
National Bank of Pakistan

Standalone Financial Statements

For the Half Year ended June 30, 2011

Directors' Report

It gives me pleasure to present on behalf of the Board of Directors the accounts for the six months period ended June 30, 2011. The Profit for the six months period ended June 30,2011 after carry over of accumulated profit of 2010 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the six months period ended June 30, 2011	11,659
Taxation	
-Current year	5,783
-Prior year(s)	-
-Deferred	(2,216)
	<u>3,568</u>
After tax profit	8,091
Un-appropriated profit brought forward	65,857
Transfer from surplus on revaluation of fixed assets –	56
Profit available for appropriation	<u>74,005</u>
Cash Dividend paid	(10,091)
Transfer to Statutory Reserve (10% of after tax profit)	(809)
Bonus sharess issued	(3,364)
Un-appropriated profit carried forward	<u>59,741</u>

Pakistan's economy still retains its fragility status with a lot depending on how the government manages its fiscal deficit and borrowings. The international economic crisis like US & European Union sovereign debt issue, earthquake affected Japan, rising cost in China and major decline in international cotton prices coupled with local energy power shortages is expected to exert pressure on some of the sectors of the economy principally in manufacturing sector.

Pre tax profit for the half year 2011 is Rs. 11,659 million which is at the same level as last year. Earning per share stands at Rs. 4.81 compare to Rs. 4.65 of corresponding period last year. Pre tax return on equity stands at 22.6% whereas pre tax return on assets is at 2.2%. Cost to income ratio is at 44%.

Bank's net interest income increased by Rs.1,947 million or 9.4% from corresponding period last year. Non interest markup income increased by Rs. 1,531 million or 18.4% compared to corresponding period last year mainly because of higher other income which includes Rs. 949 million received as compensation on delayed tax refunds. Fee/commission income is higher by Rs. 389 million or 8.2%. Administrative Expenses increased by 12% in line with inflation and salary increases. Provision charge against advances show an increase by Rs. 1,745 million or 60.6% mainly on account of further downgrading of existing NPL portfolio

as well as fresh accretions. Non performing Loans increased by Rs. 22 billion and it includes element of circular debt. The rise in non performing loans is a challenge for the entire banking industry, The rise is mainly attributed to external factors like energy shortages, economic slowdown, high inflation and financial cost and government fiscal constraints etc. NBP however is taking this challenge with focused approach of dealing with problematic loans on proactive basis. The bank has launched 'Online Connectivity Services for Network Enhancement' (OCSNE), in which branches are being automated, hardware and software is being upgraded along with connectivity infrastructure and network management. Up to June 30, 2011 a total of 350 branches have been upgraded.

Deposits at Rs. 831 billion are at the same level as year end December 2010. Compared to June 2010, increase in deposit is Rs.14 billion. Advances increased by Rs. 26.0 billion compared to year end December 2010.

Going forward NBP will continue to focus on improvement in the quality of assets, concentration on low cost deposits, technology up gradation and better expense management to further improve its profitability.

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

On behalf of Board of Directors

Qamar Hussain
President
Date: August 18, 2011

Anjum Asim Shahid Rahman
Chartered Accountants
1st & 3rd Floor, Modern Motor House
Beaumont Road
Karachi 75530, Pakistan

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
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Independent auditors' review report to the members of National Bank of Pakistan

Introduction

We have reviewed the accompanying unconsolidated condensed interim Statement of financial position of **National Bank of Pakistan** as at June 30, 2011 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity for the six-months then ended (herein after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of the unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review.

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 unconsolidated condensed 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 unconsolidated condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The financial statements of the Bank for the six-months period ended June 30, 2010 and for the year ended December 31, 2010 were reviewed and audited by M. Yousuf Adil Saleem & Co., Chartered Accountants and Anjum Asim Shahid Rahman, Chartered Accountants through their reports dated August 24, 2010 and March 01, 2011 respectively, expressed an unqualified conclusion and opinion thereon. The figures of the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended June 30, 2011.

Anjum Asim Shahid Rahman
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi
Date: August 18, 2011

National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Financial Position (Un-Audited)
As at June 30, 2011

		(Un-audited) June 30, 2011	(Audited) December 31, 2010
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		122,604,622	115,442,360
Balances with other banks		27,585,450	30,389,664
Lendings to financial institutions - net		10,720,307	23,025,156
Investments - net	7	271,116,718	301,323,804
Advances - net	8	503,398,367	477,506,564
Operating fixed assets		27,630,611	26,888,226
Deferred tax assets - net	9	8,975,526	6,952,666
Other assets		73,144,096	53,496,240
		1,045,175,697	1,035,024,680
LIABILITIES			
Bills payable		15,047,130	8,006,631
Borrowings from financial institutions		26,183,893	20,103,591
Deposits and other accounts	10	830,861,843	832,151,888
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		101,311	106,704
Deferred tax liabilities		-	-
Other liabilities		46,529,365	46,160,038
		918,723,542	906,528,852
NET ASSETS			
		126,452,155	128,495,828
REPRESENTED BY			
Share capital		16,818,285	13,454,628
Reserves		25,651,091	24,450,244
Unappropriated profit		59,741,093	65,857,438
		102,210,469	103,762,310
Surplus on revaluation of assets - net	11	24,241,686	24,733,518
		126,452,155	128,495,828
CONTINGENCIES AND COMMITMENTS			
	12		

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

Chairman

President

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Profit and Loss Account - (Un-Audited)
For the quarter and half year ended June 30, 2011

	Quarter Ended June 30, 2011	Half Year Ended June 30, 2011	Quarter Ended June 30, 2010	Half Year Ended June 30, 2010
Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest earned	23,764,203	46,934,660	22,665,190	43,701,480
Mark-up / Return / Interest expensed	12,024,591	24,249,469	11,979,011	22,963,438
Net mark-up / Return / interest income	11,739,612	22,685,191	10,686,179	20,738,042
Provision against non-performing advances - net	3,234,147	4,623,432	936,003	2,878,429
Provision for diminution in value of investments - net	1,231,399	1,512,678	1,579,716	1,576,444
Provision against off-balance sheet obligations	-	-	3,965	3,965
Bad debts written off directly	-	-	-	-
	4,465,546	6,136,110	2,519,684	4,458,838
Net mark-up / interest income after provisions	7,274,066	16,549,081	8,166,495	16,279,204
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	2,913,162	5,133,010	2,505,569	4,744,398
Dividend income	211,134	594,507	216,455	501,922
Income from dealing in foreign currencies	794,081	1,425,988	604,075	1,261,992
Gain on sale and redemption of securities - net	1,217,727	1,654,592	921,217	1,710,336
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	9,618	(36,729)	170	(5,858)
Other income	1,027,891	1,059,578	52,385	87,556
Total non-mark-up / interest income	6,173,613	9,830,946	4,299,871	8,300,346
	13,447,679	26,380,027	12,466,366	24,579,550
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	7,804,976	14,370,157	7,047,882	12,824,316
Other provisions / write-offs	333,724	338,798	67,155	82,772
Other charges	2,628	12,035	4,852	22,406
Total non-mark-up / interest expenses	8,141,328	14,720,990	7,119,889	12,929,494
	5,306,351	11,659,037	5,346,477	11,650,056
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	5,306,351	11,659,037	5,346,477	11,650,056
Taxation - current	3,483,839	5,783,286	2,299,924	4,730,822
- prior year(s)	-	-	-	-
- deferred	(2,048,823)	(2,215,758)	(558,396)	(901,482)
	1,435,016	3,567,528	1,741,528	3,829,340
PROFIT AFTER TAXATION	3,871,335	8,091,509	3,604,949	7,820,716
Basic and diluted earnings per share (Rupees)	14 2.30	4.81	2.14	4.65

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

Chairman

President

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the quarter and half year ended June 30, 2011

	Quarter ended June 30, 2011	Half Year ended June 30, 2011	Quarter ended June 30, 2010	Half Year ended June 30, 2010
	----- (Rupees in '000') -----			
Profit after taxation	3,871,335	8,091,509	3,604,949	7,820,716
Other comprehensive income:				
Exchange adjustments on translation of net assets of foreign branches	358,407	391,696	(115,665)	(209,619)
Income tax relating to component of other comprehensive income	-	-	-	-
Other comprehensive income - net of tax	358,407	391,696	(115,665)	(209,619)
Comprehensive income transferred to equity	4,229,742	8,483,205	3,489,284	7,611,097
Components of comprehensive income not reflected in equity				
Deficit on revaluation of investments	(223,344)	(231,058)	(2,045,216)	(3,374,395)
Deferred tax on revaluation of investments	(77,964)	(192,900)	174,306	372,405
	(301,308)	(423,958)	(1,870,910)	(3,001,990)
Total comprehensive income	3,928,434	8,059,247	1,618,374	4,609,107

