

Defining New Frontiers

National Bank of Pakistan

Half Yearly Report | June 2008



NBP

National Bank of Pakistan

*The Nation's
Bank*

Awards & Achievements



NBP-Vision you can Trust



NBP

National Bank of Pakistan



Contents



Corporate Information	2
Directors' Report	3
Balance Sheet	5
Profit and Loss Account	6
Cash Flow Statement	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9
Consolidated Financial Statements of NBP and its Subsidiary Compaines	19



Corporate Information

Board of Directors

Syed Ali Raza Chairman & President
Muhammad Ayub Khan Tarin
Sikandar Hayat Jamali
Azam Faruque
Mian Kausar Hameed
Ibrar A. Mumtaz
Tariq Kirmani
Muhammed Arshad Chaudhry

Audit Committee

Azam Faruque
Ibrar A. Mumtaz
Mian Kausar Hameed

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.

Website

www.nbp.com.pk

Directors' Report



It gives me great pleasure to present on behalf of the Board of Directors accounts for the six months period ended June 30, 2008. The Profit for the six months period ended June 30, 2008 after carry over of accumulated profit of 2007 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the six months period ended June 30, 2008	12,674
Taxation	
-Current year	6,336
-Prior year(s)	-
-Deferred	(1,544)
	<u>4,792</u>
After tax profit	7,881
Un-appropriated profit brought forward	45,344
Transfer from surplus on revaluation of fixed assets – Incremental depreciation- net of deferred tax	46
Profit available for appropriation	<u>53,271</u>
Cash Dividend paid	6,116
Transfer to Statutory Reserve (10% of after tax profit)	788
Bonus shares issued	815
Un-appropriated profit carried forward	<u><u>45,552</u></u>

Pre tax profit stood at Rs. 12,674 million from Rs. 14,002 million of corresponding period of last year, a reduction of 9.5%. Bank's operating performance have been quite impressive, operating revenue increased by 30% from Rs. 20,376 million to Rs.26,497 million, while pre provision profit increased by Rs. 4,293 million an increase of 31.4%. Diluted earning per share declined to Rs. 8.79 from Rs. 10.05 during the same period of last year. Pre tax return on equity stands at 35.8% whereas Pre tax return on assets is at 3.3%. Cost to income ratio of the bank remained in the top tier at 0.32

Net interest margin registered an impressive growth of Rs. 2,670 million or 16.4% mainly due to growth in volumes. Net advances increased by Rs. 41 billion and Rs. 32 billion as compared to corresponding period of last year and year end 2007. The growth in advances mainly emanated from corporate and commodity financing. Deposits show impressive growth of Rs. 68 billion or 12.3% over corresponding period last year.

Compared to year end December 2007 the deposits have increased by Rs. 29 billion or 5% mainly due to our marketing efforts and the trust that customers have in NBP.

Non interest base income has shown an impressive increase of Rs. 3.4 billion or 84% over corresponding period due to higher commission, exchange income and a one off receipt of Rs. 977.8 million as compensation for delayed tax refunds. The compensation on delayed refunds pertains to various assessment years from 1991-92 to 2001-02.



Our administrative expenses show a rise of Rs. 1,828 million or 27% compare to corresponding period mainly due to inflation and salary increases. Going forward we expect that with the technological / human resource upgradation program our costs will rise in short term however we need to invest today for better returns in the future.

Provision charge against advances for the corresponding period last year includes a) one off items of Rs. 1.4 billion on account of one large cash recovery and reversal in general provision of Rs. 825 million due to reduction in provision requirement on advance salary from 5% to 3%. If we exclude these one offs the provision charge last year comes to Rs. 1.8 billion. Further b) last year the SBP changed its prudential regulations and withdrew the benefit of Forced Sales Value in the third quarter of last year, therefore this year the banks can no longer take the benefit of forced sales value of the collateral securities. The additional provision charge on account of withdrawal of FSV impact last year was Rs. 3.1 billion which was made in the 3rd and 4th quarter of last year. This benefit of Rs 3.1 billion was being carried in the first half of 2007. Therefore the comparison between the provision for the two periods should take into account both these factors. Additionally the bank is making all out efforts for recovery of non performing loans and aggressive targets have been assigned to the units.

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, 2008

Condensed Interim Balance Sheet

As at June 30, 2008



		(Un-audited) June 30, 2008	(Audited) December 31, 2007
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		124,807,561	94,873,249
Balances with other banks		44,164,592	37,472,832
Lendings to financial institutions		21,463,116	21,464,600
Investments	6	172,665,033	211,142,868
Advances	7	372,766,231	340,322,100
Operating fixed assets		26,383,831	25,922,979
Deferred tax assets		-	-
Other assets		33,602,681	30,994,965
		795,853,045	762,193,593
LIABILITIES			
Bills payable		12,224,296	7,061,902
Borrowings		14,669,212	10,886,063
Deposits and other accounts	8	621,341,765	591,907,435
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		25,200	33,554
Deferred tax liabilities - net	9	2,283,095	5,097,831
Other liabilities		31,922,084	30,869,154
		682,465,652	645,855,939
NET ASSETS		113,387,393	116,337,654
REPRESENTED BY			
Share capital		8,969,751	8,154,319
Reserves		17,682,537	15,772,124
Unappropriated profit		45,552,124	45,344,188
		72,204,412	69,270,631
Surplus on revaluation of assets - net of tax	10	41,182,981	47,067,023
		113,387,393	116,337,654
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Ali Raza
Chairman & President

Ibrar A.Mumtaz
Director

Muhammad Ayub Khan Tarin
Director

Mian Kausar Hameed
Director



Condensed Interim Profit and loss Account - (Un-audited)

For The Quarter and Half Year Ended June 30, 2008

Note	Quarter Ended June 30, 2008	Half Year Ended June 30, 2008	Quarter Ended June 30, 2007	Half Year Ended June 30, 2007
	(Rupees in '000)			
Mark-up / Return / Interest earned	14,461,388	28,016,571	12,321,091	24,036,424
Mark-up / Return / Interest expensed	4,571,749	9,080,762	4,169,785	7,770,541
Net mark-up / Interest income	<u>9,889,639</u>	<u>18,935,809</u>	<u>8,151,306</u>	<u>16,265,883</u>
Provision / (reversal) against non-performing loans and advances	3,528,963	5,053,479	(113,924)	(481,685)
Reversal for diminution in the value of investments	(19,489)	(19,489)	(50,035)	(50,035)
Bad debts written off directly	107	107	25,895	25,895
Net mark-up / interest income after provisions	<u>6,380,058</u>	<u>13,901,712</u>	<u>8,289,370</u>	<u>16,771,708</u>
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	2,165,047	3,777,091	1,862,387	3,066,113
Dividend income	125,364	201,401	157,457	226,758
Income from dealing in foreign currencies	741,828	1,964,483	224,579	461,200
Gain on sale of securities	303,353	458,338	134,868	222,187
Unrealized (loss) / gain on revaluation of investments classified as held for trading	(146,366)	(107,078)	45,243	(4,493)
Other income	264,715	1,267,442	115,666	138,510
Total non-mark-up / interest income	<u>3,453,941</u>	<u>7,561,677</u>	<u>2,540,200</u>	<u>4,110,275</u>
	<u>9,833,999</u>	<u>21,463,389</u>	<u>10,829,570</u>	<u>20,881,983</u>
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	3,926,933	8,055,161	3,357,408	6,711,602
Other provisions / write offs	232,688	239,892	149,746	158,924
Other charges	1,251	494,629	2,559	9,866
Total non-mark-up / interest expenses	<u>4,160,872</u>	<u>8,789,682</u>	<u>3,509,713</u>	<u>6,880,392</u>
	<u>5,673,127</u>	<u>12,673,707</u>	<u>7,319,857</u>	<u>14,001,591</u>
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	<u>1,673,127</u>	<u>12,673,707</u>	<u>7,319,857</u>	<u>14,001,591</u>
Taxation - Current	3,841,358	6,336,072	2,160,892	4,650,892
- Prior year(s)	-	-	124,734	124,734
- Deferred	(1,491,721)	(1,543,798)	350,817	213,409
PROFIT AFTER TAXATION	<u>2,349,637</u>	<u>4,792,274</u>	<u>2,636,443</u>	<u>4,989,035</u>
	<u>3,323,490</u>	<u>7,881,433</u>	<u>4,683,414</u>	<u>9,012,556</u>
Unappropriated profit brought forward	42,537,460	45,344,188	36,413,571	32,074,677
Transfer from surplus on revaluation of fixed assets	23,524	45,818	9,752	19,504
Profit available for appropriation	<u>45,884,474</u>	<u>53,271,439</u>	<u>41,106,737</u>	<u>41,106,737</u>
Basic and diluted earnings per share (Rupees)	<u>3.71</u>	<u>8.79</u>	<u>5.22</u>	<u>10.05</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Condensed Interim Cash Flow Statement - (Un-audited)

