

NATIONAL BANK OF PAKISTAN

Standalone Financial Statements

for

Half Year ended June 30, 2012

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, 2012. The Profit for the six months period ended June 30, 2012 after carry over of accumulated profit of 2011 is proposed to be appropriated as follows: -

	Rs. million
Net Profit before taxation for the six months period ended June 30, 2012	11,680
Taxation	
-Current year	4,645
-Prior year(s)	
-Deferred	(1,167)
	3,478
After tax profit	8,202
Un-appropriated profit brought forward	68,359
Transfer from surplus on revaluation of fixed assets –	53
Profit available for appropriation	76,614
Cash Dividend paid	(12,614)
Transfer to Statutory Reserve (10% of after tax profit)	(820)
Bonus shares issued	(1,682)
Un-appropriated profit carried forward	61,498

After tax profit increased to Rs 8.2 billion i.e. marginally higher from last year by 1.4%. Earning per share stands at Rs. 4.43 compare to Rs. 4.37 of corresponding period last year. Pre tax return on equity stands at 21.5% with pre tax return on assets at 2.0%.

Bank's net interest income remained under pressure and declined by Rs.1.6 billion from corresponding period last year due to reduction in discount rate and increase in minimum profit rate on deposits to 6% effective from May 2012, however this impact was to a certain extent offset through recoveries and balance sheet growth. Non interest markup income increased by Rs. 648 million or 6.7% compared to corresponding period last year mainly because of higher dividend and capital gains due to higher portfolio size. Expenses increased by 15% in line with inflation related salary increases and other overhead costs. Provision charge against advances show a reduction of Rs. 2,054 million or 44% mainly on account of lower fresh accretion and restructuring of certain corporate loans. Provision against investments during the quarter increased due to lower capital gain opportunities in the second quarter and certain reclassifications which did not have any incremental impact on the banks profitability. NPL's remained at March 2012 level suggesting fresh accretions being balanced through recoveries and de-classifications.

Deposits at Rs. 945 billion are Rs. 18 billion higher compared to year end December 2011. Compared to June 2011, increase in deposit is Rs.114 billion. Advances increased by Rs. 53.0 billion compared to year end December 2011 mainly in corporate, commodity and agriculture sector.

JCR VIS credit rating agency maintained banks AAA/A1+ standalone rating In June 2012. This ratings draws strength from the standalone financial profile of the bank, leading market share in deposits, adequate liquidity and capitalization levels.

During the year the bank received accolades from “The Banker” magazine terming NBP as the top bank of Pakistan in its `Top 1000 World Banks' ranking for 2012. Bank also received Top Corporate Finance House (Fixed Income) Award of the Year 2011", awarded by the "CFA Association of Pakistan" and “Max Factor of the year 2011/12” Award from Xpress money services Limited which is the third largest money transfer services provider in the world. The bank also received “Deal of the Year Award” from Banker’s magazine during the year for participation in wind energy project.

NBP continues to be a market leader in agriculture sector amongst commercial banks. The bank provides all types of agricultural financing and has special focus on this sector which we consider is the back bone of the country’s economy providing major support for rural uplift. The bank continues to contribute towards development of social sectors in the country with special emphasis on education, health and sports.

Going forward with fresh cut in the SBP discount rate by 150 bps effective and increase in minimum benchmark rate on all remunerative deposits from 5.0% p.a. to 6.0% p.a. will further put pressure on net interest margins which the bank plans to counter through volume increase, focused recoveries, austerity measures to curtail expenditure as well as exploring new venues for revenue streams.

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

On behalf of Board of Directors

Qamar Hussain
President
Date: August 16, 2012

National Bank of Pakistan

Unconsolidated Condensed Interim Statement of Financial Position (Un-Audited) As at June 30, 2012