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

Chairman

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National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the half year ended June 30, 2011

Share Capital	Attributable to the Shareholders of the bank					Unappropriated Profit	Total
	Reserves				Revenue General		
	Exchange Translation	Reserve for Issue of Bonus Shares	Statutory	Capital			
----- (Rupees in '000) -----							
Balance as at January 1, 2010	10,763,702	6,906,851	-	15,253,518	521,338	60,696,510	94,141,919
Total comprehensive Income for the period							
Profit after tax for the half year ended June 30, 2010	-	-	-	-	-	7,820,716	7,820,716
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	(209,619)	-	-	-	-	(209,619)
Transferred from Surplus on Revaluation Fixed Assets to unappropriated profit - net of tax	-	(209,619)	-	-	-	7,820,716	7,611,097
Transfer to Statutory Reserve	-	-	-	782,072	-	(782,072)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (25%)	-	-	2,690,926	-	-	(2,690,926)	-
Cash dividend (Rs. 7.5 per share)	2,690,926	-	(2,690,926)	-	-	(8,072,777)	(8,072,777)
	2,690,926	-	-	-	-	(10,763,703)	(8,072,777)
Balance as at June 30, 2010	13,454,628	6,697,232	-	16,035,590	521,338	57,030,319	93,739,107
Balance as at July 1, 2010	13,454,628	6,697,232	-	16,035,590	521,338	57,030,319	93,739,107
Total Comprehensive Income for the period							
Profit after tax for the half year ended December 31, 2010	-	-	-	-	-	9,742,498	9,742,498
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	221,835	-	-	-	-	221,835
Transferred from Surplus on Revaluation Fixed Assets to unappropriated profit - net of tax	-	221,835	-	-	-	9,742,498	9,964,333
Transfer to Statutory Reserve	-	-	-	974,249	-	(974,249)	-
Balance as at December 31, 2010	13,454,628	6,919,067	-	17,009,839	521,338	65,857,438	103,762,310
Balance as at January 1, 2011	13,454,628	6,919,067	-	17,009,839	521,338	65,857,438	103,762,310
Total Comprehensive Income for the period							
Profit after tax for the half year ended June 30, 2011	-	-	-	-	-	8,091,509	8,091,509
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	391,696	-	-	-	-	391,696
Transferred from Surplus on Revaluation Fixed Assets	-	391,696	-	-	-	8,091,509	8,483,205
Transfer to Statutory Reserve	-	-	-	809,151	-	(809,151)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (25%)	3,363,657	-	-	-	-	(3,363,657)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(10,090,971)	(10,090,971)
	3,363,657	-	-	-	-	(13,454,628)	(10,090,971)
Balance as at June 30, 2011	16,818,285	7,310,763	-	17,818,990	521,338	59,741,093	102,210,469

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

Chairman

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Director

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National Bank of Pakistan
Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)
For the half year ended June 30, 2011

	Half Year Ended June 30, 2011	Half Year Ended June 30, 2010
	----- (Rupees in '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,659,037	11,650,056
Less: Dividend income	594,507	501,922
	11,064,530	11,148,134
Adjustments		
Depreciation	583,076	394,238
Provision against non-performing loans and advances	4,623,432	2,878,429
Provision for diminution in value of investments	1,512,678	1,576,444
Provision against off-balance sheet obligations	-	3,965
Other provision / Write-off	338,798	82,772
Gain on sale of fixed assets	(8,147)	(12,618)
Financial charges on leased assets	9,116	4,814
	7,058,953	4,928,044
	18,123,483	16,076,178
(Increase) / Decrease in operating assets		
Lendings to financial institutions	12,264,849	(7,724,853)
Held-for-trading securities	1,752,600	(8,310,132)
Advances	(30,515,235)	12,091,434
Other assets	(9,302,280)	(23,983,488)
	(25,800,066)	(27,927,039)
Increase / (Decrease) in operating liabilities		
Bills payable	7,040,499	6,831,398
Borrowings	6,232,013	(26,835,459)
Deposits and other accounts	(1,290,045)	90,067,208
Other liabilities (excluding current taxation)	341,701	(3,189,590)
	12,324,168	66,873,557
Income tax paid	(16,427,660)	(1,317,754)
Financial charges paid	(9,116)	(4,814)
	(16,436,776)	(1,322,568)
	(11,789,191)	53,700,128
Net cash (used in) / from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	25,690,866	(28,997,126)
Proceeds from held-to-maturity securities	857,471	6,702,691
Investments in associates and subsidiaries	(100,000)	(328,853)
Dividend received	594,507	501,922
Investments in operating fixed assets	(1,594,811)	(988,179)
Sale proceeds of operating fixed assets disposed off	8,147	12,618
Net cash from / (used in) investing activities	25,456,180	(23,096,927)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(22,655)	(14,767)
Dividend paid	(10,063,345)	(8,039,176)
Net cash used in financing activities	(10,086,000)	(8,053,943)
Effects of exchange rate changes on cash and cash equivalents	391,696	(209,619)
Net Increase in cash and cash equivalents	3,972,685	22,339,639
Cash and cash equivalents at beginning of the half year	145,294,950	144,169,195
Cash and cash equivalents at the end of the half year	149,267,635	166,508,834

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

Chairman

President

Director

Director

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the half year ended June 30, 2010

1. STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

- 2.1** These unconsolidated condensed interim financial statements of the bank for the half year ended June 30, 2011 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter 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 unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2010.
- 2.4** On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs. The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

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

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

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

Had the exemption not been granted, the staff costs of the bank for the period would have been higher by Rs. 579 million (June 30, 2010: 579 million), profit before taxation would have been lower by Rs. 579 million (June 30, 2010: 579 million), un-appropriated profit would have been lower by Rs. 2,176 million (June 30, 2010: 1,019 million) and reserves would have been higher by Rs. 2,176 million (June 30, 2010: 1,019 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.34 per share (June 30, 2010: Rs 0.34).

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

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the half year ended June 30, 2010

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

The accounting policies adopted for preparation of these unconsolidated condensed interim financial statements are same as those followed in the preparation of the annual financial statements of the bank for the year ended December 31, 2010 other than as disclosed in note 4.1 below.

4.1 New standards, interpretations and amendments thereof, adopted by the bank

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS - 24 Related Party Transactions (Revised)	January 1, 2011
IAS - 32 Financial Instruments: Presentation (Amendment)	January 1, 2011
IFRIC - 14 Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011

Adoption of the above standards, amendments and interpretations did not have any material effect on the unconsolidated condensed interim financial statements except for certain changes in disclosures.

4.2 Improvements to IFRSs

In addition to the above, amendments to various accounting standards have also been issued by the International Accounting Standard Board (IASB). Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The adoption of these improvements to IFRSs did not have any material impact on the bank's unconsolidated condensed interim financial statements in the period of initial application.

