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Corporate Information

Board of Directors

Syed Ali Raza Chairman & President
Dr. Waqar Masood Khan
Sikandar Hayat Jamali
Azam Faruque
Ibrar A. Mumtaz
Mian Kausar Hameed

Audit Committee

Azam Faruque
Sikandar Hayat Jamali
Ibrar A. Mumtaz

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisors

Mandviwala & Zafar
Advocates & Legal Consultants

Registered & Head Office

NBP Building
I. I. Chundrigar Road, Karachi, Pakistan.

Registrar's & Share Registration Office

THK Associates (Pvt.) Ltd.
Shares Department, Ground Floor,
State Life Building # 3,
Dr. Ziauddin Ahmed Road,
Karachi, Pakistan.

Directors' Report

It gives me great pleasure to present on behalf of the Board of Directors the quarterly accounts for the six months period ended June 30, 2007. The Profit for the six months period ended June 30, 2007 after carry over of accumulated profit of 2006 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the six months period ended June 30, 2007	14,001.591
Taxation	
- Current year	4,650.891
- Prior year(s)	124.734
- Deferred	213.409
	<u>4,989.035</u>
After tax profit	9,012.556
Un-appropriated profit brought forward	32,074.677
Transfer from surplus on revaluation of fixed assets – incremental depreciation- net of deferred tax	19.504
Profit available for appropriation	<u>41,106.737</u>
<u>Appropriations</u>	
Transfer to Statutory Reserve (10% of after tax profit)	901.256

Pre tax profit increased to Rs. 14,002 million from Rs. 12,196 million in the corresponding period of last year, an increase of 14.8%. Basic and diluted earning per share jumped to Rs. 11.05 from Rs. 9.83 during the same period of last year. Pre tax return on equity stood at 50%. Return on assets improved to 4.2% up from 3.9% of comparative period last year. Cost to income ratio of the bank remained in the top tier at 0.33 Net interest margin registered impressive growth of Rs. 1,893 million or 13.2%. Net advances increased by Rs. 37 billion and Rs. 16 billion as compared to corresponding period of last year and year end 2006. Deposits show impressive growth of Rs. 51 billion or 10% from the year end.

During the year the bank launched "Premium Saver Account" (PLS Saving Account) and Premium Amdani Certificate (Monthly Income Scheme Account) offering attractive rates to small depositors.

We are pleased to inform the shareholders that in June 2007 JCR-VIS Credit Rating Co. Limited upgraded stand-alone medium to long-term rating of National Bank of Pakistan to AAA from AA+, the highest in the banking sector.

JCR-VIS had earlier assigned two ratings to NBP. The stand-alone rating of "AA+/A-1+" (Double A Plus / A One Plus) reflected the intrinsic strength of the bank while the credit ratings of "AAA/A-1+" (Triple A / A-ONE Plus) were based on the sovereign guarantee on the bank's deposits extended under the Bank Nationalization Act, 1974.

During the current rating review, JCR-VIS Credit Rating Co Limited (JCR-VIS) has given due consideration to the sustainability observed in various indicators over the past few years which reflect the significance of National Bank of Pakistan (NBP) to the local economy. It is the only public sector bank in the country and has been able to leverage the advantage to profitably tap certain avenues in both local and foreign markets inclusive of running the largest treasury operations locally. The organization has been able to strategically manage and build on its competitive advantages which has translated into a strong and well - managed improvement in profitability trends observed over the last few years, a substantial balance sheet footing of sound asset quality, and strong liquidity and capitalization levels. Globally also, the bank is strengthening its reach and has been actively constructing a branch network in recent years with focus on South Asia, Central Asia and the Middle East, as well as China. In consideration of the factors mentioned above, JCR-VIS has upgraded medium to long-term rating of AAA on a stand-alone basis as well, negating the need for dual ratings.

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

On behalf of Board of Directors

S. Ali Raza
Chairman & President

Date: August 25, 2007

Auditors' Review Report to the Members

Introduction

We have reviewed the accompanying interim condensed balance sheet of National Bank of Pakistan as at June 30, 2007 and the related interim condensed profit and loss account and interim condensed statements of cash flows and changes in equity together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the interim condensed profit and loss account for the quarters ended June 30, 2007 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2007.

Scope of Review

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

Conclusion

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

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi

Date: August 25, 2007

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

Karachi

National Bank of Pakistan Interim Condensed Balance Sheet

As at June 30, 2007

	(Un-audited) June 30, 2007	(Audited) December 31, 2006
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	102,862,412	78,625,227
Balances with other banks	41,229,750	40,641,679
Lendings to financial institutions	32,753,638	23,012,732
Investments	4 163,434,648	139,946,761
Advances	5 331,795,453	316,110,406
Operating fixed assets	9,669,057	9,681,974
Deferred tax assets	-	-
Other assets	27,809,559	27,113,932
	709,554,517	635,132,711
LIABILITIES		
Bills payable	13,552,759	10,605,663
Borrowings	22,558,696	11,704,079
Deposits and other accounts	6 553,289,982	501,872,243
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	20,137	13,235
Deferred tax liabilities	1,687,882	2,387,073
Other liabilities	25,743,415	26,596,300
	616,852,871	553,178,593
NET ASSETS	92,701,646	81,954,118
REPRESENTED BY		
Share capital	8,154,319	7,090,712
Reserves	14,788,500	13,879,260
Unappropriated profit	36,305,589	32,074,677
	59,248,408	53,044,649
Surplus on revaluation of assets	7 33,453,238	28,909,469
	92,701,646	81,954,118
CONTINGENCIES AND COMMITMENTS		
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The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

Syed Ali Raza
Chairman & President

Mian Kausar Hameed
Director

Sikandar Hayat Jamali
Director

Azam Faruque
Director

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National Bank of Pakistan Interim Condensed Profit And Loss Account - (Unaudited)

For The Quarter and Half Year Ended June 30, 2007

	Quarter Ended June 30, 2007	Half Year Ended June 30, 2007	Quarter Ended June 30, 2006	Half Year Ended June 30, 2006
	----- (Rupees in '000) -----			
Mark-up / Return / Interest earned	12,321,091	24,036,424	10,849,674	20,761,377
Mark-up / Return / Interest expensed	4,169,785	7,770,541	3,260,514	6,388,066
Net mark-up / Interest income	<u>8,151,306</u>	<u>16,265,883</u>	<u>7,589,160</u>	<u>14,373,311</u>
(Reversal) / provision against non-performing loans and advances	(113,924)	(481,685)	698,925	898,925
Reversal for diminution in the value of investments	(50,035)	(50,035)	-	-
Bad debts written off directly	25,895	25,895	-	2,347
	<u>(138,064)</u>	<u>(505,825)</u>	<u>698,925</u>	<u>901,272</u>
Net mark-up / interest income after provisions	<u>8,289,370</u>	<u>16,771,708</u>	<u>6,890,235</u>	<u>13,472,039</u>
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	1,862,387	3,066,113	1,748,568	2,920,227
Dividend income	157,457	226,758	45,286	141,526
Income from dealing in foreign currencies	224,579	461,200	432,039	639,184
Gain on sale of securities	134,868	222,187	132,334	586,268
Unrealized gain / (loss) on revaluation of investments classified as held for trading	45,243	(4,493)	(20,286)	(21,578)
Other income	115,666	138,510	578,818	603,050
Total non-mark-up / interest income	<u>2,540,200</u>	<u>4,110,275</u>	<u>2,916,759</u>	<u>4,868,677</u>
	<u>10,829,570</u>	<u>20,881,983</u>	<u>9,806,994</u>	<u>18,340,716</u>
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	3,357,408	6,711,602	3,177,447	6,144,181
Other provisions / write offs	149,746	158,924	-	-
Other charges	2,559	9,866	-	-
Total non-mark-up / interest expenses	<u>3,509,713</u>	<u>6,880,392</u>	<u>3,177,447</u>	<u>6,144,181</u>
	<u>7,319,857</u>	<u>14,001,591</u>	<u>6,629,547</u>	<u>12,196,535</u>
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	<u>7,319,857</u>	<u>14,001,591</u>	<u>6,629,547</u>	<u>12,196,535</u>
Taxation - Current	2,160,892	4,650,892	2,273,745	4,293,745
- Prior year(s)	124,734	124,734	-	-
- Deferred	350,817	213,409	(49,048)	(113,617)
	<u>2,636,443</u>	<u>4,989,035</u>	<u>2,224,697</u>	<u>4,180,128</u>
PROFIT AFTER TAXATION	<u>4,683,414</u>	<u>9,012,556</u>	<u>4,404,850</u>	<u>8,016,407</u>
Unappropriated profit brought forward	36,413,571	32,074,677	22,994,345	19,372,523
Transfer from surplus on revaluation of fixed assets	9,752	19,504	10,265	20,530
Profit available for appropriation	<u>41,106,737</u>	<u>41,106,737</u>	<u>27,409,460</u>	<u>27,409,460</u>
Basic and diluted earnings per share (Rupees)	9	<u>5.74</u>	<u>11.05</u>	<u>5.40</u>
		<u>5.40</u>	<u>9.83</u>	

