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# **National Bank of Pakistan**

**Standalone Financial Statements**

**For the quarter ended March 31, 2012**

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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, 2012. The Profit for the three months period ended March 31, 2012 after carry over of accumulated profit of 2011 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the quarter ended March 31, 2012	6,825
Taxation	
Current year	1,772
Deferred	407
	<u>2,179</u>
After tax profit	4,645
Un-appropriated profit brought forward	68,359
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	27
Profit available for appropriation	<u>73,031</u>
<b><u>Appropriations</u></b>	
Transfer to Statutory Reserve (10% of after tax profit)	(465)
Cash Dividend (Rs. 7.5 per share) - 2011	(12,614)
Reserve for issue of bonus shares - 2011	(1,682)
	<u>(14,760)</u>
Un-appropriated profit carried forward	<u>58,271</u>

After tax profit for first quarter of 2012 stands at Rs. 4,645 million, higher by Rs. 425 million or 10.1% from the corresponding period last year. Earnings per share is at Rs. 2.76 compared to Rs. 2.51 per share for the corresponding period last year. Pre tax return on equity stands at 25.6% whereas pre tax return on assets is at 2.4%.

With the policy interest rate cuts by the SBP of 2.0% last year, the impact on net interest margins became more evident in the first quarter of 2012 as the yield on advances and investments reduced due to repricing of assets portfolio. On the other hand the cost of funds did not exhibit a proportionate decline primarily due to the minimum benchmark floor rate of 5.0% p.a. on all remunerative deposits and competition amongst banks for deposit mobilization. The reduction in net interest margins due to rate decrease was partially offset by an increase in volumes. In this backdrop the bank's net interest income decreased by Rs. 656 million or 6.0% from the corresponding period last year. Non interest markup income however increased by Rs. 271 million or 7.4% compared to the corresponding period last year mainly because of higher dividend and exchange income. Administrative Expenses increased by 20% mainly due to inflation and salary increases. Provision charge shows a reversal of Rs. 512 million as against a net charge of Rs. 1,676 million for the corresponding period last year thus showing a positive benefit of Rs. 2.2 billion mainly due to reversal recorded on impairment loss on shares as the KSE 100 index significantly improved in the first quarter of

2012 compared to year end December 2011. Provision against advances is lower by Rs. 424 million compared to the corresponding period last year due to better recoveries.

Deposits decreased by Rs. 52.4 billion in the current quarter compared to year end 2011. The decrease is mainly due to shedding off of expensive deposits in line with the bank's strategy. Compared to the corresponding period last year increase in deposits is Rs. 116 billion. Advances increased by Rs. 17.7 billion compared to year end December 2011 mainly in corporate and commercial sector.

Going forward with the fresh SBP directives of increasing the minimum benchmark rate of all remunerative deposits from 5.0% p.a. to 6.0% p.a. will further put pressure on net interest margins which the bank plans to counter through volume increase, increase in recoveries resulting in provision reduction as well as finding and developing new streams for revenue.

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 the Board of Directors

Qamar Hussain  
President  
Date: April 27, 2012

**National Bank of Pakistan**  
**Condensed Interim Unconsolidated Statement of Financial Position**  
**As at March 31, 2012**

		(Un-Audited) March 31 2012	(Audited) December 31 2011
	Note	----- (Rupees in '000') -----	
<b>ASSETS</b>			
Cash & balances with Treasury Banks		<b>150,038,480</b>	131,675,907
Balances with Other Banks		<b>19,313,406</b>	27,581,695
Lendings to Financial Institutions		<b>11,059,173</b>	44,380,396
Investments - net	7	<b>308,288,068</b>	319,531,213
Advances - net	8	<b>542,741,294</b>	525,045,764
Operating Fixed Assets - net	9	<b>27,788,933</b>	27,453,815
Deferred Tax Assets - net	10	<b>5,952,954</b>	7,935,497
Other Assets		<b>64,532,838</b>	65,973,449
		<b>1,129,715,146</b>	1,149,577,736
<b>LIABILITIES</b>			
Bills Payable		<b>11,312,478</b>	9,104,710
Borrowings		<b>41,924,239</b>	26,371,675
Deposits & Other Accounts	11	<b>875,037,964</b>	927,421,438
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		<b>67,084</b>	76,477
Deferred Tax Liabilities		-	-
Other Liabilities		<b>70,332,072</b>	53,951,988
		<b>998,673,837</b>	1,016,926,288
<b>NET ASSETS</b>			
		<b>131,041,309</b>	132,651,448
<b>REPRESENTED BY</b>			
Share Capital		<b>16,818,285</b>	16,818,285
Reserves		<b>27,719,842</b>	25,342,818
Unappropriated Profit		<b>58,270,681</b>	68,358,909
		<b>102,808,808</b>	110,520,012
Surplus on revaluation of assets	12	<b>28,232,501</b>	22,131,436
		<b>131,041,309</b>	132,651,448
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

The annexed notes 1 to 19 form an integral part of these interim condensed unconsolidated financial statements.

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**Chairman & President**

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**Director**

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**Director**

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**Director**

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

	Quarter Ended March 31 2012	Quarter Ended March 31 2011
Note	----- (Rupees in '000') -----	
Mark-up / Return / Interest Earned	24,846,694	23,170,457
Mark-up / Return / Interest Expensed	14,556,951	12,224,878
Net mark-up / Interest Income	<u>10,289,743</u>	<u>10,945,579</u>
Provision against Non-Performing Loans & Advances	964,905	1,389,285
Provision for Diminution in Value of Investments	(1,511,068)	281,279
	<u>(546,163)</u>	<u>1,670,564</u>
Net Mark-up / Interest Income after Provisions	<u>10,835,906</u>	<u>9,275,015</u>
<b>NON MARK-UP/ INTEREST INCOME</b>		
Fee, Commission & Brokerage Income	2,105,878	2,219,848
Dividend Income	776,720	383,373
Income from Dealing in Foreign Currencies	793,916	631,907
Gain on Sale of Securities	187,926	436,865
Unrealized Gain / (Loss) on Revaluation of Investments classified as Held-for-Trading	18,287	(46,347)
Other Income	45,338	31,687
Total Non-Mark-up / Interest Income	<u>3,928,065</u>	<u>3,657,333</u>
	<u>14,763,971</u>	<u>12,932,348</u>
<b>NON MARK-UP/ INTEREST EXPENSES</b>		
Administrative Expenses	7,901,514	6,565,181
Other Provisions / Write Offs	33,873	5,074
Other Charges	3,807	9,407
Total Non-Mark-up / Interest Expenses	<u>7,939,194</u>	<u>6,579,662</u>
	<u>6,824,777</u>	<u>6,352,686</u>
Extra Ordinary Items	-	-
<b>PROFIT BEFORE TAXATION</b>	<u>6,824,777</u>	<u>6,352,686</u>
Taxation - Current	1,772,275	2,299,447
- Prior Year(s)	-	-
- Deferred	407,224	(166,935)
	<u>2,179,499</u>	<u>2,132,512</u>
<b>PROFIT AFTER TAXATION</b>	<u>4,645,278</u>	<u>4,220,174</u>
	-----Rupees-----	
<b>Basic &amp; Diluted Earnings per Share</b>	14	2.76
		2.51

The annexed notes 1 to 19 form an integral part of these interim condensed unconsolidated financial statements.

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**Chairman & President**

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**Director**

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**Director**

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**Director**

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

	Reserves					Unappropriated profit	Total
	Share capital	Capital			Revenue General		
		Exchange Translation	Reserve for issue of Bonus shares	Statutory			
----- (Rupees in '000) -----							
Balance as at January 1, 2011	13,454,628	6,919,067	-	17,009,839	521,338	65,857,438	103,762,310
<b>Comprehensive income</b>							
Profit after tax for the three months period ended March 31, 2011	-	-				4,220,174	4,220,174
Other comprehensive income - net of tax	-	33,289					33,289
	-	33,289	-	-	-	4,220,174	4,253,463
Transferred from surplus on revaluation of 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>
Balance as at April 1, 2011	13,454,628	6,952,356	3,363,657	17,431,857	521,338	56,228,928	97,952,764
<b>Comprehensive income</b>							
Profit after tax for the nine months period ended December 31, 2011						13,384,548	13,384,548
Other comprehensive income - net of tax		(901,188)					(901,188)
		(901,188)	-	-	-	13,384,548	12,483,360
Transferred from surplus on revaluation of fixed assets						83,888	83,888
Transfer to statutory reserve				1,338,455		(1,338,455)	-
<b>Transactions with Owners</b>							
Issue of Bonus Shares (25%)	3,363,657		(3,363,657)			-	-
<b>Balance as at December 31, 2011</b>	<b>16,818,285</b>	<b>6,051,168</b>	<b>-</b>	<b>18,770,312</b>	<b>521,338</b>	<b>68,358,909</b>	<b>110,520,012</b>
Balance as at January 1, 2012	16,818,285	6,051,168	-	18,770,312	521,338	68,358,909	110,520,012
<b>Comprehensive income</b>							
Profit after tax for the three months period ended March 31, 2012	-	-				4,645,278	4,645,278
Other comprehensive income - net of tax	-	230,668					230,668
	-	230,668	-	-	-	4,645,278	4,875,946
Transferred from surplus on revaluation of fixed assets						26,564	26,564
Transfer to statutory reserve				464,528		(464,528)	-
<b>Transactions with Owners</b>							
Issue of Bonus Shares (10%)			1,681,829			(1,681,829)	-
Cash dividend (Rs. 7.5 per share)						(12,613,714)	(12,613,714)
<b>Balance as at March 31, 2012</b>	<b>16,818,285</b>	<b>6,281,836</b>	<b>1,681,829</b>	<b>19,234,839</b>	<b>521,338</b>	<b>58,270,681</b>	<b>102,808,808</b>

The annexed notes 1 to 19 form an integral part of these interim condensed unconsolidated financial statements.