5 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

6. FINANCIAL RISK MANAGEMENT

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

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the half year ended June 30, 2011

7. INVESTMENTS - net

(Un-Audited) June 30, 2011			(Audited) December 31, 2010		
Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
----- (Rupees in '000') -----			----- (Rupees in '000') -----		

7.1 Investments by type:

Held-for-trading securities

Market Treasury Bills	4,098,459	-	4,098,459	5,278,693	-	5,278,693
Pakistan Investment Bonds	33,738	-	33,738	732,253	-	732,253
Ordinary Shares of Listed companies	659,826	-	659,826	533,677	-	533,677
Total held-for-trading securities	4,792,023	-	4,792,023	6,544,623	-	6,544,623

Available- for- sale securities

Ordinary Shares - Listed companies	25,675,516	-	25,675,516	18,850,212	-	18,850,212
- Un-Listed companies	1,065,173	-	1,065,173	1,053,198	-	1,053,198
Market Treasury Bills	113,694,717	12,807,150	126,501,867	155,716,032	9,051,796	164,767,828
Preference Shares	285,260	-	285,260	272,260	-	272,260
Pakistan Investment Bonds	23,362,466	-	23,362,466	15,992,937	302,801	16,295,738
Gop Foreign Currency Bonds	3,198,306	-	3,198,306	3,193,093	-	3,193,093
Foreign Government Securities	429,531	-	429,531	214,663	-	214,663
Foreign Currency Debt Securities	2,631,489	-	2,631,489	3,254,119	-	3,254,119
Term Finance Certificates / Mushairka, and Sukuk Bonds	61,448,281	-	61,448,281	61,741,707	-	61,741,707
Mutual Funds	1,605,660	-	1,605,660	898,793	-	898,793
Investment outside Pakistan - note 7.2	463,295	-	463,295	463,295	-	463,295
NI(U)T LoC Units - note 7.3	-	-	-	1,397,619	-	1,397,619
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,147,500	-	1,147,500	1,147,500	-	1,147,500
Total available- for- sale securities	235,607,194	12,807,150	248,414,344	264,795,428	9,354,597	274,150,025

Held-to-maturity securities

Pakistan Investment Bonds	8,665,028	-	8,665,028	8,738,582	-	8,738,582
GoP Foreign Currency Bonds	462,012	-	462,012	-	-	-
Foreign Government Securities	782,349	-	782,349	1,407,077	-	1,407,077
Foreign Currency Debt Securities	115,021	-	115,021	114,842	-	114,842
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	2,263,748	-	2,263,748	2,885,128	-	2,885,128
Total held-to-maturity securities	12,288,158	-	12,288,158	13,145,629	-	13,145,629
Investments in Associates	1,518,069	-	1,518,069	1,373,254	-	1,373,254
Investments in Joint Ventures	1,244,835	-	1,244,835	1,244,835	-	1,244,835
Investments in Subsidiaries	2,274,306	-	2,274,306	2,274,306	-	2,274,306
Investment at cost	257,724,585	12,807,150	270,531,735	289,378,075	9,354,597	298,732,672
Less: Provision for diminution in value of investments	(8,451,723)	-	(8,451,723)	(6,720,091)	-	(6,720,091)
Investments (net of Provisions)	249,272,862	12,807,150	262,080,012	282,657,984	9,354,597	292,012,581
(Deficit) / Surplus on revaluation of held-for-trading securities	(36,729)	-	(36,729)	6,730	-	6,730
Surplus / (Deficit) on revaluation of available-for-sale securities	9,072,665	770	9,073,435	9,339,128	(34,635)	9,304,493
Total investments	258,308,798	12,807,920	271,116,718	292,003,842	9,319,962	301,323,804

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7.2 Investment outside Pakistan - Bank Al-Jazira

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

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

In the meeting of NI(U)T - LOC Holders, which was held on November 11, 2010, the LOC Holders consented to the transfer of frozen shares (PSO and SNGPL) to the bank on closing share price of October 13, 2010. A letter was also sent to the Privatization Commission (PC) to communicate about the settlement and obtain concurrence for transfer of the strategic assets to the bank. PC responded on February 17, 2011 requiring that new agreement would be signed between the bank, NITL and PC and the frozen shares after the transfer to the bank will remain frozen in the books of the bank on the same conditions as these are held by NITL. In this respect a new agreement termed as "Consent Agreement" has been finalised on June 29, 2011 consequently the bank has recorded the redemption / disposal of remaining 71,346,909 LoC units and in consideration of those units the bank has recorded its share of Strategic Investments at the closing rate of October 13, 2010. The bank's share of Strategic Investments comprise of the shares of PSO (6,624 million shares) and SNGPL (8,262 million shares). Accordingly there is a capital gain of Rs. 686 million on redemption / disposal of balance LoC units. The share of other LoC Holders has been recorded as payable to NI(U)T - LOC Holders Fund. These shares valued at Rs. 4,163 million can not be sold without the concurrence of PC.

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
Note	----- (Rupees in '000') -----	
8. ADVANCES - net		
Loans, cash credits, running finances, etc.		
In Pakistan	484,852,524	457,970,677
Outside Pakistan	51,465,824	48,732,703
	536,318,348	506,703,380
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	16,810,653	19,410,104
Payable outside Pakistan	15,928,088	12,495,712
	32,738,741	31,905,816
Advances - gross	569,057,089	538,609,196
Less: Provision against non-performing loans - specific	(61,746,074)	(57,337,200)
- general	(3,912,648)	(3,765,432)
	65,658,722	61,102,632
Advances - net of provision	503,398,367	477,506,564

8.1 Advances include Rs. 108,632 million (2010: Rs. 86,642 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2011 (Un-Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	504,978	-	504,978	-	-
Substandard	23,474,262	164,197	23,638,459	2,008,717	2,008,717
Doubtful	5,466,576	435,265	5,901,841	2,309,267	2,309,267
Loss	75,928,712	2,657,778	78,586,490	57,428,090	57,428,090
	105,374,528	3,257,240	108,631,768	61,746,074	61,746,074
	----- (Rupees in '000') -----				
Category of Classification	December 31, 2010 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
Other Assets Especially Mentioned	399,848	-	399,848	-	-
Substandard	5,085,209	296,281	5,381,490	1,011,940	1,011,940
Doubtful	9,644,901	339,350	9,984,251	2,553,325	2,553,325
Loss	68,356,327	2,520,172	70,876,499	53,771,935	53,771,935
	83,486,285	3,155,803	86,642,088	57,337,200	57,337,200

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8.2 In accordance with BSD Circular No. 10 dated October 20, 2009 issued by the State Bank of Pakistan, the bank has availed the benefit of FSV against the non-performing advances. During the period, total FSV benefit availed by the bank resulted in increase in after tax profit of Rs. 282 million. Accordingly, as of June 30, 2011, the accumulated increase in profit after tax of Rs. 2,941 million (2010: Rs. 2,659 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directives.

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
Note	----- (Rupees in '000') -----	
9. DEFERRED TAX ASSETS - net		
Deferred tax assets arising in respect of		
Provision for diminution in the value of investments	2,116,109	1,586,671
Provision against non-performing advances	7,380,295	6,189,551
Other provisions	450,389	331,809
Charge against defined benefits plans	1,465,975	1,156,724
Unrealised loss on derivatives	1,058,000	942,204
Provision against off-balance sheet obligations	116,622	116,622
	12,587,390	10,323,581
Deferred tax (liabilities) arising in respect of		
Excess of accounting book value of leased assets over lease liabilities	(18,116)	(15,469)
Difference between accounting book value of fixed assets and tax base	(466,681)	(391,165)
Revaluation of securities	(1,943,626)	(1,750,726)
Revaluation of fixed assets	(1,183,441)	(1,213,555)
	(3,611,864)	(3,370,915)
Net deferred tax assets	8,975,526	6,952,666
10. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	199,185,922	218,559,101
Savings deposits	239,738,440	266,342,659
Current accounts - remunerative	81,891,242	68,393,177
- non-remunerative	211,374,966	194,393,878
	732,190,570	747,688,815
Financial Institutions		
Remunerative deposits	35,983,738	31,232,041
Non-remunerative deposits	62,687,535	53,231,032
	98,671,273	84,463,073
	830,861,843	832,151,888
10.1 These have been stated after adjusting clearing suspense account.		
11. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets - net of tax	17,111,877	17,179,751
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government securities	(775,764)	(1,196,744)
Term Finance Certificates	15,177	(215,911)
Quoted shares and mutual funds	1,828,350	2,698,818
Gop Foreign Currency Bonds	408,213	720,733
Foreign Government Securities	10,808	(11,264)
NI(U)T LoC Units	-	511,892
NI(U)T Non-LoC Units	117,493	101,420
NIT Market Opportunity Fund	566,552	565,873
Investment outside Pakistan - Bank Al-Jazira	6,902,606	6,129,676
	9,073,435	9,304,493
Deferred tax liability	(1,943,626)	(1,750,726)
	24,241,686	24,733,518

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12. CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes

This 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:

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000') -----	
- Government	13,121,799	14,513,887
- Financial institutions	10,452,763	7,239,823
- Others	8,536,408	11,223,626
	<u>32,110,970</u>	<u>32,977,336</u>

12.2 Transaction-related contingent liabilities

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

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000') -----	
- Government	19,549,218	19,863,734
- Financial institutions	451,925	106,771
- Others	16,082,782	15,536,805
	<u>36,083,925</u>	<u>35,507,310</u>

12.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	115,163,288	129,270,162
- Financial institutions	3,433,215	107,289
- Others	40,654,500	31,775,817
	<u>159,251,003</u>	<u>161,153,268</u>