For The Half Year Ended June 30, 2008



	Half year ended	
	June 30, 2008	June 30, 2007
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,673,707	14,001,591
Less: Dividend income	201,401	226,758
	<u>12,472,306</u>	<u>13,774,833</u>
Adjustments for non-cash charges		
Depreciation	339,893	229,990
Provision against non-performing loans and advances	5,053,479	(481,685)
Reversal for diminution in the value of investments	(19,489)	(50,035)
Bad debts written off directly	107	25,895
Other provision / write off	239,892	158,924
Gain on sale of fixed assets	(2,688)	(569)
Financial charges on leased assets	4,952	1,643
	<u>5,616,146</u>	<u>(115,837)</u>
	<u>18,088,452</u>	<u>13,658,996</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	1,484	(9,740,906)
Held-for-trading securities	(420,037)	(435,497)
Advances	(37,497,717)	(15,229,257)
Other assets (excluding advance taxation - net)	(599,435)	110,507
	<u>(38,515,705)</u>	<u>(25,295,153)</u>
Increase / (decrease) in operating liabilities		
Bills payable	5,162,394	2,947,096
Borrowings	4,240,474	10,864,314
Deposits and other accounts	29,434,330	51,417,739
Other liabilities	1,052,930	(881,038)
	<u>39,890,128</u>	<u>64,348,111</u>
Income tax paid	(8,478,567)	(5,707,800)
Financial charges paid	(4,952)	(1,643)
	<u>(8,483,519)</u>	<u>(5,709,443)</u>
Net cash flow from operating activities	<u>10,979,356</u>	<u>47,002,511</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / net investment in available-for-sale securities	31,414,581	(21,685,764)
Proceeds from sale of held-to-maturity securities	393,619	2,323,047
Proceeds from sale of investments in associates	-	20,195
Dividend income received	201,401	226,758
Investments in operating fixed assets	(906,425)	(218,462)
Sale proceeds of fixed assets disposed off	2,688	569
Net cash from / (used in) investing activities	<u>31,105,864</u>	<u>(19,333,657)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(8,354)	(5,600)
Dividend paid	(6,115,740)	(2,836,285)
Net cash used in financing activities	<u>(6,124,094)</u>	<u>(2,841,885)</u>
Effects of exchange rate changes	1,122,270	7,984
Net increase in cash and cash equivalents	<u>37,083,396</u>	<u>24,834,953</u>
Cash and cash equivalents at beginning of the period	131,456,989	118,813,121
Cash and cash equivalents at the end of the period	<u>168,540,385</u>	<u>143,648,074</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Ali Raza
Chairman & President

Ibrar A.Mumtaz
Director

Muhammad Ayub Khan Tarin
Director

Mian Kausar Hameed
Director



Condensed Interim Statement of Changes in Equity - (Un-audited)

For the Half Year Ended June 30, 2008

	Reserves					Total
	Share capital	Capital	Statutory reserve	Revenue	Unappropriated profit	
	Exchange equalisation		General reserve			
----- (Rupees in '000) -----						
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 translation of net assets 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
Balance as at July 1, 2007	8,154,319	3,382,809	10,884,353	521,338	36,305,589	59,248,408
Exchange adjustments on translation of net assets of foreign branches	-	(18,497)	-	-	-	(18,497)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	19,503	19,503
Net income recognised directly in equity	-	(18,497)	-	-	19,503	1,006
Profit after taxation for the half year ended December 31, 2007	-	-	-	-	10,021,217	10,021,217
Total recognised income and expense for the period	-	(18,497)	-	-	10,040,720	10,022,223
Transfer to statutory reserve	-	-	1,002,121	-	(1,002,121)	-
Balance as at December 31, 2007	8,154,319	3,364,312	11,886,474	521,338	45,344,188	69,270,631
Balance as at January 1, 2008	8,154,319	3,364,312	11,886,474	521,338	45,344,188	69,270,631
Exchange adjustments on translation of net assets of foreign branches	-	1,122,270	-	-	-	1,122,270
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	45,818	45,818
Net income recognised directly in equity	-	1,122,270	-	-	45,818	1,168,088
Profit after taxation for the half year ended June 30, 2008	-	-	-	-	7,881,433	7,881,433
Total recognised income and expense for the period	-	1,122,270	-	-	7,927,251	9,049,521
Transfer to statutory reserve	-	-	788,143	-	(788,143)	-
Issue of bonus shares (10%)	815,432	-	-	-	(815,432)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	(6,115,740)	(6,115,740)
Balance as at June 30, 2008	8,969,751	4,486,582	12,674,617	521,338	45,552,124	72,204,412

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements

08 **Syed Ali Raza**
Chairman & President

Ibrar A.Mumtaz
Director

Muhammad Ayub Khan Tarin
Director

Mian Kausar Hameed
Director

Notes to the Condensed Interim Statement - (Un-audited)

For The Half Year Ended June 30, 2008



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 1,243 (2007: 1,232) branches in Pakistan and 22 (2007: 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.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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 (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP 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 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 condensed interim 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 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 interim condensed financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2007.

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

3. ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the bank for the year ended December 31, 2007.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statements requires management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The basis for the significant judgments and estimates made by the management for the preparation of these condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended December 31, 2007 .

5. FINANCIAL RISK MANAGEMENT

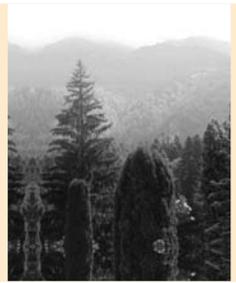
The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the bank for the year ended December 31, 2007.