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

National Bank of Pakistan
Interim Condensed Cash Flow Statement - (Unaudited)

For The Half Year Ended June 30, 2007

	Half Year Ended	
	June 30, 2007	June 30, 2006
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14,001,591	12,196,535
Less: Dividend income	226,758	141,526
	13,774,833	12,055,009
Adjustments		
Depreciation	229,990	219,850
(Reversal) / provision against non-performing loans and advances	(481,685)	898,925
Reversal for diminution in the value of investments	(50,035)	-
Bad debts written off directly	25,895	2,347
Other provision / write off	158,924	-
Gain on sale of fixed assets	(569)	(2,137)
Financial charges on leased assets	1,643	1,042
	(115,837)	1,120,027
	13,658,996	13,175,036
(Increase) / decrease in operating assets		
Lendings to financial institutions	(9,740,906)	(29,154,722)
Held-for-trading securities	(435,497)	(4,271)
Advances	(15,229,257)	(26,779,408)
Other assets	110,507	(639,817)
	(25,295,153)	(56,578,218)
Increase / (decrease) in operating liabilities		
Bills payable	2,947,096	11,192,176
Borrowings	10,864,314	(772,547)
Deposits and other accounts	51,417,739	60,274,669
Other liabilities (excluding current taxation)	(881,038)	(1,757,289)
	64,348,111	68,937,009
Income tax paid	(5,707,800)	(2,737,905)
Financial charges paid	(1,643)	(1,042)
	(5,709,443)	(2,738,947)
Net cash flow from operating activities	47,002,511	22,794,880
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(21,685,764)	(1,261,197)
Proceeds from held-to-maturity securities	2,323,047	(1,648,772)
Proceeds from sale of investments in associates	20,195	4,173
Dividend received	226,758	141,526
Investments in operating fixed assets	(218,462)	(438,589)
Sale proceeds of fixed assets disposed off	569	2,725
Net cash used in investing activities	(19,333,657)	(3,200,134)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(5,600)	(2,868)
Dividend paid	(2,836,285)	(1,482,864)
Net cash used in financing activities	(2,841,885)	(1,485,732)
Effects of exchange rate changes on cash and cash equivalents	7,984	(365,008)
Net increase in cash and cash equivalents	24,834,953	17,744,006
Cash and cash equivalents at beginning of the period	118,813,121	101,583,535
Cash and cash equivalents at the end of the period	143,648,074	119,327,541

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

Syed Ali Raza
Chairman & President

Mian Kausar Hameed
Director

Sikandar Hayat Jamali
Director

Azam Faruque
Director

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National Bank of Pakistan Interim Condensed Statement of Changes in Equity - (Unaudited)

For The Half Year Ended June 30, 2007

	Share capital	Reserves			Unappropriated profit	Total
		Exchange equalisation	Statutory reserve	General reserve		
(Rupees in '000)						
Balance as at January 1, 2006	5,908,927	3,552,056	8,280,862	521,338	19,372,523	37,635,706
Exchange adjustments on revaluation of capital of foreign branches	-	133,488	-	-	-	133,488
Adjustment due to closure of Cairo branch	-	(498,496)	-	-	-	(498,496)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	20,530	20,530
Net income recognised directly in equity	-	(365,008)	-	-	20,530	(344,478)
Profit after taxation for the half year ended June 30, 2006	-	-	-	-	8,016,407	8,016,407
Total recognised income and expense for the period	-	(365,008)	-	-	8,036,937	7,671,929
Transfer to statutory reserve-	-	-	801,641	-	(801,641)	-
Issue of bonus shares (20%)	1,181,785	-	-	-	(1,181,785)	-
Cash Dividend (Rs.2.5 per share)	-	-	-	-	(1,477,232)	(1,477,232)
Balance as at June 30, 2006	7,090,712	3,187,048	9,082,503	521,338	23,948,802	43,830,403
Balance as at July 1, 2006	7,090,712	3,187,048	9,082,503	521,338	23,948,802	43,830,403
Exchange adjustments on revaluation of capital of foreign branches	-	187,777	-	-	-	187,777
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	20,530	20,530
Net income recognised directly in equity	-	187,777	-	-	20,530	208,307
Profit after taxation for the half year ended December 31, 2006	-	-	-	-	9,005,939	9,005,939
Total recognised income and expense for the period	-	187,777	-	-	9,026,469	9,214,246
Transfer to statutory reserve	-	-	900,594	-	(900,594)	-
Balance as at December 31, 2006	7,090,712	3,374,825	9,983,097	521,338	32,074,677	53,044,649
Balance as at January 1, 2007	7,090,712	3,374,825	9,983,097	521,338	32,074,677	53,044,649
Exchange adjustments on revaluation of capital of foreign branches	-	7,984	-	-	-	7,984
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	19,504	19,504
Net income recognised directly in equity	-	7,984	-	-	19,504	27,488
Profit after taxation for the half year ended June 30, 2007	-	-	-	-	9,012,556	9,012,556
Total recognised income and expense for the period	-	7,984	-	-	9,032,060	9,040,044
Transfer to statutory reserve	-	-	901,256	-	(901,256)	-
Issue of bonus shares (15%)	1,063,607	-	-	-	(1,063,607)	-
Cash Dividend (Rs. 4 per share)	-	-	-	-	(2,836,285)	(2,836,285)
Balance as at June 30, 2007	8,154,319	3,382,809	10,884,353	521,338	36,305,589	59,248,408

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

National Bank of Pakistan

Notes To The Interim Condensed Financial Statement - (Unaudited)

For The Half Year Ended June 30, 2007

1. STATUS AND NATURE OF BUSINESS

- 1.1** National Bank of Pakistan (the bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,232 (2006: 1,232) branches in Pakistan and 18 (2006: 18) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the bank also provides services as trustee to National Investment Trust (NIT) including safe custody of securities on behalf of NIT.
- 1.2** During the period, the bank has increased its authorised share capital from Rs.7,500 million (750,000,000 ordinary shares of Rs.10/- each) to Rs.10,000 million (1,000,000,000 ordinary shares of Rs.10/- each) as approved by shareholders in their general meeting held on April 02, 2007.

2. STATEMENT OF COMPLIANCE

- 2.1** These interim condensed financial statements have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.
- 2.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 2.3** The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2006.

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, 2006.