12.4 Other contingencies

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

<u>8,407,681</u>	<u>8,243,510</u>
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12.4.2 Taxation

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

During the period, taxation authorities in connection with monitoring of withholding taxes have passed orders under section 161/205 of the Income Tax Ordinance, 2001 for the tax years 2009, 2010 and 2011 raising demand of Rs. 2.3 billion for the reason of non-production of sufficient challans, which were being collected from the branches. The management of the bank is in process of gathering the remaining challans from the branches and confident that upon production of challans, the remaining demand would also be deleted. An appeal is also filed before the Commissioner Appeals on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

The other matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 5,713 million (2010: Rs. 3,413 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

12.4.3 Barter Trade Agreements / Golden Handshake

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

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	(Un-audited) June 30, 2011	(Audited) December 31, 2010
----- (Rupees in '000') -----		
12.5 Commitments in respect of forward exchange contracts		
Purchase	96,565,729	98,499,566
Sale	<u>57,274,267</u>	<u>60,773,315</u>
12.6 Commitments in respect of forward trading of government securities		
Purchase	3,000,000	-
Sale	<u>-</u>	<u>50,000</u>
12.7 Other Commitments		
Cross currency swap	6,135,896	6,135,896
Professional services to be received	<u>134,509</u>	<u>166,126</u>
12.8 Commitments for the acquisition of operating fixed assets		
	<u>1,088,228</u>	<u>2,375,461</u>

13. Other income includes Rs 946.794 million (June 30, 2010 Rs. NIL) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

14. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-Audited) Quarter ended June 30, 2011	(Un-Audited) Half Year ended June 30, 2011	(Un-Audited) Quarter ended June 30, 2010	(Un-Audited) Half Year ended June 30, 2010
Profit after taxation (Rupees in '000)	<u>3,871,335</u>	<u>8,091,509</u>	3,604,949	7,820,716
Weighted average number of ordinary shares (in '000)	<u>1,681,829</u>	<u>1,681,829</u>	1,681,829	1,681,829
Basic and diluted earnings per share (Rupees)	<u>2.30</u>	<u>4.81</u>	2.14	4.65

15. 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, 2011 - Unaudited							
Total income	312,174	1,239,418	2,915,468	24,714,962	963,521	2,370,594	32,516,137
Inter segment revenue	-	(261,853)	5,940,848	(5,678,995)	-	-	-
Total expenses	<u>2,074</u>	<u>39,989</u>	<u>7,919,634</u>	<u>10,772,632</u>	<u>644,752</u>	<u>1,478,019</u>	<u>20,857,100</u>
Net income	<u>310,100</u>	<u>937,576</u>	<u>936,682</u>	<u>8,263,335</u>	<u>318,769</u>	<u>892,575</u>	<u>11,659,037</u>
Segment assets - gross of NPLs provision	<u>-</u>	<u>4,792,023</u>	<u>175,523,878</u>	<u>850,989,616</u>	<u>-</u>	<u>13,870,180</u>	<u>1,045,175,697</u>
Segment non performing loans	<u>-</u>	<u>-</u>	<u>7,213,469</u>	<u>101,418,299</u>	<u>-</u>	<u>-</u>	<u>108,631,768</u>
Segment total provision	<u>-</u>	<u>-</u>	<u>6,547,509</u>	<u>59,111,213</u>	<u>-</u>	<u>-</u>	<u>65,658,722</u>
Segment liabilities	<u>-</u>	<u>-</u>	<u>238,654,826</u>	<u>664,768,126</u>	<u>-</u>	<u>15,300,590</u>	<u>918,723,542</u>
Segment return on assets (ROA) (%)	<u>0.00%</u>	<u>39.39%</u>	<u>7.26%</u>	<u>20.15%</u>	<u>0.00%</u>	<u>12.87%</u>	
Segment cost of fund (%)	<u>0.00%</u>	<u>0.00%</u>	<u>4.58%</u>	<u>5.65%</u>	<u>0.00%</u>	<u>0.00%</u>	
June 30, 2010 - Unaudited							
Total income	229,893	1,762,424	3,864,374	20,410,372	669,181	2,102,144	29,038,388
Inter segment revenue	-	(279,687)	4,851,104	(4,571,417)	-	-	-
Total expenses	518	23,561	6,857,999	8,491,539	584,481	1,430,234	17,388,332
Net income	<u>229,375</u>	<u>1,459,176</u>	<u>1,857,479</u>	<u>7,347,416</u>	<u>84,700</u>	<u>671,910</u>	<u>11,650,056</u>
Segment assets - gross of NPLs provision	<u>-</u>	<u>10,689,062</u>	<u>149,620,613</u>	<u>837,447,057</u>	<u>-</u>	<u>10,123,359</u>	<u>1,007,880,091</u>
Segment non performing loans	<u>-</u>	<u>-</u>	<u>6,926,337</u>	<u>62,778,239</u>	<u>-</u>	<u>-</u>	<u>69,704,576</u>
Segment total provision	<u>-</u>	<u>-</u>	<u>4,925,548</u>	<u>53,517,401</u>	<u>-</u>	<u>-</u>	<u>58,442,949</u>
Segment liabilities	<u>-</u>	<u>-</u>	<u>202,831,641</u>	<u>682,081,260</u>	<u>-</u>	<u>6,887,433</u>	<u>891,800,334</u>
Segment return on assets (ROA) (%)	<u>0.00%</u>	<u>27.30%</u>	<u>15.18%</u>	<u>19.76%</u>	<u>0.00%</u>	<u>20.54%</u>	
Segment cost of fund (%)	<u>0.00%</u>	<u>0.00%</u>	<u>3.66%</u>	<u>5.58%</u>	<u>0.00%</u>	<u>0.00%</u>	

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16. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates).

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

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

	2011 - Un audited				2010 - Audited			
	At January 01, 2011	Given during the half year	Repaid during the half year	At June 30, 2011	At January 01, 2010	Given during the year	Repaid during the year	At December 31, 2010
----- (Rupees in '000) -----								
Advances								
Key Management Executives	126,519	56,440	(7,645)	175,314	97,439	46,553	(17,473)	126,519
Subsidiaries	466,787	-	(99,318)	367,469	575,404	-	(108,617)	466,787
Associates	1,294,419	(19,850)	-	1,274,569	1,287,942	6,477	-	1,294,419
Debts due by Company in which director is interested as director	17,479,250	3,034,278	(1,643,043)	18,870,485	12,423,114	9,969,859	(4,913,723)	17,479,250
	19,366,975	3,070,868	(1,750,006)	20,687,837	14,383,899	10,022,889	(5,039,813)	19,366,975

	2011 - Un audited				2010 - Audited			
	At January 01, 2011	Received during the half year	Repaid during the half year	At June 30, 2011	At January 01, 2010	Received during the year	Repaid during the year	At December 31, 2010
----- (Rupees in '000) -----								
Deposits								
Subsidiaries	292,977	(123,062)	-	169,915	259,618	33,359	-	292,977
Key Management Executives	58,136	(187,744)	147,494	17,886	15,500	214,538	(171,902)	58,136
Pension Fund (Current)	5,037	(8,662)	8,619	4,994	405,351	9,798,211	(10,198,525)	5,037
Pension Fund (Fixed Deposit)	8,400,000	-	(1,300,000)	7,100,000	7,300,000	2,600,000	(1,500,000)	8,400,000
Provident Fund (Restated)	8,909,272	26,708	532,942	9,468,922	7,448,100	3,093,222	(1,632,050)	8,909,272
	17,665,422	(292,760)	(610,945)	16,761,717	15,428,569	15,739,330	(13,502,477)	17,665,422

	Un-audited June 30, 2011	Audited December 31, 2010
---(Rupees in '000) ---		

Placements with:

Subsidiary	2,565	2,573
Joint venture	-	264,591
Associates	23,332	23,332

Repo borrowing from:

Subsidiary	-	401,760
Associates	-	380,362

Other receivables from subsidiaries

46,030 -

Other payables to subsidiaries

6,832 929

	Un-audited June 30, 2011	Un-audited June 30, 2010
---(Rupees in '000) ---		

Income for the half year

On advances / placements with:

Subsidiaries	12	-
Key management executives	2,110	2,925
Debts due by company in which a director of the bank is interested as director	1,306,913	1,070,041

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	Un-audited June 30, 2011	Un-audited June 30, 2010
	---(Rupees in '000') ---	
Expenses for the half year		
Remuneration to key management executives	273,968	230,362
Charge for defined benefit plan	68,492	11,774
Mark-up on Deposits of:		
Subsidiaries	5,050	4,703
Provident fund	890,149	835,387
Pension fund	468,351	304,693
Key management executives	2,093	525
Commission paid to subsidiaries	2,493	2,914
Mark-up on Borrowing (Repo / Call):		
Subsidiaries	1,271	21,358
Associate	2,923	-

16. Although the Federal Government and the SBP held about 75.60 % shares of the bank (2010: 75.60%), the transactions with these related entities have not been disclosed for the purpose of this disclosure.