6. INVESTMENTS

	June 30, 2008 (Un-audited)			December 31, 2007 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Note	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
6.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	269,793	-	269,793	785,593	-	785,593
Market Treasury Bills	920,739	-	920,739	-	-	-
Pakistan Investment Bonds	90,212	-	90,212	-	-	-
Total Held-for-trading securities	1,280,744	-	1,280,744	785,593	-	785,593
Available- for- sale securities						
Ordinary shares of listed companies	2,440,777	-	2,440,777	1,947,051	-	1,947,051
Ordinary shares of unlisted companies	517,252	-	517,252	304,119	-	304,119
	2,958,029	-	2,958,029	2,251,170	-	2,251,170
Market Treasury Bills	74,507,797	2,593,375	77,101,172	117,851,357	416,578	118,267,935
Preference shares	275,000	-	275,000	275,000	-	275,000
Pakistan Investment Bonds	4,311,217	-	4,311,217	3,734,905	-	3,734,905
Federal Investment Bonds	940,000	-	940,000	940,000	-	940,000
GoP Foreign Currency Bonds	1,035,192	-	1,035,192	850,853	-	850,853
Term Finance Certificates	16,771,032	-	16,771,032	8,162,689	-	8,162,689
Investments in mutual funds	988,412	-	988,412	1,312,083	-	1,312,083
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) Units	5,764,258	-	5,764,258	5,764,258	-	5,764,258
Total Available- for- sale securities	108,014,232	2,593,375	110,607,607	141,605,610	416,578	142,022,188
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	11,594,485	-	11,594,485	11,679,736	-	11,679,736
GoP Foreign Currency Bonds	12,277,525	-	12,277,525	10,933,794	-	10,933,794
Foreign Government Securities	4,543,483	-	4,543,483	4,803,796	-	4,803,796
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates and Sukuk Bonds	2,719,551	-	2,719,551	3,411,338	-	3,411,338
Certificates of Investment	100,000	-	100,000	800,000	-	800,000
Total held-to-maturity securities	33,602,739	-	33,602,739	33,996,359	-	33,996,359
Investments in associates	959,669	-	959,669	959,669	-	959,669
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	146,522,177	2,593,375	149,115,552	180,012,024	416,578	180,428,602
Less: Provision for diminution in value of Investments	(1,154,104)	-	(1,154,104)	(1,173,593)	-	(1,173,593)
Investments (net of provisions)	145,368,073	2,593,375	147,961,448	178,838,431	416,578	197,255,009
Deficit on revaluation of						
Held-for-trading securities	-	-	-	(31,964)	-	(31,964)
Surplus / (deficit) on revaluation of Available-for-sale securities	24,803,135	7,528	24,810,663	31,921,226	(1,403)	31,919,823
Total investments at market value	170,064,130	2,600,903	172,665,033	210,727,693	415,175	211,142,868

6.2 This includes investments made during the period in Term Finance Certificates (TFC's) amounting to Rs. 8.00 billion (2007: Nil) of Faisalabad Electric Supply Company Limited and Gujranwala Electric Power Company Limited carrying mark up at the rate of 6 months KIBOR + 0.2%. These TFC's will mature in January 2013.



6.3 Investment outside Pakistan - Bank Al-Jazira

The bank holds 17,500,000 (2007: 13,125,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2007: 5.83%) holding in total equity of BAJ, including 4,375,000 ordinary shares issued 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.

6.4 Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.633 million (2007: Rs.653 million) which are considered non-performing.

7. ADVANCES	Note	June 30,	December 31,
		2008	2007
		(Un-audited)	(Audited)
		----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc.			
In Pakistan		352,089,314	324,871,242
Outside Pakistan		38,452,162	29,737,559
		390,541,476	354,608,801
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		1,834,871	2,673,256
Payable outside Pakistan		19,227,781	16,144,430
		21,062,652	18,817,686
Margin Financing / Continuous Funding System			
Advances - gross		362,641	1,308,715
Less: Provision against non-performing loans		411,966,769	374,735,202
	7.1	(36,936,876)	(32,351,815)
		(2,263,662)	(2,061,287)
		(39,200,538)	(34,413,102)
Advances - net of provision		372,766,231	340,322,100

7.1 Advances include Rs 45,935 million (2007: Rs.38,318 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision	Provision Held
				Required	
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	648,104	-	648,104	-	-
Substandard	6,990,397	35,166	7,025,563	1,729,857	1,729,857
Doubtful	4,462,492	1,649	4,464,141	2,072,262	2,072,262
Loss	33,184,256	613,146	33,797,402	33,134,757	33,134,757
	45,285,249	649,961	45,935,210	36,936,876	36,936,876

8. DEPOSITS AND OTHER ACCOUNTS

	June 30,	December 31,	
	2008	2007	
		(Un-audited)	(Audited)
		----- (Rupees in '000) -----	
Customers			
Fixed deposits	126,472,977	128,403,278	
Savings deposits	191,430,189	188,687,111	
Current accounts - remunerative	80,986,022	76,708,879	
Current accounts - non-remunerative	144,075,573	139,868,016	
	542,964,761	533,667,284	
Financial Institutions			
Remunerative deposits	40,994,937	31,180,729	
Non-remunerative deposits	37,382,067	27,059,422	
	78,377,004	58,240,151	
	621,341,765	591,907,435	



	June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
	(Rupees in '000)	
9. DEFERRED TAX LIABILITIES - net		
Deferred tax (assets) arising in respect of		
Provision for diminution in the value of investments	(221,587)	(228,408)
Provision against advances	(2,198,156)	(636,600)
Other provisions	(103,807)	(103,806)
Charge against defined benefits plans	(289,333)	(289,333)
Provision against off-balance sheet obligations	(115,222)	(115,222)
	(2,928,105)	(1,373,369)
Deferred tax liabilities arising in respect of		
Excess of accounting book value of leased assets over lease liabilities	4,074	3,196
Difference between accounting book value of fixed assets and tax base	119,988	85,259
Revaluation of securities	4,124,963	5,395,899
Revaluation of fixed assets	962,175	986,846
	5,211,200	6,471,200
Net deferred tax liabilities	2,283,095	5,097,831
10. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets - net of tax	20,497,281	20,543,099
Surplus / (deficit) on revaluation of available-for-sale-securities - net of tax		
Federal Government securities	(799,991)	(37,626)
Term Finance Certificates	14,595	34,262
Quoted shares	1,456,113	2,574,809
GoP Foreign Currency Bonds	(152,799)	(73,531)
NIT Units	12,945,705	15,801,458
Investment outside Pakistan - Bank Al-Jazira	11,347,040	13,620,451
	24,810,663	31,919,823
Deferred tax liability recognised	(4,124,963)	(5,395,899)
	41,182,981	47,067,023
11. CONTINGENCIES AND COMMITMENTS		
11.1 Direct credit substitutes		
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	15,153,232	15,096,694
- Financial institutions	7,546,091	6,898,062
- Others	13,492,164	17,271,257
	36,191,487	39,266,013
11.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:		
- Government	20,119,508	17,235,612
- Financial institutions	5,060	6,034,302
- Others	7,026,285	7,502,582
	27,150,853	30,772,496



11.3 Trade-related contingent liabilities

Letters of credit

Issued in favour of

-Government

-Financial institutions

-Others

June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
------(Rupees in '000)-----	
139,875,890	139,367,158
112,539	187,561
63,687,380	59,601,103
203,675,809	199,155,822

11.4 Other contingencies

11.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.170 million (2007: Rs.170 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2007: Rs.965 million)].

8,935,826

9,263,526

11.4.2 Taxation

The income tax assessments of the bank for global operations and for Azad Kashmir have been finalized upto and including the Tax year 2007 (accounting year ended December 31, 2006). The income tax returns for the Tax year 2008 (accounting year ended December 31, 2007) is due to be filed for global operations and Azad Kashmir on or before September 30, 2008.

Appeals filed by the bank and tax department for various 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 orders for the assessment years 1997-98, 1998-99 and 1999-2000 were rectified in respect of interest in suspense account amounting to Rs 1,880 million the tax impact of which was Rs 1,090 million. Further, the assessments for the Tax Years 2006 and 2007 were amended by the Taxation Authorities disallowing allocation of expenses relating to exempt income, provision against bad & doubtful debt, charge against medical and compensated absences and revaluation of barter balances, the tax impact of which amounts to Rs.2,824 million.

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

In the event that the above matters are decided against the bank, a further tax liability of Rs.11,377 million (December 31, 2007: Rs. 9,643 million) may arise in addition to the provision made by the bank.

However, no additional provision there against have been made by the Bank as the management, based on the opinion of tax lawyers and consultants, expects favourable outcome of the above matters.

11.4.3 Provident Fund

In 1977, in accordance with the GoP policy, the bank's employees' benefits were changed from the Provident Fund to an enhanced Pension Scheme and an option was given to the employees either to opt for the new scheme or retain the existing benefits. Almost all employees opted for the new scheme. The bank considered that in accordance with the policy decision of the Banking Council and Finance Division of GoP, the balance of bank's contribution lying in the members' account in the Provident Fund upto that date should have been transferred to the Pension Fund to partially cover the additional cost of the enhanced benefits.