		(Un-audited) June 30, 2012	(Audited) December 31, 2011
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		112,217,931	131,675,907
Balances with other banks		20,676,169	27,581,695
Lendings to financial institutions - net		30,369,414	44,380,396
Investments - net	7	304,665,295	319,531,213
Advances - net	8	578,206,413	525,045,764
Operating fixed assets	9	27,688,087	27,453,815
Deferred tax assets - net	10	8,123,182	7,935,497
Other assets		80,822,733	65,973,449
		1,162,769,224	1,149,577,736
LIABILITIES			
Bills payable		10,930,567	9,104,710
Borrowings from financial institutions		15,436,122	26,371,675
Deposits and other accounts	11	945,569,414	927,421,438
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		55,422	76,477
Deferred tax liabilities		-	-
Other liabilities		56,763,927	53,951,988
		1,028,755,452	1,016,926,288
NET ASSETS		134,013,772	132,651,448
REPRESENTED BY			
Share capital		18,500,114	16,818,285
Reserves		27,010,230	25,342,817
Unappropriated profit		61,498,282	68,358,910
		107,008,626	110,520,012
Surplus on revaluation of assets - net	12	27,005,146	22,131,436
		134,013,772	132,651,448
CONTINGENCIES AND COMMITMENTS		13	

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

Chairman / President

Director

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Profit and Loss Account - (Un-Audited)
For the quarter and half year ended June 30, 2012

	Quarter Ended June 30, 2012	Half Year Ended June 30, 2012	Quarter Ended June 30, 2011	Half Year Ended June 30, 2011
Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest earned	25,200,262	50,046,956	23,764,203	46,934,660
Mark-up / Return / Interest expensed	14,390,686	28,947,637	12,024,591	24,249,469
Net mark-up / Return / interest income	10,809,576	21,099,319	11,739,612	22,685,191
Provision against non-performing advances - net	1,604,332	2,569,237	3,234,147	4,623,432
Provision for diminution in value of investments - net	2,290,358	779,290	1,231,399	1,512,678
Provision against off-balance sheet obligations	-	-	-	-
Bad debts written off directly	-	-	-	-
	3,894,690	3,348,527	4,465,546	6,136,110
Net mark-up / interest income after provisions	6,914,886	17,750,792	7,274,066	16,549,081
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	2,623,906	4,729,784	2,913,162	5,133,010
Dividend income	515,296	1,292,016	211,134	594,507
Income from dealing in foreign currencies	731,782	1,525,698	794,081	1,425,988
Gain on sale and redemption of securities - net	1,681,251	1,869,177	1,217,727	1,654,592
Unrealized (loss) / gain on revaluation of investments classified as held-for-trading	(48,793)	(30,506)	9,618	(36,729)
Other income	1,047,026	1,092,364	1,027,891	1,059,578
Total non-mark-up / interest income	6,550,468	10,478,533	6,173,613	9,830,946
	13,465,354	28,229,325	13,447,679	26,380,027
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	8,643,446	16,544,960	7,804,976	14,370,157
Other provisions / write-offs	(42,519)	(8,646)	333,724	338,798
Other charges	9,257	13,064	2,628	12,035
Total non-mark-up / interest expenses	8,610,184	16,549,378	8,141,328	14,720,990
	4,855,170	11,679,947	5,306,351	11,659,037
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	4,855,170	11,679,947	5,306,351	11,659,037
Taxation - current	2,872,578	4,644,853	3,483,839	5,783,286
- prior year(s)	-	-	-	-
- deferred	(1,574,115)	(1,166,891)	(2,048,823)	(2,215,758)
	1,298,463	3,477,962	1,435,016	3,567,528
PROFIT AFTER TAXATION	3,556,707	8,201,985	3,871,335	8,091,509
Basic and diluted earnings per share (Rupees)	1.92	4.43	2.09	4.37

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

Chairman / President

Director

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the quarter and half year ended June 30, 2012

	Quarter ended June 30, 2012	Half Year ended June 30, 2012	Quarter ended June 30, 2011	Half Year ended June 30, 2011
----- (Rupees in '000') -----				
Profit after taxation	3,556,707	8,201,985	3,871,335	8,091,509
Other comprehensive income:				
Exchange adjustments on translation of net assets of foreign branches	616,546	847,214	358,407	391,696
Income tax relating to component of other comprehensive income	-	-	-	-
Other comprehensive income - net of tax	616,546	847,214	358,407	391,696
Comprehensive income transferred to equity	4,173,253	9,049,199	4,229,742	8,483,205
Components of comprehensive income not reflected in equity				
Surplus / (Deficit) on revaluation of investments	(7,072,702)	5,915,136	(223,344)	(231,058)
Deferred tax on revaluation of investments	804,384	(979,206)	(77,964)	(192,900)
	(6,268,318)	4,935,930	(301,308)	(423,958)
Total comprehensive income	(2,095,065)	13,985,129	3,928,434	8,059,247

