseas       | Total             | Provision<br>Required | Provision<br>Held |
|-----------------------------------|-------------------|----------------|-------------------|-----------------------|-------------------|
| ----- (Rupees in '000) -----      |                   |                |                   |                       |                   |
| Other Assets Especially Mentioned | 2,402,636         | -              | 2,402,636         | -                     | -                 |
| Substandard                       | 6,766,934         | 60,881         | 7,302,748         | 1,721,455             | 1,780,377         |
| Doubtful                          | 10,846,680        | 29,175         | 11,076,500        | 5,410,292             | 5,340,964         |
| Loss                              | 40,500,093        | 821,980        | 40,646,495        | 37,104,987            | 37,115,393        |
|                                   | <b>60,516,343</b> | <b>912,036</b> | <b>61,428,379</b> | <b>44,236,734</b>     | <b>44,236,734</b> |

|                                       | March 31,<br>2009<br>(Un-audited) | December 31,<br>2008<br>(Audited) |
|---------------------------------------|-----------------------------------|-----------------------------------|
| ----- (Rupees in '000) -----          |                                   |                                   |
| <b>6. DEPOSITS AND OTHER ACCOUNTS</b> |                                   |                                   |
| <b>Customers</b>                      |                                   |                                   |
| Fixed deposits                        | 161,347,167                       | 142,315,907                       |
| Savings deposits                      | 183,227,405                       | 179,807,686                       |
| Current accounts - remunerative       | 52,011,021                        | 50,740,004                        |
| Current accounts - non-remunerative   | 140,282,055                       | 143,412,718                       |
|                                       | <b>536,867,648</b>                | 516,276,316                       |
| <b>Financial Institutions</b>         |                                   |                                   |
| Remunerative deposits                 | 48,409,968                        | 38,438,503                        |
| Non-remunerative deposits             | 55,307,132                        | 70,634,451                        |
|                                       | <b>103,717,100</b>                | 109,072,954                       |
|                                       | <b>640,584,748</b>                | 625,349,270                       |



**7. SURPLUS ON REVALUATION OF ASSETS**

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Surplus on revaluation of fixed assets - net of tax</b> | <b>17,645,246</b> | 17,677,429        |
| <b>Surplus on revaluation of securities - net of tax</b>   |                   |                   |
| Federal Government securities                              | 13,116            | (872,274)         |
| Term Finance Certificates                                  | (140,266)         | (84,886)          |
| Quoted shares and mutual funds                             | (57,600)          | (491,588)         |
| Overseas GoP Bonds   | (624,008)         | (679,108)         |
| NIT Units  | 4,068,555         | 2,386,570         |
| NIT Market Opportunity Fund                                | (199,579)         | (796,196)         |
| Investment outside Pakistan - Bank Al-Jazira               | 5,829,718         | 5,090,388         |
| Others   | (3,308)           | -                 |
|  | <b>8,886,628</b>  | 4,552,906         |
| Deferred tax liability                                     | (1,663,885)       | (895,673)         |
| Share of revaluation loss on securities of associates      | (10,094)          | (10,094)          |
|  | <b>24,857,895</b> | <b>21,324,568</b> |

**7.1**

As of the balance sheet date, the impairment loss on listed equity securities and mutual fund investments held under 'Available-for-sale' category amounts to Rs. 912 million. In view of the SBP directive vide its BSD Circular No. 4 dated February 13, 2009 and management estimates regarding price recovery in equity market, the impairment loss to the extent of Rs. 394 million was recognised in the profit and loss account for the year ended December 31, 2008 and out of the balance of Rs. 518 million (net of tax of Rs. 466 million), the impairment loss to the extent of Rs. 129 million has been recognised in the profit and loss account for the current quarter and balance of Rs. 389 million (net of tax of Rs. 350 million) is held under 'Surplus on revaluation of assets' account which shall be taken to the profit and loss account in the remaining months of the year 2009 as per the requirement of SBP directive.

