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# **National Bank of Pakistan**

**Standalone Financial Statements**

**For the Year ended March 31, 2011**

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## Directors' Report

It gives me pleasure to present on behalf of the Board of Directors the accounts for the three months period ended March 31, 2011. The Profit for the three months period ended March 31,2011 after carry over of accumulated profit of 2010 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the quarter ended 31-Mar-11	6,353
Taxation	
-Current year	2,299
-Deferred	(167)
	2,133
After tax profit	4,220
Un-appropriated profit brought forward	65,857
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	28
Profit available for appropriation	70,106
<b><u>Appropriations</u></b>	
Transfer to Statutory Reserve (10% of after tax profit)	(422)
Cash Dividend (Rs. 7.5 per share)	(10,091)
Reserve for issue of bonus shares	(3,364)
	(13,877)
Un-appropriated profit carried forward	56,229

Pakistan's economy is still showing signs of weakness with high inflation, low tax to GDP ratio, energy shortage, rising fuel prices and low business activity are all adding pressure on business performance.

Pre tax profit for the first quarter 2011 is Rs. 6,353 million which is marginally higher than corresponding period last year. Earning per share stands at Rs. 3.14 almost at the same level as the corresponding period last year. Pre tax return on equity stands at 25.4% whereas pre tax return on assets is at 2.5%.

Bank's net interest income increased by Rs. 894 million or 8.9% from corresponding period last year. Non interest markup income decreased by Rs. 343 million or 8.6% compared to corresponding period last year mainly because of lower capital gains on account of settlement of some NIT Units in 2010. Commission income remained stagnant due to downward revision in commission on government transaction. Administrative Expenses increased in line with inflation and salary increases.

Deposits register a decline of Rs. 73.1 billion from year end December 2010 mainly due to shedding off expensive deposits. Compared to March 2010, increase in deposit is Rs.45 billion. Advances increased by Rs. 7.0 billion compared to year end December 2010 mainly in corporate and agriculture sector. NBP will

continue to focus on increasing low cost deposits, improvement in the quality of assets and to further diversify its products and markets to further improve its various income streams.

Lastly we extend our gratitude to the bank's staff for their dedication, hard work and sincerity in achieving these results. We would like to express our appreciation to our stakeholders, regulators and our valued customers for their support and sustained level of trust in NBP.

On behalf of Board of Directors

Qamar Hussain  
President  
Date: April 26, 2011

**National Bank of Pakistan**  
**Condensed Interim Statement of Financial Position**  
**As at March 31, 2011**

		(Un-Audited) March 31 2011	(Audited) December 31 2010
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash & balances with Treasury Banks		111,863,187	115,442,360
Balances with Other Banks		22,237,036	30,389,664
Lendings to Financial Institutions		5,588,765	23,025,156
Investments - net	6	270,490,544	301,323,804
Advances - net	7	484,545,988	477,506,564
Operating Fixed Assets - net		27,353,035	26,888,226
Deferred Tax Assets - net	8	7,004,667	6,952,666
Other Assets		64,701,291	53,496,240
		<b>993,784,513</b>	1,035,024,680
<b>LIABILITIES</b>			
Bills Payable		8,543,277	8,006,631
Borrowings		50,857,244	20,103,591
Deposits & Other Accounts	9	758,995,303	832,151,888
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		111,843	106,704
Deferred Tax Liabilities		-	-
Other Liabilities		52,750,194	46,160,038
		<b>871,257,861</b>	906,528,852
<b>NET ASSETS</b>			
		<b>122,526,652</b>	128,495,828
<b>REPRESENTED BY</b>			
Share Capital		13,454,628	13,454,628
Reserves		28,269,208	24,450,244
Unappropriated Profit		56,228,928	65,857,438
		<b>97,952,764</b>	103,762,310
Surplus on revaluation of assets	10	24,573,888	24,733,518
		<b>122,526,652</b>	128,495,828
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.

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Chairman

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President

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Director

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Director

**National Bank of Pakistan**  
**Condensed Interim Profit & Loss Account - (Un-Audited)**  
**For the Three Months Ended March 31, 2011**

	Quarter Ended March 31 2011	Quarter Ended March 31 2010
Note	----- (Rupees in '000') -----	
Mark-up / Return / Interest Earned	23,170,457	21,036,290
Mark-up / Return / Interest Expensed	<u>12,224,878</u>	<u>10,984,427</u>
Net mark-up / Interest Income	<u>10,945,579</u>	<u>10,051,863</u>
Provision against Non-Performing Loans & Advances	<u>1,389,285</u>	<u>1,942,426</u>
Provision for Diminution in Value of Investments	<u>281,279</u>	<u>(3,272)</u>
	<u>1,670,564</u>	<u>1,939,154</u>
Net Mark-up / Interest Income after Provisions	<u>9,275,015</u>	<u>8,112,709</u>
<b>NON MARK-UP/ INTEREST INCOME</b>		
Fee, Commission & Brokerage Income	<u>2,219,848</u>	<u>2,238,829</u>
Dividend Income	<u>383,373</u>	<u>285,467</u>
Income from Dealing in Foreign Currencies	<u>631,907</u>	<u>657,917</u>
Gain on Sale of Securities	<u>436,865</u>	<u>789,119</u>
Unrealized Gain / (Loss) on Revaluation of Investments classified as Held-for-Trading	<u>(46,347)</u>	<u>(6,028)</u>
Other Income	<u>31,687</u>	<u>35,171</u>
Total Non-Mark-up / Interest Income	<u>3,657,333</u>	<u>4,000,475</u>
	<u>12,932,348</u>	<u>12,113,184</u>
<b>NON MARK-UP/ INTEREST EXPENSES</b>		
Administrative Expenses	<u>6,565,181</u>	<u>5,776,434</u>
Other Provisions / Write Offs	<u>5,074</u>	<u>15,617</u>
Other Charges	<u>9,407</u>	<u>17,554</u>
Total Non-Mark-up / Interest Expenses	<u>6,579,662</u>	<u>5,809,605</u>
	<u>6,352,686</u>	<u>6,303,579</u>
Extra Ordinary Items	-	-
<b>PROFIT BEFORE TAXATION</b>	<u>6,352,686</u>	<u>6,303,579</u>
Taxation - Current	<u>2,299,447</u>	<u>2,430,898</u>
- Prior Year(s)	-	-
- Deferred	<u>(166,935)</u>	<u>(343,086)</u>
	<u>2,132,512</u>	<u>2,087,812</u>
<b>PROFIT AFTER TAXATION</b>	<u>4,220,174</u>	<u>4,215,767</u>
	-----Rupees-----	
<b>Basic &amp; Diluted Earnings per Share</b>	12	3.14
		<u>3.13</u>

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.

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Chairman

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President

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Director

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Director

**National Bank of Pakistan**  
**Condensed Interim Statement of Changes in Equity - (Un-Audited)**  
**For the Three Months Ended March 31, 2011**

	Share capital	Reserves			Revenue General	Unappropriated profit	Total
		Exchange Translation	Capital Reserve for issue of Bonus shares	Statutory			
----- (Rupees in '000) -----							
Balance as at January 1, 2010	10,763,702	6,906,851	-	15,253,518	521,338	60,696,510	94,141,919
Total Comprehensive Income for the Three Months period ended March 31, 2010	-	(93,954)	-	-	-	4,215,767	4,121,813
Transferred from Surplus on Revaluation Fixed Assets	-	-	-	-	-	29,434	29,434
Transfer to Statutory Reserve	-	-	-	421,577	-	(421,577)	-
<b>Transactions with Owners</b>							
Issue of Bonus Shares (25%)	-	-	2,690,926	-	-	(2,690,926)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(8,072,777)	(8,072,777)
<b>Balance as at March 31, 2010</b>	<b>10,763,702</b>	<b>6,812,897</b>	<b>2,690,926</b>	<b>15,675,095</b>	<b>521,338</b>	<b>53,756,431</b>	<b>90,220,389</b>
Balance as at April 1, 2010	10,763,702	6,812,897	2,690,926	15,675,095	521,338	53,756,431	90,220,389
Total comprehensive income for the Nine Months period ended December 31, 2010		106,170				13,347,447	13,453,617
Transferred from Surplus on Revaluation Fixed Assets						88,304	88,304
Transfer to Statutory Reserve				1,334,745		(1,334,745)	-
<b>Transactions with Owners</b>							
Issue of Bonus Shares (25%)	2,690,926		(2,690,926)			-	-
<b>Balance as at December 31, 2010</b>	<b>13,454,628</b>	<b>6,919,067</b>	<b>-</b>	<b>17,009,839</b>	<b>521,338</b>	<b>65,857,438</b>	<b>103,762,310</b>
Balance as at January 1, 2011	13,454,628	6,919,067	-	17,009,839	521,338	65,857,438	103,762,310
Total Comprehensive Income for the Three Months period ended March 31, 2011		33,289				4,220,174	4,253,463
Transferred from Surplus on Revaluation Fixed Assets						27,962	27,962
Transfer to Statutory Reserve				422,017		(422,017)	-
<b>Transactions with Owners</b>							
Issue of Bonus Shares (25%)			3,363,657			(3,363,657)	-
Cash dividend (Rs. 7.5 per share)						(10,090,971)	(10,090,971)
<b>Balance as at March 31, 2011</b>	<b>13,454,628</b>	<b>6,952,356</b>	<b>3,363,657</b>	<b>17,431,857</b>	<b>521,338</b>	<b>56,228,928</b>	<b>97,952,764</b>