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Chairman / President

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National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the quarter and half year ended June 30, 2012

Share Capital	Attributable to the Shareholders of the bank					Unappropriated Profit	Total
	Reserves				Revenue General		
	Capital			Statutory			
Exchange Translation	Reserve for Issue of Bonus Shares	Statutory	Revenue General		Unappropriated Profit	Total	
----- (Rupees in '000) -----							
Balance as at January 1, 2011	13,454,628	6,919,067	-	17,009,839	521,338	65,857,438	103,762,310
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 of Fixed Assets to unappropriated profit - net of tax	-	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
Balance as at July 1, 2011	16,818,285	7,310,763	-	17,818,990	521,338	59,741,093	102,210,469
Total Comprehensive Income for the period							
Profit after tax for the half year ended December 31, 2011	-	-	-	-	-	9,513,213	9,513,213
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	(1,259,595)	-	-	-	-	(1,259,595)
Transferred from Surplus on Revaluation of Fixed Assets to unappropriated profit - net of tax	-	(1,259,595)	-	-	-	9,513,213	8,253,618
Transfer to Statutory Reserve	-	-	-	951,321	-	(951,321)	-
Balance as at December 31, 2011	16,818,285	6,051,168	-	18,770,311	521,338	68,358,910	110,520,012
Balance as at January 1, 2012	16,818,285	6,051,168	-	18,770,311	521,338	68,358,910	110,520,012
Total Comprehensive Income for the period							
Profit after tax for the half year ended June 30, 2012	-	-	-	-	-	8,201,985	8,201,985
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	847,214	-	-	-	-	847,214
	-	847,214	-	-	-	8,201,985	9,049,199
Transferred from Surplus on Revaluation of Fixed Assets	-	-	-	-	-	53,129	53,129
Transfer to Statutory Reserve	-	-	-	820,199	-	(820,199)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (10%)	1,681,829	-	-	-	-	(1,681,829)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,613,714)	(12,613,714)
	1,681,829	-	-	-	-	(14,295,543)	(12,613,714)
Balance as at June 30, 2012	18,500,114	6,898,382	-	19,590,510	521,338	61,498,282	107,008,626

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

Chairman / President

Director

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Director

National Bank of Pakistan
Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)
For the quarter and half year ended June 30, 2012

	Half Year Ended June 30, 2012	Half Year Ended June 30, 2011
	----- (Rupees in '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,679,947	11,659,037
Less: Dividend income	1,292,016	594,507
	10,387,931	11,064,530
Adjustments		
Depreciation	668,074	583,076
Provision against non-performing loans and advances	2,569,237	4,623,432
Provision for diminution in value of investments	779,290	1,512,678
Provision against off-balance sheet obligations	-	-
Other provision / Write-off	(8,646)	338,798
Gain on sale of fixed assets	(27,233)	(8,147)
Financial charges on leased assets	6,482	9,116
	3,987,204	7,058,953
	14,375,135	18,123,483
(Increase) / Decrease in operating assets		
Lendings to financial institutions	14,010,982	12,264,849
Held-for-trading securities	9,320,571	1,752,600
Advances	(55,729,886)	(30,515,235)
Other assets	(3,871,436)	(9,302,280)
	(36,269,769)	(25,800,066)
Increase / (Decrease) in operating liabilities		
Bills payable	1,825,857	7,040,499
Borrowings	(10,732,173)	6,232,013
Deposits and other accounts	18,147,976	(1,290,045)
Other liabilities (excluding current taxation)	2,709,797	341,701
	11,951,457	12,324,168
Income tax paid	(15,634,233)	(16,427,660)
Financial charges paid	(6,482)	(9,116)
	(15,640,715)	(16,436,776)
	(25,583,892)	(11,789,191)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	31,908,048	25,690,866
Proceeds from held-to-maturity securities	337,154	857,471
Investments in associates and subsidiaries	(21,552,922)	(100,000)
Dividend received	1,292,016	594,507
Investments in operating fixed assets	(902,346)	(1,594,811)
Sale proceeds of operating fixed assets disposed off	27,233	8,147
Net cash generated from investing activities	11,109,183	25,456,180
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(21,055)	(22,655)
Dividend paid	(12,511,572)	(10,063,345)
Net cash used in financing activities	(12,532,627)	(10,086,000)
Effects of exchange rate changes on cash and cash equivalents	847,214	391,696
Net Increase in cash and cash equivalents	(26,160,122)	3,972,685
Cash and cash equivalents at beginning of the half year	158,883,208	145,294,950
Cash and cash equivalents at the end of the half year	132,723,086	149,267,635