Chairman & President

Director

Director

Director

# National Bank of Pakistan

## Condensed Interim Unconsolidated Statement of Comprehensive Income - Unaudited

For the Three Months Period Ended March 31, 2011

	Quarter Ended March 31 2012	Quarter Ended March 31 2011
	----- (Rupees in '000') -----	
<b>Profit after taxation for the quarter</b>	4,645,278	4,220,174
<b>Other comprehensive income:</b>		
Exchange adjustments on translation of net assets of foreign branches	230,668	33,289
Income tax relating to component of other comprehensive income	-	-
	<b>230,668</b>	<b>33,289</b>
<b>Comprehensive income transferred to equity</b>	<b>4,875,946</b>	<b>4,253,463</b>
<b>Components of comprehensive income not reflected in equity</b>		
Surplus on revaluation of investments	7,714,588	92,286
Deferred tax on revaluation of investments	(1,575,320)	(114,936)
	<b>6,139,268</b>	<b>(22,650)</b>
<b>Total comprehensive income</b>	<b>11,015,214</b>	<b>4,230,813</b>

Surplus arising on revaluation of investments has been reported in accordance with the requirements of the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes 1 to 19 form an integral part of these interim condensed unconsolidated financial statements.

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Chairman & President

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Director

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Director

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Director

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

	March 31 2012	March 31 2011
	----- (Rupees in '000') -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation	6,824,777	6,352,686
Less: Dividend Income	776,720	383,373
	<u>6,048,057</u>	<u>5,969,313</u>
<b>Adjustments</b>		
Depreciation	348,257	286,562
Provision against Non-Performing Loans & Advances	964,905	1,389,285
Provision for Diminution in Value of Investments	(1,511,068)	281,279
Other Provision / Write Off	33,873	5,074
Gain on Sale of Fixed Assets	(7,832)	(423)
Financial Charges on Leased Assets	4,691	4,559
	<u>(167,174)</u>	<u>1,966,336</u>
	<b>5,880,883</b>	<b>7,935,649</b>
<b>(Increase) / Decrease in Operating Assets</b>		
Lendings to Financial Institutions	33,321,223	17,436,391
Held-for-Trading Securities	(13,903,069)	1,524,990
Advances	(18,660,435)	(8,428,709)
Other Assets	4,186,157	(10,892,528)
	<u>4,943,876</u>	<u>(359,856)</u>
<b>Increase / (Decrease) in Operating Liabilities</b>		
Bills Payable	2,207,768	536,646
Borrowings	15,531,279	30,658,924
Deposits & Other Accounts	(52,383,474)	(73,156,585)
Other Liabilities (excluding Current Taxation)	3,766,370	(3,505,800)
	<u>(30,878,057)</u>	<u>(45,466,815)</u>
Income Tax Paid	(4,554,882)	(2,550,000)
Financial Charges Paid	(4,691)	(4,559)
	<u>(4,559,573)</u>	<u>(2,554,559)</u>
<b>Net Cash Flow from Operating Activities</b>	<u>(24,612,871)</u>	<u>(40,445,581)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investments in Available-for-Sale Securities	35,125,073	27,851,434
Proceeds from Held-to-Maturity Securities	(262,516)	1,212,307
Investments In Associates & Subsidiaries	(499,139)	(98,282)
Dividend Received	776,720	383,373
Investments in Operating Fixed Assets	(683,375)	(751,371)
Sale Proceeds of Operating Fixed Assets Disposed Off	7,832	423
<b>Net Cash Used in Investing Activities</b>	<u>34,464,595</u>	<u>28,597,884</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of Lease Obligations	(9,393)	(12,122)
<b>Net Cash used in Financing Activities</b>	<u>(9,393)</u>	<u>(12,122)</u>
Effects Of Exchange Rate Changes On Cash And Cash Equivalents	230,668	33,289
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<u>10,072,999</u>	<u>(11,826,530)</u>
Cash & Cash Equivalents at Beginning of the period	<u>158,883,208</u>	<u>145,294,950</u>
Cash & Cash Equivalents at the End of the period	<u>168,956,207</u>	<u>133,468,420</u>

The annexed notes 1 to 19 form an integral part of these interim condensed unconsolidated financial statements.

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Chairman & President

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Director

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Director

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Director

## **National Bank of Pakistan**

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

**For the Three Months Period 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 1,277 (2011: 1,266) branches in Pakistan and 23 (2011: 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, 2011.

2.4 On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs. The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and Non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to received such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan (PC) for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, needs to be accounted for by the covered entities, including the bank, under the provisions of amended International Financial Reporting Standard-2, "Share Based Payments" (IFRS-2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan (ICAP), has granted exemption to such entities from the application of IFRS-2 to the Scheme.

Had the exemption not been granted, the staff costs of the bank for the period would have been higher by Rs. 281 million (March 31, 2011: 281 million), profit before taxation would have been lower by Rs. 281 million (March 31, 2011: 281 million), un-appropriated profit would have been lower by Rs. 2,958 million (March 31, 2011: 1,833 million) and reserves would have been higher by Rs. 2,958 million (March 31, 2011: 1,833 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.167 per share (March 31, 2011: Rs 0.167).

- 2.5** 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. BASIS OF MEASUREMENT**

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

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

### **4. ACCOUNTING POLICIES**

The accounting policies adopted for preparation of these unconsolidated condensed interim financial statements are same as those followed in the preparation of the annual financial statements of the bank for the year ended December 31, 2011.

### **5. 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, 2011.

### **6. FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the bank for the year ended December 31, 2011.

## 7. INVESTMENTS

	(Un-Audited)			(Audited)		
	March 31, 2012			December 31, 2011		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	----- (Rupees in '000') -----			----- (Rupees in '000') -----		
<b>7.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	26,561,132	-	26,561,132	13,042,925	-	13,042,925
Pakistan Investment Bonds	335,425	-	335,425	97,727	-	97,727
Ordinary Shares of Listed companies	535,938	-	535,938	388,774	-	388,774
Ijarah Sukuk Bonds	20,000	-	20,000	20,000	-	20,000
	27,452,495	-	27,452,495	13,549,426	-	13,549,426
<b>Available- for- sale securities</b>						
Ordinary Shares of Listed companies	27,244,490	-	27,244,490	27,801,608	-	27,801,608
Ordinary Shares of Un-Listed companies	1,065,173	-	1,065,173	1,065,173	-	1,065,173
	28,309,663	-	28,309,663	28,866,781	-	28,866,781
Market Treasury Bills	102,126,264	29,524,879	131,651,143	159,199,048	10,971,238	170,170,286
Preference Shares	902,748	-	902,748	285,260	-	285,260
Pakistan Investment Bonds	37,482,105	-	37,482,105	38,097,048	-	38,097,048
Gop Foreign Currency Bonds	3,558,303	-	3,558,303	3,484,334	-	3,484,334
Foreign Currency Debt Securities	5,277,629	-	5,277,629	5,362,824	-	5,362,824
Term Finance Certificates / Mushairka, Foreign Currency Debt Securities and Sukuk Bonds	23,511,146	-	23,511,146	19,536,942	-	19,536,942
Investments in Mutual Funds	1,817,208	-	1,817,208	1,831,543	-	1,831,543
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,032,755	-	1,032,755	1,032,755	-	1,032,755
<b>Total Available- for- sale securities</b>	<b>205,081,116</b>	<b>29,524,879</b>	<b>234,605,995</b>	<b>258,759,830</b>	<b>10,971,238</b>	<b>269,731,068</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	24,099,446	-	24,099,446	24,105,281	-	24,105,281
GoP Foreign Currency Bonds	542,502	-	542,502	534,046	-	534,046
Foreign Government Securities	934,514	-	934,514	793,296	-	793,296
Foreign Currency Debt Securities	121,226	-	121,226	120,272	-	120,272
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	2,243,290	-	2,243,290	2,125,567	-	2,125,567
<b>Total Held-to-Maturity Securities</b>	<b>27,940,978</b>	<b>-</b>	<b>27,940,978</b>	<b>27,678,462</b>	<b>-</b>	<b>27,678,462</b>
<b>Investments in Associates</b>	<b>7,616,513</b>	<b>-</b>	<b>7,616,513</b>	<b>7,117,374</b>	<b>-</b>	<b>7,117,374</b>
<b>Investments in Joint Ventures</b>	<b>1,244,835</b>	<b>-</b>	<b>1,244,835</b>	<b>1,244,835</b>	<b>-</b>	<b>1,244,835</b>
<b>Investments in Subsidiaries</b>	<b>3,452,967</b>	<b>-</b>	<b>3,452,967</b>	<b>3,452,967</b>	<b>-</b>	<b>3,452,967</b>
<b>Investment at cost</b>	<b>272,788,904</b>	<b>29,524,879</b>	<b>302,313,783</b>	<b>311,802,894</b>	<b>10,971,238</b>	<b>322,774,132</b>
<b>Less: Provision for Diminution in Value of Investments (note 7.2)</b>	<b>(8,637,040)</b>	<b>-</b>	<b>(8,637,040)</b>	<b>(10,080,358)</b>	<b>-</b>	<b>(10,080,358)</b>
<b>Investments (net of Provisions)</b>	<b>264,151,864</b>	<b>29,524,879</b>	<b>293,676,743</b>	<b>301,722,536</b>	<b>10,971,238</b>	<b>312,693,774</b>
Surplus / (Deficit) on Revaluation of Held-for-trading securities	18,287	-	18,287	(41,011)	-	(41,011)
Surplus on Revaluation of Available-for-Sale Securities (note 12)	14,591,919	1,119	14,593,038	6,822,246	56,204	6,878,450
<b>Total Investments at Market Value</b>	<b>278,762,070</b>	<b>29,525,998</b>	<b>308,288,068</b>	<b>308,503,771</b>	<b>11,027,442</b>	<b>319,531,213</b>