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.

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Chairman

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President

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Director

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Director

**National Bank of Pakistan**  
**Condensed Interim Statement of Comprehensive Income**  
**For the Three Months Ended March 31, 2011**

	<b>Quarter Ended March 31 2011</b>	<b>Quarter Ended March 31 2010</b>
	----- (Rupees in '000') -----	
<b>Profit after taxation for the year</b>	4,220,174	4,215,767
<b>Other comprehensive income:</b>		
Exchange adjustments on translation of net assets of foreign branches	33,289	(93,954)
<b>Total Comprehensive Income for the Three Months</b>	<u>4,253,463</u>	<u>4,121,813</u>

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

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.

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**Chairman**

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**President**

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**Director**

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**Director**

**National Bank of Pakistan**  
**Condensed Interim Cash Flow Statement - (Un-Audited)**  
**For the Three Months Ended March 31, 2011**

	March 31 2011	March 31 2010
	----- (Rupees in '000') -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation	6,352,686	6,303,579
Less: Dividend Income	383,373	285,467
	<u>5,969,313</u>	<u>6,018,112</u>
<b>Adjustments</b>		
Depreciation	286,562	250,651
Provision against Non-Performing Loans & Advances	1,389,285	1,942,426
Provision for Diminution in Value of Investments	281,279	(3,272)
Other Provision / Write Off	5,074	15,617
Gain on Sale of Fixed Assets	(423)	(7,848)
Financial Charges on Leased Assets	4,559	2,951
	<u>1,966,336</u>	<u>2,200,525</u>
	7,935,649	8,218,637
<b>(Increase) / Decrease in Operating Assets</b>		
Lendings to Financial Institutions	17,436,391	4,820,252
Held-for-Trading Securities	1,524,990	(7,756,907)
Advances	(8,428,709)	16,103,796
Other Assets	(10,892,528)	(4,657,071)
	<u>(359,856)</u>	<u>8,510,070</u>
<b>Increase / (Decrease) in Operating Liabilities</b>		
Bills Payable	536,646	(4,116,732)
Borrowings	30,658,924	(12,180,412)
Deposits & Other Accounts	(73,156,585)	(12,625,120)
Other Liabilities (excluding Current Taxation)	(3,505,800)	(4,276,098)
	<u>(45,466,815)</u>	<u>(33,198,362)</u>
Income Tax Paid	(2,550,000)	(723,324)
Financial Charges Paid	(4,559)	(2,951)
	<u>(2,554,559)</u>	<u>(726,275)</u>
<b>Net Cash Flow from Operating Activities</b>	<u>(40,445,581)</u>	<u>(17,195,930)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investments in Available-for-Sale Securities	27,851,434	(35,863,078)
Proceeds from Held-to-Maturity Securities	1,212,307	6,073,037
Investments In Associates & Subsidiaries	(98,282)	(328,853)
Dividend Received	383,373	285,467
Investments in Operating Fixed Assets	(751,371)	(540,032)
Sale Proceeds of Operating Fixed Assets Disposed Off	423	7,848
<b>Net Cash Used in Investing Activities</b>	<u>28,597,884</u>	<u>(30,365,611)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of Lease Obligations	(12,122)	(5,131)
<b>Net Cash used in Financing Activities</b>	<u>(12,122)</u>	<u>(5,131)</u>
Effects Of Exchange Rate Changes On Cash And Cash Equivalents	33,289	(93,954)
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<u>(11,826,530)</u>	<u>(47,660,626)</u>
Cash & Cash Equivalents at Beginning of the period	145,294,950	144,169,195
Cash & Cash Equivalents at the End of the period	<u>133,468,420</u>	<u>96,508,569</u>

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.

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Chairman

\_\_\_\_\_  
President

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Director

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Director

**National Bank of Pakistan**  
**Notes To The Interim Condensed Financial Statements (Un-Audited)**  
**For the Three Months Ended March 31, 2011**

**1. STATUS AND NATURE OF BUSINESS**

1.1 National Bank of Pakistan (the bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,266 (2010: 1,266) branches in Pakistan and 23 (2010: 23) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

**2. STATEMENT OF COMPLIANCE**

2.1 These interim condensed unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

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

2.3 The disclosures made in these 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, 2010.

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

**3. ACCOUNTING POLICIES**

The accounting policies adopted in preparation of these 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, 2010.

**4. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The estimates/judgments and associated assumptions used in the preparation of these interim condensed financial statements are consistent with those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2010.

**5. FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the bank for the year ended December 31, 2010.

## 6. INVESTMENTS

	(Un-Audited) March 31, 2011			(Audited) December 31, 2010		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	----- (Rupees in '000') -----			----- (Rupees in '000') -----		
<b>6.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	3,017,403		3,017,403	5,278,693	-	5,278,693
Pakistan Investment Bonds	493,213		493,213	732,253	-	732,253
Ordinary Shares of Listed companies	1,509,017		1,509,017	533,677	-	533,677
	5,019,633	-	5,019,633	6,544,623	-	6,544,623
<b>Available- for- sale securities</b>						
Ordinary Shares of Listed companies	20,743,895		20,743,895	18,850,212	-	18,850,212
Ordinary Shares of Un-Listed companies	1,118,763		1,118,763	1,053,198	-	1,053,198
	21,862,658	-	21,862,658	19,903,410	-	19,903,410
Market Treasury Bills	96,133,245	35,235,925	131,369,170	155,716,032	9,051,796	164,767,828
Preference Shares	272,260		272,260	272,260	-	272,260
Pakistan Investment Bonds	15,839,585	1,027,780	16,867,365	15,992,937	302,801	16,295,738
Gop Foreign Currency Bonds	3,171,530		3,171,530	3,193,093	-	3,193,093
Foreign Government Securities	-		-	214,663	-	214,663
Foreign Currency Debt Securities	4,655,366		4,655,366	3,254,119		3,254,119
Term Finance Certificates / Mushairka, Foreign Currency Debt Securities and Sukuk Bonds	62,943,034		62,943,034	61,741,707	-	61,741,707
Mutual Funds	1,548,794		1,548,794	898,793	-	898,793
Investment outside Pakistan - note 6.2	463,295		463,295	463,295	-	463,295
NI(U)T LoC Units - note 6.3	1,397,619		1,397,619	1,397,619	-	1,397,619
NI(U)T Non-LoC Units	600,000		600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,147,500		1,147,500	1,147,500	-	1,147,500
<b>Total Available- for- sale securities</b>	<b>210,034,886</b>	<b>36,263,705</b>	<b>246,298,591</b>	<b>264,795,428</b>	<b>9,354,597</b>	<b>274,150,025</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	8,703,098		8,703,098	8,738,582	-	8,738,582
Foreign Government Securities	834,505		834,505	1,407,077	-	1,407,077
Foreign Currency Debt Securities	114,065		114,065	114,842		114,842
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	2,281,654		2,281,654	2,885,128	-	2,885,128
<b>Total Held-to-Maturity Securities</b>	<b>11,933,322</b>	<b>-</b>	<b>11,933,322</b>	<b>13,145,629</b>	<b>-</b>	<b>13,145,629</b>
<b>Investments in Associates</b>	<b>1,471,536</b>		<b>1,471,536</b>	<b>1,373,254</b>	<b>-</b>	<b>1,373,254</b>
<b>Investments in Joint Ventures</b>	<b>1,244,835</b>		<b>1,244,835</b>	<b>1,244,835</b>	<b>-</b>	<b>1,244,835</b>
<b>Investments in Subsidiaries</b>	<b>2,274,306</b>		<b>2,274,306</b>	<b>2,274,306</b>	<b>-</b>	<b>2,274,306</b>
<b>Investment at cost</b>	<b>231,978,518</b>	<b>36,263,705</b>	<b>268,242,223</b>	<b>289,378,075</b>	<b>9,354,597</b>	<b>298,732,672</b>
<b>Less: Provision for Diminution in Value of Investments</b>	<b>(7,002,111)</b>		<b>(7,002,111)</b>	<b>(6,720,091)</b>	<b>-</b>	<b>(6,720,091)</b>
<b>Investments (net of Provisions)</b>	<b>224,976,407</b>	<b>36,263,705</b>	<b>261,240,112</b>	<b>282,657,984</b>	<b>9,354,597</b>	<b>292,012,581</b>
Surplus / (Deficit) on Revaluation of Held-for-trading securities	(46,347)	-	(46,347)	6,730	-	6,730
Surplus on Revaluation of Available-for-Sale Securities	9,431,474	(134,695)	9,296,779	9,339,128	(34,635)	9,304,493
<b>Total Investments at Market Value</b>	<b>234,361,534</b>	<b>36,129,010</b>	<b>270,490,544</b>	<b>292,003,842</b>	<b>9,319,962</b>	<b>301,323,804</b>