Subsequently, three employees filed a writ petition in 1980 before a Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this decision of the Single Bench, the aggrieved employees filed Intra Court Appeal before the High Court which was heard by a Division Bench of the Lahore High Court on a number of dates, extending over 16 years. Appeal against the Order of Single Bench was finally dismissed by the Division Bench vide Order dated July 31, 1998. One employee filed an appeal in the Supreme Court against the judgment of the Lahore High Court. In 2003, such appeals were finally decided by the Supreme Court of Pakistan against the bank. The Supreme Court directed the bank that the employees shall be paid contribution made by the bank together with the interest upto the date of payment. The bank in accordance with the legal interpretation obtained, commenced settlement of dues of eligible employees who had joined service of the bank prior to 1977.

For the purpose of settlement, interest has been calculated in accordance with Rule 12 of the Provident Fund Rules at average redemption yield of Central Government Rupee Loans of twenty years maturity or thereabout and such interest has been calculated in accordance with Rule 19 i.e. to ex-employees upto the date of retirement or death and upto date of payment in case of serving employees.



Some Ex-Employees not being satisfied with the payment filed contempt against the Bank in 2004. This case in the form of Criminal Original No. 7/2004 is pending before Supreme Court of Pakistan in which the petitioners claimed that the amount being paid to them against Bank's contribution is far less than that due to them. The Bank filed a reply and submitted before the Honourable Court that the rate of the interest which the petitioners are claiming is far higher than that due to them and the payment being made is in accordance with Provident Funds Rules. Pending outcome of the said contempt appeal, the Bank has decided not to claim excess fund lying in Provident Fund Account although as per legal opinion it would be lawful to the Bank to adjust the Banks Books of Accounts regarding excessive interest paid or accrued.

On one of the dates of hearing the Court had already observed that the contempt proceedings are not meant to cover the amount, if according to petitioners he amount falls short of their expectations. Under contempt proceedings their jurisdiction is only confined to punishing for disobedience of the order. The Court also put a direct question to the counsel for the petitioners to pinpoint the portion of the Order of Supreme Court which according to him, was disobeyed. The learned Counsel of the petitioners was unable to do so. The Court therefore expressed the view that proceedings of contempt were not competent. However, the matter is still awaiting the decision of Honourable Supreme Court of Pakistan.

Pending outcome of the said application, the bank has decided not to claim excess fund lying in the Provident Fund, other than the one which pertains to former East Pakistan employees. The management is confident that the payments being made are in accordance with the Supreme Court's decision. The additional liability which may arise in case of different interpretation of the Supreme Court's decision cannot be estimated until such interpretation is made.

	June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
11.5 Commitments in respect of forward exchange contracts		
Purchase	64,176,098	49,819,478
Sale	62,666,111	38,137,569
11.6 Other Commitments		
Equity Futures Sold	13,221	189,289
Interest Rates SWAP	1,131,716	8,852,500
Cross Currency SWAP	9,164,229	9,317,886
11.7 Commitments for the acquisition of operating fixed assets	587,580	475,088
11.8 Commitments to inject capital in the following companies		
- Nishat Power Limited	274,000	300,000
- Nishat (Chunian) Limited	332,533	300,000
- Atlas Power Limited	212,210	-

12. Other income includes Rs. 987.610 million of compensation for delayed refunds determined under section 171 of the Income Tax Ordinance, 2001. The compensation on delayed adjustments / issuance of outstanding refund pertains to various assessment years from 1991 - 92 to 2001-2002.

13. BASIC AND DILUTED EARNINGS PER SHARE

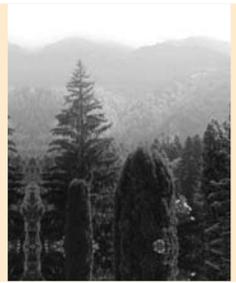
Profit after taxation (Rupees in '000)	<u>3,323,490</u>	<u>7,881,433</u>	4,683,414	9,012,556
Weighted average number of ordinary shares (in '000)	<u>896,975</u>	<u>896,975</u>	896,975	896,975
Basic and diluted earnings per share (Rupees)	<u>3.71</u>	<u>8.79</u>	5.22	10.05

13.1 The earnings per share for the quarter and half year ended June 30 2007 have been adjusted for the effect of bonus shares issued during the period.

14. 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, 2008 - un-audited							
Total income	148,838	6,060,650	7,353,529	10,615,296	817,955	1,501,218	26,497,486
Total expenses	803	334,456	4,756,926	7,000,966	354,070	1,376,558	13,823,779
Net income	<u>148,035</u>	<u>5,726,194</u>	<u>2,596,203</u>	<u>3,614,330</u>	<u>463,885</u>	<u>124,660</u>	<u>12,673,707</u>
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 expenses	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>



15. RELATED PARTY TRANSACTIONS

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

	For the Period Ended June 30, 2008 (Un-audited)			For the Year Ended December 31, 2007 (Audited)		
	Key Management Executives	Subsidiaries	Associates	Key Management Executives	Subsidiaries	Associates
	(Rupees in '000)					
Advances						
At January 01	89,102	786,382	1,515,120	65,225	719,220	1,600,070
Given during the period / year	10,038	-	-	23,877	67,162	-
Repaid during the period / year	-	(65,673)	(30,454)	-	-	(84,950)
At June 30 / Dec 31	99,140	720,709	1,484,666	89,102	786,382	1,515,120

	For the Period Ended June 30, 2008 (Un-audited)			For the Year Ended December 31, 2007 (Audited)		
	Subsidiaries	Pension Fund	Provident Fund	Subsidiaries	Pension Fund	Provident Fund
	(Rupees in '000)					
Deposits						
At January 01	255,952	2,088,976	8,078,395	14,167	3,077,536	7,397,487
Received during the period / year	-	2,148,063	732,009	241,785	1,990,643	1,325,349
Repaid during the period / year	(161,981)	(3,425,357)	(455,175)	-	(2,979,203)	(644,441)
At June 30 / Dec 31	93,971	811,682	8,355,229	255,952	2,088,976	8,078,395

	June 30 2008 (Un-audited)	December 31, 2007 (Audited)
(Rupees in '000)		
Debts due by company in which a director of the bank is interested as director	397,939	199,391
Placements with:		
Joint venture	221,091	759,343
Subsidiary company	244	-
Associates	27,331	27,331
Repo borrowing from		
Subsidiary company	414,635	-
Other receivables from Subsidiaries	35,380	30,259
Other payables to Subsidiaries	8,589	11,154



	Half year ended June 30, 2008 (Un-audited)	Half year ended June 30, 2007 (Un-audited)
	----- (Rupees in '000) -----	
Income		
On advances / placements with: Subsidiaries	319	6,428
Associates	12,841	5,627
On debts due by company in which a director of the bank is interested as director	11,569	1,504
Expenses		
Remuneration to key management executives	42,897	33,148
Charge for defined benefit plan	3,267	2,168
Mark-up on deposits of:		
Subsidiaries	132	150
Provident fund	578,595	525,576
Mark-up on repo borrowing of: Subsidiaries	16,500	-
Commission paid to subsidiaries	1,587	1,576

15.1 Although the Federal Government and the SBP held about 75.48% shares of the bank (2007: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

16. ISLAMIC BANKING BUSINESS

The bank is operating 3 (2007: 3) Islamic banking branches as at June 30, 2008. The balance sheet of such branches is as under:

	June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	14,801	22,536
Investments	464,961	355,000
Advances	202,289	-
Fixed Assets	140,262	94,227
Other assets	19,069	10,626
Total Assets	841,382	482,389
LIABILITIES		
Bills payable	6,116	268
Current Accounts	46,072	26,895
Due to Head Office	473,340	338,141
Other liabilities	16,317	9,536
	541,845	374,840
NET ASSETS	299,537	107,549
REPRESENTED BY		
Islamic Banking Fund	300,000	100,000
Unappropriated (loss) / profit	(463)	7,549
	299,537	107,549



17. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial statements were authorized for issue on August 25, 2008 by the Board of Directors of the Bank.