17. ISLAMIC BANKING BUSINESS

The bank is operating 8 (December 31, 2010: 8) Islamic banking branches as at June 30, 2011. Statement of financial position and profit and loss account is as under:

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
<u>STATEMENT OF FINANCIAL POSITION</u>		
Assets		
Cash and balances with treasury banks	207,709	157,726
Balances with and due from financial institutions	-	200,000
Investments	1,691,232	1,038,673
Financing / Receivables under:		
- Murabaha	778,910	278,398
- Diminishing Musharika	772,521	212,500
- Ijarah assets	448,313	417,920
- Other Islamic modes	-	94,513
Provision against non-performing financings	(311,567)	(278,233)
Operating fixed assets	12,685	11,763
Due from Head Office	-	44,650
Other assets	72,926	47,993
	3,672,729	2,225,903
Liabilities		
Bills Payable	2,490	5,421
Deposits and other accounts	2,221,983	2,193,413
Due to Head Office	1,123,256	-
Other liabilities	53,698	36,186
	3,401,427	2,235,020
Net Assets	271,302	(9,117)
Represented By		
Islamic Banking Fund	300,000	300,000
Accumulated loss	(28,698)	(309,117)
	271,302	(9,117)

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	(Un-audited) June 30, 2011	(Un-audited) June 30, 2010
	----- (Rupees in '000) -----	
<u>PROFIT AND LOSS ACCOUNT</u>		
Profit / Return earned on financings, investments and placements	242,874	81,239
Profit / Return expensed on deposit	129,067	21,873
Net spread earned	113,807	59,366
Depreciation on assets given on ijarah	(64,365)	(32,177)
	49,442	27,189
Provision against advances and investments	33,334	-
(Loss) / Profit after provision	16,108	27,189
Other income		
Fee, commission and brokerage income	1,762	1,541
Income from dealing in foreign currencies	109	151
Other income	276	12
Total other income	2,147	1,704
	18,255	28,893
Other expenses		
Administrative expenses	(46,953)	(35,605)
Loss before taxation	(28,698)	(6,712)

18. DATE OF AUTHORIZATION FOR ISSUE

The Unconsolidated Interim Condensed Financial Statements were authorized for issue on August 18, 2011 by the Board of Directors of the bank.

19. GENERAL

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

Chairman

President

Director

Director

National Bank of Pakistan

Consolidated Financial Statements

For the Half Year ended June 30, 2011

National Bank of Pakistan
Consolidated Condensed Interim Statement of Financial Position
As at June 30, 2011

		(Un-Audited) June 30 2011	(Audited) December 31 2010
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and Balances with Treasury Banks		123,041,659	115,657,025
Balances with other Banks		29,014,853	30,743,368
Lendings to Financial Institutions		10,773,803	23,051,171
Investments - Net	7	271,568,005	301,078,498
Advances - Net	8	503,900,796	478,886,755
Operating Fixed Assets - Net		28,279,895	27,625,300
Deferred Tax Assets	9	8,977,240	6,954,228
Other Assets		73,435,884	54,022,122
		1,048,992,135	1,038,018,467
LIABILITIES			
Bills Payable		15,047,130	8,006,631
Borrowings		26,183,893	19,657,207
Deposits and other Accounts	10	831,070,193	832,134,054
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		120,942	123,413
Deferred Tax Liabilities		-	-
Other Liabilities		47,037,439	46,798,330
		919,459,597	906,719,635
NET ASSETS		129,532,538	131,298,832
REPRESENTED BY			
Share Capital		16,818,285	13,454,629
Reserves		26,554,661	25,129,425
Unappropriated Profit		61,047,019	67,103,611
		104,419,965	105,687,665
Minority Interest		479,721	498,076
		104,899,686	106,185,741
Surplus on Revaluation of Assets - net	11	24,632,853	25,113,091
		129,532,538	131,298,832
CONTINGENCIES AND COMMITMENTS	12		

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

Chairman

President

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)
For the Quarter & Half Year ended June 30, 2011

	Quarter Ended June 30 2011	Half Year Ended June 30 2011	Quarter Ended June 30 2010	Half Year Ended June 30 2010
Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest Earned	23,850,532	47,111,745	22,505,440	43,605,383
Mark-up / Return / Interest Expensed	12,025,058	24,250,028	11,746,589	22,728,148
Net Mark-up / Interest Income	11,825,474	22,861,718	10,758,851	20,877,235
Provision against Non-Performing Loans & Advances	3,234,147	4,623,432	936,003	2,878,429
Provision for Diminution in the Value of Investments	1,231,399	1,512,678	1,579,574	1,576,444
Provision against Off Balance Sheet Obligations	-	-	3,965	3,965
Bad Debts Written Off Directly	-	-	-	-
	4,465,546	6,136,110	2,519,542	4,458,838
Net Mark-up / Interest Income after Provisions	7,359,928	16,725,608	8,239,309	16,418,397
NON MARK-UP / INTEREST INCOME				
Fee, Commission & Brokerage Income	3,000,217	5,309,532	2,520,307	4,781,677
Dividend income	211,134	594,507	216,455	501,922
Income from Dealing In Foreign Currencies	807,489	1,452,307	628,011	1,286,887
Gain / (Loss) on Sale of Securities	1,207,147	1,654,592	913,314	1,710,336
Unrealized Gain / (Loss) on Revaluation of Investments Classified as Held-for-Trading	9,618	(36,729)	170	(5,858)
Share of Loss from Joint Ventures	(8,277)	(10,948)	(10,147)	(25,841)
Share of Profit from Associates	(1,875)	10,570	4,133	8,119
Other income	1,046,960	1,076,064	52,823	89,424
Total non mark-up / interest income	6,272,413	10,049,894	4,325,065	8,346,666
	13,632,341	26,775,502	12,564,374	24,765,063
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	7,990,409	14,708,065	7,114,967	12,954,897
Other provisions / write offs	334,101	342,670	65,175	78,246
Other charges	2,628	12,035	4,852	22,406
Total non mark-up / interest expenses	8,327,138	15,062,770	7,184,995	13,055,549
	5,305,203	11,712,732	5,379,380	11,709,514
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	5,305,203	11,712,732	5,379,380	11,709,514
Taxation - Current	3,495,559	5,796,257	2,300,587	4,732,418
- Prior year(s)	-	-	-	-
- Deferred	(2,049,493)	(2,216,428)	(557,465)	(901,637)
	1,446,066	3,579,829	1,743,122	3,830,781
PROFIT AFTER TAXATION	3,859,138	8,132,903	3,636,258	7,878,733
Share Holders of the Bank	3,872,576	8,151,258	3,635,121	7,877,883
Minority Interest	(13,439)	(18,355)	1,137	850
	3,859,138	8,132,903	3,636,258	7,878,733
Basic and Diluted Earnings per Share (Rupees)	2.29	4.84	2.16	4.68

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

Chairman

President

Director

Director

National Bank of Pakistan

Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the Quarter & Half Year ended June 30, 2011

	Quarter Ended June 30 2011	Half Year Ended June 30 2011	Quarter Ended June 30 2010	Half Year Ended June 30 2010
	----- (Rupees in '000) -----			
Profit after taxation for the period	3,859,138	8,132,903	3,636,258	7,878,733
Other comprehensive income:				
Exchange adjustments on translation of net assets of foreign branches Subsidiary, & Joint Venture	366,072	616,085	(80,197)	(152,763)
Income tax relating to component of other comprehensive income	-	-	-	-
	366,072	616,085	(80,197)	(152,763)
Comprehensive income transferred to equity	4,225,211	8,748,988	3,556,061	7,725,970
Comprehensive Income attributable to :				
Share Holders of the Bank	4,238,650	8,767,343	3,554,924	7,725,120
Non-Controlling Interest	(13,439)	(18,355)	1,137	850
	4,225,211	8,748,988	3,556,061	7,725,970
Components of comprehensive income not reflected in equity				
Suplus on revaluation of investments	(229,189)	242,408	(1,983,011)	3,310,703
Deferred tax on revaluation of investments	(77,964)	192,900	174,306	(372,405)
	(307,153)	435,308	(1,808,705)	2,938,298
Total comprehensive income	3,918,058	9,184,296	1,747,356	10,664,268