## 6.2 Investment outside Pakistan - Bank Al-Jazira

The Bank holds 17,500,000 (2010: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2010: 5.83%) holding in total share capital of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. Rating of Bank Al-Jazira is BBB+ by Capital Intelligence.

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

In the meeting of NI(U)T - LOC Holders, which was held on November 11, 2010, the LOC Holders consented to the transfer of frozen shares (PSO and SNGPL) to the bank on closing share price of October 13, 2010. A letter was also sent to the Privatization Commission (PC) to communicate about the settlement and obtain concurrence for transfer of the strategic assets to the bank. PC responded on February 17, 2011 requiring that new agreement would be signed between the bank, NITL and PC and the frozen shares after the transfer to the bank will remain frozen in the books of the bank on the same conditions as these are held by NITL. Pending completion of such formalities, management has not derecognized the bank's investment in NI(U)T - LOC Holders' Fund and valued at the rate on October 13, 2010.

	March 31 2011 (Un-audited)	December 31 2010 (Audited)
Note	----- (Rupees in '000') -----	
<b>7 ADVANCES</b>		
Loans, cash credits, running finances, etc.		
In Pakistan	468,659,950	457,970,677
Outside Pakistan	50,248,988	48,732,703
	<b>518,908,938</b>	506,703,380
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	14,897,900	19,410,104
Payable outside Pakistan	13,178,241	12,495,712
	<b>28,076,141</b>	31,905,816
Advances - gross	<b>546,985,079</b>	538,609,196
Less: Provision against non-performing loans	<b>(62,439,091)</b>	(61,102,632)
Advances - net of provision	<b>484,545,988</b>	477,506,564

7.1 Advances include Rs.94,329 million (2010: Rs.86,642 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 Mentior	1,253,549	-	1,253,549	-	-
Substandard	10,860,202	821,036	11,681,238	1,858,067	1,858,067
Doubtful	7,792,261	155,728	7,947,989	2,301,715	2,301,715
Loss	70,902,644	2,543,607	73,446,251	54,437,178	54,437,178
	<b>90,808,656</b>	<b>3,520,371</b>	<b>94,329,027</b>	<b>58,596,960</b>	<b>58,596,960</b>

**March 31**      December 31  
**2011**              2010  
**(Un-Audited)**      (Audited)

**8. DEFERRED TAX ASSETS - net****Note**

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

**Deferred tax assets arising in respect of**

Provision for diminution in the value of investments	<b>1,685,119</b>	1,586,671
Provision against advances and off-balance sheet obligations	<b>6,251,823</b>	6,189,551
Other provisions	<b>333,586</b>	331,809
Charge against defined benefits plans	<b>1,156,724</b>	1,156,724
Unrealised loss on derivatives	<b>942,204</b>	942,204
Provision against off-balance sheet obligations	<b>116,622</b>	116,622
	<b>10,486,078</b>	10,323,581

**Deferred tax (liabilities) arising in respect of**

Excess of accounting book value of leased assets over lease liabilities	<b>(11,029)</b>	(15,469)
Difference between accounting book value of fixed assets and tax base	<b>(406,222)</b>	(391,165)
Revaluation of securities	<b>(1,865,662)</b>	(1,750,726)
Revaluation of fixed assets	<b>(1,198,498)</b>	(1,213,555)
	<b>(3,481,411)</b>	(3,370,915)

Net deferred tax assets

<b>7,004,667</b>	6,952,666
------------------	-----------

**March 31**      December 31  
**2011**              2010  
**(Un-audited)**      (Audited)

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

**9. DEPOSITS AND OTHER ACCOUNTS****Customers**

Fixed deposits	<b>204,610,496</b>	218,559,101
Savings deposits	<b>234,629,815</b>	266,342,659
Current accounts - remunerative	<b>68,974,792</b>	68,393,177
Current accounts - non-remunerative	<b>174,326,743</b>	194,393,878
	<b>682,541,846</b>	747,688,815

**Financial Institutions**

Remunerative deposits	<b>28,053,413</b>	31,232,041
Non-remunerative deposits	<b>48,400,044</b>	53,231,032
	<b>76,453,457</b>	84,463,073
	<b>758,995,303</b>	832,151,888

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

**Surplus on revaluation of fixed assets - net of tax** 17,142,771 17,179,751

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

Federal Government securities	(903,381)	(1,196,744)
Term Finance Certificates	(242,317)	(215,911)
Quoted shares and mutual funds	2,076,346	2,698,818
Gop Foreign Currency Bonds	378,017	720,733
Foreign Government Securities	-	(11,264)
NI(U)T LoC Units	418,159	511,892
NI(U)T Non-LoC Units	105,438	101,420
NIT Market Opportunity Fund	523,566	565,873
Investment outside Pakistan - Bank Al-Jazira	6,940,951	6,129,676
	9,296,779	9,304,493
Deferred tax liability	(1,865,662)	(1,750,726)
	<b>24,573,888</b>	<b>24,733,518</b>

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

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

	March 31 2011 (Un-audited)	December 31 2010 (Audited)
	----- (Rupees in '000') -----	
- Government	12,359,945	14,513,887
- Financial institutions	6,165,393	7,239,823
- Others	9,557,978	11,223,626
	<b>28,083,316</b>	<b>32,977,336</b>

**11.2 Transaction-related contingent liabilities**

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

- Government	18,909,681	19,863,734
- Financial institutions	101,643	106,771
- Others	14,790,574	15,536,805
	<b>33,801,897</b>	<b>35,507,310</b>

**11.3 Trade-related contingent liabilities**

Letters of credit  
Issued in favour of

- Government	122,570,029	129,270,162
- Financial institutions	101,728	107,289
- Others	30,128,862	31,775,817
	<b>152,800,619</b>	<b>161,153,268</b>

**11.4 Other contingencies**

**11.4.1** Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.178 million (2010: Rs.178 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2010: Rs.965 million)].

**28,575,000** 8,243,510

### 11.4.2 Taxation

The income tax returns of the bank for global operations and for Azad Jammu Kashmir have been filed under section 120 and amended by the Taxation Officer under section 122(5A) of the Income Tax Ordinance, 2001 upto the tax year 2010 (accounting year ended December 31, 2009).

The matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 3,413 million (2010: Rs. 3,413 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

### 11.4.3 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2010.

	<b>March 31 2011 (Un-Audited)</b>	December 31 2010 (Audited)
	----- (Rupees in '000') -----	
<b>11.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>107,623,551</b>	98,499,566
Sale	<b>62,914,762</b>	60,773,315
<b>11.6 Commitments in respect of forward trading of government securities</b>		
Purchase	<b>100,000</b>	-
Sale	-	50,000
<b>11.7 Other Commitments</b>		
Cross Currency SWAP	<b>6,746,293</b>	6,135,896
Professional services to be received	<b>157,176</b>	166,126
<b>11.8 Commitments for the acquisition of operating fixed assets</b>	<b>2,405,895</b>	2,375,461
<b>12. BASIC AND DILUTED EARNINGS PER SHARE</b>		
	<b>Quarter Ended March 31 2011 (Un-Audited)</b>	Quarter Ended March 31 2010 (Un-Audited)
Profit after taxation (Rupees in '000)	<u><b>4,220,174</b></u>	<u>4,215,767</u>
Weighted average number of ordinary shares (in '000)	<u><b>1,345,463</b></u>	<u>1,345,463</u>
Basic and diluted earnings per share (Rupees)	<u><b>3.14</b></u>	<u>3.13</u>

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

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

	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>	<b>Payment &amp; Settlement</b>	<b>Agency Services</b>	<b>Total</b>
	----- Rupees in '000' -----						
<b>March 31, 2011 - Unaudited</b>							
Total income	88,160	597,539	3,768,081	8,679,862	510,604	958,667	14,602,913
Total expenses	<u>2,074</u>	<u>27,038</u>	<u>3,674,851</u>	<u>3,573,615</u>	<u>292,730</u>	<u>679,919</u>	<u>8,250,227</u>
Net income	<u>86,086</u>	<u>570,501</u>	<u>93,230</u>	<u>5,106,247</u>	<u>217,874</u>	<u>278,748</u>	<u>6,352,686</u>
<b>March 31, 2010 - Unaudited</b>							
Total income	51,500	587,389	2,953,174	9,134,432	417,427	908,416	14,052,338
Total expenses	<u>518</u>	<u>19,953</u>	<u>2,942,694</u>	<u>3,854,140</u>	<u>283,047</u>	<u>648,407</u>	<u>7,748,759</u>
Net income	<u>50,982</u>	<u>567,436</u>	<u>10,480</u>	<u>5,280,292</u>	<u>134,380</u>	<u>260,009</u>	<u>6,303,579</u>

#### 14. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 6 to these financial statements.

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

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

	2011 - Un audited			2010 - Audited				
	At January 01,	Given during the year	Repaid during the year	At March 31,	At January 01,	Given during the year	Repaid during the year	At December 31
(Rupees in '000)								
<b>Advances</b>								
Key Management Executives	126,519	10,700	(5,734)	131,485	97,439	46,553	(17,473)	126,519
Subsidiaries	466,787	-	(65,666)	401,121	575,404	-	(108,617)	466,787
Associates	1,294,419	-	(19,850)	1,274,569	1,287,942	6,477	-	1,294,419
Debts due by Company in which director is interested as director	17,479,250	1,374,291	(6,946,299)	11,907,242	12,423,114	9,969,859	(4,913,723)	17,479,250
	<u>1,887,725</u>	<u>10,700</u>	<u>(91,250)</u>	<u>1,807,175</u>	<u>1,960,785</u>	<u>53,030</u>	<u>(126,090)</u>	<u>1,887,725</u>

	2011 - Un audited			2010 - Audited				
	At January 01,	Received during the year	Repaid during the year	At March 31,	At January 01,	Received during the year	Repaid during the year	At December 31
(Rupees in '000)								
<b>Deposits</b>								
Subsidiaries	292,977	-	(189,693)	103,284	259,618	33,359	-	292,977
Key Management Executives	58,136	108,483	(89,714)	76,905	15,500	214,538	(171,902)	58,136
Pension Fund (Current)	5,037	3,924,178	(3,924,063)	5,152	405,351	9,798,211	(10,198,525)	5,037
Pension Fund (Fix Deposit)	8,400,000	-	(1,300,000)	7,100,000	7,300,000	2,600,000	(1,500,000)	8,400,000
Provident Fund (Restated)	8,909,272	175,086	(221,069)	8,863,289	7,448,100	3,093,222	(1,632,050)	8,909,272
	<u>17,665,422</u>	<u>4,207,747</u>	<u>(5,724,539)</u>	<u>16,148,630</u>	<u>15,428,569</u>	<u>15,739,330</u>	<u>(13,502,477)</u>	<u>17,665,422</u>

**31-Mar-11**    31-Dec-10  
**Un-audited**    Audited  
**Rupees in '000**

#### Placements with:

Subsidiary	2,568	2,573
Joint venture	273,679	264,591
Associates	23,332	23,332

#### Repo borrowing from:

Subsidiary	-	401,760
Associates	-	380,362

<b>Other receivables from subsidiaries</b>	48,441	-
<b>Other payables to subsidiaries</b>	3,009	929
	<b>31-Mar-11</b>	<b>31-Mar-10</b>
	<b>Un-audited</b>	<b>Un-audited</b>
	<b>Rupees in '000</b>	
<b>Income for the year</b>		
On advances / placements with:		
Subsidiaries	11	-
Joint Venture	70	597
Key management executives	910	876
Debts Due by company in which a director of the bank is interested as director	351,914	270,272
<b>Expenses for the year</b>		
Remuneration to key management executives	182,952	152,460
Charge for defined benefit plan	5,240	4,367
<b>Mark-up on Deposits of:</b>		
Subsidiaries	3,027	2,977
Provident fund	451,824	410,379
Pension fund	266,160	151,674
Key management executives	364	275
Commission paid to subsidiaries	1,446	1,813
<b>Mark-up on Borrowing (Repo / Call):</b>		
Subsidiaries	1,271	11,333
Associate	261	-

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

## 15. ISLAMIC BANKING BUSINESS

The bank is operating 8 (December 31, 2010: 8) Islamic banking branch as at March 31, 2011. The balance sheet and profit and loss account is as under:

	March 31 2011 (Un-Audited)	December 31 2010 (Audited)
	----- (Rupees in '000') -----	
<b>Balance Sheet</b>		
<b>Assets</b>		
Cash and balances with treasury banks	199,988	157,726
Balances with and due from financial institutions	-	200,000
Investments	1,752,586	1,038,673
Financing / Receivables under:		
- Murabaha	278,398	278,398
- Diminishing Musharika	797,125	212,500
- Ijarah assets	389,360	417,920
- Other Islamic modes	94,513	94,513
Provision against non performing financings	(311,567)	(278,233)
Operating fixed assets	10,033	11,763
Due from Head Office	68,332	44,650
Other assets	71,869	47,993
	<b>3,350,637</b>	<b>2,225,903</b>
<b>Liabilities</b>		
Bills Payable	9,056	5,421
Deposits and other accounts	3,012,797	2,193,413
Other liabilities	69,907	36,186
	<b>3,091,760</b>	<b>2,235,020</b>
<b>Net Assets</b>	<b>258,877</b>	<b>(9,117)</b>
<b>Represented By</b>		
Islamic Banking Fund	300,000	300,000
Unappropriated (loss) / profit	(41,123)	(309,117)
	<b>258,877</b>	<b>(9,117)</b>
<b>Profit and Loss Account</b>		
	March 31 2011 (Un-Audited)	March 31 2010 (Un-Audited)
	----- (Rupees in '000') -----	
Profit / return earned on financings, investments and placements	98,277	41,865
Profit / return expensed on deposit	57,565	12,823
Net spread earned	40,712	29,042
Depreciation on assets given on ijarah	28,560	16,145
	12,152	12,897
Provision against advances and investments	33,334	-
(Loss) / Profit after provision	(21,182)	12,897
<b>Other income</b>		
Fee, commission and brokerage income	679	854
Income from dealing in foreign currencies	87	37
Other income	267	-
Total other income	1,033	891
	(20,149)	13,788
<b>Other expenses</b>		
Administrative expenses	(20,974)	(14,904)
<b>Loss for the year</b>	<b>(41,123)</b>	<b>(1,116)</b>

**16. DATE OF AUTHORIZATION FOR ISSUE**

The interim condensed financial statements were authorized for issue on April 26, 2011 by the Board of Directors of the Bank.