4. INVESTMENTS

	June 30, 2007 (Un-audited)			December 31, 2006 (Audited)		
	Held by bank (Rupees in '000)	Given as collateral	Total	Held by bank (Rupees in '000)	Given as collateral	Total
4.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	745,695	-	745,695	332,573	-	332,573
Available- for- sale securities						
Ordinary shares of listed companies	1,522,214	-	1,522,214	1,426,566	-	1,426,566
Ordinary shares of unlisted companies	373,384	-	373,384	331,641	-	331,641
	1,895,598	-	1,895,598	1,758,207	-	1,758,207
Market Treasury Bills	65,970,694	7,110,953	73,081,647	50,524,649	381,964	50,906,613
Preference shares	275,000	-	275,000	368,184	-	368,184
Pakistan Investment Bonds	2,731,348	-	2,731,348	2,982,973	-	2,982,973
Federal Investment Bonds	940,000	-	940,000	940,000	-	940,000
Term Finance Certificates	7,566,109	-	7,566,109	7,959,446	-	7,959,446
Mutual funds	1,139,366	-	1,139,366	1,027,881	-	1,027,881
Investment outside Pakistan - note 4.2	463,295	-	436,295	463,295	-	463,295
National Investment Trust (NIT) Units - note 4.3	5,666,784	-	5,666,784	5,666,784	-	5,666,784
Total Available- for- sale securities	86,648,194	7,110,953	93,759,147	71,691,419	381,964	72,073,383
Held-to-maturity securities						
Government Compensation Bonds	2,331,182	-	2,331,182	2,331,182	-	2,331,182
Provincial Government Securities	36,513	-	36,513	36,513	-	36,513
Pakistan Investment Bonds	11,777,267	-	11,777,267	11,843,279	-	11,843,279
GoP Foreign Currency Bonds	10,376,802	-	10,376,802	10,445,224	-	10,445,224
Foreign Government Securities	6,504,429	-	6,504,429	5,618,324	-	5,618,324
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates - note 4.4	4,457,264	-	4,457,264	4,595,982	-	4,595,982
Certificates of Investment	236,000	-	236,000	3,172,000	-	3,172,000
Total held-to-maturity securities	35,719,457	-	35,719,457	38,042,504	-	38,042,504
Investments in associates	959,669	-	959,669	979,864	-	979,864
Investments in joint ventures	1,312,335	-	1,312,335	1,312,335	-	1,312,335
Investments in subsidiaries	1,352,458	-	1,352,458	1,352,458	-	1,352,458
Investment at cost	126,737,808	7,110,953	133,848,761	113,711,153	381,964	114,093,117
Less: Provision for diminution in value of Investments	(1,171,829)	-	(1,171,829)	(1,253,429)	-	(1,253,429)
Investments (net of provisions)	125,565,979	7,110,953	132,676,932	112,457,724	381,964	112,839,688
Deficit on revaluation of Held-for-trading securities	(4,493)	-	(4,493)	(4,464)	-	(4,464)
Surplus on revaluation of Available-for-sale securities	30,761,931	278	30,762,209	27,111,716	(179)	27,111,537
Total investments at market value	156,323,417	7,111,231	163,434,648	139,564,976	381,785	139,946,761

4.2 Investment outside Pakistan - Bank Al-Jazira

The bank holds 13,125,000 (2006: 6,562,500) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2006: 5.83%) holding in total equity of BAJ, including 6,562,500 ordinary shares as bonus shares during the period. 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.

4.3 NIT Units

During the period NIT vide its letter no. MDNIT/191/2007 dated February 23, 2007 intimated to the bank that the Government has decide to offer to all the Letter of Comfort (LoC) holders, including the bank, the following options in respect of their holding in NIT Units.

(a) LoC holders may exercise their options of acquiring the right to manage their funds at the same terms as determined by a competitive bidding process for auction of the non-LoC management rights with no discount.

(b) In the event the above option is not acceptable, the LoC holders may either choose:

(i) to enter into agreement with NIT for a staggered redemption spread over a period of several years with a initial payment from proceeds of sale of 'Pakistan Industrial Credit and Investment Corporation' and 'Pakistan State Oil' shares; or

(ii) exercise the redemption option before the expiry of current LoC date with immediate payment at a discount of 10% over and above the normal procedure. NIT would raise the requisite financing from normal banking channels.

The above matter is presently under consideration by the bank.

4.4 Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.682 million (2006: Rs.705 million) which are considered non-performing

	June 30, 2007 (Un-audited)	December 31, 2006 (Audited)
<i>Note</i> ----- (Rupees in '000) -----		
5. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	313,391,368	304,569,560
Outside Pakistan	31,728,771	26,376,167
	345,120,139	330,945,727
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	2,550,151	2,502,819
Payable outside Pakistan	14,760,426	14,881,699
	17,310,577	17,384,518
Margin Financing	191,507	40,213
Advances - gross	362,622,223	348,370,458
Less: Provision against non-performing loans		
Specific	(28,741,076)	(29,528,672)
General	(2,085,694)	(2,731,380)
	(30,826,770)	(32,260,052)
Advances - net of provision	331,795,453	316,110,406

- 5.1 Advances include Rs. 37,395 million (2006: Rs.36,260 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision	Provision
				Required	Held
(Rupees in '000)					
Other Assets Especially Mentioned	726,971	-	726,971	-	-
Substandard	3,458,718	15,270	3,473,988	689,272	689,272
Doubtful	3,100,607	-	3,100,607	1,265,121	1,265,121
Loss	29,534,450	558,505	30,092,955	26,786,683	26,786,683
	36,820,746	573,775	37,394,521	28,741,076	28,741,076

- 5.2 In accordance with the directives of the SBP, the bank is required to maintain general provision against consumer portfolio equivalent to 1.5% in respect of secured advances and 5% in respect of unsecured advance. However, during the period, the SBP vide its letter No. BRD-04 (121-06)/2007/3707 dated April 19, 2007 has allowed the bank to maintain general provision for the Advance Salary Product at 3% instead of 5%. This has resulted in reversal of general provision against the said product amounting to Rs. 638.050 million during the period. The effect on current period is to increase the net advances and profit after tax by Rs. 638.050 million and Rs. 414.733 million respectively and to decrease the deferred tax liability by Rs. 223.317 million.

	June 30,	December 31,
	2007	2006
	(Un-audited)	(Audited)
<i>Note</i>	----- (Rupees in '000) -----	

6. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	101,304,410	100,017,399
Savings deposits	186,095,168	170,256,433
Current accounts - remunerative	56,076,531	54,359,662
Current accounts - non-remunerative	139,817,994	119,468,864
	483,294,103	444,102,358

Financial Institutions

Remunerative deposits	42,620,911	39,196,100
Non-remunerative deposits	27,374,968	18,573,785
	69,995,879	57,769,885
	553,289,982	501,872,243

7. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of fixed assets - net of tax	5,348,596	5,368,099
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Surplus on revaluation of securities - net of tax

Federal Government securities	75,420	80,436
Term Finance Certificates	8,849	56,000
Quoted shares	2,574,603	1,760,160
NIT Units	18,079,831	11,721,554
Investment outside Pakistan - Bank Al-Jazira	10,023,506	13,493,387
	30,762,209	27,111,537
Deferred tax liability	(2,657,567)	(3,570,167)
	33,453,238	28,909,469

8. CONTINGENCIES AND COMMITMENTS

8.1 Direct credit substitutes

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

	June 30, 2007 (Un-audited)	December 31, 2006 (Audited)
	----- (Rupees in '000) -----	
- Government	3,626,214	345,847
- Financial institutions	6,723,264	4,885,235
- Others	24,613,538	24,807,965
	34,963,016	30,039,047

8.2 Transaction-related contingent liabilities

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

- Government	18,163,448	18,138,591
- Financial institutions	36,049	30,735
- Others	7,771,418	5,484,271
	25,970,915	23,653,597

8.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	112,414,079	128,295,046
- Financial institutions	2,747,263	522,542
- Others	37,375,556	31,725,396
	152,536,898	160,542,984

8.4 Other contingencies

8.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.164 million (2006: Rs.164 million) and claims relating to former MBL amounting to Rs.1,014 million (2006: Rs.1,053 million).

10,687,042	11,544,592
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8.4.2 Taxation

The income tax assessments of the bank for global operations as well as Azad Kashmir have been finalized upto and including the Tax year 2005 (accounting year ended December 31, 2004). The income tax returns for the Tax year 2006 (accounting year ended December 31, 2005) have been filed for global operations and Azad Kashmir and the same are deemed to be assessment order under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise. Appeals filed by the bank and tax department for certain assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

During the period, the Tax Officer has further amended assessments for the Tax Year 2003 and 2004 and has disallowed allocation of expenses relating to exempt income and reversal of charge against Benevolent Fund, the tax impact of which amounting to Rs. 922 million.