18. GENERAL

Figures have been rounded-off to the nearest thousand rupees

**Consolidated Financial
Statements of NBP
and its
Subsidiary Companies**

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2008



		June 30 , 2008 (Un-audited)	December 31, 2007 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		124,943,980	95,010,514
Balances with other banks		44,880,131	38,216,263
Lendings to financial institutions		21,464,466	21,656,192
Investments	6	173,415,218	212,084,297
Advances	7	372,987,589	340,372,819
Operating fixed assets		26,438,914	25,979,302
Deferred tax assets		-	-
Other assets		33,987,819	31,289,403
		798,118,117	764,608,790
LIABILITIES			
Bills payable		12,224,296	7,061,901
Borrowings		14,494,911	11,402,729
Deposits and other accounts	8	621,526,789	591,817,052
Sub-ordinated loans		12,102	-
Liabilities against assets subject to finance lease		25,200	33,739
Deferred tax liabilities	9	2,314,206	5,099,060
Other liabilities		32,099,259	31,280,663
		682,696,763	646,695,144
NET ASSETS		115,421,354	117,913,646
REPRESENTED BY			
Share capital		8,969,752	8,154,319
Reserves		18,539,638	16,378,394
Unappropriated profit		46,658,553	46,232,813
		74,167,943	70,765,526
Minority interest		113,010	109,729
		74,280,953	70,875,255
Surplus/(Deficit) on revaluation of assets	10	41,140,401	47,038,391
		115,421,354	117,913,646
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes 1 to 18 form an integral part of these interim condensed consolidated financial statement

Syed Ali Raza
Chairman & President

Ibrar A.Mumtaz
Director

Muhammad Ayub Khan Tarin
Director

Mian Kausar Hameed
Director



Interim Condensed Consolidated Profit And Loss Account - (Un-Audited)

For the Quarter and Half Year Ended June 30, 2008

Note	Quarter Ended June 30, 2008	Half Year Ended June 30, 2008	Quarter Ended June 30, 2007	Half Year Ended June 30, 2007
Mark-up / Return / Interest earned	14,515,069	28,110,923	12,644,634	24,159,990
Mark-up / Return / Interest expensed	4,574,963	9,087,072	4,448,963	7,811,462
Net mark-up / Interest income	9,940,106	19,023,851	8,195,671	16,348,528
Provision against non-performing loans and advances	3,528,963	5,053,479	(113,924)	(481,685)
Reversal for diminution in the value of investments	(19,489)	(19,489)	(50,035)	(50,035)
Bad debts written off directly	107	107	25,895	25,895
Net mark-up / interest income after provisions	3,509,581	5,034,097	(138,064)	(505,825)
	6,430,525	13,989,754	8,333,735	16,854,353
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	2,184,047	3,819,152	1,890,483	3,117,535
Dividend income	123,565	201,401	157,457	226,758
Income from dealing in foreign currencies	752,500	1,985,206	233,081	470,602
Gain on sale of securities	303,353	458,338	134,868	222,187
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(146,366)	(107,078)	45,243	(4,493)
Share of profit from joint ventures	116,209	155,879	23,522	61,577
Share of profit from associates	5,859	14,178	14,361	23,201
Other income	273,947	1,277,533	110,031	143,317
Total non mark-up / interest income	3,613,114	7,804,609	2,609,046	4,260,684
	10,043,639	21,794,363	10,942,781	21,115,037
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	3,970,851	8,145,890	3,402,965	6,799,947
Other provisions / write offs	245,696	253,132	149,746	158,924
Other charges	1,251	494,629	913	9,866
Total non mark-up / interest expenses	4,217,798	8,893,651	3,553,624	6,968,737
	5,825,840	12,900,711	7,389,157	14,146,300
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	5,825,840	12,900,711	7,389,157	14,146,300
Taxation - Current	3,844,220	6,341,919	2,164,771	4,656,321
- Prior year(s)	-	-	124,734	124,734
- Deferred	(1,491,648)	(1,543,725)	350,936	213,528
	2,352,572	4,798,194	2,640,441	4,994,583
PROFIT AFTER TAXATION	3,473,269	8,102,518	4,748,716	9,151,717
Share of minority interest	(2,415)	(3,281)	(3,902)	(5,450)
Profit attributable to shareholders of the holding company	3,470,854	8,099,237	4,744,814	9,146,267
Unappropriated profit brought forward	50,883,490	46,232,813	37,034,712	32,623,507
Transfer from surplus on revaluation of fixed assets	23,524	45,818	9,752	19,504
Profit available for appropriation	54,377,868	54,377,868	41,789,278	41,789,278
Basic and Diluted earnings per share (Rupees)	3.87	9.03	5.82	11.22

The annexed notes 1 to 18 form an integral part of these interim condensed consolidated financial statement

Syed Ali Raza
Chairman & President

Ibrar A.Mumtaz
Director

Muhammad Ayub Khan Tarin
Director

Mian Kausar Hameed
Director

Interim Condensed Consolidated Cash Flow Statement - (Un-Audited)

For the Six Months Period Ended June 30, 2008



	Six months period ended	
	June 30, 2008	June 30, 2007
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,900,711	14,146,300
Less: Dividend income	201,401	226,758
	<u>12,699,310</u>	<u>13,919,542</u>
Adjustments:		
Depreciation	348,358	234,907
Provision/ reversal against non-performing advances	5,053,479	(481,685)
Reversal for diminution in the value of investments	(19,489)	(50,035)
Bad Debts Written off directly	107	25,895
Other provisions / write offs	253,132	158,924
Gain on sale of fixed assets	(3,110)	(569)
Financial charges on leased assets	4,953	1,667
Share of profit from joint ventures	(155,879)	(61,577)
Share of profit from associates	(14,178)	(23,201)
	<u>5,467,373</u>	<u>(195,674)</u>
	<u>18,166,683</u>	<u>13,723,868</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	191,726	(9,640,906)
Held-for-trading securities	(420,036)	(434,232)
Advances	(37,668,356)	(15,322,576)
Other assets	(846,684)	(263,276)
	<u>(38,743,350)</u>	<u>(25,660,990)</u>
Increase / (decrease) in operating liabilities		
Bills payable	5,162,395	2,947,097
Borrowings	3,549,507	10,709,998
Deposits and other accounts	29,709,737	51,459,350
Other liabilities (excluding current taxation)	818,596	(726,608)
	<u>39,240,234</u>	<u>64,389,837</u>
Income tax paid	(8,479,018)	(5,652,698)
Financial charges paid	(4,953)	(1,667)
	<u>(8,483,971)</u>	<u>(5,654,365)</u>
Net cash flow from operating activities	<u>10,179,596</u>	<u>46,798,350</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	31,542,165	(21,796,050)
Proceeds from held-to-maturity securities	793,211	2,416,787
Proceeds from sale of investments in associates	-	20,195
Dividend received	201,401	226,758
Investments in operating fixed assets	(913,650)	(220,673)
Sale proceeds of property and equipment disposed off	3,110	569
Net cash flow from (used) in investing activities	<u>31,626,237</u>	<u>(19,352,414)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(8,539)	(6,241)
Dividend paid	(6,115,739)	(2,836,285)
Net cash used in financing activities	<u>(6,124,278)</u>	<u>(2,842,526)</u>
Effects of exchange rate changes on cash and cash equivalents	1,373,101	44,378
Net increase in cash and cash equivalents	<u>37,054,656</u>	<u>24,647,788</u>
Cash and cash equivalents at beginning of the period	<u>132,337,685</u>	<u>119,821,386</u>
Cash and cash equivalents at the end of the period	<u>169,392,341</u>	<u>144,469,174</u>