**17. GENERAL**

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

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**Chairman**

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**President**

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**Director**

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**Director**

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# **National Bank of Pakistan**

**Consolidated Financial Statements**

**For the Year ended March 31, 2011**

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**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Financial Position**  
**As at March 31, 2011**

		(Un-Audited) Mar 31 2011	(Audited) Dec 31 2010
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash and Balances with Treasury Banks		112,216,136	115,657,025
Balances with other Banks		22,477,942	30,743,368
Lendings to Financial Institutions		5,640,765	23,051,171
Investments - Net	6	270,907,562	301,078,498
Advances - Net	7	486,101,009	478,886,755
Operating Fixed Assets - Net		28,068,679	27,620,697
Deferred Tax Assets	8	7,006,369	6,954,228
Other Assets		65,311,147	54,026,725
		<b>997,729,610</b>	<b>1,038,018,467</b>
<b>LIABILITIES</b>			
Bills Payable		8,543,277	8,006,631
Borrowings		50,857,244	19,657,207
Deposits and other Accounts	9	759,241,506	832,134,054
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		127,196	123,413
Deferred Tax Liabilities		-	-
Other Liabilities		53,369,025	46,798,330
		<b>872,138,248</b>	<b>906,719,635</b>
<b>NET ASSETS</b>		<b>125,591,362</b>	<b>131,298,832</b>
<b>REPRESENTED BY</b>			
Share Capital		13,454,629	13,454,629
Reserves		29,170,962	25,129,425
Unappropriated Profit		57,527,758	67,103,611
		<b>100,153,349</b>	<b>105,687,665</b>
Non-Controlling Interest		493,160	498,076
		<b>100,646,509</b>	<b>106,185,741</b>
Surplus on Revaluation of Assets - net	10	24,944,853	25,113,091
		<b>125,591,362</b>	<b>131,298,832</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	11		

The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial statements.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
President

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)**  
**For the Three Months Ended March 31, 2011**

	<b>Quarter Ended Mar 31 2011</b>	<b>Quarter Ended Mar 31 2010</b>
<b>Note</b>	----- (Rupees in '000')	-----
Mark-up / Return / Interest Earned	<b>23,261,213</b>	21,099,943
Mark-up / Return / Interest Expensed	<b>12,224,970</b>	10,981,559
Net Mark-up / Interest Income	<b>11,036,243</b>	10,118,384
Provision against Non-Performing Loans & Advances	<b>1,389,285</b>	1,942,426
Provision / Reversal for Diminution in the Investments Value	<b>281,279</b>	(3,130)
Bad Debts Written Off Directly	-	-
	<b>1,670,564</b>	1,939,296
Net Mark-up / Interest Income after Provisions	<b>9,365,679</b>	8,179,088
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee, Commission & Brokerage Income	<b>2,309,315</b>	2,261,370
Dividend income	<b>383,373</b>	285,467
Income from Dealing In Foreign Currencies	<b>644,818</b>	658,876
Gain / (Loss) on Sale of Securities	<b>447,445</b>	797,022
Unrealized Gain / (Loss) on Revaluation of Investments Classified as Held-for-Trading	<b>(46,347)</b>	(6,028)
Share of loss from Joint Ventures	<b>(2,671)</b>	(15,694)
Share of Profit from Associates	<b>12,445</b>	3,987
Other income	<b>29,104</b>	36,601
Total non mark-up / interest income	<b>3,777,481</b>	4,021,602
	<b>13,143,161</b>	12,200,690
<b>NON MARK-UP / INTEREST EXPENSES</b>		
Administrative expenses	<b>6,717,656</b>	5,839,931
Other provisions / write offs	<b>8,569</b>	13,071
Other charges	<b>9,407</b>	17,554
Total non mark-up / interest expenses	<b>6,735,632</b>	5,870,555
	<b>6,407,528</b>	6,330,134
Extra ordinary items	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>6,407,528</b>	6,330,134
Taxation - Current	<b>2,300,698</b>	2,431,831
- Prior year(s)	-	-
- Deferred	<b>(166,935)</b>	(344,172)
	<b>2,133,763</b>	2,087,659
<b>PROFIT AFTER TAXATION</b>	<b>4,273,765</b>	4,242,475
<b>Attributable to :</b>		
Share Holders of the Bank	<b>4,278,681</b>	4,242,762
Non-Controlling Interest	<b>(4,916)</b>	(287)
	<b>4,273,765</b>	4,242,475
<b>Basic and Diluted Earnings per Share (Rupees)</b>	<b>12</b>	<b>3.18</b>
	<b>3.18</b>	<b>3.15</b>

The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan  
Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)  
For the Three Months Ended March 31, 2011

	Share capital	Attributable to the shareholders of the bank				Revenue General	Unappropriated profit	Sub Total	Non Controlling Interest	Total
		Reserves			Capital					
		Exchange Translation	Reserve for Issue of Bonus Shares	Statutory						
(Rupees in '000)										
Balance as at January 1, 2010	10,763,702	7,529,156	-	15,344,565	521,338	61,696,594	95,855,355	110,930	95,966,285	
<b>Comprehensive income</b>										
Profit after tax for the Three months period ended March 31, 2010 [Restated ()]	-	-	-	-	-	4,242,762	4,242,762	(287)	4,242,475	
Other comprehensive income - net of tax	-	(72,566)	-	-	-	-	(72,566)	-	(72,566)	
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	(72,566)	-	-	-	4,242,762	4,170,196	(287)	4,169,909	
Transfer to Statutory Reserve	-	-	-	421,577	-	(421,577)	-	-	-	
<b>Transactions with Owners</b>										
Issue of Bonus Shares (25%)	-	-	2,690,927	-	-	(2,690,927)	-	-	-	
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(8,072,777)	(8,072,777)	-	(8,072,777)	
<b>Balance as at March 31, 2010</b>	<b>10,763,702</b>	<b>7,456,590</b>	<b>2,690,927</b>	<b>15,766,142</b>	<b>521,338</b>	<b>54,783,510</b>	<b>91,982,209</b>	<b>110,643</b>	<b>92,092,852</b>	
Balance as at April 1, 2010	10,763,702	7,456,590	2,690,927	15,766,142	521,338	54,783,510	91,982,209	110,643	92,092,852	
Acquisition of NAFA	-	-	-	-	-	-	-	458,045	-	
<b>Comprehensive income</b>										
Profit after tax for the Nine months period ended December 31, 2010	-	-	-	-	-	13,566,541	13,566,541	(70,612)	13,495,929	
Other comprehensive income - net of tax	-	50,611	-	-	-	-	50,611	-	50,611	
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	50,611	-	-	-	13,566,541	13,617,152	(70,612)	13,546,540	
Transfer to Statutory Reserve	-	-	-	1,334,744	-	(1,334,744)	-	-	-	
<b>Transactions with Owners</b>										
Issue of Bonus Shares (25%)	2,690,927	-	(2,690,927)	-	-	-	-	-	-	
<b>Balance as at December 31, 2010</b>	<b>13,454,629</b>	<b>7,507,201</b>	<b>-</b>	<b>17,100,886</b>	<b>521,338</b>	<b>67,103,611</b>	<b>105,687,665</b>	<b>498,076</b>	<b>106,185,741</b>	
Balance as at January 1, 2011	13,454,629	7,507,201	-	17,100,886	521,338	67,103,611	105,687,665	498,076	106,185,741	
<b>Comprehensive income</b>										
Profit after tax for the Three months period ended March 31, 2011	-	-	-	-	-	4,278,681	4,278,681	(4,916)	4,273,765	
Other comprehensive income - net of tax	-	250,013	-	-	-	-	250,013	-	250,013	
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	250,013	-	-	-	4,278,681	4,528,694	(4,916)	4,523,778	
Transfer to Statutory Reserve	-	-	-	427,867	-	(427,867)	-	-	-	
<b>Transactions with Owners</b>										
Issue of Bonus Shares (25%)	-	-	3,363,657	-	-	(3,363,657)	-	-	-	
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(10,090,971)	(10,090,971)	-	(10,090,971)	
<b>Balance as at March 31, 2011</b>	<b>13,454,629</b>	<b>7,757,214</b>	<b>3,363,657</b>	<b>17,528,753</b>	<b>521,338</b>	<b>57,527,758</b>	<b>100,153,349</b>	<b>493,160</b>	<b>100,646,509</b>	

The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
**For the Three Months Ended March 31, 2011**

	<b>Quarter Ended Mar 31 2011</b>	<b>Quarter Ended Mar 31 2010</b>
	----- (Rupees in '000) -----	
<b>Profit after taxation for the year</b>	4,273,765	4,242,475
<b>Other comprehensive income:</b>		
Exchange adjustments on translation of net assets of foreign branches Subsidiary, & Joint Venture	250,013	(72,566)
<b>Total Comprehensive Income for the Three Months</b>	<u>4,523,778</u>	<u>4,169,909</u>
<b>Total Comprehensive Income attributable to :</b>		
Share Holders of the Bank	4,528,694	4,170,196
Non-Controlling Interest	(4,916)	(287)
	<u>4,523,778</u>	<u>4,169,909</u>

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

The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial statements.