7.2	Particulars of provision for diminution in value of investments	Note	March 31	December 31
			2012 (Un-audited)	2011 (Audited)
	Opening balance		10,080,358	6,720,091
	Charge for the year		318,830	3,944,886
	Reversals		(1,829,898)	(807,118)
			(1,511,068)	3,137,768
	Transfer in		67,750	223,081
	Amount written off		-	(582)
	Closing balance	7	8,637,040	10,080,358

  

8. ADVANCES	Particulars	Note	March 31	December 31
			2012 (Un-audited)	2011 (Audited)
	Loans, cash credits, running finances, etc.			
	In Pakistan		538,371,195	518,915,140
	Outside Pakistan		48,296,666	46,494,802
			586,667,861	565,409,942
	Bills discounted and purchased (excluding Government treasury bills)			
	Payable in Pakistan		11,883,037	11,718,036
	Payable outside Pakistan		12,652,063	15,237,920
			24,535,100	26,955,956
	Advances - gross		611,202,961	592,365,898
	Less: Provision against non-performing loans	8.2	(68,461,667)	(67,320,134)
	Advances - net of provision		542,741,294	525,045,764

8.1 Advances include Rs.92,081 million (2011: Rs.88,161 million) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2012				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	2,784,818	-	2,784,818	-	-
Substandard	7,262,482	912,069	8,174,551	1,626,690	1,626,690
Doubtful	9,401,870	907,483	10,309,353	3,896,864	3,896,864
Loss	68,459,963	2,352,573	70,812,536	59,131,702	59,131,702
	<b>87,909,133</b>	<b>4,172,125</b>	<b>92,081,258</b>	<b>64,655,256</b>	<b>64,655,256</b>

  

Category of Classification	December 31, 2011				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	622,297	-	622,297	-	-
Substandard	5,606,741	365,295	5,972,036	1,130,285	1,130,285
Doubtful	12,284,111	908,853	13,192,964	4,319,583	4,319,583
Loss	65,939,496	2,433,929	68,373,425	58,026,443	58,026,443
	<b>84,452,645</b>	<b>3,708,077</b>	<b>88,160,722</b>	<b>63,476,311</b>	<b>63,476,311</b>

## 8.2 Particulars of provision against non-performing advances

	March 31, 2012			December 31, 2011		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	63,476,311	3,843,823	67,320,134	57,337,200	3,765,432	61,102,632
Exchange adjustments	4,492	4,886	9,378	(33,992)	(1,570)	(35,562)
Charge for the period	2,421,451	(42,298)	2,379,153	9,790,721	258,277	10,048,998
Reversals	(1,414,248)	-	(1,414,248)	(3,669,324)	(178,316)	(3,847,640)
	1,007,203	(42,298)	964,905	6,121,397	79,961	6,201,358
Transfer (out) / in	(67,750)	-	(67,750)	478,202	-	478,202
Write offs	-	-	-	(256,574)	-	(256,574)
Other adjustments	235,000	-	235,000	(169,922)	-	(169,922)
Closing balance	64,655,256	3,806,411	68,461,667	63,476,311	3,843,823	67,320,134

## 9. OPERATING FIXED ASSETS

	March 31 2012 (Un-audited)	December 31 2011 (Audited)
	----- (Rupees in '000') -----	
Capital work-in-progress	2,615,362	2,489,641
Property and equipment	25,100,380	24,892,380
Intangible assets	73,191	71,794
	<u>27,788,933</u>	<u>27,453,815</u>

## 10. DEFERRED TAX ASSETS - net

## Deferred tax assets arising in respect of

	March 31 2012 (Un-Audited)	December 31 2011 (Audited)
	----- (Rupees in '000') -----	
Provision for diminution in the value of investments	2,156,016	2,684,890
Provision against advances	6,424,530	6,424,530
Other provisions	533,081	521,225
Charge against defined benefits plans	1,565,112	1,468,297
Provision against off-balance sheet obligations	116,622	116,622
	<u>10,795,361</u>	<u>11,215,564</u>

## Deferred tax (liabilities) arising in respect of

	March 31 2012 (Un-Audited)	December 31 2011 (Audited)
	----- (Rupees in '000') -----	
Excess of accounting book value of leased assets over lease liabilities	(13,826)	(12,502)
Difference between accounting book value of fixed assets and tax base	(299,322)	(299,322)
Revaluation of securities	(3,390,235)	(1,814,915)
Revaluation of fixed assets	(1,139,024)	(1,153,328)
	<u>(4,842,407)</u>	<u>(3,280,067)</u>

Net deferred tax assets

March 31 2012 (Un-audited)	December 31 2011 (Audited)
----- (Rupees in '000') -----	
<u>5,952,954</u>	<u>7,935,497</u>

## 11. DEPOSITS AND OTHER ACCOUNTS

## Customers

Fixed deposits	227,586,423	257,375,642
Savings deposits	248,724,583	232,868,076
Current accounts - remunerative	72,033,599	80,724,968
Current accounts - non-remunerative	193,380,316	214,069,549
	<u>741,724,921</u>	<u>785,038,235</u>

## Financial Institutions

Remunerative deposits	89,233,554	65,183,827
Non-remunerative deposits	44,079,489	77,199,376
	<u>133,313,043</u>	<u>142,383,203</u>
	<u>875,037,964</u>	<u>927,421,438</u>

	March 31 2012 (Un-audited)	December 31 2011 (Audited)
	----- (Rupees in '000') -----	
<b>12. SURPLUS ON REVALUATION OF ASSETS - net</b>		
<b>Surplus on revaluation of fixed assets - net of tax</b>	<b>17,029,698</b>	17,067,901
<b>Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax</b>		
Federal Government securities	54,977	500,745
Term Finance Certificates	(405,089)	(74,545)
Shares and mutual funds	1,871,753	(338,799)
GoP Foreign Currency Bonds	117,433	(119,692)
Foreign Currency Debt Securities	145,288	(121,529)
NI(U)T Non-LoC Units	69,943	(21,809)
NIT Equity Market Opportunity Fund Units	721,633	402,853
Investment outside Pakistan	12,017,100	6,651,226
	<b>7</b>	6,878,450
Deferred tax liability	<b>10</b>	(1,814,915)
	<b>28,232,501</b>	<b>22,131,436</b>

**13. CONTINGENCIES AND COMMITMENTS****13.1 Direct credit substitutes**

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

- Government
- Financial institutions
- Others

	March 31 2012 (Un-audited)	December 31 2011 (Audited)
	----- (Rupees in '000') -----	
	3,372,307	3,677,940
	4,916,151	5,361,703
	19,794,859	21,588,873
	<b>28,083,316</b>	<b>30,628,516</b>

**13.2 Transaction-related contingent liabilities**

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

- Government
- Financial institutions
- Others

	13,008,875	14,457,548
	8,841,093	9,825,641
	11,951,929	13,282,900
	<b>33,801,897</b>	<b>37,566,089</b>

**13.3 Trade-related contingent liabilities**

- Letters of credit issued in favour of
- Government
  - Financial institutions
  - Others

	42,914,405	47,591,186
	533	591
	<b>109,885,681</b>	<b>121,860,942</b>
	<b>152,800,619</b>	<b>169,452,719</b>

**13.4 Other contingencies**

**13.4.1** Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.178 million (2011: Rs.178 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2011: Rs.965 million)].

<b>9,015,066</b>	8,704,944
------------------	-----------

**13.4.2 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 2011 (accounting year ended December 31, 2010).

Last year, taxation authorities in connection with monitoring of withholding taxes passed orders under section 161/205 of the Income Tax Ordinance, 2001 for the tax years 2009, 2010 and 2011 raising demand of Rs. 2.3 billion subject to rectification on production of additional challans. The additional challans have been collected from the branches and submitted to the income tax authorities for verification by them. An appeal has also been filed before the Appellate Tribunal of Inland Revenue on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

In addition to above, the other 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. 5,453 million (2011: Rs. 5,453 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.