**8. CONTINGENCIES AND COMMITMENTS****8.1 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>March 31,<br/>2009<br/>(Un-audited)</b> | December 31,<br>2008<br>(Audited) |
|--------------------------|--|-----------------------------------|
|                          | ----- (Rupees in '000) -----               |                                   |
| - Government             | 18,014,047                                 | 15,444,979                        |
| - Financial institutions | 6,850,499                                  | 5,873,517                         |
| - Others                 | 13,719,053                                 | 11,762,514                        |
|                          | <b>38,583,599</b>                          | 33,081,010                        |

**8.2 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             | 18,371,433        | 18,660,550 |
| - Financial institutions | 4,982             | 5,060      |
| - Others                 | 7,781,873         | 7,904,339  |
|                          | <b>26,158,288</b> | 26,569,949 |

**8.3 Trade-related contingent liabilities**

Letters of credit  
Issued in favour of

|                          |                    |             |
|--------------------------|--------------------|-------------|
| - Government             | 141,202,913        | 133,467,937 |
| - Financial institutions | 1,065,705          | 1,007,327   |
| - Others                 | 38,395,975         | 36,292,676  |
|                          | <b>180,664,593</b> | 170,767,940 |

**8.4 Other contingencies****8.4.1** Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.170 million (2008: Rs.172 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2008: Rs.965 million)].

|  |                   |            |
|--|-------------------|------------|
|  | <b>11,442,569</b> | 11,442,569 |
|--|-------------------|------------|

#### 8.4.2 Taxation

The income tax assessments of the bank for global operations and for Azad Kashmir have been finalized upto and including the Tax year 2008 (accounting year ended December 31, 2007). Appeals filed by the bank and tax department for certain assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

During 2008, the orders for the assessment years 1997-98, 1998-99 and 1999-2000 were given appeal effects in respect of interest in suspense account amounting to Rs.1,880 million the tax impact of which was Rs.1,090 million. Further, the assessments for Tax Years 2006, 2007 and 2008 were amended by the Taxation Authorities disallowing allocation of expenses relating to exempt income, provision against bad and doubtful debts, charge against medical and compensated absences and revaluation of barter balances, the tax impact of which amounts to Rs.5,471 million.

During the year, favourable recommendations by ADRC have been received, in respect of taxability of interest credited to suspense account, cost incurred in respect of employees' special separation scheme, allocation of expenses relating to exempt income, claim of Benevolent Fund and revaluation loss of barter trade agreements.

The aggregate financial effects of all matters in appeals against which tax provisions has not created in the books works out at Rs.14,024 million (December 31, 2008: Rs.14,024 million). No provision there against has been considered necessary by the Bank as the management, based on the opinion of tax lawyers and consultants, expects favorable outcome of the above matters.

|   | Mar 31<br>2009<br>(Un-audited)                 | Dec 31<br>2008<br>(Audited)                    |
|---|--|--|
|   | ----- (Rupees in '000) -----                   |  |
| <b>8.5 Commitments in respect of forward exchange contracts</b>                 |  |  |
| Purchase  | 69,351,212                                     | 69,361,297                                     |
| Sale  | 60,642,384                                     | 55,563,737                                     |
| <b>8.6 Commitments for the acquisition of operating fixed assets</b>            | <b>387,441</b>                                 | 490,396  |
| <b>8.7 Other commitments</b>  |  |  |
| - Cross currency swaps  | 7,693,403                                      | 8,082,780                                      |
| <b>8.8 Commitments for purchase of NIT Market Opportunity Fund units</b>        | <b>200,000</b>                                 | 200,000  |
| <b>8.9 Commitments for investment in NIT State Enterprise Fund</b>              | <b>7,000,000</b>                               | 7,000,000                                      |
| <br><b>9. BASIC AND DILUTED EARNINGS PER SHARE</b>                              |  |  |
|   | <b>Quarter<br/>Ended<br/>March 31<br/>2009</b> | <b>Quarter<br/>Ended<br/>March 31<br/>2008</b> |
| Profit attributable to the shareholders of the holding company (Rupees in '000) | <u>4,294,636</u>                               | <u>4,628,381</u>                               |
| Weighted average number of ordinary shares (Number '000)                        | <u>896,975</u>                                 | <u>896,975</u>                                 |
| Basic and diluted earnings per share (Rupees)                                   | <u>4.79</u>                                    | <u>5.16</u>                                    |