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

Chairman

President

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the Quarter & Half Year ended June 30, 2011

Share capital	Attributable to the shareholders of the bank				Sub Total	Non Controlling Interest	Total	
	Reserves			Revenue General				
	Capital		Unappropriated profit					
	Exchange Translation	Statutory						
----- (Rupees in '000) -----								
Balance as at January 1, 2010	10,763,702	7,529,156	15,344,565	521,338	61,696,594	95,855,355	110,930	95,966,285
Total Comprehensive Income for the period								
Profit after tax for the half year ended June 30, 2010	-	-	-	-	7,877,883	7,877,883	850	7,878,733
Other comprehensive income - net of tax								
Effect of translation on net assets of foreign branches	-	(152,763)	-	-	-	(152,763)	-	(152,763)
	-	(152,763)	-	-	7,877,883	7,725,120	850	7,725,970
Transferred from Surplus on Revaluation Fixed Assets	-	-	-	-	58,868	58,868	-	58,868
Transfer to Statutory Reserve	-	-	782,072	-	(782,072)	-	-	-
Transactions with Owners, recorded directly in equity								
Issue of Bonus Shares (25%)	2,690,926	-	-	-	(2,690,926)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	(8,072,777)	(8,072,777)	-	(8,072,777)
	2,690,926	-	-	-	(10,763,702)	(8,072,777)	-	(8,072,777)
Balance as at June 30, 2010	13,454,628	7,376,393	16,126,637	521,338	58,087,571	95,566,567	111,780	95,678,347
Balance as at July 1, 2010	13,454,628	7,376,393	16,126,637	521,338	58,087,571	95,566,567	111,780	95,678,347
Acquisition of NAFA	-	-	-	-	-	-	458,045	-
Comprehensive income								
Profit after tax for the half year ended December 31, 2010	-	-	-	-	9,931,419	9,931,419	(71,749)	9,859,670
Other comprehensive income - net of tax								
Effect of translation on net assets of foreign branches	-	130,808	-	-	-	130,808	-	130,808
	-	130,808	-	-	9,931,419	10,062,227	(71,749)	9,990,478
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	58,870	58,870	-	58,870
Transfer to Statutory Reserve	-	-	974,249	-	(974,249)	-	-	-
Balance as at December 31, 2010	13,454,628	7,507,201	17,100,886	521,338	67,103,611	105,687,664	498,076	106,185,741
Balance as at January 1, 2011	13,454,628	7,507,201	17,100,886	521,338	67,103,611	105,687,664	498,076	106,185,740
Comprehensive income								
Profit after tax for the half year ended Jun 30, 2011	-	-	-	-	8,151,258	8,151,258	(18,355)	8,132,903
Other comprehensive income - net of tax								
Effect of translation on net assets of foreign branches	-	616,085	-	-	-	616,085	-	616,085
	-	616,085	-	-	8,151,258	8,767,343	(18,355)	8,748,988
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	55,928	55,928	-	55,928
Transfer to Statutory Reserve	-	-	809,151	-	(809,151)	-	-	-
Transactions with Owners, recorded directly in equity								
Issue of Bonus Shares (25%)	3,363,657	-	-	-	(3,363,657)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	(10,090,971)	(10,090,971)	-	(10,090,971)
	3,363,657	-	-	-	(13,454,628)	(10,090,971)	-	(10,090,971)
Balance as at June 30, 2011	16,818,285	8,123,286	17,910,037	521,338	61,047,019	104,419,964	479,721	104,899,686

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

Chairman

President

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)
For the Quarter & Half Year ended June 30, 2011

	Half Year Ended June 30 2011	Half Year Ended June 30 2010
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,712,732	11,709,514
Less: Dividend income	594,507	501,922
	<u>11,118,225</u>	<u>11,207,592</u>
Adjustments:		
Depreciation	601,561	394,238
Provision against non-performing advances	4,623,432	2,878,429
Provision / (reversal) for diminution in the value of investments	1,512,678	1,576,444
Provision against off balance sheet obligations	-	3,965
Other provisions / write offs	342,670	78,246
Gain on sale of fixed assets	(10,323)	(12,618)
Financial charges on leased assets	10,408	4,814
Share of loss from joint ventures	10,948	25,841
Share of profit from associates	(10,570)	(8,119)
	<u>7,080,805</u>	<u>4,941,240</u>
	<u>18,199,030</u>	<u>16,148,832</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	12,237,368	(7,770,503)
Held-for-trading securities	1,248,067	(8,735,517)
Advances	(29,637,473)	11,258,048
Other assets (excluding advance taxation - net)	(9,083,390)	(24,086,312)
	<u>(25,235,428)</u>	<u>(29,334,284)</u>
Increase / (decrease) in operating liabilities		
Bills payable	7,040,499	6,831,398
Borrowings	6,141,323	(26,385,459)
Deposits and other accounts	(1,063,861)	90,239,845
Other liabilities	211,483	(2,919,048)
	<u>12,329,444</u>	<u>67,766,736</u>
Income tax paid	(16,429,299)	(1,258,664)
Financial charges paid	(10,408)	(4,814)
	<u>(16,439,707)</u>	<u>(1,263,478)</u>
Net cash flow from operating activities	<u>(11,146,662)</u>	<u>53,317,806</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / (Net investments) in available-for-sale securities	25,775,556	(28,736,679)
Proceeds from held-to-maturity securities	861,830	6,655,187
Dividend income received	594,507	501,922
Investments in Associate / Joint Venture	(100,000)	(328,853)
Investments in operating fixed assets	(1,257,804)	(995,637)
Sale proceeds of property and equipment disposed off	10,323	12,618
Net cash (used) in investing activities	<u>25,884,411</u>	<u>(22,891,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(19,733)	(14,767)
Dividend paid	(10,063,345)	(8,039,176)
Net cash used in financing activities	<u>(10,083,078)</u>	<u>(8,053,943)</u>
Effects of exchange rate changes on cash and cash equivalents	616,085	(180,736)
Net increase in cash and cash equivalents	<u>5,270,757</u>	<u>22,191,685</u>
Cash and cash equivalents at beginning of the period	145,863,319	145,390,674
Cash and cash equivalents at the end of the period	<u>151,134,076</u>	<u>167,582,359</u>

The annexed notes 1 to 19 form an integral part of these consolidated condensed inter

Chairman

President

Director

Director

THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

- CJSC Subsidiary Bank of NBP in Kazakhstan
- NBP Capital Limited
- NBP Exchange Company Limited
- NBP Modaraba Management Company Limited
- Taurus Securities Limited
- NBP Fullerton Asset Management Limited
- Cast-N-Link Products Limited

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,267 (2010: 1,266) branches in Pakistan and 23 (2010: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT) and Long Term Credit Fund (LTCF).

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

1.2 Basis of Consolidation

- The interim condensed consolidated financial statements include the interim condensed financial statements of the holding company and its subsidiary companies - "the Group".
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the interim condensed consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- The management of the bank had applied to the Securities & Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 237 of the Companies Ordinance, 1984 in respect of consolidating its subsidiary namely Cast-N-Link Products Limited (CNL). The SECP vide its letter EMD/233/627/2002-1720 dated July 7, 2010 under section 237(8) of the Companies Ordinance, 1984 based on the fact that investments of the bank is not material, and comprise of 0.0003% of the total assets of the bank, and the investment has been fully provided for, granted the exemption from consolidation of CNL in its financial statements for the year ended December 31, 2010.

2. STATEMENT OF COMPLIANCE

- 2.1** These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.
- 2.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3** The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the annual consolidated financial statements of the Bank for the year ended December 31, 2010.
- 2.4** On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs.

The Scheme needs to be accounted for by the covered entities, including the bank, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the staff costs of the bank for the period would have been higher by Rs. 579 million (June 30, 2010: 579 million), profit before taxation would have been lower by Rs. 579 million (June 30, 2010: 579 million), unappropriated profit would have been lower by Rs. 2,176 million (June 30, 2010: 1,019 million) and reserves would have been higher by Rs. 2,176 million (June 30, 2010: 1,019 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.34 per share (June 30, 2010: Rs 0.34).