\_\_\_\_\_  
**Chairman**

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**President**

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**Director**

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**Director**

**National Bank of Pakistan**  
**Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)**  
**For the Three Months Ended March 31, 2011**

	Quarter Ended Mar 31 2011	Quarter Ended Mar 31 2010
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,407,528	6,330,134
Less: Dividend income	383,373	285,467
	<u>6,024,155</u>	<u>6,044,667</u>
<b>Adjustments:</b>		
Depreciation	296,104	253,831
Provision against non-performing advances	1,389,285	1,942,426
Provision / (reversal) for diminution in the value of investments	281,279	(3,130)
Other provisions / write offs	8,569	13,071
Loss / (gain) on sale of fixed assets	3,279	(2,261)
Financial charges on leased assets	5,140	2,503
Share of loss from joint ventures	2,671	15,694
Share of profit from associates	(12,445)	(3,987)
	<u>1,973,882</u>	<u>2,218,147</u>
	<u>7,998,037</u>	<u>8,262,814</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	17,410,406	4,802,602
Held-for-trading securities	1,041,374	(8,223,080)
Advances	(8,603,539)	15,957,086
Other assets (excluding advance taxation - net)	(11,020,758)	(4,734,657)
	<u>(1,172,517)</u>	<u>7,801,951</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	536,646	(4,116,732)
Borrowings	31,105,308	(11,730,412)
Deposits and other accounts	(72,892,548)	(12,763,400)
Other liabilities	(3,570,277)	(4,289,377)
	<u>(44,820,870)</u>	<u>(32,899,921)</u>
Income tax paid	(2,503,780)	(734,922)
Financial charges paid	(5,140)	(2,503)
	<u>(2,508,920)</u>	<u>(737,425)</u>
<b>Net cash used in operating activities</b>	<u>(40,504,270)</u>	<u>(17,572,581)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from / (Net investments) in available-for-sale securities	27,911,859	(35,599,416)
Proceeds from held-to-maturity securities	1,216,666	5,950,011
Investments in Associates	(98,282)	-
Dividend income received	383,373	285,467
Investments in operating fixed assets	(744,086)	(653,820)
Sale proceeds of property and equipment disposed off	(3,279)	2,261
<b>Net cash (used) / flow in investing activities</b>	<u>28,666,251</u>	<u>(30,015,497)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of lease obligations	(13,479)	(5,131)
<b>Net cash used in financing activities</b>	<u>(13,479)</u>	<u>(5,131)</u>
Effects of exchange rate changes on cash and cash equivalents	50,455	(88,327)
<b>Net increase in cash and cash equivalents</b>	<u>(11,801,044)</u>	<u>(47,681,536)</u>
Cash and cash equivalents at beginning of the period	145,863,319	145,390,674
Cash and cash equivalents at the end of the period	<u>134,062,275</u>	<u>97,709,138</u>

The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

## National Bank of Pakistan

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

For the Three Months Ended March 31, 2011

#### 1. THE GROUP AND ITS OPERATIONS

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

###### Holding Company

- National Bank of Pakistan

###### Subsidiary Companies

- JSC Subsidiary Bank of NBP in Kazakhstan
- NBP Leasing Limited
- NBP Exchange Company Limited
- NBP Modaraba Management Company Limited
- Taurus Securities Limited
- NBP Fullerton Asset Management 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 1,266 (2010: 1,266) branches in Pakistan and 23 (2010: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT), Long Term Credit Fund (LTCF) and Endowment Fund for Student Loan Scheme.

NBP Capital Limited, JSC Subsidiary Bank of NBP in Kazakhstan, NBP Exchange Company Limited and NBP Modaraba Management Company Limited are wholly owned subsidiaries of the holding company while the controlling interest in Taurus Securities Limited is 58.32%, NAFA is 54%, 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.
- Non-controlling 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.
- Cast-N-Link Product Limited has not been Consolidated, as SECP vide its letter EMD/233/627/2002-485 dated April 5, 2011 has allowed exemption from the requirement of section 237 of the Companies Ordinance, 1984.

## **2. STATEMENT OF COMPLIANCE**

- 2.1 These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.
- 2.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the annual consolidated financial statements of the Bank for the year ended December 31, 2010.

## **3. ACCOUNTING POLICIES**

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the holding company for the year ended December 31, 2010.

## **4. ACCOUNTING ESTIMATES AND JUDGMENTS**

The estimates/judgments and associated assumptions used in the preparation of these interim condensed financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the bank for the year ended December 31, 2010.

## **5. FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the bank for the year ended December 31, 2010.

## 6. INVESTMENTS

Note	March 31, 2011 (Un-audited)			December 31, 2010 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
<b>6.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
	1,775,788	-	1,775,788	533,677	-	533,677
Ordinary shares of listed companies						
Market Treasury Bills	3,156,197	-	3,156,197	5,278,693	-	5,278,693
Pakistan Investment Bonds	571,264	-	571,264	732,253	-	732,253
<b>Total Held-for-Trading Securities</b>	<b>5,503,249</b>	<b>-</b>	<b>5,503,249</b>	<b>6,544,623</b>	<b>-</b>	<b>6,544,623</b>
<b>Available- for- sale securities</b>						
	20,747,342	-	20,747,342	18,853,296	-	18,853,296
Ordinary shares of listed companies						
Ordinary shares of unlisted companies	1,118,763	-	1,118,763	1,053,198	-	1,053,198
	21,866,105	-	21,866,105	19,906,494	-	19,906,494
	96,133,245	35,235,925	131,369,170	155,716,032	9,051,796	164,767,828
Market Treasury Bills						
Preference shares	294,760	-	294,760	294,760	-	294,760
Pakistan Investment Bonds	16,047,827	1,027,780	17,075,607	16,201,897	302,801	16,504,698
GoP Foreign Currency Bonds	3,171,530	-	3,171,530	3,193,093	-	3,193,093
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk	62,999,624	-	62,999,624	61,799,389	-	61,799,389
Mutual funds	1,562,597	-	1,562,597	971,574	-	971,574
Foreign Government Securities	-	-	-	214,663	-	214,663
Foreign Government Debt Securities	4,655,366	-	4,655,366	3,254,119	-	3,254,119
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
NI(U)T LoC Units	1,397,619	-	1,397,619	1,397,619	-	1,397,619
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,147,500	-	1,147,500	1,147,500	-	1,147,500
<b>Total Available- for- sale securities</b>	<b>210,339,468</b>	<b>36,263,705</b>	<b>246,603,173</b>	<b>265,160,435</b>	<b>9,354,597</b>	<b>274,515,032</b>
<b>Held-to-maturity securities</b>						
	8,703,098	-	8,703,098	8,817,941	-	8,817,941
Pakistan Investment Bonds						
Foreign Government Securities	834,505	-	834,505	1,407,077	-	1,407,077
Foreign Government Debt Securities	114,065	-	114,065	114,842	-	114,842
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	2,356,654	-	2,356,654	2,885,128	-	2,885,128
<b>Total Held-to-maturity securities</b>	<b>12,008,322</b>	<b>-</b>	<b>12,008,322</b>	<b>13,224,988</b>	<b>-</b>	<b>13,224,988</b>
	1,799,598	-	1,799,598	1,645,129	-	1,645,129
<b>Investments in associates</b>						
<b>Investments in joint ventures</b>	2,771,050	-	2,771,050	2,574,164	-	2,574,164
<b>Investments in subsidiaries</b>	1,245	-	1,245	1,245	-	1,245
<b>Investment at cost</b>	<b>232,422,932</b>	<b>36,263,705</b>	<b>268,686,637</b>	<b>289,150,584</b>	<b>9,354,597</b>	<b>298,505,181</b>
<b>Less: Provision for diminution in value of Investments</b>	<b>(7,002,111)</b>	<b>-</b>	<b>(7,002,111)</b>	<b>(6,716,015)</b>	<b>-</b>	<b>(6,716,015)</b>
<b>Investments (net of provisions)</b>	<b>225,420,821</b>	<b>36,263,705</b>	<b>261,684,526</b>	<b>282,434,569</b>	<b>9,354,597</b>	<b>291,789,166</b>
(Deficit) / Surplus on revaluation of						
Held-for-trading securities	(46,347)	-	(46,347)	6,730	-	6,730
Surplus on revaluation of						
Available-for-sale securities	9,404,078	(134,695)	9,269,383	9,317,237	(34,635)	9,282,602
<b>Total investments at market value</b>	<b>234,778,552</b>	<b>36,129,010</b>	<b>270,907,562</b>	<b>291,758,536</b>	<b>9,319,962</b>	<b>301,078,498</b>