In the event that the above matters are decided against the bank, a further tax liability of Rs.9,643 million (December 31, 2006: Rs. 8,721 million) may arise in addition to amount for which provision has already been made in these interim condensed financial statements.

No provision has been made in these interim condensed financial statements for the above as the management, based on the opinion of tax lawyers and consultants, considers that it will get relief in the appeals.

8.4.3 Provident Fund

The status of this contingency as disclosed in the annual financial statements for the year ended December 31, 2006 has remained unchanged during the period.

	June 30, 2007 (Un-audited)	December 31, 2006 (Audited)
<i>Note</i>	----- (Rupees in '000) -----	
8.5 Commitments in respect of forward lending		
Forward call lending	-	1,000,000
8.6 Commitments in respect of forward exchange contracts		
Purchase	34,588,140	33,055,235
Sale	29,345,485	15,352,480
8.7 Commitments in respect of forward trading of government securities		
Purchase	-	10,000,000
Sale	-	22,500
8.8 Commitments in respect of forward trading of equity shares		
Purchase	73,373	-
Sale	583,854	339,816
8.9 Commitments for the acquisition of operating fixed assets	461,580	590,073

9. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended June 30, 2007	Half Year Ended June 30, 2007	Quarter Ended June 30, 2006	Half Year Ended June 30, 2006
Profit after taxation (Rupees in '000)	<u>4,683,414</u>	<u>9,012,556</u>	4,404,850	8,016,407
Weighted average number of ordinary shares (in '000)	<u>815,432</u>	<u>815,432</u>	815,432	815,432
Basic and diluted earnings per share (Rupees)	<u>5.74</u>	<u>11.05</u>	5.40	9.83

The earnings per share for the quarter and half year ended June 30, 2006 have been adjusted for the effect of bonus issue during the period.

10. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- (Rupees in '000) -----						
June 30, 2007 - un-audited							
Total income	100,733	3,999,666	5,996,942	8,355,012	608,053	1,315,753	20,376,159
Total expense	736	172,505	2,343,545	2,330,628	281,713	1,245,441	6,374,568
Net income	<u>99,997</u>	<u>3,827,161</u>	<u>3,653,397</u>	<u>6,024,384</u>	<u>326,340</u>	<u>70,312</u>	<u>14,001,591</u>
June 30, 2006 - un-audited							
Total income	24,227	3,771,033	5,274,122	8,505,398	471,394	1,195,816	19,241,990
Total expense	566	191,662	3,233,479	2,197,231	258,979	1,163,538	7,045,455
Net income	<u>23,661</u>	<u>3,579,371</u>	<u>2,040,643</u>	<u>6,308,167</u>	<u>212,415</u>	<u>32,278</u>	<u>12,196,535</u>

11. RELATED PARTY TRANSACTIONS

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

	For the Period Ended June 30, 2007 (Un-audited)			For the Year Ended December 31, 2006 (Audited)		
	Key Management Executives	Subsidiaries	Associates	Key Management Executives	Subsidiaries	Associates
(Rupees in '000)						
Advances						
At January 01	65,225	719,220	1,600,070	52,117	603,747	1,970,002
Given during the period / year	-	26,449	-	13,108	115,473	-
Repaid during the period / year	(19,840)	-	(44,068)	-	-	(369,932)
At June 30 / Dec 31	<u>45,385</u>	<u>745,669</u>	<u>1,556,002</u>	<u>65,225</u>	<u>719,220</u>	<u>1,600,070</u>
	For the Period Ended June 30, 2007 (Un-audited)		For the Year Ended December 31, 2006 (Audited)			
	Subsidiaries	Pension Fund	Subsidiaries	Pension Fund	Provident Fund	
(Rupees in '000)						
Deposits						
At January 01	14,167	3,077,536	317,593	2,598,358	6,665,252	
Received during the period / year	174,435	764,132	-	1,701,545	1,212,644	
Repaid during the period / year	-	(1,114,374)	(303,426)	(1,222,367)	(480,409)	
At June 30 / Dec 31	<u>188,602</u>	<u>2,727,294</u>	<u>14,167</u>	<u>3,077,536</u>	<u>7,397,487</u>	
			June 30, 2007 (Un-audited)	December 31, 2006 (Audited)		
(Rupees in '000)						
Debts due by company in which a director of the bank is interested as director			213,877	222,759		
Placements with:						
Joint venture			615,615	349,550		
Investments in associates / subsidiaries			29,331	27,331		
Obligation under finance lease						
Subsidiary company			17,556	9,260		
			Half year ended June 30, 2007 (Un-audited)	Half year ended June 30, 2006 (Un-audited)		
(Rupees in '000)						
Income for the year						
On advances / placements with:						
Subsidiaries			6,428	3,342		
Associates			5,627	40,926		
Joint venture			-	-		
On debts due by company in which a director of the bank is interested as director			1,504	3,883		
Commission received from subsidiaries			-	442		
Commission received from associates			-	49		
Expenses for the year						
Remuneration to key management executives			33,148	30,946		
Charge for defined benefit plan			2,168	1,314		
Mark-up on deposits of:						
Subsidiaries			150	261		
Provident fund			525,576	399,062		
Commission paid to subsidiaries			1,576	1,607		
Other receivables			19,807	-		

- 11.1 Although the Federal Government and the SBP held about 75.48% shares of the bank (2006: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

12. ISLAMIC BANKING BUSINESS

The bank is operating 1 (December 31, 2006: 1) Islamic banking branch as at June 30, 2007. The balance sheet of such branch is as under:

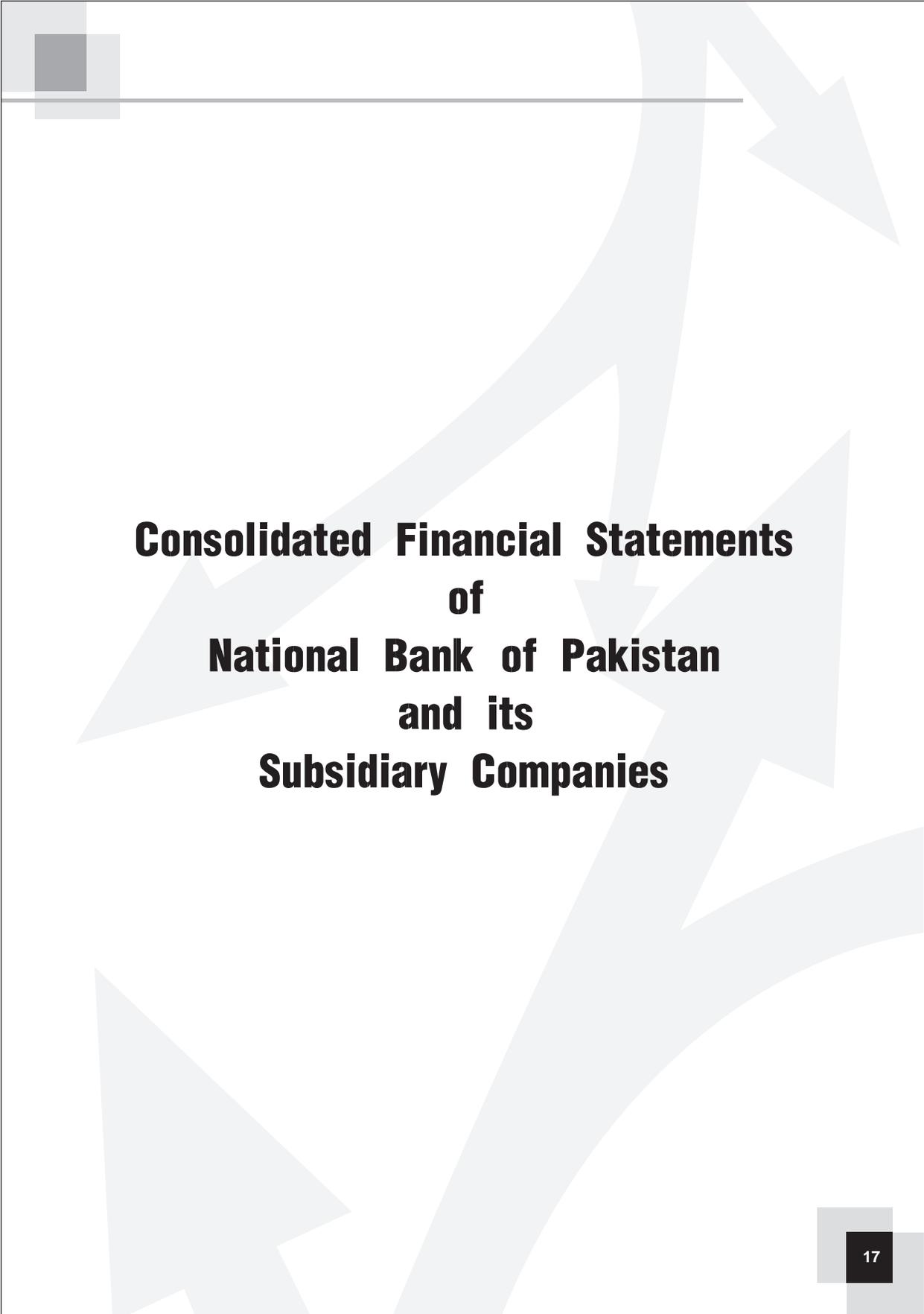
	June 30, 2007 (Un-audited)	December 31, 2006 (Audited)
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	8,630	4,724
Balances with and Due from Financial Institutions	61,018	99,000
Musharaka	40,000	-
Fixed Assets	60	-
Other assets	16,231	-
	125,939	103,724
LIABILITIES		
Bills payable	86	800
Current Accounts	24,410	2,911
Other liabilities	-	11
	24,496	3,722
NET ASSETS	101,443	100,002
REPRESENTED BY		
Islamic Banking Fund	100,000	100,000
Unappropriated profit	1,443	2
	101,443	100,002

13. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed financial statements were authorized for issue on August 25, 2007 by the Board of Directors of the Bank.

14. GENERAL

- 14.1 The figures of the profit and loss account for the quarter ended June 30, 2007 and June 30, 2006 have not been subjected to limited scope review by the auditors.
- 14.2 Corresponding information has been re-classified or re-arranged in these interim condensed financial statements, wherever necessary, to conform with changes in presentation in the current period.
- 14.3 Figures have been rounded-off to the nearest thousand rupees.



**Consolidated Financial Statements
of
National Bank of Pakistan
and its
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National Bank of Pakistan and its Subsidiary Companies

Interim Condensed Consolidated Balance Sheet

As at June 30, 2007

	Note	June 30, 2007 (Un-audited)	December 31, 2006 (Audited)
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		103,043,240	78,862,625
Balances with other banks		41,870,021	41,412,546
Lendings to financial institutions		32,804,988	23,164,082
Investments	4	164,359,469	140,740,067
Advances	5	332,234,166	316,455,800
Operating fixed assets		9,725,704	9,739,938
Deferred tax assets		-	-
Other assets		28,582,525	27,573,646
		712,620,113	637,948,704
LIABILITIES			
Bills payable		13,552,759	10,605,662
Borrowings		23,382,713	12,682,412
Deposits and other accounts	6	553,476,061	502,016,711
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		20,597	14,336
Deferred tax liabilities		1,689,209	2,376,606
Other liabilities		26,482,299	27,186,290
		618,603,638	554,882,017
NET ASSETS		94,016,475	83,066,687
REPRESENTED BY			
Share capital		8,154,319	7,090,712
Reserves		15,352,238	14,384,857
Unappropriated profit		36,988,130	32,623,507
		60,494,687	54,099,076
Minority interest		103,277	97,827
		60,597,964	54,196,903
Surplus on revaluation of assets	7	33,418,511	28,869,784
		94,016,475	83,066,687
CONTINGENCIES AND COMMITMENTS			
	8		

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

Syed Ali Raza
Chairman & President

Mian Kausar Hameed
Director

Sikandar Hayat Jamali
Director

Azam Faruque
Director

National Bank of Pakistan and its Subsidiary Companies

Interim Condensed Consolidated Profit and Loss Account - (Unaudited)

For The Quarter and Half Year Ended June 30, 2007

	Note	Quarter Ended June 30, 2007	Half Year Ended June 30, 2007	Quarter Ended June 30, 2006	Half Year Ended June 30, 2006
		----- (Rupees in '000) -----			
Mark-up / Return / Interest earned		12,644,634	24,159,990	10,904,904	20,867,330
Mark-up / Return / Interest expensed		4,448,963	7,811,462	3,282,140	6,430,855
Net mark-up / Interest income		<u>8,195,671</u>	<u>16,348,528</u>	<u>7,622,764</u>	<u>14,436,475</u>
Provision against non-performing loans and advances		(113,924)	(481,685)	698,925	898,925
Reversal for diminution in the value of investments		(50,035)	(50,035)	-	-
Bad debts written off directly		25,895	25,895	-	2,347
		<u>(138,064)</u>	<u>(505,825)</u>	<u>698,925</u>	<u>901,272</u>
Net mark-up / interest income after provisions		<u>8,333,735</u>	<u>16,854,353</u>	<u>6,923,839</u>	<u>13,535,203</u>
NON MARK-UP/ INTEREST INCOME					
Fee, commission and brokerage income		1,890,483	3,117,535	1,770,001	2,988,998
Dividend income		157,457	226,758	45,286	141,526
Income from dealing in foreign currencies		233,081	470,602	443,167	662,366
Gain on sale of securities		134,868	222,187	132,334	586,268
Unrealized gain / (loss) on revaluation of investments classified as held for trading		45,243	(4,493)	(20,286)	(21,578)
Share of profit from joint ventures		23,522	61,577	29,759	55,819
Share of profit from associates		14,361	23,201	6,650	15,638
Other income		110,031	143,317	587,227	616,316
Total non-mark-up / interest income		<u>2,609,046</u>	<u>4,260,684</u>	<u>2,994,138</u>	<u>5,045,353</u>
		<u>10,942,781</u>	<u>21,115,037</u>	<u>9,917,977</u>	<u>18,580,556</u>
NON MARK-UP/ INTEREST EXPENSES					
Administrative expenses		3,402,965	6,799,947	3,242,502	6,254,358
Other provisions / write offs		149,746	158,924	-	-
Other charges		913	9,866	-	-
Total non-mark-up / interest expenses		<u>3,553,624</u>	<u>6,968,737</u>	<u>3,242,502</u>	<u>6,254,358</u>
		<u>7,389,157</u>	<u>14,146,300</u>	<u>6,675,475</u>	<u>12,326,198</u>
Extra ordinary items		-	-	-	-
PROFIT BEFORE TAXATION		<u>7,389,157</u>	<u>14,146,300</u>	<u>6,675,475</u>	<u>12,326,198</u>
Taxation - Current		2,164,771	4,656,321	2,278,616	4,303,661
- Prior year(s)		124,734	124,734	-	-
- Deferred		350,936	213,528	(49,048)	(113,617)
		<u>2,640,441</u>	<u>4,994,583</u>	<u>2,229,568</u>	<u>4,190,044</u>
PROFIT AFTER TAXATION		<u>4,748,716</u>	<u>9,151,717</u>	<u>4,445,907</u>	<u>8,136,154</u>
Share of minority interest		(3,902)	(5,450)	(1,529)	(9,439)
Profit attributable to shareholders of the holding company		<u>4,744,814</u>	<u>9,146,267</u>	<u>4,444,378</u>	<u>8,126,715</u>
Unappropriated profit brought forward		37,034,712	32,623,507	23,393,534	19,700,932
Transfer from surplus on revaluation of fixed assets		9,752	19,504	10,265	20,530
Profit available for appropriation		<u>41,789,278</u>	<u>41,789,278</u>	<u>27,848,177</u>	<u>27,848,177</u>
Basic and diluted earnings per share (Rupees)	9	<u>5.82</u>	<u>11.22</u>	<u>5.45</u>	<u>9.98</u>