**13.4.3 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, 2011.

	<b>March 31 2012 (Un-Audited)</b>	<b>December 31 2011 (Audited)</b>
	----- (Rupees in '000') -----	
<b>13.5 Commitments in respect of forward exchange contracts</b>		
Purchase	157,492,199	160,587,401
Sale	94,143,167	106,748,426
<b>13.6 Commitments in respect of forward trading of government securities</b>		
Purchase	2,000,000	2,000,000
<b>13.7 Other Commitments</b>		
Cross Currency SWAP	3,115,014	3,410,259
Professional services to be received	103,709	147,669
<b>13.8 Commitments for the acquisition of operating fixed assets</b>	1,797,358	1,643,221
<b>14. BASIC AND DILUTED EARNINGS PER SHARE</b>		
	<b>Quarter Ended March 31 2012 (Un-Audited)</b>	<b>Quarter Ended March 31 2011 (Un-Audited)</b>
Profit after taxation (Rupees in '000)	<u>4,645,278</u>	<u>4,220,174</u>
Weighted average number of ordinary shares (in '000)	<u>1,681,829</u>	<u>1,681,829</u>
Basic and diluted earnings per share (Rupees)	<u>2.76</u>	<u>2.51</u>

**15. 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, 2012 - Unaudited</b>							
Total income	163,561	291,480	1,337,661	10,962,706	374,564	1,087,836	14,217,808
Inter segment revenue	-	(134,128)	3,286,645	(3,152,517)	-	-	-
Total expenses	4,444	12,290	4,358,448	1,787,249	339,797	890,803	7,393,031
<b>Net income</b>	<u>159,117</u>	<u>145,062</u>	<u>265,858</u>	<u>6,022,940</u>	<u>34,767</u>	<u>197,033</u>	<u>6,824,777</u>
Segment assets - gross of NPLs provision	-	27,452,495	176,280,153	908,743,914	-	17,238,585	1,129,715,147
Segment non performing loans	-	-	9,686,727	82,394,531	-	-	92,081,258
Segment total provision	-	-	6,278,051	62,183,616	-	-	68,461,667
Segment liabilities	-	-	244,108,450	742,652,863	-	11,912,524	998,673,837
Segment return on assets (ROA) (%)	0.00%	6.90%	0.73%	2.58%	0.00%	6.86%	2.48%
Segment cost of fund (%)	0.00%	0.00%	5.21%	7.21%	0.00%	0.00%	6.68%
<b>March 31, 2011 - Unaudited</b>							
Total income	88,160	198,405	1,352,523	11,494,552	510,604	958,667	14,602,911
Inter segment revenue	-	(184,954)	2,415,557	(2,230,603)	-	-	-
Total expenses	2,074	12,038	3,631,869	3,560,276	283,911	760,058	8,250,226
<b>Net income</b>	<u>86,086</u>	<u>1,413</u>	<u>136,211</u>	<u>5,703,673</u>	<u>226,693</u>	<u>198,609</u>	<u>6,352,685</u>
Segment assets - gross of NPLs provision	-	6,869,633	151,840,549	821,110,084	-	13,964,247	993,784,513
Segment non performing loans	-	-	7,995,783	86,333,244	-	-	94,329,027
Segment total provision	-	-	6,270,530	56,168,561	-	-	62,439,091
Segment liabilities	-	-	229,163,432	642,094,429	-	-	871,257,861
Segment return on assets (ROA) (%)	0.00%	0.80%	10.09%	4.43%	0.00%	33.36%	5.82%
Segment cost of fund (%)	0.00%	0.00%	4.55%	6.02%	0.00%	0.00%	5.67%

## 16. 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.

	2012 - Un audited			2011 - 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	82,110	-	(12,745)	69,365	88,178	10,700	(16,768)	82,110
Subsidiaries	330,414	550,733	(19,700)	861,447	466,787	-	(136,373)	330,414
Associates	1,281,029	-	(42,849)	1,238,180	1,294,419	-	(13,390)	1,281,029
Debts due by Company in which director is interested as director	10,007,468	262,335	(39,326)	7,521,410	9,564,548	1,635,668	(1,192,748)	10,007,468
Adjustments*	(2,709,067)	-	-	-	-	-	-	-
	7,298,401	262,335	(39,326)	7,521,410	9,564,548	1,635,668	(1,192,748)	10,007,468
	8,991,954	813,068	(114,620)	9,690,402	11,413,932	1,646,368	(1,359,279)	11,701,021

	2012 - Un audited			2011 - 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	329,897	11,267	(109,915)	231,249	292,977	36,920	-	329,897
Key Management Executives	14,750	86,485	(58,149)	43,086	58,300	217,213	(260,763)	14,750
Pension Fund (Current)	5,856	2,577,469	(2,581,568)	1,757	5,037	30,056	(29,237)	5,856
Pension Fund (Fixed Deposit)	16,100,000	3,000,000	(13,500,000)	5,600,000	8,400,000	10,200,000	(2,500,000)	16,100,000
Provident Fund	10,224,455	174,360	(164,457)	10,234,358	8,909,272	2,281,333	(966,150)	10,224,455
	26,674,958	5,849,581	(16,414,089)	16,110,450	17,665,586	12,765,522	(3,756,150)	26,674,958

**Mar 31,**  
**2012**  
**Un-audited**  
**Rupees in '000**

Dec 31,  
2011  
Audited

**Placements with:**

Subsidiary	6,195	8,374
Joint venture	373,072	614,100
Associates	23,332	23,332

**Reverse Repo lending to:**

Subsidiaries	123,142	66,093
Pension Fund	-	9,999,998
Associate	299,945	-

**Repo borrowing from:**

Subsidiary	-	-
Joint Venture	1,460	78,063
Associate	152,071	-

**Other receivables from subsidiaries**

**54,498**      46,796

**Other payables to subsidiaries**

**2,534**      5,414

	Mar 31, 2012	Mar 31, 2011
	Un-audited	Un-audited
	Rupees in '000	

**Income for the period/year**

## On advances / placements with:

Subsidiaries	49,874	11
Joint Venture	1,428	70
Key management executives	126	910
Debts Due by company in which director of the bank is interested as director	250,186	351,914

## On Reverse Repo / Lendings with:

Subsidiaries	2,468	-
Associates	2,230	-

**Expenses for the year**

Remuneration to key management executives	54,900	182,952
Charge for defined benefit plan	4,494	5,240

**Mark-up on Deposits of:**

Subsidiaries	1,278	3,027
Provident fund	543,123	451,824
Pension fund	300,046	266,160
Key management executives	-	364
Commission paid to subsidiaries	1,240	1,446

**Mark-up on Borrowing (Repo / Call):**

Subsidiaries	-	1,271
Joint Ventures	553	-
Associate	-	261

**16.1** Although the Federal Government and the SBP held about 75.60 % shares of the bank (2011: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

## 17. ISLAMIC BANKING BUSINESS

The bank is operating 8 (December 31, 2011: 8) Islamic banking branch as at March 31, 2012. The statement of financial position, profit and loss account and cash flow is as under:

	March 31 2012 (Un-Audited)	December 31 2011 (Audited)
	----- (Rupees in '000') -----	
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Cash and balances with treasury banks	92,342	199,988
Balances with and due from financial institutions	-	-
Investments	1,475,006	1,752,586
Financing / Receivables under:		
- Murabaha	39,400	278,398
- Diminishing Musharika	698,708	797,125
- Ijarah assets	335,100	389,360
- Other Islamic modes	50,000	94,513
Provision against non performing financings	(153,307)	(311,567)
Operating fixed assets	11,674	10,033
Due from Head Office	-	68,332
Other assets	80,714	71,869
	<b>2,629,637</b>	<b>3,350,637</b>
<b>Liabilities</b>		
Bills Payable	9,616	9,056
Deposits and other accounts	2,197,319	3,012,797
Other liabilities	91,217	69,907
	<b>2,298,152</b>	<b>3,091,760</b>
<b>Net Assets</b>	<b>331,485</b>	<b>258,877</b>
<b>Represented By</b>		
Islamic Banking Fund	300,000	300,000
Unappropriated profit / (loss)	31,485	(41,123)
	<b>331,485</b>	<b>258,877</b>
	March 31 2012 (Un-Audited)	March 31 2011 (Un-Audited)
	----- (Rupees in '000') -----	
<b>Profit and Loss Account</b>		
Profit / return earned on financings, investments and placements	121,147	98,277
Profit / return expensed on deposit	69,331	57,565
Net spread earned	51,816	40,712
Depreciation on assets given on ijarah	35,454	28,560
	<b>16,362</b>	<b>12,152</b>
Provision against advances and investments	-	33,334
Provision reversed against advances and investments	39,567	-
Profit / (Loss) after provision	55,929	(21,182)
<b>Other income</b>		
Fee, commission and brokerage income	743	679
Income from dealing in foreign currencies	1	87
Other income	2	267
Total other income	746	1,033
	<b>56,675</b>	<b>(20,149)</b>
<b>Other expenses</b>		
Administrative expenses	25,190	(20,974)
<b>Profit / (Loss) for the year</b>	<b>31,485</b>	<b>(41,123)</b>

<b><u>Cash Flow Statement</u></b>	<b>March 31 2012 (Un-Audited)</b>	<b>March 31 2011 (Un-Audited)</b>
	----- (Rupees in '000) -----	
<b>Cash Flow from Operating Activities</b>		
Profit for the year	31,485	71,535
Adjustments :		
Depreciation - Own assets	274	2,056
Depreciation - Ijarah assets	35,454	138,619
Provision against non performing financings	(39,567)	46,875
	<u>(3,839)</u>	<u>187,550</u>
	27,646	259,085
(Increase) / Decrease in operating assets		
Due from Financial Institutions	-	200,000
Financings	677,762	(1,616,684)
Other assets	30,468	(63,189)
	<u>708,230</u>	<u>(1,479,873)</u>
(Increase) / Decrease in operating liabilities		
Bills payable	231	3,964
Deposits and other accounts	(180,134)	(673,569)
Borrowings from Head Office	(647,736)	1,861,179
Other liabilities	42,567	13,871
	<u>(785,072)</u>	<u>1,205,445</u>
<b>Net cash (used in) / generated from operating activities</b>	<b>(49,196)</b>	<b>(15,343)</b>
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	(335)	(510)
<b>Net cash used in investing activities</b>	<b>(335)</b>	<b>(510)</b>
<b>Net Cash Flow from Financing Activities</b>		
Cash Flow from Financing Activities	-	-
<b>(Decrease) in cash and cash equivalents</b>	<b>(49,531)</b>	<b>(15,853)</b>
Cash and cash equivalents at beginning of the period	141,873	157,726
<b>Cash and cash equivalents at end of the period</b>	<b><u>92,342</u></b>	<b><u>141,873</u></b>

## 18. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed unconsolidated financial statements were authorized for issue on April 27, 2012 by the Board of Directors of the Bank.