The annexed notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Syed Ali Raza
Chairman & President

Ibrar A.Mumtaz
Director

Muhammad Ayub Khan Tarin
Director

Mian Kausar Hameed
Director



Interim Condensed Consolidated Statment of changes in equity- (un-audited)

For the Six Months Period Ended June 30, 2008

	Attributable to the shareholders of the holding company								Total
	Share capital	Exchange equalisation	Reserves Issue of Bonus Share	Statutory reserve	General reserve	Unappropriated profit	Sub total	Minority Interest	
	(Rupees in '000)								
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	8,154,319	3,875,195	-	10,955,705	521,338	36,988,130	60,494,687	103,277	60,597,964
Balance as at July 1, 2007	8,154,319	3,875,195	-	10,955,705	521,338	36,988,130	60,494,687	103,277	60,597,964
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	4,340	-	-	-	-	4,340	-	4,340
Transfer from surplus on revaluation of fixed assets incremental depreciation - net of tax	-	-	-	-	-	19,503	19,503	-	19,503
Net income recognised directly in equity	-	4,340	-	-	-	19,503	23,843	-	23,843
Profit after taxation for the nine months period ended December 31, 2007	-	-	-	-	-	10,246,996	10,246,996	6,452	10,253,448
Total recognised income and expense for the period	-	4,340	-	-	-	10,266,499	10,270,839	6,452	10,277,291
Issue of bonus shares (15%)	-	-	-	-	-	-	-	-	-
Cash dividend (Rs 4 per share)	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	1,021,816	-	(1,021,816)	-	-	-
Balance as at December 31, 2007	8,154,319	3,879,535	-	11,977,521	521,338	46,232,813	70,765,526	109,729	70,875,255
Balance as at January 1, 2008	8,154,319	3,879,535	-	11,977,521	521,338	46,232,813	70,765,526	109,729	70,875,255
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	1,373,101	-	-	-	-	1,373,101	-	1,373,101
Transfer from surplus on revaluation of fixed assets incremental depreciation - net of tax	-	-	-	-	-	45,818	45,818	-	45,818
Net income recognised directly in equity	-	1,373,101	-	-	-	45,818	1,418,919	-	1,418,919
Profit after taxation for the half year period ended June 30, 2008	-	-	-	-	-	8,099,237	8,099,237	3,281	8,102,518
Total recognised income and expense for the period	-	-	-	-	-	8,099,237	8,099,237	3,281	8,102,518
Transfer to statutory reserve	-	-	-	788,143	-	(788,143)	-	-	-
Issue of bonus shares (10%)	815,432	-	-	-	-	(815,432)	-	-	-
Cash Dividend (Rs. 7.5 per share)	-	-	-	-	-	(6,115,739)	(6,115,739)	-	(6,115,739)
Balance as at June 30, 2008	8,969,751	5,252,636	-	12,765,664	521,338	46,658,553	74,167,943	113,010	74,280,953

The annexed notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

24 **Syed Ali Raza**
Chairman & President

Ibrar A.Mumtaz
Director

Muhammad Ayub Khan Tarin
Director

Mian Kausar Hameed
Director

Notes to the Interim Condensed Consolidated Financial Statements (un-audited)

For the Six Months Period Ended June 30, 2008



1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,243 (2007: 1,232) branches in Pakistan and 22 (2007: 18) 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) 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 holding company while the controlling interest in Taurus Securities Limited is 58.32% and Cast-N-Link Products Limited is 76.51%.

1.2 Basis of Consolidation

- The interim condensed consolidated financial statements include the interim condensed financial statements of the holding company and its subsidiary companies - "the Group".
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the interim condensed consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- National Agriculture & Storage Company Limited and Cast-N-Link Product Limited have not been Consolidated, as these investments are fully provided and financial statements of these subsidiaries are not available.



2. STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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 (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP 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 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 2.3 The disclosures made in these interim condensed consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the holding company for the year ended December 31, 2007.
- 2.4 These interim condensed consolidated financial statements are not subject to limited scope review by the external auditors.

3. ACCOUNTING POLICIES

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the holding company for the year ended December 31, 2007.

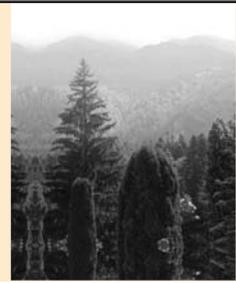
4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim consolidated financial statements requires management to make judgement estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Basis for the significant judgments and estimates made by the management for the preparation of these condensed interim consolidated financial statements are consistent with those applied in the annual consolidated financial statements for the year ended December 31, 2007 .

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the bank for the year ended December 31, 2007.



6. INVESTMENTS

6.1 Investments by type:	June 30 2008 (Un-audited)			December 31, 2007 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Held-for-trading securities						
Ordinary shares of listed companies	269,793	-	269,793	785,594	-	785,594
Market Treasury Bills	920,739	-	920,739	-	-	-
Pakistan Investment Bonds	90,212	-	90,212	-	-	-
Total Held-for-Trading Securities	1,280,744	-	1,280,744	785,594	-	785,594
Available- for- sale securities						
Ordinary shares of listed companies	2,440,777	-	2,440,777	1,947,051	-	1,947,051
Ordinary shares of unlisted companies	517,252	-	517,252	304,119	-	304,119
	2,958,029	-	2,958,029	2,251,170	-	2,251,170
Market Treasury Bill	74,507,797	2,593,375	77,101,172	117,851,357	416,578	118,267,935
Preference shares	305,000	-	305,000	305,000	-	305,000
Pakistan Investment Bonds	4,535,942	-	4,535,942	3,950,207	-	3,950,207
Federal Investment Bond	940,000	-	940,000	940,000	-	940,000
GoP Foreign Currency Bonds	1,035,192	-	1,035,192	850,853	-	850,853
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	6.2 16,993,412	-	16,993,412	8,522,972	-	8,522,972
Mutual funds	1,104,930	-	1,104,930	1,425,886	-	1,425,886
Foreign Government Securities	31,886	-	31,886	33,704	-	33,704
Investment outside Pakistan	6.3 463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) Units	5,764,258	-	5,764,258	5,764,258	-	5,764,258
Total Available- for- sale securities	108,639,740	2,593,375	111,233,115	142,358,702	416,578	142,775,280
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	11,702,219	-	11,702,219	11,773,316	-	11,773,316
Market Treasury Bills	-	-	-	413,745	-	413,745
GoP Foreign Currency Bonds	12,277,525	-	12,277,525	10,933,794	-	10,933,794
Foreign Government Securities	4,543,483	-	4,543,483	4,803,796	-	4,803,796
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	6.4 2,719,551	-	2,719,551	3,411,338	-	3,411,338
Certificates of Investment	100,000	-	100,000	800,000	-	800,000
Total Held-to-maturity securities	33,710,473	-	33,710,473	34,503,684	-	34,503,684
Investments in associates	1,157,758	-	1,157,758	1,143,581	-	1,143,581
Investments in joint ventures	2,545,910	-	2,545,910	2,200,668	-	2,200,668
Investments in subsidiaries	3,245	-	3,245	3,245	-	3,245
Investment at cost	147,337,870	2,593,375	149,931,245	180,995,474	416,578	181,412,052
Less: Provision for diminution in value of Investments	(1,154,104)	-	(1,154,104)	(1,173,593)	-	(1,173,593)
Investments (net of provisions)	146,183,766	2,593,375	148,777,141	179,821,881	416,578	180,238,459
Deficit on revaluation of Held-for-trading securities	(107,078)	-	(107,078)	(31,964)	-	(31,964)
Surplus on revaluation of Available-for-sale securities	24,737,627	7,528	24,745,155	31,879,205	(1,403)	31,877,802
Total investments at market value	170,814,315	2,600,903	173,415,218	211,669,122	415,175	212,084,297

6.2 This includes investments made during the period in Term Finance Certificates (TFC's) amounting to Rs. 8.00 billion (2007: Nil) of Faisalabad Electric Supply Company Limited and Gujranwala Electric Power Company Limited carrying mark up at the rate of 6 months KIBOR + 0.2%. These TFC's will mature in January 2013.