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

National Bank of Pakistan and its Subsidiary Companies
Interim Condensed Consolidated Cash Flow Statement - (Unaudited)

For The Half Year Ended June 30, 2007

	Half Year Ended	
	June 30, 2007	June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES	----- (Rupees in '000) -----	
Profit before taxation	14,146,300	12,326,198
Less: Dividend income	<u>226,758</u>	<u>141,526</u>
	13,919,542	12,,184,672
Adjustments		
Depreciation	234,907	248,163
Reversal/Provision against non-performing advances	(481,685)	898,925
Reversal for diminution in the value of investments	(50,035)	-
Bad debts written off directly	25,895	2,347
Other provision / write off	158,924	-
(Gain) on sale of fixed assets	(569)	(2,137)
Financial charges on leased assets	1,667	1,042
Share of profit from joint ventures	(61,577)	(55,819)
Share of profit from associates	<u>(23,201)</u>	<u>(15,638)</u>
	<u>(195,674)</u>	<u>1,076,883</u>
	13,723,868	13,261,555
(Increase) / decrease in operating assets		
Lendings to financial institutions	(9,640,906)	(29,165,118)
Held-for-trading securities	(434,232)	(106,944)
Advances	(15,322,576)	(27,061,261)
Other assets	<u>(263,276)</u>	<u>(41,995)</u>
	(25,660,990)	(56,375,318)
Increase / (decrease) in operating liabilities		
Bills payable	2,947,097	11,192,176
Borrowings	10,709,998	(291,129)
Deposits and other accounts	51,459,350	60,356,087
Other liabilities (excluding current taxation)	<u>(726,608)</u>	<u>(2,371,928)</u>
	64,389,837	68,885,206
Income tax paid	<u>(5,652,698)</u>	<u>(2,807,459)</u>
Financial charges paid	<u>(1,667)</u>	<u>(1,042)</u>
	(5,654,365)	(2,808,501)
Net cash flow from operating activities	46,798,350	22,962,942
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(21,796,050)	(1,178,593)
Proceeds from held-to-maturity securities	2,416,787	(2,008,674)
Proceeds from sale of investments in associates	20,195	3,864
Dividend received	226,758	141,526
Investments in operating fixed assets	(220,673)	(480,096)
Sale proceeds of property and equipment disposed off	569	2,725
Net cash used in investing activities	(19,352,414)	(3,519,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(6,241)	(4,274)
Dividend paid	<u>(2,836,285)</u>	<u>(1,482,864)</u>
Net cash used in financing activities	(2,842,526)	(1,487,138)
Effects of exchange rate changes on cash and cash equivalents	<u>44,378</u>	<u>(310,713)</u>
Net increase in cash and cash equivalents	24,647,788	17,645,843
Cash and cash equivalents at beginning of the period	<u>119,821,386</u>	<u>102,317,945</u>
Cash and cash equivalents at the end of the period	<u>144,469,174</u>	<u>119,963,788</u>

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

Syed Ali Raza
Chairman & President

Mian Kausar Hameed
Director

Sikandar Hayat Jamali
Director

Azam Faruque
Director

National Bank of Pakistan and its Subsidiary Companies

Interim Condensed Consolidated Statement of Changes in Equity - (Unaudited)

For The Half Year Ended June 30, 2007

	Attributable to the shareholders of the holding company							Total
	Share capital	Exchange equalisation	Reserves		Unappropriated profit	Sub total	Minority Interest	
			Statutory reserve	General reserve				
	(Rupees in '000)							
Balance as at January 1, 2006	5,908,927	3,754,297	8,352,214	521,338	19,700,932	38,237,708	85,877	38,323,585
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	279,869	-	-	-	279,869	-	279,869
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	20,530	20,530	-	20,530
Net income recognised directly in equity	-	279,869	-	-	20,530	300,399	-	300,399
Adjustment due to closure of Cairo branch	-	(498,496)	-	-	-	(498,496)	-	(498,496)
Profit after taxation for the half year ended June 30, 2006	-	-	-	-	8,126,715	8,126,715	9,439	8,136,154
Total recognised income and expense for the period	-	(498,496)	-	-	8,126,715	7,628,219	9,439	7,637,658
Transfer to statutory reserve	-	-	815,610	-	(815,610)	-	-	-
Issue of bonus shares (20%)	1,181,785	-	-	-	(1,181,785)	-	-	-
Cash Dividend (Rs. 2.5 per share)	-	-	-	-	(1,477,232)	(1,477,232)	-	(1,477,232)
Balance as at June 30, 2006	<u>7,090,712</u>	<u>3,535,670</u>	<u>9,167,824</u>	<u>521,338</u>	<u>24,373,550</u>	<u>44,689,094</u>	<u>95,316</u>	<u>44,784,410</u>
Balance as at July 1, 2006	7,090,712	3,535,670	9,167,824	521,338	24,373,550	44,689,094	95,316	44,784,410
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	273,400	-	-	-	273,400	-	273,400
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	20,530	20,530	-	20,530
Net income recognised directly in equity	-	273,400	-	-	20,530	293,930	-	293,930
Profit after taxation for the half year ended December 31, 2006	-	-	-	-	9,116,052	9,116,052	2,511	9,118,563
Total recognised income and expense for the period	-	-	-	-	9,116,052	9,116,052	2,511	9,118,563
Transfer to statutory reserve	-	-	886,625	-	(886,625)	-	-	-
Balance as at December 31, 2006	<u>7,090,712</u>	<u>3,809,070</u>	<u>10,054,449</u>	<u>521,338</u>	<u>32,623,507</u>	<u>54,099,076</u>	<u>97,827</u>	<u>54,196,903</u>
Balance as at January 1, 2007	7,090,712	3,809,070	10,054,449	521,338	32,623,507	54,099,076	97,827	54,196,903
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	66,125	-	-	-	66,125	-	66,125
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	19,504	19,504	-	19,504
Net income recognised directly in equity	-	66,125	-	-	19,504	85,629	-	85,629
Profit after taxation for the half year ended June 30, 2007	-	-	-	-	9,146,267	9,146,267	5,450	9,151,717
Total recognised income and expense for the period	-	-	-	-	9,146,267	9,146,267	5,450	9,151,717
Transfer to statutory reserve	-	-	901,256	-	(901,256)	-	-	-
Issue of bonus shares (15%)	1,063,607	-	-	-	(1,063,607)	-	-	-
Cash Dividend (Rs. 4 per share)	-	-	-	-	(2,836,285)	(2,836,285)	-	(2,836,285)
Balance as at June 30, 2007	<u>8,154,319</u>	<u>3,875,195</u>	<u>10,955,705</u>	<u>521,338</u>	<u>36,988,130</u>	<u>60,494,687</u>	<u>103,277</u>	<u>60,597,964</u>

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

National Bank of Pakistan and its Subsidiary Companies

Notes To The Interim Condensed Consolidated Financial Statement - (Unaudited)

For The Half Year Ended June 30, 2007

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan (the bank)

Subsidiary Companies

- NBP Capital Limited
- CJSC Subsidiary Bank of NBP in Kazakhstan
- NBP Exchange Company Limited
- NBP Modaraba Management Company Limited
- Taurus Securities Limited
- National Agriculture & Storage Company Limited
- Cast-N- Link Products Limited

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

The bank was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,232 (2006: 1,232) branches in Pakistan and 18 (2006: 18) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the bank also provides services as trustee to National Investment Trust (NIT) including safe custody of securities on behalf of NIT.

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

1.2 Basis of Consolidation

- The interim condensed consolidated financial statements include the interim condensed financial statements of the bank (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 bank 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 bank.
- Material intra-group balances and transactions have been eliminated.
- National Agriculture & Storage Company Limited and Cast-N-Link Product Limited have not been Consolidated, as these investments are fully provided and financial statements of these subsidiaries are not available.