## 19. GENERAL

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

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

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Director

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Director

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Director

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# **National Bank of Pakistan**

**Consolidated Financial Statements**

**For the quarter ended March 31, 2012**

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**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Financial Position**  
**As at March 31, 2012**

		(Un-Audited) March 31 2012 ----- (Rupees in '000) -----	(Audited) December 31 2011 -----
<b>ASSETS</b>			
Cash and Balances with Treasury Banks		150,538,002	131,843,316
Balances with other Banks		19,761,523	28,070,350
Lendings to Financial Institutions		11,616,249	43,973,532
Investments - Net	7	307,741,475	319,429,370
Advances - Net	8	545,762,987	528,179,115
Operating Fixed Assets - Net	9	29,448,904	29,069,116
Deferred Tax Assets	10	5,991,052	7,948,436
Other Assets		65,003,304	66,544,193
		<b>1,135,863,495</b>	<b>1,155,057,428</b>
<b>LIABILITIES</b>			
Bills Payable		11,312,478	9,104,710
Borrowings		42,871,944	27,402,330
Deposits and other Accounts	11	875,273,516	927,410,553
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		80,959	92,739
Deferred Tax Liabilities		-	-
Other Liabilities		71,317,534	55,015,649
		<b>1,000,856,431</b>	<b>1,019,025,981</b>
<b>NET ASSETS</b>		<b>135,007,064</b>	<b>136,031,447</b>
<b>REPRESENTED BY</b>			
Share Capital		16,818,286	16,818,285
Reserves		28,857,259	26,206,507
Unappropriated Profit		59,875,150	69,717,283
		<b>105,550,695</b>	<b>112,742,076</b>
Minority Interest		740,444	727,356
		<b>106,291,139</b>	<b>113,469,432</b>
Surplus on Revaluation of Assets - net	12	28,715,925	22,562,015
		<b>135,007,064</b>	<b>136,031,447</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

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

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

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**Director**

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

**National Bank of Pakistan**  
**Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)**  
**For the Three Months period ended March 31, 2012**

	Quarter Ended Mar 31 2012	Quarter Ended Mar 31 2011
Note	----- (Rupees in '000') -----	
Mark-up / Return / Interest Earned	25,299,038	23,261,213
Mark-up / Return / Interest Expensed	<u>14,616,341</u>	<u>12,224,970</u>
Net Mark-up / Interest Income	10,682,697	11,036,243
Provision against Non-Performing Loans & Advances	959,054	1,389,285
Provision for Diminution in the Value of Investments	(1,511,068)	281,279
Provision against Off Balance Sheet Obligations	-	-
Bad Debts Written Off Directly	-	-
	<u>(552,014)</u>	<u>1,670,564</u>
Net Mark-up / Interest Income after Provisions	11,234,711	9,365,679
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee, Commission & Brokerage Income	2,219,930	2,309,315
Dividend income	776,720	383,373
Income from Dealing In Foreign Currencies	808,027	644,818
Gain / (Loss) on Sale of Securities	187,926	447,445
Unrealized Gain / (Loss) on Revaluation of Investments Classified as Held-for-Trading	18,287	(46,347)
Share of Profit from Joint Ventures	6,439	(2,671)
Share of Profit from Associates	174,995	12,445
Other income	68,952	29,104
Total non mark-up / interest income	<u>4,261,277</u>	<u>3,777,481</u>
	15,495,987	13,143,160
<b>NON MARK-UP / INTEREST EXPENSES</b>		
Administrative expenses	8,349,239	6,717,656
Other provisions / write offs	50,696	8,569
Other charges	3,807	9,407
Total non mark-up / interest expenses	<u>8,403,742</u>	<u>6,735,632</u>
	7,092,246	6,407,528
Extra ordinary items	-	-
Taxation - Current	1,780,731	2,300,698
- Prior year(s)	-	-
- Deferred	407,054	(166,935)
	<u>2,187,784</u>	<u>2,133,763</u>
<b>PROFIT AFTER TAXATION</b>	<u>4,904,462</u>	<u>4,273,766</u>
<b>Attributable to :</b>		
Share Holders of the Bank	4,891,374	4,278,682
Minority Interest	13,088	(4,916)
	<u>4,904,462</u>	<u>4,273,766</u>
<b>Basic and Diluted Earnings per Share (Rupees)</b>	15	
	<u>2.92</u>	<u>2.54</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

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

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Director

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Director

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Director

**National Bank of Pakistan**  
**Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)**  
**For the Three Months period ended March 31, 2012**

	Share capital	Reserves			Revenue General	Unappropriated Profit	Sub Total	Non Controlling Interest	Total
		Exchange Translation	Bonus Shares Issue Reserve	Statutory					
(Rupees in '000)									
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
FNBM consolidation								219,804	219,804
<b>Total Comprehensive Income for the period</b>									
Profit after tax for the three months period ended Mar 31, 2011	-	-	-	-	-	4,278,682	4,278,682	(4,916)	4,273,766
<b>Other comprehensive income - net of tax</b>									
Effect of translation on net assets of foreign branches	-	250,013	-	-	-	-	250,013	-	250,013
	-	250,013	-	-	-	4,278,682	4,528,695	(4,916)	4,523,779
Transferred from Surplus on Revaluation Fixed Assets	-	-	-	-	-	27,962	27,962	-	27,962
Transfer to Statutory Reserve	-	-	-	427,867	-	(427,867)	-	-	-
<b>Transactions with Owners, recorded directly in equity</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)
	-	-	-	-	-	(13,454,629)	(10,090,971)	-	(10,090,971)
<b>Balance as at Mar 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>712,964</b>	<b>100,866,314</b>
Balance as at April 1, 2011	13,454,629	7,757,214	3,363,657	17,528,753	521,338	57,527,758	100,153,349	712,964	100,866,314
<b>Comprehensive income</b>									
Profit after tax for the nine months period ended December 31, 2011	-	-	-	-	-	13,438,241	13,438,241	14,392	13,452,633
<b>Other comprehensive income - net of tax</b>									
Effect of translation on net assets of foreign branches	-	(933,403)	-	-	-	-	(933,403)	-	(933,403)
	-	(933,403)	-	-	-	13,438,241	12,504,838	14,392	12,519,230
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	83,889	83,889	-	83,889
Transfer to Statutory Reserve	-	-	-	1,332,605	-	(1,332,605)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Issue of Bonus Shares (25%)	3,363,657		(3,363,657)						
<b>Balance as at December 31, 2011</b>	<b>16,818,286</b>	<b>6,823,811</b>	<b>-</b>	<b>18,861,358</b>	<b>521,338</b>	<b>69,717,283</b>	<b>112,742,076</b>	<b>727,356</b>	<b>113,469,432</b>
Balance as at January 1, 2012	16,818,286	6,823,811	-	18,861,358	521,338	69,717,283	112,742,076	727,356	113,469,432
<b>Comprehensive income</b>									
Profit after tax for the three months period ended Mar 31, 2012	-	-	-	-	-	4,891,374	4,891,374	13,088	4,904,462
<b>Other comprehensive income - net of tax</b>									
Effect of translation on net assets of foreign branches	-	504,395	-	-	-	-	504,395	-	504,395
	-	504,395	-	-	-	4,891,374	5,395,769	13,088	5,408,857
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	26,564	26,564	-	26,564
Transfer to Statutory Reserve	-	-	-	464,528	-	(464,528)	-	-	-
<b>Transactions with Owners, recorded directly in equity</b>									
Issue of Bonus Shares (10%)			1,681,829			(1,681,829)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,613,715)	(12,613,715)	-	(12,613,715)
	-	-	-	-	-	(14,295,543)	(12,613,715)	-	(12,613,715)
<b>Balance as at Mar 31, 2012</b>	<b>16,818,286</b>	<b>7,328,206</b>	<b>1,681,829</b>	<b>19,325,886</b>	<b>521,338</b>	<b>59,875,150</b>	<b>105,550,695</b>	<b>740,444</b>	<b>106,291,139</b>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**

**Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)  
For the Three Months period ended March 31, 2012**

	<b>Quarter Ended March 31 2012</b>	<b>Quarter Ended March 31 2011</b>
	----- (Rupees in '000) -----	
<b>Profit after taxation for the period</b>	4,904,462	4,273,766
<b>Other comprehensive income:</b>		
Exchange adjustments on translation of net assets of foreign branches Subsidiary, & Joint Venture	504,395	250,013
Income tax relating to component of other comprehensive income	-	-
	504,395	250,013
<b>Comprehensive income transferred to equity</b>	5,408,857	4,523,779
<b>Comprehensive Income attributable to :</b>		
Share Holders of the Bank	5,395,769	4,528,695
Non-Controlling Interest	13,088	(4,916)
	5,408,857	4,523,779
<b>Components of Comprehensive Income not reflected in Equity</b>		
Deficit on revaluation of investments	7,724,861	(13,219)
Deferred tax on revaluation of investments	(1,575,320)	213,944
	6,149,541	200,725
<b>Total Comprehensive Income</b>	11,558,398	4,724,504

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 20 form an integral part of these consolidated condensed interim financial statements.