6.3 Investment outside Pakistan - Bank Al-Jazira

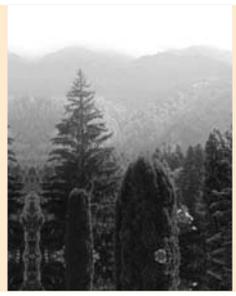
The bank holds 17,500,000 (2007: 13,125,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2007: 5.83%) holding in total equity of BAJ, including 4,375,000 ordinary shares issued as bonus shares during the period. The investment has been marked to market 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.

6.4 Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.633 million (2007: Rs.653 million) which are considered non-performing.

	Note	June 30, 2008 (Un-audited) ----- (Rupees in '000)	December 31, 2007 (Audited) -----
7. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		351,627,181	324,394,094
Outside Pakistan		38,452,162	29,737,559
		390,079,343	354,131,653
Net investment in finance lease			
In Pakistan		468,005	527,867
Outside Pakistan		-	-
		468,005	527,867
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		1,858,191	2,673,256
Payable outside Pakistan		19,227,781	16,144,430
		21,085,972	18,817,686
Margin Financing		554,807	1,308,715
Advances - gross		412,188,127	374,785,921
Less: Provision against non-performing loans			
Specific	7.1	(36,936,876)	(32,351,815)
General		(2,263,662)	(2,061,287)
		(39,200,538)	(34,413,102)
Advances - net of provision		372,987,589	340,372,819

7.1 Advances include Rs 45,935 million (2007: Rs.38,318 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
Other Assets Especially Mentioned	648,104	-	648,104	-	-
Substandard	6,990,397	35,166	7,025,563	1,729,857	1,729,857
Doubtful	4,462,492	1,649	4,464,141	2,072,262	2,072,262
Loss	33,184,256	613,146	33,797,402	33,134,757	33,134,757
	<u>45,285,249</u>	<u>649,961</u>	<u>45,935,210</u>	<u>36,936,876</u>	<u>36,936,876</u>



8. DEPOSITS AND OTHER ACCOUNTS

Customers

	June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
Note	----- (Rupees in '000) -----	
Fixed deposits	126,483,884	128,417,463
Savings deposits	191,430,435	188,655,146
Current accounts - remunerative	81,023,780	76,708,609
Current accounts - non-remunerative	144,211,442	139,795,683

543,149,541 533,576,901

Financial Institutions

Remunerative deposits	40,994,937	31,180,729
Non-remunerative deposits	37,382,311	27,059,422

78,377,248 58,240,151

621,526,789 591,817,052

9. DEFERRED TAX LIABILITIES - net

Deferred tax (assets) arising in respect of

Provision for diminution in the value of investments	(221,587)	(228,408)
Provision against advances	(2,198,156)	(636,600)
Other provision	(103,807)	(103,806)
Charge against defined benefits plans	(289,333)	(289,333)
Provision against off-balance sheet obligation	(115,222)	(115,222)
	(2,928,105)	(1,373,369)

Deferred tax liabilities arising in respect of

Excess of accounting book value of leased assets over lease liabilities	4,074	3,196
Difference between accounting book value of fixed assets and tax base	119,989	85,259
Revaluation of securities 10	4,102,035	5,382,510
Revaluation of fixed assets	962,175	986,846
Others	54,038	14,618
	5,242,311	6,472,429

Net deferred tax liabilities

2,314,206

5,099,060

10. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of fixed assets - net of tax 20,497,281 20,543,099

Surplus on revaluation of securities - net of tax

Federal Government securities	(862,102)	(70,186)
Term Finance Certificates	18,955	33,612
Quoted shares	1,448,356	2,565,998
Overseas GoP Bonds	(152,799)	(73,531)
NIT Units	12,945,705	15,801,458
Investment outside Pakistan - Bank Al-Jazira	11,347,040	13,620,451
	24,745,155	31,877,802
Deferred tax liability	(4,102,035)	(5,382,510)
	41,140,401	47,038,391

11. CONTINGENCIES AND COMMITMENTS

11.1 Direct credit substitutes

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

	June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
- Government	13,914,624	15,096,694
- Financial institutions	6,357,944	6,898,062
- Others	15,918,919	17,271,257
	36,191,487	39,266,013

11.2 Transaction-related contingent liabilities

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

- Government	15,207,137	17,235,612
- Financial institutions	5,324,120	6,041,812
- Others	6,619,596	7,502,582
	27,150,853	30,780,006

11.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	142,530,198	139,367,158
- Financial institutions	191,818	187,561
- Others	60,953,794	59,601,103
	203,675,809	199,155,822

11.4 Other contingencies

11.4.1 Claims against the holding company not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.170 million (2007: Rs.170 million) and claims relating to former Mehran holding company Limited amounting to Rs.965 million (2007: Rs.965 million)].

8,935,826	9,263,526
-----------	-----------

11.4.2 Taxation

The income tax assessments of the holding company for global operations and for Azad Kashmir have been finalized upto and including the Tax year 2007 (accounting year ended December 31, 2006). The income tax returns for the Tax year 2008 (accounting year ended December 31, 2007) is due to be filed for global operations and Azad Kashmir on or before September 30, 2008.

Appeals filed by the holding company and tax department for various 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.

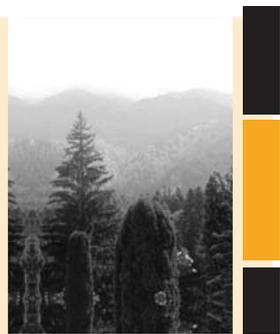
During the period, the orders for the assessment years 1997-98, 1998-99 and 1999-2000 were rectified in respect of interest in suspense account amounting to Rs 1,880 million the tax impact of which was Rs 1,090 million. Further, the assessments for the Tax Years 2006 and 2007 were amended by the Taxation Authorities disallowing allocation of expenses relating to exempt income, provision against bad & doubtful debt, charge against medical and compensated absences and revaluation of barter balances, the tax impact of which amounts to Rs.2,824 million.

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

In the event that the above matters are decided against the bank, a further tax liability of Rs.11,377 million (December 31, 2007: Rs. 9,643 million) may arise in addition to the provision made by the bank.

Contingencies in respect of tax amounting to Rs.28.67 million (2007: Rs.28.67 million) relates to subsidiaries. These mainly pertains to disallowed expenses and additional tax.

How ever, no provision has been made in these interim condensed consolidated 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.



11.4.3 Provident Fund

In 1977, in accordance with the GoP policy, the holding company's employees' benefits were changed from the Provident Fund to an enhanced Pension Scheme and an option was given to the employees either to opt for the new scheme or retain the existing benefits. Almost all employees opted for the new scheme. The holding company considered that in accordance with the policy decision of the Banking Council and Finance Division of GoP, the balance of holding company's contribution lying in the members' account in the Provident Fund upto that date should have been transferred to the Pension Fund to partially cover the additional cost of the enhanced benefits.

Subsequently, three employees filed a writ petition in 1980 before a Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this petition of the Single Bench, the aggrieved employees filed Intra Court Appeal before the High Court which was heard by a Division Bench of the Lahore High Court on a number of dates, extending over 16 years. Appeal against the Order of Single Bench was finally dismissed by the Division Bench vide Order dated July 31, 1998. One employee filed an appeal in the Supreme Court against the judgment of the Lahore High Court. In 2003, such appeals were finally decided by the Supreme Court of Pakistan against the holding company. The Supreme Court directed the holding company that the employees shall be paid contribution made by the holding company together with the interest upto the date of payment. The holding company in accordance with the legal interpretation obtained, commenced settlement of dues of eligible employees who had joined service of the holding company prior to 1977.