1.3 During the period, the holding company has increased its authorised share capital from Rs.7,500 million (750,000,000 ordinary shares of Rs.10/- each) to Rs.10,000 million (1,000,000,000 ordinary shares of Rs.10/- each) as approved by shareholders of the bank in their general meeting held on April 02, 2007.

2. STATEMENT OF COMPLIANCE

- 2.1** These interim condensed financial statements have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.
- 2.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 2.3** The disclosures made in these interim condensed consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the bank for the year ended December 31, 2006
- 2.4** These interim condensed consolidated financial statements are not subjected to limited scope review by the auditors

3. ACCOUNTING POLICIES

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with as those followed in the preparation of the annual consolidated financial statements of the bank for the year ended December 31, 2006.

4. INVESTMENTS	June 30, 2007 (Un-audited)			December 31, 2006 (Audited)		
	Held by bank (Rupees in '000)	Given as collateral (Rupees in '000)	Total	Held by bank (Rupees in '000)	Given as collateral (Rupees in '000)	Total
4.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	817,058	-	817,058	405,201	-	405,201
Available- for- sale securities						
Ordinary shares of listed companies	1,522,214	-	1,522,214	1,426,566	-	1,426,566
Ordinary shares of unlisted companies	373,384	-	373,384	331,641	-	331,641
	1,895,598	-	1,895,598	1,758,207	-	1,758,207
Market Treasury Bills	65,970,694	7,110,953	73,081,647	50,524,649	381,964	50,906,613
Preference shares	305,000	-	305,000	398,184	-	398,184
Pakistan Investment Bonds	2,936,653	-	2,936,653	3,154,718	-	3,154,718
Federal Investment Bonds	940,000	-	940,000	940,000	-	940,000
Debentures, Bonds, Participation Term						
Certificates and Term Finance Certificate	8,054,832	-	8,054,832	8,373,727	-	8,373,727
Mutual funds	1,259,372	-	1,259,372	1,145,369	-	1,145,369
Investment outside Pakistan - note 4.2	463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) Units - note 4.3	5,666,784	-	5,666,784	5,667,018	-	5,667,018
Total Available- for- sale securities	87,492,228	7,110,953	94,603,181	72,425,167	381,964	72,807,131
Held-to-maturity securities						
Government Compensation Bonds	2,331,182	-	2,331,182	2,331,182	-	2,331,182
Provincial Government Securities	36,513	-	36,513	36,513	-	36,513
Pakistan Investment Bonds	11,873,107	-	11,873,107	11,974,039	-	11,974,039
Federal Investment Bonds	397,385	-	397,385	-	-	-
Market Treasury Bills	-	-	-	381,473	-	381,473
GoP Foreign Currency Bonds	10,376,802	-	10,376,802	10,445,224	-	10,445,224
Foreign Government Securities	6,504,429	-	6,504,429	5,693,075	-	5,693,075
Debentures, Bonds, Participation Term						
Certificates and Term Finance Certificates - note 4.4	4,457,264	-	4,457,264	4,595,963	-	4,595,963
Certificates of Investment	236,000	-	236,000	3,172,000	-	3,172,000
Total held-to-maturity securities	36,212,682	-	36,212,682	38,629,469	-	38,629,469
Investments in associates	1,138,190	-	1,138,190	1,132,790	-	1,132,790
Investments in joint ventures	2,033,952	-	2,033,952	1,950,628	-	1,950,628
Investments in subsidiaries	3,245	-	3,245	3,245	-	3,245
Investment at cost	127,697,355	7,110,953	134,808,308	114,546,500	381,964	114,928,464
Less: Provision for diminution in value of Investments	(1,171,829)	-	(1,171,829)	(1,255,785)	-	(1,255,785)
Investments (net of provisions)	126,525,526	7,110,953	133,636,479	113,290,715	381,964	113,672,679
Deficit on revaluation of						
Held-for-trading securities	(4,493)	-	(4,493)	(4,463)	-	(4,463)
Surplus on revaluation of						
Available-for-sale securities	30,727,205	278	30,727,483	27,072,030	(179)	27,071,851
Total investments at market value	157,248,238	7,111,231	164,359,469	140,358,282	381,785	140,740,067

4.2 Investment outside Pakistan - Bank Al-Jazira

The bank holds 13,125,000 (2006: 6,562,500) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2006: 5.83%) holding in total equity of BAJ, including 6,562,500 ordinary shares as bonus shares during the period. 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.

4.3 NIT Units

During the period NIT vide its letter no. MDNIT/191/2007 dated February 23,2007 intimated to the holding company that the Government has decided to offer to all the Letter of Comfort (LoC) holders, including the bank, the following options in respect of their holding in NIT Units.

(a) LoC holders may exercise their options of acquiring the right to manage their funds at the same terms as determined by a competitive bidding process for auction of the non-LoC management rights with no discount.

(b) In the event the above option is not acceptable, the LoC holders may either choose:

(i) to enter into agreement with NIT for a staggered redemption spread over a period of several years with a initial payment from proceeds of sale of 'Pakistan Industrial Credit and Investment Corporation' and 'Pakistan State Oil' shares; or

(ii) exercise the redemption option before the expiry of current LoC date with immediate payment at a discount of 10% over and above the normal procedure. NIT would raise the requisite financing from normal banking channels.

The above matter is under consideration by the holding company.

4.4 Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.682 million (2006: Rs.705 million) which are considered non-performing.

5. ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan
Outside Pakistan

Net investment in finance lease

In Pakistan
Outside Pakistan

Bills discounted and purchased (excluding Government treasury bills)

Payable in Pakistan
Payable outside Pakistan

Margin Financing

Advances - Gross

Less: Provision against non-performing loans

Specific
General

Advances - net of provision

Note	June 30, 2007 Un-audited ----- (Rupees in '000) -----	December 31, 2006 Audited
	312,939,521	304,164,016
	31,800,160	26,421,169
	344,739,681	330,585,185
	615,741	558,883
	-	-
	615,741	558,883
	2,550,151	2,502,819
	14,760,426	14,881,699
	17,310,577	17,384,518
	394,937	187,266
	363,060,936	348,715,852
5.1	(28,741,076)	(29,528,672)
	(2,085,694)	(2,731,380)
	(30,826,770)	(32,260,052)
	332,234,166	316,455,800

- 5.1 Advances include Rs.37,395 million (2006: Rs.36,260 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision	Provision
				Required	Held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	726,971	-	726,971	-	-
Substandard	3,458,718	15,270	3,473,988	689,272	689,272
Doubtful	3,100,607	-	3,100,607	1,265,121	1,265,121
Loss	29,534,450	558,505	30,092,955	26,786,683	26,786,683
	36,820,746	573,775	37,394,521	28,741,076	28,741,076

- 5.2 In accordance with the directives of the SBP, the bank is required to maintain general provision against consumer portfolio equivalent to 1.5% in respect of secured advances and 5% in respect of unsecured advance. However, during the period, the SBP vide its letter No. BRD-04 (121-06)/2007/3707 dated April 19, 2007 has allowed the bank to maintain general provision for the Advance Salary Product at 3% instead of 5%. This has resulted in reversal of general provision against the said product amounting to Rs.638.050 million during the period. The effect on current period is to increase the net advances and profit after tax by Rs.638.050 million and Rs.414.733 million respectively and to decrease the deferred tax liability by Rs.223.317 million.