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**Chairman & President**

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**Director**

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**Director**

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**Director**

**National Bank of Pakistan**  
**Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)**  
**For the Three Months period ended March 31, 2012**

	Quarter Ended Mar 31 2012	Quarter Ended Mar 31 2011
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,092,246	6,407,528
Less: Dividend income	776,720	383,373
	<u>6,315,526</u>	<u>6,024,155</u>
<b>Adjustments:</b>		
Depreciation	516,510	296,104
Provision against non-performing advances	959,054	1,389,285
(Reversal) / provision for diminution in the value of investments	(1,511,068)	281,279
Other provisions / write offs	50,696	8,569
Gain on sale of fixed assets	(7,832)	3,279
Financial charges on leased assets	4,691	5,140
Share of (profit) / loss from joint venture	(6,439)	2,671
Share of profit from associates	(174,995)	(12,445)
	<u>(169,383)</u>	<u>1,973,882</u>
	<u>6,146,143</u>	<u>7,998,037</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	32,357,283	17,410,406
Held-for-trading securities	(14,132,638)	1,041,374
Advances	(18,542,926)	(8,603,539)
Other assets (excluding advance taxation - net)	3,872,134	(11,020,758)
	<u>3,553,853</u>	<u>(1,172,517)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	2,207,768	536,646
Borrowings	15,469,614	31,105,308
Deposits and other accounts	(52,137,037)	(72,892,548)
Other liabilities	3,688,171	(3,570,277)
	<u>(30,771,484)</u>	<u>(44,820,871)</u>
Income tax paid	(4,386,034)	(2,503,780)
Financial charges paid	(4,691)	(5,140)
	<u>(25,462,214)</u>	<u>(40,504,271)</u>
<b>Net cash flow from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from available-for-sale securities	35,149,917	27,911,859
Proceeds from held-to-maturity securities	795,139	1,216,666
Dividend income received	776,720	383,373
Investments in Associate / Joint Venture	(499,139)	(98,282)
Investments in operating fixed assets	(896,298)	(744,086)
Sale proceeds of property and equipment disposed off	7,832	(3,279)
<b>Net cash (used) in investing activities</b>	<u>35,334,172</u>	<u>28,666,251</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of lease obligations	(11,780)	(13,479)
Dividend paid	-	-
<b>Net cash used in financing activities</b>	<u>(11,780)</u>	<u>(13,479)</u>
Effects of exchange rate changes on cash and cash equivalents	504,395	50,455
<b>Net increase in cash and cash equivalents</b>	<u>10,364,573</u>	<u>(11,801,044)</u>
Cash and cash equivalents at beginning of the period	<u>159,539,272</u>	<u>145,863,319</u>
Cash and cash equivalents at the end of the period	<u>169,903,845</u>	<u>134,062,275</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**  
**Notes to the condensed consolidated financial statements - unaudited**  
**For the three months period ended March 31, 2012**

**1. THE GROUP AND ITS OPERATIONS**

**1.1 The "Group" Consist of:**

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,277 (2011: 1,266) branches in Pakistan and 23 (2011: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT), Long Term Credit Fund (LTCF), & Endowment Fund for Student Loan Scheme

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

**1.2 Basis of Consolidation**

- The interim condensed consolidated financial statements include the interim condensed financial statements of the holding company and its subsidiary companies - "the Group".
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the interim condensed consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- The management of the bank had applied to the Securities & Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 237 of the Companies Ordinance, 1984 in respect of consolidating its subsidiary Cast-N-Link Products Limited (CNL). The SECP vide its letter EMD/233/627/2002-852 dated January 6, 2012 under section 237(8) of the Companies Ordinance, 1984 based on the fact that investments of the bank in CNL is not material, & comprise of 0.0003% of the total assets of the bank, & the investment have been fully provided for, granted the exemption from consolidating CNL in its financial statements.

## 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 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 consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual 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, 2011.
- 2.4** On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs. The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and Non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to received such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan (PC) for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, needs to be accounted for by the covered entities, including the bank, under the provisions of amended International Financial Reporting Standard-2, "Share Based Payments" (IFRS-2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan (ICAP), has granted exemption to such entities from the application of IFRS-2 to the Scheme.

Had the exemption not been granted, the staff costs of the bank for the period would have been higher by Rs. 281 million (March 31, 2011: 281 million), profit before taxation would have been lower by Rs. 281 million (March 31, 2011: 281 million, unappropriated profit would have been lower by Rs. 2,958 million (March 31, 2011: 1,833 million) and reserves would have been higher by Rs. 2,958 million (March 31, 2011: 1,833 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.167 per share (March 31, 2011: Rs 0.167).

## 3. BASIS OF MEASUREMENT

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

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

## 4. 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, 2011.

## 5. ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates/judgments and associated assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the bank for the year ended December 31, 2011.

## 6. 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, 2011.

## 7. INVESTMENTS

March 31, 2012 (Un-audited)			December 31, 2011 (Audited)		
Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----			----- (Rupees in '000) -----		

### 7.1 Investments by type:

#### Held-for-trading securities

Market Treasury Bills	26,782,328	-	26,782,328	13,042,925	-	13,042,925
Pakistan Investment Bonds	335,425	-	335,425	97,727	-	97,727
Ijara Sukuk Bonds	20,000	-	20,000	20,000	-	20,000
Investment In mutual funds	286,162	-	286,162	54,923	-	54,923
Ordinary shares of listed companies	537,755	-	537,755	613,457	-	613,457
<b>Total Held-for-Trading Securities</b>	<b>27,961,670</b>	<b>-</b>	<b>27,961,670</b>	<b>13,829,032</b>	<b>-</b>	<b>13,829,032</b>

#### Available- for- sale securities

Ordinary shares of listed companies	27,246,616	-	27,246,616	27,827,808	-	27,827,808
Ordinary shares of unlisted companies	1,065,173	-	1,065,173	1,065,173	-	1,065,173
	<b>28,311,789</b>	<b>-</b>	<b>28,311,789</b>	<b>28,892,981</b>	<b>-</b>	<b>28,892,981</b>

Market Treasury Bills	102,126,264	29,524,879	131,651,143	159,199,048	10,971,238	170,170,286
Preference shares	925,248	-	925,248	307,760	-	307,760
Pakistan Investment Bonds	37,687,222	-	37,687,222	38,302,933	-	38,302,933
GoP Foreign Currency Bonds	3,558,303	-	3,558,303	3,484,334	-	3,484,334
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	23,544,138	-	23,544,138	19,569,935	-	19,569,935
Mutual funds	1,817,208	-	1,817,208	1,831,543	-	1,831,543
Foreign Government Debt Securities	5,277,629	-	5,277,629	5,362,824	-	5,362,824
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,032,755	-	1,032,755	1,032,755	-	1,032,755
<b>Total Available- for- sale securities</b>	<b>205,343,850</b>	<b>29,524,879</b>	<b>234,868,729</b>	<b>259,047,408</b>	<b>10,971,238</b>	<b>270,018,646</b>

#### Held-to-maturity securities

Pakistan Investment Bonds	24,099,446	-	24,099,446	24,105,281	-	24,105,281
Market Treasury Bills	-	-	-	215,137	-	215,137
GoP Foreign Currency Bonds	542,502	-	542,502	534,046	-	534,046
Foreign Government Securities	934,514	-	934,514	793,296	-	793,296
Foreign Government Debt Securities	121,226	-	121,226	937,790	-	937,790
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	2,293,290	-	2,293,290	2,200,567	-	2,200,567
<b>Total Held-to-maturity securities</b>	<b>27,990,978</b>	<b>-</b>	<b>27,990,978</b>	<b>28,786,117</b>	<b>-</b>	<b>28,786,117</b>

#### Investments in subsidiaries

Investments in joint ventures	1,245	-	1,245	1,245	-	1,245
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#### Investments in associates

Investment at cost	3,089,268	-	3,089,268	2,856,556	-	2,856,556
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Less: Provision for diminution in value of Investments (note 7.2)	7,870,383	-	7,870,383	7,200,076	-	7,200,076
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Investments (net of provisions)	272,257,394	29,524,879	301,782,273	311,720,435	10,971,238	322,691,673
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Surplus on revaluation of	(8,637,766)	-	(8,637,766)	(10,081,084)	-	(10,081,084)
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Surplus on revaluation of	263,619,628	29,524,879	293,144,507	301,639,351	10,971,238	312,610,589
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Held-for-trading securities	18,287	-	18,287	(35,039)	-	(35,039)
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Surplus on revaluation of	14,577,562	1,119	14,578,681	6,851,844	1,976	6,853,820
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Available-for-sale securities	14,577,562	1,119	14,578,681	6,851,844	1,976	6,853,820
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<b>Total investments at carrying value</b>	<b>278,215,477</b>	<b>29,525,998</b>	<b>307,741,475</b>	<b>308,456,156</b>	<b>10,973,214</b>	<b>319,429,370</b>
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March 31                      December 31  
2012                              2011  
(Un-audited)                      (Audited)