For the purpose of settlement, interest has been calculated in accordance with Rule 12 of the Provident Fund Rules at average redemption yield of Central Government Rupee Loans of twenty years maturity or thereabout and such interest has been calculated in accordance with Rule 19 i.e. to ex-employees upto the date of retirement or death and upto date of payment in case of serving employees.

Some Ex-Employees not being satisfied with the payment filed contempt against the holding company in 2004. This case in the form of Criminal Original No. 7/2004 is pending before Supreme Court of Pakistan in which the petitioners claimed that the amount being paid to them against holding company's contribution is far less than that due to them. The holding company filed a reply and submitted before the Honorable Court that the rate of the interest which the petitioners are claiming is far higher than that due to them and the payment being made is in accordance with Provident Funds Rules. Pending outcome of the said contempt appeal, the holding company has decided not to claim excess fund lying in Provident Fund Account although as per legal opinion it would be lawful to the holding company to adjust the holding company's Books of Accounts regarding excessive interest paid or accrued.

On one of the dates of hearing the Court had already observed that the contempt proceedings are not meant to cover the amount, if according to petitioners the amount falls short of their expectations. Under contempt proceedings their jurisdiction is only confined to punishing for disobedience of the order. The Court also put a direct question to the counsel for the petitioners to pinpoint the portion of the Order of Supreme Court which according to him, was disobeyed. The learned Counsel of the petitioners was unable to do so. The Court therefore expressed the view that proceedings of contempt were not competent. However, the matter is still awaiting the decision of Honorable Supreme Court of Pakistan.

Pending outcome of the said application, the holding company has decided not to claim excess fund lying in the Provident Fund, other than the one which pertains to Former East Pakistan employees. Although the management is confident that the payments being made are in accordance with the Supreme Court's decision. The additional liability which may arise in case of different interpretation of the Supreme Court's decision cannot be estimated until such interpretation is made.

	June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
11.5 Commitments in respect of forward exchange contracts		
Purchase	64,176,098	49,819,478
Sale	62,666,111	38,137,569
11.6 Other Commitments		
Equity Futures Sold	13,221	189,289
Interest Rates SWAP	1,104,865	8,852,500
Cross Currency SWAP	9,164,229	9,317,886
11.7 Commitments for the acquisition of operating fixed assets	587,580	475,088
11.8 Commitments to inject capital in the following companies		
- Nishat Power Limited	274,000	300,000
- Nishat (Chunian) Limited	332,533	300,000
- Atlas Power Limited	212,210	-
12. Other income includes Rs. 987.610 million of compensation for delayed refunds determined under section 171 of the Income Tax Ordinance, 2001. The compensation on delayed adjustments / issuance of outstanding refund pertains to various assessment years from 1991-92 to 2001-2002.		



13. BASIC AND DILUTED EARNINGS PER SHARE

		Quarter Ended June 30 2008	Half Year Ended June 30 2008	Quarter Ended June 30 2007	Half Year Ended June 30 2007
Profit attributable to the shareholders of the holding company	(Rupees in '000)	3,470,854	8,099,237	4,744,814	9,146,267
Weighted average number of ordinary shares	(Number '000)	896,975	896,975	896,975	896,975
Basic and diluted earnings per share	(Rupees)	3.87	9.03	5.29	10.20

13.1 The earnings per share for the quarter and half year ended June 30, 2007 have been adjusted for the effect of bonus shares issued during the period

14. 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	Assets Management	Retail Brokerage	Total
	Rupees in '000								
June 30, 2008									
Total income	148,839	6,331,198	7,353,529	10,615,296	817,955	1,501,218	6,730	53,695	26,828,460
Total expenses	803	394,092	4,756,926	7,000,966	354,069	1,376,558	4,431	39,904	13,927,748
Net income	148,036	5,937,106	2,596,603	3,614,330	463,886	124,660	2,299	13,792	12,900,711
June 30, 2007									
Total income	100,733	4,144,483	5,996,942	8,381,213	608,053	1,315,753	10,840	51,195	20,609,212
Total expenses	736	201,591	2,343,545	2,353,826	281,713	1,245,441	3,488	32,572	6,462,912
Net income	99,997	3,942,892	3,653,397	6,027,387	326,340	70,312	7,352	18,623	14,146,300

15. 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 and return on provident fund that are as per the agreed term.

Transactions with related parties during the period are as under:

	For the Half Year ended June 30, 2008 (Un-audited)		For the Year Ended December 31, 2007 (Audited)	
	Key Management Executives	Associates	Key Management Executives	Associates
	----- (Rupees in '000) -----			
Advances				
At January 01	89,102	1,515,120	65,255	1,600,070
Given during the period / year	10,038	-	23,847	-
Repaid during the period / year	-	(30,454)	-	(84,950)
At June 30 / Dec 31	99,140	1,484,666	89,102	1,515,120
	Pension Fund	Provident Fund	Pension Fund	Provident Fund
	----- (Rupees in '000) -----			
Deposits				
At January 01	2,088,976	8,078,395	3,077,536	7,397,487
Received during the period / year	2,148,063	732,009	1,990,643	1,325,349
Repaid during the period / year	(3,425,357)	(455,175)	(2,979,203)	(644,441)
At June 30 / Dec 31	811,682	8,355,229	2,088,976	8,078,395



	June 30, 2008 (Un-audited) ----- (Rupees in '000) -----	December 31, 2007 (Audited) ----- (Rupees in '000) -----
Debts due by company in which a director of the holding company is interested as director	397,939	199,391
Placements with:		
Joint venture	221,091	759,343
associates	27,331	27,331
	Half Year ended June 30, 2008 (Un-audited) ----- (Rupees in '000) -----	Half Year ended June 30, 2007 (Un-audited) ----- (Rupees in '000) -----
Income for the period		
On advances/placements with: Associates	12,841	5,627
Debts due by company in which a director of the holding company is interested as director	11,569	1,504
Expenses for the period		
Remuneration to key management executives	42,897	33,148
Charge for defined benefit plan	3,267	2,168
Mark-up on deposits of: Provident fund	578,595	525,576

15.1 Although the Federal Government and the SBP held about 75.48% shares of the holding company (2007: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

16. ISLAMIC BANKING BUSINESS

The holding company is operating 3 (December 31, 2007: 3) Islamic banking branch as at June 30, 2008. The balance sheet of such branch is as under:

	June 30, 2008 (Unaudited) ----- (Rupees in '000) -----	December 31, 2007 (Audited) ----- (Rupees in '000) -----
ASSETS		
Cash and balances with treasury banks	14,801	22,536
Balances with and due from Financial Institutions	-	-
Investments	464,961	355,000
Advances	202,289	-
Fixed Assets	140,262	94,227
Other assets	19,069	10,626
Total Assets	841,382	482,389
LIABILITIES		
Bills payable	6,116	268
Current Accounts	46,072	26,895
Due to Head Office	473,340	338,141
Other liabilities	16,317	9,536
Total Liabilities	541,845	374,840
NET ASSETS	<u>299,537</u>	<u>107,549</u>
REPRESENTED BY		
Islamic Banking Fund	300,000	100,000
Unappropriated (loss) / profit	(463)	7,549
	<u>299,537</u>	<u>107,549</u>



17. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed consolidated financial statements were authorized for issue on August 25, 2008 by the Board of Directors of the holding company.

18. GENERAL

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



National Bank of Pakistan

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

Phone: (021) 921 2100 (50 lines)

Call Center: 0800-80080

Website : www.nbp.com.pk

National Bank of Pakistan

Half Yearly Report | June 2008