#### 10. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

|                       | Corporate<br>Finance       | Trading &<br>Sales | Retail<br>Banking | Commercial<br>Banking | Payment &<br>Settlement | Agency<br>Services | Assets<br>Management | Retail<br>Brokerage | Total            |
|-----------------------|----------------------------|--------------------|-------------------|-----------------------|-------------------------|--------------------|----------------------|---------------------|------------------|
|                       | ----- Rupees in '000 ----- |                    |                   |                       |                         |                    |                      |                     |                  |
| <b>March 31, 2009</b> |                            |                    |                   |                       |                         |                    |                      |                     |                  |
| Total income          | 75,529                     | 4,299,393          | 3,235,500         | 4,555,731             | 334,114                 | 796,731            | 6,927                | 16,870              | 13,320,796       |
| Total expenses        | 148                        | 341,326            | 2,755,292         | 2,771,147             | 232,434                 | 792,608            | 2,479                | 17,133              | 6,912,566        |
| Net income            | <u>75,381</u>              | <u>3,958,068</u>   | <u>480,208</u>    | <u>1,784,584</u>      | <u>101,680</u>          | <u>4,123</u>       | <u>4,449</u>         | <u>(262)</u>        | <u>6,408,230</u> |
| <b>March 31, 2008</b> |                            |                    |                   |                       |                         |                    |                      |                     |                  |
| Total income          | 68,503                     | 3,708,625          | 4,011,147         | 4,526,954             | 297,560                 | 631,230            | 3,928                | 27,292              | 13,275,239       |
| Total expenses        | 344                        | 170,283            | 2,385,711         | 2,724,477             | 176,693                 | 718,401            | 2,230                | 22,230              | 6,200,369        |
| Net income            | <u>68,159</u>              | <u>3,538,342</u>   | <u>1,625,436</u>  | <u>1,802,477</u>      | <u>120,867</u>          | <u>(87,171)</u>    | <u>1,698</u>         | <u>5,062</u>        | <u>7,074,870</u> |

## 11. RELATED PARTY TRANSACTIONS

The group has related party relationship with its associated undertakings, joint ventures, employee benefit plans, and its key management personnel (including their associates).

Transactions between the group 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:

|   | <b>For the Three months period ended<br/>March 31, 2009 (Un-audited)</b> |                           | <b>For the Year Ended December 31, 2008<br/>(Audited)</b>                    |  |
|---|--|---------------------------|--|--|
|   | <b>Key<br/>Management<br/>Executives</b>                                 | <b>Associates</b>         | <b>Key<br/>Management<br/>Executives</b>                                     | <b>Associates</b>  |
| ----- (Rupees in '000) -----              |  |                           |  |  |
| <b>Advances</b>                           |  |                           |  |  |
| At January 01                             | 95,931   | 1,269,499                 | 89,102   | 1,515,120  |
| Given during the period / year            | 3,582  | 4,558                     | 6,829  | -  |
| Repaid during the period / year           | -  | -                         | -  | (245,621)  |
| At June 30 / Dec 31                       | <u>99,513</u>  | <u>1,274,057</u>          | <u>95,931</u>  | <u>1,269,499</u>   |
|   |  |                           |  |  |
|   | <b>For the Three months period ended<br/>March 31, 2009 (Un-audited)</b> |                           | <b>For the Year Ended December 31, 2008<br/>(Audited)</b>                    |  |
|   | <b>Pension<br/>Fund</b>  | <b>Provident<br/>Fund</b> | <b>Pension<br/>Fund</b>  | <b>Provident<br/>Fund</b>  |
| <b>Deposits</b>                           |  |                           |  |  |
| At January 01                             | 3,940,161  | 8,507,300                 | 2,088,976  | 8,078,395  |
| Received during the period / year         | 916,317  | 143,404                   | 12,055,094   | 1,351,602  |
| Repaid during the period / year           | (3,794,093)  | (322,103)                 | (10,203,909)   | (922,697)  |
| At June 30 / Dec 31                       | <u>1,062,385</u>   | <u>8,328,601</u>          | <u>3,940,161</u>   | <u>8,507,300</u>   |
|   |  |                           |  |  |
|   |  |                           | <b>March 31,<br/>2009<br/>(Un-audited)</b>                                   | <b>December 31,<br/>2008<br/>(Audited)</b>                                   |
|   |  |                           | ----- (Rupees in '000) -----   |  |
| <b>Placements with:</b>                   |  |                           |  |  |
| Joint venture                             |  |                           | <b>421,119</b>   | 420,535  |
| Investments with Associates               |  |                           | <b>25,881</b>  | 25,881   |
| Pension Fund                              |  |                           | <b>2,900,000</b>   | 2,900,000  |
| <b>Lendings to:</b>                       |  |                           |  |  |
| Subsidiary company                        |  |                           | -  | 113,983  |
|   |  |                           |  |  |
|   |  |                           | <b>Three months<br/>period ended<br/>March 31,<br/>2009<br/>(Un-audited)</b> | <b>Three months<br/>period ended<br/>March 31,<br/>2008<br/>(Un-audited)</b> |
|   |  |                           | ----- (Rupees in '000) -----   |  |
| <b>Income for the period / year</b>       |  |                           |  |  |
| On advances/placements with:              |  |                           |  |  |
| Joint venture                             |  |                           | <u>671</u>   | 5,790  |
| <b>Expenses for the period / year</b>     |  |                           |  |  |
| Remuneration to key management executives |  |                           | <b>101,405</b>   | 19,527   |
| Charge for defined benefit plan           |  |                           | <b>2,396</b>   | 1,400  |
| Mark-up on deposits of:                   |  |                           |  |  |
| Provident fund                            |  |                           | <b>250,969</b>   | 172,744  |