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

Chairman / President

Director

Director

Director

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the quarter and half year ended June 30, 2012

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. 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 1,277 (2011: 1,266) branches in Pakistan and 23 (2011: 23) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

2. STATEMENT OF COMPLIANCE

- 2.1** These unconsolidated condensed interim financial statements of the Bank for the half year ended June 30, 2012 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 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, 2011.
- 2.4** On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs. The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and Non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive 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.

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the quarter and half year ended June 30, 2012

Had the exemption not been granted, the staff costs of the Bank for the period would have been higher by Rs. 562 million (June 30, 2011: Rs. 579 million), profit before taxation would have been lower by Rs. 562 million (June 30, 2011: Rs. 579 million), un-appropriated profit would have been lower by Rs. 3,256 million (June 30, 2011: Rs. 2,176 million) and reserves would have been higher by Rs. 3,256 million (June 30, 2011: Rs. 2,176 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.304 per share (June 30, 2011: Rs. 0.309 per share).

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

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011 other than as disclosed in note 4.3 below.

- 4.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2011.

4.3 New standards, interpretations and amendments thereof, adopted by the Bank

During the period, the following amended accounting standard has been adopted by the Bank:

Standard or interpretation	Effective date (annual periods beginning on or after)
IAS 12 Income Taxes (Amendment) - Recovery of underlying assets	January 01, 2012

Adoption of the above standard did not have any material effect on the unconsolidated condensed interim financial statements.

5 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

6. FINANCIAL RISK MANAGEMENT

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

National Bank of Pakistan
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the quarter and half year ended June 30, 2012**
7. INVESTMENTS - net

	(Un-Audited) June 30, 2012			(Audited) December 31, 2011		
	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	3,296,670	-	3,296,670	13,042,925	-	13,042,925
Pakistan Investment Bonds	47,055	-	47,055	97,727	-	97,727
Ordinary Shares of Listed companies	865,130	-	865,130	388,774	-	388,774
Ijarah Sukuk Bonds	20,000	-	20,000	20,000	-	20,000
Total held-for-trading securities	4,228,855	-	4,228,855	13,549,426	-	13,549,426
Available- for- sale securities						
Ordinary shares of listed companies	30,667,503	-	30,667,503	27,801,608	-	27,801,608
Ordinary shares of unlisted companies	1,065,173	-	1,065,173	1,065,173	-	1,065,173
	31,732,676	-	31,732,676	28,866,781	-	28,866,781
Market Treasury Bills	124,669,217	1,924,136	126,593,353	159,199,048	10,971,238	170,170,286
Preference Shares	886,924	-	886,924	285,260	-	285,260
Pakistan Investment Bonds	39,316,701	-	39,316,701	38,097,048	-	38,097,048
GoP Foreign Currency Bonds	3,799,006	-	3,799,006	3,484,334	-	3,484,334
Foreign Currency Debt Securities	5,690,191	-	5,690,191	5,362,824	-	5,362,824
Term Finance Certificates / Musharika and Sukuk Bonds	27,711,288	-	27,711,288	19,536,942	-	19,536,942
Investments in mutual funds	1,962,006	-	1,962,006	1,831,543	-	1,831,543
Investments outside Pakistan	463,295	-	463,295	463,295	-	463,295
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,032,755	-	1,032,755	1,032,755	-	1,032,755
Total available- for- sale securities	237,864,059	1,924,136	239,788,195	258,759,830	10,971,238	269,731,068
Held-to-maturity securities						
Pakistan Investment Bonds	23,692,068	-	23,692,068	24,105,281	-	24,105,281
GoP Foreign Currency Bonds	568,198	-	568,198	534,046	-	534,046
Foreign Government Securities	976,657	-	976,657	793,296	-	793,296
Foreign Currency Debt Securities	126,057	-	126,057	120,272	-	120,272
Certificates & Term Finance Certificates	1,977,933	-	1,977,933	2,125,567	-	2,125,567
Total held-to-maturity securities	27,340,913	-	27,340,913	27,678,462	-	27,678,462
Investments in Associates	27,716,513	-	27,716,513	7,117,374	-	7,117,374
Investments in Joint Ventures	1,244,835	-	1,244,835	1,244,835	-	1,244,835
Investments in Subsidiaries	4,406,750	-	4,406,750	3,452,967	-	3,452,967
Investments at cost	302,801,925	1,924,136	304,726,061	311,802,894	10,971,238	322,774,132
Less: Provision for diminution in value of investments	(12,823,846)	-	(12,823,846)	(10,080,358)	-	(10,080,358)
Investments (net of Provisions)	289,978,079	1,924,136	291,902,215	301,722,536	10,971,238	312,693,774
Unrealized (loss) / gain on revaluation of investments classified as held-for-trading	(30,506)	-	(30,506)	(41,011)	-	(41,011)
Surplus / (deficit) on revaluation of available-for-sale securities	12,792,146	1,440	12,793,586	6,822,246	56,204	6,878,450
Total investments	302,739,719	1,925,576	304,665,295	308,503,771	11,027,442	319,531,213