## 6.2 Investment outside Pakistan - Bank Al-Jazira

The Bank holds 17,500,000 (2010: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2008: 5.83%) holding in total share capital of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. Rating of Bank Al-Jazira is BBB+ by Capital Intelligence.

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

In the meeting of NI(U)T - LOC Holders, which was held on November 11, 2010, the LOC Holders consented to the transfer of frozen shares (PSO and SNGPL) to the bank on closing share price of October 13, 2010. A letter was also sent to the Privatization Commission (PC) to communicate about the settlement and obtain concurrence for transfer of the strategic assets to the bank. PC responded on February 17, 2011 requiring that new agreement would be signed between the bank, NITL and PC and the frozen shares after the transfer to the bank will remain frozen in the books of the bank on the same conditions as these are held by NITL. Pending completion of such formalities, management has not derecognized the bank's investment in NI(U)T - LOC Holders' Fund and valued at the rate on October 13, 2010.

Mar 31                      Dec 31  
2011                              2010  
(Un-audited)                      (Audited)  
----- (Rupees in '000) -----

## 7. ADVANCES -net

Loans, cash credits, running finances, etc.

In Pakistan

Outside Pakistan

<b>468,431,513</b>	457,724,559
<b>51,485,921</b>	50,025,522
<b>519,917,434</b>	507,750,081

Net investment in finance lease

In Pakistan

Outside Pakistan

<b>529,304</b>	457,260
-	-
<b>529,304</b>	457,260

Bills discounted and purchased (excluding Government treasury bills)

Payable in Pakistan

Payable outside Pakistan

<b>14,915,121</b>	19,427,325
<b>13,178,241</b>	12,495,712
<b>28,093,362</b>	31,923,037

Advances - gross

Less: Provision against non-performing loans

Advances - net of provision

<b>548,540,100</b>	540,130,378
<b>(62,439,091)</b>	(61,243,623)
<b>486,101,009</b>	478,886,755

7.1 Advances include Rs.94,329 million (2010: Rs.86,641 million) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2011 (Un-audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	1,253,549	-	1,253,549	-	-
Substandard	10,860,202	821,036	11,681,238	1,858,067	1,858,067
Doubtful	7,792,261	155,728	7,947,989	2,301,715	2,301,715
Loss	70,902,644	2,543,607	73,446,251	54,437,178	54,437,178
	<b>90,808,656</b>	<b>3,520,371</b>	<b>94,329,027</b>	<b>58,596,960</b>	<b>58,596,960</b>

		Mar 31 2011 (Un-audited)	Dec 31 2010 (Audited)
----- (Rupees in '000') -----			
<b>8. DEFERRED TAX ASSETS - net</b>	<b>Note</b>		
<b>Deferred tax assets arising in respect of</b>			
Provision for diminution in the value of investments		1,685,119	1,586,671
Provision against advances and off-balance sheet obligations		6,251,823	6,189,551
Other provision		333,586	334,051
Charge against defined benefits plans		1,156,724	1,156,724
Unrealized loss on derivatives		942,204	942,204
Provision against off balance sheet obligation		116,622	116,622
		<u>10,486,078</u>	<u>10,325,823</u>
<b>Deferred tax (liabilities) arising in respect of</b>			
Excess of accounting book value of leased assets over lease liabilities		(11,029)	(16,149)
Difference between accounting book value of fixed assets and tax base		(406,222)	(391,165)
Revaluation of securities	10	(1,865,662)	(1,750,726)
Revaluation of fixed assets		(1,198,498)	(1,213,555)
Others		1,702	-
		<u>(3,479,709)</u>	<u>(3,371,595)</u>
Net deferred tax liabilities		<u>7,006,369</u>	<u>6,954,228</u>
		Mar 31 2011 (Un-audited)	Dec 31 2010 (Audited)
----- (Rupees in '000') -----			
<b>9. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		204,746,089	218,701,230
Savings deposits		234,630,130	266,342,975
Current accounts - remunerative		69,188,371	68,525,875
Current accounts - non-remunerative		174,326,743	194,393,878
		<u>682,891,333</u>	<u>747,963,958</u>
<b>Financial Institutions</b>			
Remunerative deposits		27,979,952	30,939,064
Non-remunerative deposits		48,370,221	53,231,032
		<u>76,350,173</u>	<u>84,170,096</u>
		<u>759,241,506</u>	<u>832,134,054</u>
		Mar 31 2011 (Un-audited)	Dec 31 2010 (Audited)
----- (Rupees in '000') -----			
<b>10. SURPLUS ON REVALUATION OF ASSETS</b>			
<b>Surplus on Revaluation of Fixed Assets - net of Tax</b>			
		17,542,232	17,605,260
<b>Surplus on Revaluation of Securities - net of Tax</b>			
Federal Government securities		(936,146)	(1,232,965)
Term Finance Certificates		(243,511)	(215,922)
Quoted shares and Mutual Funds		2,082,909	2,713,159
GoP Foreign Currency Bonds		378,017	720,733
Foreign Government Securities		-	(11,264)
NI(U)T LoC Units		418,159	511,892
NI(U)T Non-LoC Units		105,438	101,420
NIT Market Opportunity Fund		523,566	565,873
Investment outside Pakistan		6,940,951	6,129,676
		<u>9,269,383</u>	<u>9,282,602</u>
Deferred tax Liability Recognized	8	(1,865,662)	(1,750,726)
Share of Revaluation Loss on Securities of Associates		(1,100)	(24,045)
		<u>24,944,853</u>	<u>25,113,091</u>

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

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

	<b>Mar 31 2011 (Un-audited)</b>	Dec 31 2010 (Audited)
	----- (Rupees in '000) -----	
- Government	<b>12,359,945</b>	14,513,887
- Financial institutions	<b>6,165,393</b>	7,239,823
- Others	<b>9,557,978</b>	11,223,626
	<b>28,083,316</b>	32,977,336

**11.2 Transaction-related contingent liabilities**

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

- Government	<b>18,909,681</b>	19,863,734
- Financial institutions	<b>101,643</b>	106,771
- Others	<b>14,790,574</b>	15,536,805
	<b>33,801,897</b>	35,507,310

**11.3 Trade-related contingent liabilities**

Letters of credit  
Issued in favour of

- Government	<b>122,570,029</b>	129,270,162
- Financial institutions	<b>101,728</b>	107,289
- Others	<b>30,128,862</b>	31,775,817
	<b>152,800,619</b>	161,153,268

**11.4 Other contingencies**

**11.4.1** Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.178 million (2010: Rs.178 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2010: Rs.965 million)].

<b>28,575,000</b>	8,243,510
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**11.4.2 Taxation**

The income tax returns of the bank for global operations and for Azad Jammu Kashmir have been filed under section 120 and amended by the Taxation Officer under section 122(5A) of the Income Tax Ordinance, 2001 upto the tax year 2010 (accounting year ended December 31, 2009).

The matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 3,413 million (2010: Rs. 3,413 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

**11.4.3 Barter Trade Agreements / Golden Handshake**

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2010.

	<b>Mar 31 2011 (Un-audited)</b>	Dec 31 2010 (Audited)
	----- (Rupees in '000) -----	
<b>11.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>107,623,551</b>	98,499,566
Sale	<b>62,914,762</b>	60,773,315
<b>11.6 Commitments in respect of trading with Govt. securities</b>		
Purchase (Reverse Repo)	<b>100,000</b>	-
Sale	-	50,000
<b>11.7 Other Commitments</b>		
Cross Currency SWAP	<b>6,746,293</b>	6,135,896
Professional services to be received	<b>157,176</b>	166,216
<b>11.8 Commitments for the acquisition of operating fixed assets</b>	<b>2,405,895</b>	2,375,461

Quarter	Quarter
Ended	Ended
Mar 31	Mar 31
2011	2010

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

Profit after taxation	(Rupees in '000)	<u>4,273,765</u>	<u>4,242,762</u>
Weighted average number of ordinary shares	(Number '000)	<u>1,345,463</u>	<u>1,345,463</u>
Basic and diluted earnings per share	(Rupees)	<u>3.18</u>	<u>3.15</u>

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	Rupees in '000								
<b>Mar 31, 2011 (Un-Audited)</b>									
Total income	88,160	783,982	3,768,081	8,679,862	510,604	958,667	5,657	18,711	14,813,725
Total expenses	2,074	162,580	3,674,851	3,573,615	292,730	679,919	3,471	16,956	8,406,196
Net income	<u>86,086</u>	<u>621,402</u>	<u>93,230</u>	<u>5,106,247</u>	<u>217,874</u>	<u>278,748</u>	<u>2,186</u>	<u>1,755</u>	<u>6,407,528</u>
<b>Mar 31, 2010 (Un-Audited)</b>									
Total income	51,500	649,222	2,953,174	9,134,432	417,427	908,416	6,653	19,161	14,139,985
Total expenses	518	59,739	2,942,694	3,854,140	283,047	648,407	3,651	17,655	7,809,851
Net income	<u>50,982</u>	<u>589,484</u>	<u>10,480</u>	<u>5,280,292</u>	<u>134,380</u>	<u>260,009</u>	<u>3,002</u>	<u>1,506</u>	<u>6,330,134</u>

**14. RELATED PARTY TRANSACTIONS**

The Bank has related party relationship with its associated undertakings, joint ventures, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 6 to these financial statements. Transactions between the Holding Company and its related parties are carried out under normal commercial term except employee staff loans employees sales of assets and return on provident fund, that are as per the agreed term. Transactions with related parties during the period are as under:

	2011				2010			
	At January 1	Given during the period	Repaid during the period	At March 31	At January 1	Given during the year	Repaid during the year	At December 31
	(Rupees in '000)							
<b>Advances</b>								
Key Management Executives	126,519	10,700	(5,235)	131,984	97,439	46,553	(17,473)	126,519
Associates	1,294,419	-	(19,850)	1,274,569	1,287,942	6,477	-	1,294,419
Debts due by Company in which Director is interested as Director	17,479,250	1,374,791	(6,946,299)	11,907,742	12,423,114	9,969,859	(4,913,723)	17,479,250
	<u>18,900,188</u>	<u>1,385,491</u>	<u>(6,971,384)</u>	<u>13,314,295</u>	<u>13,808,495</u>	<u>10,022,889</u>	<u>(4,931,196)</u>	<u>18,900,188</u>

	2011				2010			
	At January 1	Received during the period	Repaid during the period	At March 31	At January 1	Received during the year	Repaid during the year	At December 31
	(Rupees in '000)							
<b>Deposits</b>								
Key Management Executives	58,136	108,483	(89,714)	76,905	15,500	214,538	(171,902)	58,136
Pension Fund (Current)	5,037	3,924,178	(3,924,063)	5,152	405,351	9,798,211	(10,198,525)	5,037
Pension Fund (Fix Deposit)	8,400,000	-	(1,300,000)	7,100,000	7,300,000	2,600,000	(1,500,000)	8,400,000
Provident Fund	8,909,272	175,086	(221,069)	8,863,289	7,448,100	3,093,222	(1,632,050)	8,909,272
	<u>17,372,445</u>	<u>4,207,747</u>	<u>(5,534,846)</u>	<u>16,045,346</u>	<u>15,168,951</u>	<u>15,705,971</u>	<u>(13,502,477)</u>	<u>17,372,445</u>

	Mar 31 2011 (Un-audited)	Dec 31 2010 (Audited)
	(Rupees in '000)	
<b>Placements with:</b>		
Joint venture	273,679	264,591
Associates	23,332	23,332
<b>Repo Borrowing from</b>		
Associates	-	380,362

	Quarter Ended Mar 31 2011 (Un-audited) ----- (Rupees in '000) -----	Quarter Ended Mar 31 2010 (Un-audited)
<b>Income for the period</b>		
On advances / placements with:		
Joint Ventures	70	597
Key management executives	910	876
Debts Due by company in which a director of the bank is interested as director	351,914	270,272
<b>Expenses for the period</b>		
Remuneration to key management executives	182,952	152,460
Charge for defined benefit plan	5,240	4,367
<b>Mark-up on Deposits of:</b>		
Provident fund	451,842	410,379
Pension fund	266,160	151,674
Key management executives	364	275
<b>Mark-up on Borrowing (Repo / Call) :</b>		
Associate	261	-

14.1 Although the Federal Government and the SBP held about 75.60% shares of the holding company (2010: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

## 15. ISLAMIC BANKING BUSINESS

The Bank is operating 8 (December 31, 2010: 8) Islamic banking branches as at Mar 31, 2011. The balance sheet and profit and loss account of such branches is as under:

	Mar 31 2011 (Un-audited) ----- (Rupees in '000) -----	Dec 31 2010 (Audited)
<b>Balance Sheet</b>		
<b>ASSETS</b>		
Cash and balances with treasury banks	199,988	157,726
Balances with and due from financial institutions		200,000
Investments	1,752,586	1,038,673
Financing / Receivables under:		
- Murabaha	278,398	278,398
- Diminishing Musharika	797,125	212,500
- Ijarah assets	389,360	417,920
- Other Islamic modes	94,513	94,513
Provision against non performing financings	(311,567)	(278,233)
Operating fixed assets	10,033	11,763
Due from Head Office	68,332	44,650
Other assets	71,869	47,993
<b>Total Assets</b>	<b>3,350,637</b>	<b>2,225,903</b>
<b>LIABILITIES</b>		
Bills payable	9,056	5,421
Deposits and other accounts	3,012,797	2,193,413
Other liabilities	69,907	36,186
	<b>3,091,760</b>	<b>2,235,020</b>
<b>NET ASSETS</b>	<b>258,877</b>	<b>(9,117)</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	300,000	300,000
Unappropriated (loss)	(41,123)	(309,117)
	<b>258,877</b>	<b>(9,117)</b>

Mar 31                      Mar 31  
2011                              2010  
(Un-audited)                      (Audited)  
----- (Rupees in '000) -----

**Profit and Loss Account**

Profit / return on financing and placements earned	98,277	41,865
Profit / return on deposit and other dues expensed	57,565	12,823
Net spread earned	40,712	29,042
Depreciation on assets given on ijarah	28,560	16,145
	<u>12,152</u>	<u>12,897</u>
Provision against advances and investments	33,334	-
(Loss) / Profit after provision	<u>(21,182)</u>	12,897
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	679	854
Income from dealing in foreign currencies	87	37
Other income	267	-
Total other income	<u>1,033</u>	891
	<u>(20,149)</u>	13,788
<b>OTHER EXPENSES</b>		
Administrative expenses	<u>(20,974)</u>	(14,904)
<b>Loss for the year</b>	<u><u>(41,123)</u></u>	<u><u>(1,116)</u></u>

**16. DATE OF AUTHORIZATION FOR ISSUE**

The consolidated condensed interim financial statements were authorized for issue on April 26, 2011 by the Board of Directors of the Holding Company.

**17. GENERAL**

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
President

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director