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the holding company for the year ended December 31, 2010, other than as disclosed in note 4.1 below.

4.1 New standards, interpretations and amendments thereof, adopted by the bank

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 24 Related Party Transactions (Amendment)	January 1, 2011
IAS 32 Financial Instruments: Presentation (Amendment)	January 1, 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011

Adoption of the above standards, amendments and interpretations did not have any material effect on the unconsolidated condensed interim financial statements.

4.2 Improvements to IFRSs

In addition to the above, amendments to various accounting standards have also been issued by the International Accounting Standard Board (IASB). Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The adoption of these improvements to IFRSs did not have any material impact on the bank's unconsolidated condensed interim financial statements in the period of initial application.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

6. FINANCIAL RISK MANAGEMENT

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

INVESTMENTS

	June 30, 2011 (Un-audited)			December 31, 2010 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	944,606	-	944,606	533,677	-	533,677
Market Treasury Bills	4,241,468	-	4,241,468	5,278,693	-	5,278,693
Pakistan Investment Bonds	110,482	-	110,482	732,253	-	732,253
Total Held-for-Trading Securities	5,296,556	-	5,296,556	6,544,623	-	6,544,623
Available- for- sale securities						
Ordinary shares of listed companies	25,689,644	-	25,689,644	18,853,296	-	18,853,296
Ordinary shares of unlisted companies	1,065,173	-	1,065,173	1,053,198	-	1,053,198
	26,754,817	-	26,754,817	19,906,494	-	19,906,494
Market Treasury Bills	113,694,717	12,807,150	126,501,867	155,716,032	9,051,796	164,767,828
Preference shares	307,760	-	307,760	294,760	-	294,760
Pakistan Investment Bonds	23,569,922	-	23,569,922	16,201,897	302,801	16,504,698
GoP Foreign Currency Bonds	3,198,306	-	3,198,306	3,193,093	-	3,193,093
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	61,484,515	-	61,484,515	61,799,389	-	61,799,389
Mutual funds	1,605,660	-	1,605,660	971,574	-	971,574
Foreign Government Securities	429,531	-	429,531	214,663	-	214,663
Foreign Government Debt Securities	2,631,489	-	2,631,489	3,254,119	-	3,254,119
Investment outside Pakistan (note 7.2)	463,295	-	463,295	463,295	-	463,295
NI(U)T LoC Units - note 7.3	-	-	-	1,397,619	-	1,397,619
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,147,500	-	1,147,500	1,147,500	-	1,147,500
Total Available- for- sale securities	235,887,511	12,807,150	248,694,661	265,160,435	9,354,597	274,515,032
Held-to-maturity securities						
Pakistan Investment Bonds	8,665,028	-	8,665,028	8,817,941	-	8,817,941
GoP Foreign Currency Bonds	462,012	-	462,012	-	-	-
Foreign Government Securities	782,349	-	782,349	1,407,077	-	1,407,077
Foreign Government Debt Securities	115,021	-	115,021	114,842	-	114,842
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	2,338,748	-	2,338,748	2,885,128	-	2,885,128
Total Held-to-maturity securities	12,363,158	-	12,363,158	13,224,988	-	13,224,988
Investments in associates	1,846,990	-	1,846,990	1,645,129	-	1,645,129
Investments in joint ventures	2,813,652	-	2,813,652	2,574,164	-	2,574,164
Investments in subsidiaries	1,245	-	1,245	1,245	-	1,245
Investment at cost	258,209,112	12,807,150	271,016,262	289,150,584	9,354,597	298,505,181
Less: Provision for diminution in value of Investments	(8,451,723)	-	(8,451,723)	(6,716,015)	-	(6,716,015)
Investments (net of provisions)	249,757,389	12,807,150	262,564,539	282,434,569	9,354,597	291,789,166
Deficit / Surplus on revaluation of Held-for-trading securities	(36,729)	-	(36,729)	6,730	-	6,730
Surplus on revaluation of Available-for-sale securities	9,039,424	770	9,040,194	9,317,237	(34,635)	9,282,602
Total investments at carrying value	258,760,085	12,807,920	271,568,005	291,758,536	9,319,962	301,078,498

		June 30 2011 (Un-audited)	December 31 2010 (Audited)
----- (Rupees in '000') -----			
9. DEFERRED TAX ASSETS - net	Note		
Deferred tax assets arising in respect of			
Provision for diminution in the value of investments		2,116,109	1,586,671
Provision against advances and off-balance sheet obligations		7,380,295	6,189,551
Other provision		450,389	334,051
Charge against defined benefits plans		1,465,975	1,156,724
Unrealized loss on derivatives		1,058,000	942,204
Provision against off balance sheet obligation		116,622	116,622
Others		1,714	-
		12,589,104	10,325,823
Deferred tax (liabilities) arising in respect of			
Excess of accounting book value of leased assets over lease liabilities		(18,116)	(16,149)
Difference between accounting book value of fixed assets and tax base		(466,681)	(391,165)
	11	(1,943,626)	
Revaluation of securities			(1,750,726)
Revaluation of fixed assets		(1,183,441)	(1,213,555)
		(3,611,864)	(3,371,595)
Net deferred tax liabilities		8,977,240	6,954,228
10. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		199,300,898	218,701,230
Savings deposits		239,738,759	266,342,975
Current accounts - remunerative		82,154,212	68,525,875
Current accounts - non-remunerative	10.1	211,374,966	194,393,878
		732,568,835	747,963,958
Financial Institutions			
Remunerative deposits		35,863,899	30,939,064
Non-remunerative deposits		62,637,459	53,231,032
		98,501,358	84,170,096
		831,070,193	832,134,054
10.1 These have been stated after clearing suspense account			
11. SURPLUS ON REVALUATION OF ASSETS - net			
Surplus on Revaluation of Fixed Assets - net of Tax		17,537,385	17,605,260
Surplus on Revaluation of Securities - net of Tax			
Federal Government securities		(805,835)	(1,232,965)
Term Finance Certificates		13,382	(215,922)
Quoted shares and Mutual Funds		1,826,976	2,713,159
GoP Foreign Currency Bonds		408,213	720,733
Foreign Government Securities		10,808	(11,264)
NI(U)T LoC Units		-	511,892
NI(U)T Non-LoC Units		117,493	101,420
NIT Market Opportunity Fund		566,552	565,873
Investment outside Pakistan		6,902,606	6,129,676
		9,040,194	9,282,602
Deferred tax Liability Recognized	9	(1,943,626)	(1,750,726)
Share of Revaluation Loss on Securities of Associates		(1,100)	(24,045)
		24,632,853	25,113,091

12. CONTINGENCIES AND COMMITMENTS

12.1 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 2011 (Un-audited)	December 31 2010 (Audited)
----- (Rupees in '000) -----		
- Government	13,121,799	14,513,887
- Financial institutions	10,452,763	7,239,823
- Others	8,536,408	11,223,626
	32,110,970	32,977,336

12.2 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	19,549,218	19,863,734
- Financial institutions	451,925	106,771
- Others	16,082,782	15,536,805
	36,083,925	35,507,310

12.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	115,163,288	129,270,162
- Financial institutions	3,433,215	107,289
- Others	40,654,500	31,775,817
	159,251,003	161,153,268

12.4 Other contingencies

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

8,407,681	8,243,510
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12.4.1 Taxation

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

During the period, taxation authorities in connection with monitoring of withholding taxes have passed orders under section 161/205 of the Income Tax Ordinance, 2001 for the tax years 2009, 2010 and 2011 raising demand of Rs. 2.3 billion for the reason of non-production of sufficient challans, which were being collected from the branches. The management of the Bank is in process of gathering the remaining challans from the branches and confident that upon production of challans, the remaining demand would also be deleted. An appeal is also filed before the Commissioner Appeals on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

The other matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 5,713 million (2010: Rs. 3,413 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

12.4.3 Barter Trade Agreements / Golden Handshake

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

	June 30 2011 (Un-audited)	December 31 2010 (Audited)
	----- (Rupees in '000) -----	
12.5 Commitments in respect of forward exchange contracts		
Purchase	96,565,729	98,499,566
Sale	57,274,267	60,773,315
12.6 Commitments in respect of trading with Govt. securities		
Purchase (Reverse Repo)	3,000,000	-
Sale	-	50,000
12.7 Other Commitments		
Cross Currency SWAP	6,135,896	6,135,896
Professional services to be received	134,509	166,216
12.8 Commitments for the acquisition of operating fixed assets	2,174,778	2,375,461