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

**7.2 Particulars of provision for diminution in value of investments**

Opening balance	10,081,084	6,720,091
Charge for the year	318,830	3,944,886
Reversals	(1,829,898)	(807,118)
	(1,511,068)	281,279
Transfer in	67,750	223,081
Amount written off	-	(582)
Closing balance	8,637,766	10,081,084

**8. ADVANCES -net**

Loans, cash credits, running finances, etc.		
In Pakistan	538,574,169	519,646,451
Outside Pakistan	50,122,294	48,123,170
	588,696,463	567,769,621
Net investment in finance lease		
In Pakistan	1,138,570	947,325
Outside Pakistan	-	-
	1,138,570	947,325
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	11,898,609	11,733,608
Payable outside Pakistan	12,652,063	15,237,920
	24,550,672	26,971,528
Advances - gross	614,385,705	595,688,474
Less: Provision against non-performing loans	8.2	(68,622,718)
Advances - net of provision	545,762,987	528,179,114

8.1 Advances include Rs.92,242 million (2011: Rs.88,392 million) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2012 (Un-audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	2,784,818	-	2,784,818	-	-
Substandard	7,262,482	912,069	8,174,551	1,626,690	1,626,690
Doubtful	9,401,870	907,483	10,309,353	3,896,864	3,896,864
Loss	68,621,014	2,352,573	70,973,587	59,293,684	59,293,684
	88,070,184	4,172,125	92,242,309	64,817,238	64,817,238

Category of Classification	December 31, 2011 (Audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	622,297	-	622,297	-	-
Substandard	5,606,741	365,295	5,972,036	1,130,285	1,130,285
Doubtful	12,284,620	908,853	13,193,473	4,319,707	4,319,707
Loss	66,144,410	2,459,424	68,603,834	58,210,625	58,210,625
	84,658,068	3,733,572	88,391,640	63,660,616	63,660,616

**8.2 Particulars of provision against non-performing advances**

	March 31, 2012			December 31, 2011		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	63,660,616	3,848,744	67,509,359	57,478,192	3,765,432	61,243,624
Exchange adjustments	4,492	4,886	9,378	(33,992)	(1,570)	(35,562)
Charge for the period	2,421,451	(42,298)	2,379,153	9,809,034	258,277	10,067,311
Reversals	(1,414,248)	-	(1,414,248)	(3,669,324)	(178,316)	(3,847,640)
	1,007,203	(42,298)	959,054	6,139,710	79,961	6,219,671
Transfer in / (out)	(67,750)	-	(67,750)	478,202	-	478,202
Write offs	-	-	-	(256,574)	-	(256,574)
Other adjustments	212,677	-	212,677	(144,922)	4,921	(140,000)
Closing balance	64,817,238	3,811,332	68,622,718	63,660,616	3,848,744	67,509,360

	March 31 2012 (Un-audited) ----- (Rupees in '000') -----	December 31 2011 (Audited)
<b>9. OPERATING FIXED ASSETS</b>		
<b>9.1</b> Capital work-in-progress	2,615,837	2,590,080
Property and equipment	26,759,876	25,837,433
Intangible assets	73,191	641,603
	<u>29,448,904</u>	<u>29,069,116</u>
<b>10. DEFERRED TAX ASSETS - net</b>		
<b>Deferred tax assets arising in respect of</b>		
Provision for diminution in the value of investments	2,156,016	2,684,890
Provision against advances and off-balance sheet obligations	6,424,530	6,424,530
Other provision	533,081	521,225
Charge against defined benefits plans	1,565,112	1,468,297
Provision against off balance sheet obligation	116,622	116,622
Others	38,098	12,939
	<u>10,833,459</u>	<u>11,228,503</u>
<b>Deferred tax (liabilities) arising in respect of</b>		
Excess of accounting book value of leased assets over lease liabilities	(13,826)	(12,502)
Difference between accounting book value of fixed assets and tax base	(299,322)	(299,322)
Revaluation of securities	(3,390,235)	(1,814,915)
Revaluation of fixed assets	(1,139,024)	(1,153,328)
Net deferred tax liabilities	(4,842,407)	(3,280,067)
	<u>5,991,052</u>	<u>7,948,436</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	227,763,705	257,518,704
Savings deposits	248,724,922	232,868,411
Current accounts - remunerative	72,155,937	80,905,162
Current accounts - non-remunerative	193,547,159	214,069,549
	<u>742,191,723</u>	<u>785,361,826</u>
<b>Financial Institutions</b>		
Remunerative deposits	89,176,272	65,153,307
Non-remunerative deposits	43,905,522	76,895,420
	<u>133,081,794</u>	<u>142,048,727</u>
	<u>875,273,516</u>	<u>927,410,553</u>
<b>12. SURPLUS ON REVALUATION OF ASSETS - net</b>		
<b>Surplus on Revaluation of Fixed Assets - net of Tax</b>	17,602,637	17,594,441
<b>Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax</b>		
Federal Government securities	38,468	481,362
Term Finance Certificates	(403,645)	(71,285)
Quoted shares and Mutual Funds	1,872,461	(347,306)
GoP Foreign Currency Bonds	117,433	(119,692)
Foreign Government Securities	145,288	(121,529)
NI(U)T Non-LoC Units	69,943	(21,809)
NIT Market Opportunity Fund	721,633	402,853
Investment outside Pakistan	12,017,100	6,651,226
	<u>14,578,681</u>	<u>6,853,820</u>
Deferred tax Liability Recognized	(3,390,235)	(1,814,915)
Share of Revaluation Loss on Securities of Associates	(75,158)	(71,331)
	<u>28,715,925</u>	<u>22,562,015</u>
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	3,372,307	3,677,940
- Financial institutions	4,916,151	5,361,703
- Others	19,794,859	21,588,873
	<u>28,083,316</u>	<u>30,628,516</u>

	<b>March 31</b>	December 31
	<b>2012</b>	2011
	<b>(Un-audited)</b>	(Audited)
	----- (Rupees in '000) -----	
<b>13.2 Transaction-related contingent liabilities</b>		
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>13,008,875</b>	14,457,548
- Financial institutions	<b>8,841,093</b>	9,825,641
- Others	<b>11,951,929</b>	13,282,900
	<b>33,801,897</b>	37,566,089
<b>13.3 Trade-related contingent liabilities</b>		
Letters of credit Issued in favour of		
- Government	<b>42,914,405</b>	47,591,186
- Financial institutions	<b>533</b>	591
- Others	<b>109,885,681</b>	121,860,942
	<b>152,800,619</b>	169,452,719
<b>13.4 Other contingencies</b>		
<b>13.4.1</b> Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.178 million (2011: Rs.178 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2011: Rs.965 million)].	<b>9,015,066</b>	8,704,944
<b>13.4.2 Taxation</b>		
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 2011 (accounting year ended December 31, 2010).		
Last year, taxation authorities in connection with monitoring of withholding taxes passed orders under section 161/205 of the Income Tax Ordinance, 2001 for the tax years 2009, 2010 and 2011 raising demand of Rs. 2.3 billion subject to rectification on production of additional challans. The additional challans have been collected from the branches and submitted to the income tax authorities for verification by them. An appeal has also been filed before the Appellate Tribunal of Inland Revenue on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.		
In addition to above, the other 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. 5,453 million (2011: Rs. 5,453 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.		
<b>13.4.3 Barter Trade Agreements / Golden Handshake</b>		
The current status of these contingencies is same as disclosed in the annual consolidated financial statements of the bank for the year ended December 31, 2011.		
<b>13.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>157,492,199</b>	160,587,401
Sale	<b>94,143,167</b>	106,748,426
<b>13.6 Commitments in respect of trading with Govt. securities</b>		
Purchase (Reverse Repo)	<b>2,000,000</b>	2,000,000
<b>13.7 Other Commitments</b>		
Cross Currency SWAP	<b>3,115,014</b>	3,410,259
Professional services to be received	<b>103,709</b>	147,669
<b>14.8 Commitments for the acquisition of operating fixed assets</b>	<b>1,797,358</b>	1,643,221

		Quarter ended Mar 31 2012	Quarter ended Mar 31 2011
<b>15. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after taxation	(Rupees in '000)	4,904,462	4,273,766
Weighted average number of ordinary shares	(Number '000)	1,681,830	1,681,830
Basic and diluted earnings per share	(Rupees)	2.92	2.54