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		(Un-audited) June 30, 2012	(Audited) December 31, 2011
	Note	----- (Rupees in '000') -----	
7.2 Particulars of provision for diminution in value of investments			
Opening balance		10,080,358	6,720,091
Charge for the year		1,667,928	3,944,886
Reversals		(888,638)	(807,118)
		779,290	3,137,768
Transfer in		1,965,175	223,081
Amount written off		(977)	(582)
Closing balance	7	<u>12,823,846</u>	<u>10,080,358</u>

7.3 During the year, the Bank has made investments in NAFA Money Market Fund and NAFA Financial Sector Income Fund amounting to Rs. 20,000 million and Rs. 1,000 million respectively.

8. ADVANCES - net

Loans, cash credits, running finances, etc.

In Pakistan	568,948,578	518,915,140
Outside Pakistan	47,779,302	46,494,802
	<u>616,727,880</u>	<u>565,409,942</u>

Bills discounted and purchased (excluding Government treasury bills)

Payable in Pakistan	12,008,272	11,718,036
Payable outside Pakistan	17,689,959	15,237,920
	<u>29,698,231</u>	<u>26,955,956</u>

Advances - gross

646,426,111

592,365,898

Less: Provision against non-performing loans - specific
- general

8.1

(64,660,083)

(63,476,311)

(3,559,615)

(3,843,823)

(68,219,698)

(67,320,134)

Advances - net of provision

578,206,413

525,045,764

8.1 Advances include Rs. 92,024 million (December 31, 2011: Rs. 88,161 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2012 (Un-Audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	1,140,348	-	1,140,348	-	-
Substandard	10,281,401	1,021,996	11,303,397	2,299,705	2,299,705
Doubtful	4,394,119	349,691	4,743,810	2,158,623	2,158,623
Loss	72,187,436	2,648,544	74,835,980	60,201,755	60,201,755
	<u>88,003,304</u>	<u>4,020,231</u>	<u>92,023,535</u>	<u>64,660,083</u>	<u>64,660,083</u>
	December 31, 2011 (Audited)				
Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000') -----				
Other Assets Especially Mentioned	622,297	-	622,297	-	-
Substandard	5,606,741	365,295	5,972,036	1,130,285	1,130,285
Doubtful	12,284,111	908,853	13,192,964	4,319,583	4,319,583
Loss	65,939,496	2,433,929	68,373,425	58,026,443	58,026,443
	<u>84,452,645</u>	<u>3,708,077</u>	<u>88,160,722</u>	<u>63,476,311</u>	<u>63,476,311</u>

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8.2 Particulars of provision against non-performing advances