13. Other income includes Rs 946.794 million (Dec 31, 2010 Rs 1,846 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001

	Quarter Ended June 30 2011	Half Year Ended June 30 2011	Quarter Ended June 30 2010	Half Year Ended June 30 2010	
14. BASIC AND DILUTED EARNINGS PER SHARE					
Profit after taxation	(Rupees in '000)	3,859,138	8,132,903	3,636,258	7,878,733
Weighted average number of ordinary shares	(Number '000)	1,681,830	1,681,830	1,681,830	1,681,830
Basic and diluted earnings per share	(Rupees)	2.29	4.84	2.16	4.68

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage
	Rupees in '000							
Jun 30, 2011-Unaudited								
Total income	312,174	25,840,988	2,915,468	24,714,962	963,521	2,370,594	9,061	34,871
Inter segment revenue	-	(261,853)	5,940,848	(5,678,995)	-	-	-	-
Total expenses	2,074	24,592,463	7,919,634	10,772,632	644,752	1,478,019	8,108	31,226
Net income	310,100	986,672	936,682	8,263,335	318,769	892,575	953	3,646
Segment Assets - (Gross of NPLs Provisions)	-	8,052,719	175,523,878	850,989,616	-	13,870,180	192,573	363,169
Segment Non-Performing Loans	-	-	7,213,469	101,418,299	-	-	-	-
Segment Specific Provision Required	-	-	6,547,509	59,111,213	-	-	-	-
Segment Liabilities	-	598,248	238,654,826	664,768,126	-	15,300,590	48,325	89,482
Segment Return on Assets (ROA) (%)	0.00%	39.39%	7.26%	20.15%	0.00%	12.87%	0.25%	0.51%
Segment Cost of Fund (%)	0.00%	0.00%	4.58%	5.65%	0.00%	0.00%	0.18%	0.42%
Jun 30, 2010- Unaudited								
Total income	229,893	24,633,540	3,864,374	20,410,372	669,181	2,102,144	5,750	36,795
Inter segment revenue	-	(279,687)	4,851,104	(4,571,417)	-	-	-	-
Total expenses	518	22,841,632	6,857,999	8,491,539	584,481	1,430,234	5,066	31,066
Net income	229,375	1,512,221	1,857,479	7,347,416	84,700	671,910	684	5,729
Segment Assets - (Gross of NPLs Provisions)	-	12,892,215	149,620,613	837,447,057	-	10,123,359	185,913	350,095
Segment Non-Performing Loans	-	-	6,926,337	62,778,239	-	-	-	-
Segment Specific Provision Required	-	-	4,925,548	53,517,401	-	-	-	-
Segment Liabilities	-	7,434,656	202,831,641	682,081,260	-	-	44,415	81,909
Segment Return on Assets (ROA) (%)	0.00%	27.30%	15.18%	17.42%	0.00%	20.54%	0.19%	0.79%
Segment Cost of Fund (%)	0.00%	0.00%	3.66%	5.58%	0.00%	0.00%	0.17%	0.64%

16. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, joint ventures, employee benefit plans, and its key management personnel (including their associates). The details of investments in associated undertakings are stated in note 7 to these financial statements. Transactions between the Holding Company and its related parties are carried out under normal commercial term except employee staff loans and return on provident fund that are as per the agreed term. Transactions with related parties during the period are as under:

	2011			2010				
	At January 1	Given during the period	Repaid during the period	At June 30	At January 1	Given during the year	Repaid during the year	At December 31
	(Rupees in '000)							
Advances								
Key Management Executives	126,519	56,440	(7,645)	175,313	97,439	46,553	(17,473)	126,519
Associates	1,294,419	(19,850)		1,274,569	1,287,942	6,477	-	1,294,419
Debts due by Company in which Director is interested as Director	17,479,250	3,034,278	(1,643,043)	18,870,485	12,423,114	9,969,859	(4,913,723)	17,479,250
	<u>18,900,188</u>	<u>3,070,868</u>	<u>(1,650,688)</u>	<u>20,320,368</u>	<u>13,808,495</u>	<u>10,022,889</u>	<u>(4,931,196)</u>	<u>18,900,188</u>

	2011			2010				
	At January 1	Received during the period	Repaid during the period	At June 30	At January 1	Received during the year	Repaid during the year	At December 31
	(Rupees in '000)							
Deposits								
Key Management Executives	58,136	(187,744)	147,494	17,885	15,500	214,538	(171,902)	58,136
Pension Fund (Current)	5,037	(8,662)	8,619	4,994	405,351	9,798,211	(10,198,525)	5,037
Pension Fund (Fixed Deposit)	8,400,000	-	(1,300,000)	7,100,000	7,300,000	2,600,000	(1,500,000)	8,400,000
Provident Fund	8,909,272	26,708	532,942	9,468,923	7,448,100	3,093,222	(1,632,050)	8,909,272
	<u>17,372,445</u>	<u>(169,698)</u>	<u>(610,945)</u>	<u>16,591,802</u>	<u>15,168,951</u>	<u>15,705,971</u>	<u>(13,502,477)</u>	<u>17,372,445</u>

	June 30 2011	December 31 2010
	(Un-audited)	(Audited)
	(Rupees in '000)	
Placements with:		
Joint venture	-	264,591
Associates	23,332	23,332
Repo Borrowing from		
Subsidiaries	-	401,760
Associates	-	380,362
Other receivables from subsidiaries	46,030	-
Other payables from subsidiaries	6,832	929
	Half Year Ended June 30 2011	Half Year Ended June 30 2010
	(Un-audited)	(Un-audited)
	(Rupees in '000)	
Income for the period		
On advances / placements with:		
Joint Ventures	12	-
Key management executives	2,110	2,925
Debts Due by company in which a director of the bank is interested as director	1,306,913	725,789
Expenses for the period		
Remuneration to key management executives	273,968	230,362
Charge for defined benefit plan	68,492	11,774
Mark-up on Deposits of:		
Provident fund	890,149	835,387
Pension fund	468,351	304,693
Key management executives	2,093	525
Mark-up on Borrowing (Repo / Call) :		
Associate		2,923

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

17. ISLAMIC BANKING BUSINESS

The Bank is operating 8 (December 31, 2010: 8) Islamic banking branches as at June 30, 2011. The balance sheet and profit and loss account of such branches is as under:

	June 30 2011 (Unaudited)	December 31 2010 (Audited)
	----- (Rupees in '000) -----	
Balance Sheet		
ASSETS		
Cash and balances with treasury banks	207,709	157,726
Balances with and due from financial institutions	-	200,000
Investments	1,691,232	1,038,673
Financing / Receivables under:		
- Murabaha	778,910	278,398
- Diminishing Musharika	772,521	212,500
- Ijarah assets	448,313	417,920
- Other Islamic modes	-	94,513
Provision against non performing financings	(311,567)	(278,233)
Operating fixed assets	12,685	11,763
Due from Head Office	-	44,650
Other assets	72,926	47,993
Total Assets	3,672,729	2,225,903
LIABILITIES		
Bills payable	2,490	5,421
Deposits and other accounts	2,221,983	2,193,413
Due to Head Office	1,123,256	-
Other liabilities	53,698	36,186
	3,401,427	2,235,020
NET ASSETS	271,302	(9,117)
REPRESENTED BY		
Islamic Banking Fund	300,000	300,000
Unappropriated (loss)	(28,698)	(309,117)
	271,302	(9,117)
Profit and Loss Account		
Profit / return on financing and placements earned	242,874	81,239
Profit / return on deposit and other dues expensed	(129,067)	(21,873)
Net spread earned	113,807	59,366
Depreciation on assets given on ijarah	(64,365)	(32,176)
	49,442	27,190
Provision against advances and investments	(33,334)	-
(Loss) / Profit after provision	16,108	27,190
OTHER INCOME		
Fee, commission and brokerage income	1,762	1,541
Income from dealing in foreign currencies	109	151
Other income	276	12
Total other income	2,147	1,704
	18,255	28,894
OTHER EXPENSES		
Administrative expenses	(46,953)	(35,606)
Loss for the year	(28,698)	(6,712)

18. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue on August 18, 2011 by the Board of Directors of the Holding Company.

19. GENERAL

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

Chairman

President

Director

Director