June 30,	December 31,
2007	2006
Un-audited	Audited
----- (Rupees in '000) -----	

6. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	101,209,098	100,054,476
Savings deposits	186,095,383	170,234,938
Current accounts - remunerative	56,194,151	54,352,618
Current accounts - non-remunerative	139,981,550	119,604,794
	483,480,182	444,246,826

Financial Institutions

Remunerative deposits	42,620,911	39,196,100
Non-remunerative deposits	27,374,968	18,573,785
	69,995,879	57,769,885
	553,476,061	502,016,711

7. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of fixed assets - net of tax	5,348,595	5,368,099
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Surplus on revaluation of securities - net of tax

Federal Government securities	50,203	47,663
Term Finance Certificates	12,916	60,310
Quoted shares	2,561,027	1,748,937
NIT Units	18,079,831	11,721,554
Investment outside Pakistan - Bank Al-Jazira	10,023,506	13,493,387
	30,727,483	27,071,851
Deferred tax liability	(2,657,567)	(3,570,166)
	33,418,511	28,869,784

8. CONTINGENCIES AND COMMITMENTS

8.1 Direct credit substitutes

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

	June 30, 2007 Un-audited	December 31, 2006 Audited
	----- (Rupees in '000) -----	
- Government	3,626,214	345,847
- Financial institutions	6,723,264	4,885,235
- Others	24,613,538	24,807,965
	34,963,016	30,039,047

8.2 Transaction-related contingent liabilities

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

- Government	18,163,448	18,138,591
- Financial institutions	36,049	30,735
- Others	7,771,418	5,484,271
	25,970,915	23,653,597

8.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	112,414,079	128,295,046
- Financial institutions	2,747,263	522,542
- Others	37,375,556	31,725,396
	152,536,898	160,542,984

8.4 Other contingencies

8.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.164 million (2006: Rs.164 million) and claims relating to former MBL amounting to Rs.1,014 million (2006: Rs.1,053 million).

10,687,042	11,544,592
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8.4.2 Taxation

The income tax assessments of the bank for global operations as well as Azad Kashmir have been finalized upto and including the Tax year 2005 (accounting year ended December 31, 2004). The income tax returns for the Tax year 2006 (accounting year ended December 31, 2005) have been filed for global operations and Azad Kashmir and the same are deemed to be assessment order under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise. Appeals filed by the bank and tax department for certain assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

During the period, the Tax Officer has further amended assessments for the Tax Year 2003 and 2004 and has disallowed allocation of expenses relating to exempt income and reversal of charge against Benevolent Fund, the tax impact of which amounting to Rs. 922 million.

In the event that the appeals are decided against the bank, a further tax liability of Rs.9,643 million (December 31, 2006: Rs.8,721 million) may arise in addition to amount for which provision has already been made in these interim condensed consolidated financial statements.

Contingencies in respect of tax amounting to Rs. 28.67 million(2006: Rs. 28.67 million) relates to subsidiaries. These mainly pertains to disallowed expenses and additional tax.

No provision has been made in these interim condensed financial statements for the above as the management, based on the opinion of tax lawyers and consultants, considers that it will get relief in the appeals.

8.4.3 Provident Fund

The status of this contingency as disclosed in the annual consolidated financial statements for the year ended December 31, 2006 has remained unchanged during the period.

	June 30, 2007 Un-audited ----- (Rupees in '000) -----	December 31, 2006 Audited		
8.5 Commitments in respect of forward lending				
Forward call lending	-	1,000,000		
8.6 Commitments in respect of forward exchange contracts				
Purchase	34,588,159	33,055,235		
Sale	29,552,421	15,352,480		
8.7 Commitments in respect of trading of government securities				
Purchase	-	10,000,000		
Sale	-	22,500		
8.8 Commitments in respect of forward trading of equity shares				
Purchase	73,373	-		
Sale	583,854	339,017		
8.9 Commitments for the acquisition of operating fixed assets	461,580	590,073		
9. BASIC AND DILUTED EARNINGS PER SHARE				
	Quarter Ended June 30, 2007	Half Year Ended June 30, 2007	Quarter Ended June 30, 2006	Half Year Ended June 30, 2006
Profit attributable to the share holding company (Rupees in '000)	<u>4,744,814</u>	<u>9,146,267</u>	4,444,378	8,126,715
Weighted average number of ordinary shares (number '000)	<u>815,432</u>	<u>815,432</u>	815,432	815,432
Basic and diluted earnings per share (Rupees)	<u>5.82</u>	<u>11.22</u>	5.45	9.97

The earnings per share for the quarter and half year ended June 30, 2006 have been adjusted for the effect of bonus issue during the period.

10. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Retail Brokerage	Total
	----- (Rupees in '000) -----							
June 30, 2007								
Total income	100,733	4,155,324	5,996,942	8,381,213	608,053	1,315,753	51,195	20,609,213
Total expense	736	205,080	2,343,545	2,353,826	281,713	1,245,441	32,572	6,462,913
Net income	<u>99,997</u>	<u>3,950,244</u>	<u>3,653,397</u>	<u>6,027,387</u>	<u>326,340</u>	<u>70,312</u>	<u>18,623</u>	<u>14,146,300</u>
June 30, 2006								
Total income	24,225	3,917,319	5,274,122	8,534,206	471,394	1,195,816	64,746	19,481,828
Total expense	566	242,328	3,233,479	2,220,383	258,979	1,163,538	36,357	7,155,630
Net income	<u>23,659</u>	<u>3,674,991</u>	<u>2,040,643</u>	<u>6,313,823</u>	<u>212,415</u>	<u>32,278</u>	<u>28,389</u>	<u>12,326,198</u>

11. RELATED PARTY TRANSACTIONS

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

	For the Half Year Ended June 30, 2007		For the Year Ended December 31, 2006	
	Un-Audited		Audited	
	Key Management Executives	Associates	Key Management Executives	Associates
	----- (Rupees in '000) -----			
Advances				
At January 01	65,225	1,600,070	52,117	1,970,002
Given during the period / year	-	-	13,108	-
Repaid during the period / year	(19,840)	(44,068)	-	(369,932)
At June 30 / Dec 31	<u>45,385</u>	<u>1,556,002</u>	<u>65,225</u>	<u>1,600,070</u>
	For the Half Year Ended June 30, 2007		For the Year Ended December 31, 2006	
	Un-Audited		Audited	
	Pension Fund	Provident Fund	Pension Fund	Provident Fund
	----- (Rupees in '000) -----			
Deposits				
At January 01	3,077,536	7,397,487	2,598,358	6,665,252
Received during the period / year	764,132	619,721	1,701,545	1,212,644
Repaid during the period / year	(1,114,374)	(372,569)	(1,222,367)	(480,409)
At June 30 / Dec 31	<u>2,727,294</u>	<u>7,644,639</u>	<u>3,077,536</u>	<u>7,397,487</u>
			June 30, 2007	December 31, 2006
			Un-Audited	Audited
			----- (Rupees in '000) -----	
Debts due by company in which a director of the holding company interested as director			213,877	222,759
Placements with:				
Joint venture			615,615	349,550
Investments with associates			29,331	27,331
			Half year ended June 30, 2007	Half year ended June 30, 2006
			Un-Audited	Un-Audited
			----- (Rupees in '000) -----	
Income for the year				
On advances / placements with:				
Associates			5,627	40,926
Joint venture			-	-
On debts due by company in which a director of the holding company interested as director			1,504	3,883
Commission received from associates			-	49
Expenses for the year				
Remuneration to key management executives			33,148	30,946
Charge for defined benefit plan			2,168	1,314
Mark-up on deposits of:				
Provident fund			525,576	399,062
Other receivables			19,807	1,607

- 11.1 Although the Federal Government and the SBP held about 75.48% shares of the bank (2006: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

12. ISLAMIC BANKING BUSINESS

The bank is operating 1 (December 31, 2006: 1) Islamic banking branch as at June 30, 2007. The balance sheet of such branch is as under:

	June 30, 2007 (Un-audited)	December 31, 2006 (Audited)
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	8,630	4,724
Balances with and Due from Financial Institutions	61,018	99,000
Musharaka	40,000	-
Fixed Assets	60	-
Other assets	16,231	-
Total Assets	125,939	103,724
LIABILITIES		
Bills payable	86	800
Current Accounts	24,410	2,911
Other liabilities	-	11
	24,496	3,722
NET ASSETS	101,443	100,002
REPRESENTED BY		
Islamic Banking Fund	100,000	100,000
Unappropriated profit	1,443	2
	101,443	100,002

13. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed consolidated financial statements were authorized for issue on August 25, 2007 by the Board of Directors of the Bank.

14. GENERAL

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



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