#### 16. 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>March 31, 2012-Unaudited</b>									
Total income	163,561	14,930,111	1,337,661	11,078,006	374,564	1,087,836	562,753	25,823	29,560,315
Inter segment revenue	-	(134,128)	3,286,645	(3,152,517)	-	-	-	-	-
Total expenses	4,444	14,469,487	4,358,448	1,862,354	339,797	890,803	525,992	16,744	22,468,069
<b>Net income</b>	<b>159,117</b>	<b>326,496</b>	<b>265,858</b>	<b>6,063,135</b>	<b>34,767</b>	<b>197,033</b>	<b>36,761</b>	<b>9,079</b>	<b>7,092,246</b>
Segment Assets - (Gross of NPLs Provision)	-	25,516,855	176,280,153	913,731,389	-	17,238,585	2,736,881	359,632	1,135,863,495
Segment Non-Performing Loans	-	-	9,686,727	82,555,582	-	-	-	-	92,242,309
Segment Specific Provision Required	-	-	6,278,051	62,344,667	-	-	-	-	68,622,718
Segment Liabilities	-	0	244,108,450	742,788,486	-	11,912,524	1,970,637	76,334	1,000,856,431
Segment Return on Assets (ROA) (%)	0.00%	6.90%	0.73%	2.58%	0.00%	6.86%	1.34%	2.52%	2.48%
Segment Cost of Fund (%)	0.00%	0.00%	5.21%	7.21%	0.00%	0.00%	0.18%	0.42%	6.89%
<b>March 31, 2011-Unaudited</b>									
Total income	88,160	12,425,955	1,352,523	11,613,501	510,604	958,667	70,573	18,711	27,038,694
Inter segment revenue	-	(184,954)	2,415,557	(2,230,603)	-	-	-	-	-
Total expenses	2,074	12,232,432	3,631,869	3,624,396	283,911	760,058	79,470	16,956	20,631,166
<b>Net income</b>	<b>86,086</b>	<b>8,569</b>	<b>136,211</b>	<b>5,758,502</b>	<b>226,693</b>	<b>198,609</b>	<b>(8,897)</b>	<b>1,755</b>	<b>6,407,528</b>
Segment Assets - (Gross of NPLs Provision)	-	163,795,818	151,840,549	824,387,755	-	13,964,247	573,186	495,873	1,155,057,428
Segment Non-Performing Loans	-	0	7,995,783	80,395,857	-	-	-	-	88,391,640
Segment Specific Provision Required	-	0	6,270,530	61,238,829	-	-	-	-	67,509,359
Segment Liabilities	-	0	229,163,432	789,461,632	-	-	177,518	223,399	1,019,025,981
Segment Return on Assets (ROA) (%)	0.00%	16.23%	10.09%	4.23%	0.00%	33.36%	-1.55%	0.35%	5.82%
Segment Cost of Fund (%)	0.00%	0.00%	4.55%	6.02%	0.00%	0.00%	0.00%	0.00%	5.67%

#### 17. 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 7 to these financial statements. Transactions between the Holding Company and its related parties are carried out under normal commercial term except employee staff loans and 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:

	2012 - Un-audited			2011 - Audited			At December 31
	At January 1	Given during the period	Received during the period	At March 31	At January 1	Given during the year	
	(Rupees in '000)						
<b>Advances</b>							
Associates	1,281,029	-	(42,849)	1,238,180	1,294,419	-	(13,390)
Key Management Executives	82,110	-	(12,745)	69,365	88,178	10,700	(16,768)
Debts due by companies having common directors	10,007,468	262,335	(39,326)	10,230,477	9,564,548	1,635,668	(1,192,748)
Adjustment	(2,709,067)	-	-	(2,709,067)	-	-	-
	7,298,401	262,335	(39,326)	7,521,410	9,564,548	1,635,668	(1,192,748)
	<b>8,661,540</b>	<b>262,335</b>	<b>(94,920)</b>	<b>8,828,955</b>	<b>10,947,145</b>	<b>1,646,368</b>	<b>(1,222,906)</b>
<b>Deposits</b>							
Key Management Executives	14,750	86,485	(58,149)	43,086	58,300	217,213	(260,763)
Pension Fund (Current)	5,856	2,577,469	(2,581,568)	1,757	5,037	30,056	(29,237)
Pension Fund (Fixed Deposit)	16,100,000	3,000,000	(13,500,000)	5,600,000	8,400,000	10,200,000	(2,500,000)
Provident Fund	10,224,455	174,360	(164,457)	10,234,358	8,909,272	2,281,333	(966,150)
	<b>26,345,061</b>	<b>5,838,314</b>	<b>(16,304,174)</b>	<b>15,879,201</b>	<b>17,372,609</b>	<b>12,728,602</b>	<b>(3,756,150)</b>

	March 31 2012 (Un-audited)	December 31 2011 (Audited)
	----- (Rupees in '000) -----	
<b>Placements with:</b>		
Joint venture	373,072	614,100
Associates	23,332	23,332
<b>Repo Borrowing from</b>		
Joint venture	1,460	78,063
Associates	152,071	-
<b>Reverse Repo Lending to :</b>		
Joint venture	-	9,999,998
Associates	299,945	-
<b>Off Balance Sheet Items</b>		
<b>Forward exchange contracts with Joint Venture</b>		
Purchased	-	974,344
Sold	-	962,351

	Quarter Ended March 31 2012 (Un-audited)	Quarter Ended March 31 2011 (Un-audited)
	----- (Rupees in '000) -----	
<b>Income for the period</b>		
On advances / placements with:		
Joint Ventures	1,428	70
Key management executives	126	910
<b>Mark-up on Lending (Rev Repo):</b>		
Associates	2,230	-
<b>Expenses for the period</b>		
Remuneration to key management executives	54,900	182,952
Charge for defined benefit plan	4,494	5,240
<b>Mark-up on Deposits of:</b>		
Provident fund	543,123	451,824
Pension fund	300,046	266,160
Key management executives	-	364
Commission paid to subsidiaries	1,240	1,446
<b>Mark-up on Borrowing (Repo / Call) :</b>		
Joint Venture	553	-
Associate	-	261

17.1 Although the Federal Government and the SBP held about 75.60 % shares of the holding company (2011: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

#### 18. ISLAMIC BANKING BUSINESS

The Bank is operating 8 (December 31, 2011: 8) Islamic banking branches as at Mar 31, 2012. The statement of financial position, profit and loss account and cash flow statement of such branches is as under:

	March 31 2012 (Un-audited)	December 31 2011 (Audited)
	----- (Rupees in '000) -----	
<b>Statement of Financial Position</b>		
<b>ASSETS</b>		
Cash and balances with treasury banks	92,342	199,988
Balances with and due from financial institutions	-	-
Investments	1,475,006	1,752,586
Financing / Receivables under:		
- Murabaha	39,400	278,398
- Diminishing Musharika	698,708	797,125
- Ijarah assets	335,100	389,360
- Other Islamic modes	50,000	94,513
Provision against non performing financings	(153,307)	(311,567)
Operating fixed assets	11,674	10,033
Due from Head Office	-	68,332
Other assets	80,714	71,869
<b>Total Assets</b>	<b>2,629,637</b>	<b>3,350,637</b>
<b>LIABILITIES</b>		
Bills payable	9,616	9,056
Deposits and other accounts	2,197,319	3,012,797
Other liabilities	91,217	69,907
	<b>2,298,152</b>	<b>3,091,760</b>
<b>NET ASSETS</b>	<b>331,485</b>	<b>258,877</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	300,000	300,000
Unappropriated (loss) / profit	31,485	(41,123)
	<b>331,485</b>	<b>258,877</b>

	March 31 2012 (Un-audited)	March 31 2011 (Un-audited)
	----- (Rupees in '000) -----	
<b><u>Profit and Loss Account</u></b>		
Profit / return on financing and placements earned	121,147	98,277
Profit / return on deposit and other dues expensed	(69,331)	(57,565)
Net spread earned	51,816	40,712
Depreciation on assets given on ijarah	(35,454)	(28,560)
	<u>16,362</u>	<u>12,152</u>
Provision against advances and investments	-	(33,334)
Provision reversed against advances and investments	39,567	
Profit / (Loss) after provision	<u>55,929</u>	<u>(21,182)</u>
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	743	679
Income from dealing in foreign currencies	1	87
Other income	2	267
Total other income	<u>746</u>	<u>1,033</u>
	56,675	(20,149)
<b>OTHER EXPENSES</b>		
Administrative expenses	(25,190)	(20,974)
<b>Profit / (Loss) for the period</b>	<u>31,485</u>	<u>(41,123)</u>
<b><u>Cash Flow Statement</u></b>		
<b>Cash Flow from Operating Activities</b>		
Profit for the period	31,485	71,535
Adjustments :		
Depreciation - Own assets	274	2,056
Depreciation - Ijarah assets	35,454	138,619
Provision against non performing financings	(39,567)	46,875
	<u>(3,839)</u>	<u>187,550</u>
	27,646	259,085
(Increase) / Decrease in operating assets		
Due from Financial Institutions	-	200,000
Financings	677,762	(1,616,684)
Other assets	30,468	(63,189)
	<u>708,230</u>	<u>(1,479,873)</u>
(Increase) / Decrease in operating liabilities		
Bills payable	231	3,964
Deposits and other accounts	(180,134)	(673,569)
Borrowings from Head Office	(647,736)	1,861,179
Other liabilities	42,567	13,871
	<u>(785,072)</u>	<u>1,205,445</u>
<b>Net cash (used in) operating activities</b>	<u>(49,196)</u>	<u>(15,343)</u>
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	(335)	(510)
<b>Net cash used in investing activities</b>	<u>(335)</u>	<u>(510)</u>
<b>Net Cash Flow from Financing Activities</b>		
Cash Flow from Financing Activities	-	-
<b>(Decrease) in cash and cash equivalents</b>	<u>(49,531)</u>	<u>(15,853)</u>
Cash and cash equivalents at beginning of the period	141,873	157,726
<b>Cash and cash equivalents at end of the period</b>	<u>92,342</u>	<u>141,873</u>

**19. DATE OF AUTHORIZATION FOR ISSUE**

The consolidated condensed interim financial statements were authorized for issue on April 27, 2012 by the Board of Directors of the Holding Company.

**20. GENERAL**

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

Chairman & President

Director

Director

Director