11.1 Although the Federal Government and the SBP held about 75.48% shares of the bank (2008: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

## 12. ISLAMIC BANKING BUSINESS

The bank is operating 5 (December 31, 2008: 5) Islamic banking branch as at March 31, 2009. The balance sheet and profit and loss account is as under:

|  | March 31,<br>2009<br>(Un-audited) | December 31,<br>2008<br>(Audited) |
|--|-----------------------------------|-----------------------------------|
|  | ----- (Rupees in '000) -----      |                                   |
| <b><u>Balance Sheet</u></b>                        |                                   |                                   |
| <b>ASSETS</b>                                      |                                   |                                   |
| Cash and balances with treasury banks              | 20,368                            | 10,159                            |
| Investments  | 421,484                           | 509,642                           |
| Financing and Receivables                          | 318,053                           | 321,650                           |
| Fixed Assets                                       | 4,142                             | 1,050                             |
| Other assets                                       | 34,656                            | 45,579                            |
| <b>Total Assets</b>                                | <b>798,703</b>                    | <b>888,080</b>                    |
| <b>LIABILITIES</b>                                 |                                   |                                   |
| Bills payable                                      | 9,417                             | 5,993                             |
| Deposits and other accounts                        | 98,068                            | 47,186                            |
| Due to Head Office                                 | 420,715                           | 508,591                           |
| Other liabilities                                  | 39,440                            | 19,577                            |
|  | <b>567,640</b>                    | <b>581,347</b>                    |
| <b>NET ASSETS</b>                                  | <b>231,063</b>                    | <b>306,733</b>                    |
| <b>REPRESENTED BY</b>                              |                                   |                                   |
| Islamic Banking Fund                               | 300,000                           | 300,000                           |
| Un remitted (loss) / profit                        | (960)                             | 5,552                             |
|  | <b>299,040</b>                    | <b>305,552</b>                    |
| Surplus on Revaluation of Assets                   | (67,977)                          | 1,181                             |
|  | <b>231,063</b>                    | <b>306,733</b>                    |
|  | March 31,<br>2009<br>(Un-audited) | March 31,<br>2008<br>(Un-audited) |
|  | ----- (Rupees in '000) -----      |                                   |
| <b><u>Profit and Loss Account</u></b>              |                                   |                                   |
| Profit / return on financing and placements earned | 42,293                            | 19,673                            |
| Profit / return on deposit and other dues expensed | 18,909                            | 6,259                             |
| Net spread earned                                  | 23,384                            | 13,414                            |
| <b>OTHER INCOME</b>                                |                                   |                                   |
| Fee, commission and brokerage income               | 235                               | 210                               |
| Income from dealing in foreign currencies          | -                                 | -                                 |
| Other income                                       | 28                                | -                                 |
| Total other income                                 | 263                               | 210                               |
| <b>OTHER EXPENSES</b>                              |                                   |                                   |
| Administrative expenses                            | 24,407                            | 15,636                            |
| Other charges                                      | 200                               | -                                 |
| Total other expenses                               | 24,607                            | 15,636                            |
| <b>PROFIT BEFORE TAXATION</b>                      | <b>(960)</b>                      | <b>(2,012)</b>                    |

**13. DATE OF AUTHORIZATION FOR ISSUE**

The interim condensed financial statements were authorized for issue on April 29, 2009 by the Board of Directors of the Bank.

**14. GENERAL**

**14.1** Corresponding information has been re-classified or re-arranged in these interim condensed financial statements, wherever necessary, to conform with changes in presentation in the current period.

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

---

**Chairman & President**

---

**Director**

---

**Director**

---

**Director**