	June 30, 2012 (Un-Audited)			December 31, 2011 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	63,476,311	3,843,823	67,320,134	57,337,200	3,765,432	61,102,632
Exchange adjustments	38,895	21,607	60,502	(33,992)	(1,570)	(35,562)
Charge for the period	4,338,141	116,473	4,454,614	9,790,721	258,277	10,048,998
Reversals	(1,463,089)	(422,288)	(1,885,377)	(3,669,324)	(178,316)	(3,847,640)
	2,875,052	(305,815)	2,569,237	6,121,397	79,961	6,201,358
Transfer (out) / in	(1,965,175)	-	(1,965,175)	478,202	-	478,202
Write offs	-	-	-	(256,574)	-	(256,574)
Other adjustments	235,000	-	235,000	(169,922)	-	(169,922)
Closing balance	64,660,083	3,559,615	68,219,698	63,476,311	3,843,823	67,320,134

8.2.1 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances. During the period, total FSV benefit availed by the Bank resulted in increase in after tax profit of Rs. 381.664 million. Accordingly, as of June 30, 2012, the accumulated increase in profit after tax of Rs. 5,159 million (December 31, 2011: Rs. 5,039 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

8.2.2 General provision against consumer loans represents provision maintained at an amount ranging from 1.5% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP. In addition, management in the previous year reviewed recoverability of loans in certain sectors with particular reference to history of default and current economic conditions. Based on this review, in addition to specific provision made in accordance with the prudential regulations, a general provision has been made for possible risk of losses in respect of such sectors aggregating Rs. 1,116 million (December 31, 2011: Rs. 1,538 million).

8.2.3 During the period, State Bank of Pakistan has allowed specific relaxation from the provisioning requirement of Prudential Regulation R-8. Had this relaxation not been given the profit after tax for the period ended June 30, 2012 would have been lower by Rs. 4,583 million.

(Un-audited)	(Audited)
June 30,	December 31,
2012	2011
----- (Rupees in '000') -----	

9. OPERATING FIXED ASSETS

Capital work-in-progress	2,623,614	2,489,641
Property and equipment	25,008,073	24,892,380
Intangible assets	56,400	71,794
	27,688,087	27,453,815

9.1 Additions and disposals during the period amounted to Rs. 763.987 million (June 30, 2011: Rs. 913.316 million) and Rs. 59.778 million (June 30, 2011: Rs. 10.797 million), respectively.

10. DEFERRED TAX ASSETS - net

Deferred tax assets arising in respect of

Provision for diminution in the value of investments	2,957,642	2,684,890
Provision against non-performing advances	6,271,710	6,424,530
Other provisions	518,199	521,225
Charge against defined benefits plans	1,492,726	1,468,297
Unrealised loss on derivatives	992,690	-
Provision against off-balance sheet obligations	116,622	116,622
	12,349,589	11,215,564

Deferred tax (liabilities) arising in respect of

Excess of accounting book value of leased assets over lease liabilities	(12,982)	(12,502)
Difference between accounting book value of fixed assets and tax base	(294,584)	(299,322)
Revaluation of securities	(2,794,121)	(1,814,915)
Revaluation of fixed assets	(1,124,720)	(1,153,328)
	(4,226,407)	(3,280,067)
Net deferred tax assets	8,123,182	7,935,497

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	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- (Rupees in '000') -----	
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	198,094,151	257,375,642
Savings deposits	259,719,516	232,868,076
Current accounts - remunerative	91,864,660	80,724,968
Current accounts - non-remunerative	228,486,664	214,069,549
	778,164,991	785,038,235
Financial Institutions		
Remunerative deposits	81,789,731	65,183,827
Non-remunerative deposits	85,614,692	77,199,376
	167,404,423	142,383,203
	945,569,414	927,421,438
12. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets - net of tax	17,005,681	17,067,901
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government Securities	(139,439)	500,745
Term Finance Certificates	(1,646)	(74,545)
Shares and mutual funds	2,706,524	(338,799)
Gop Foreign Currency Bonds	141,549	(119,692)
Foreign Currency Debt Securities	165,312	(121,529)
NI(U)T Non-LoC Units	75,524	(21,809)
NIT Equity Market Opportunity Fund Units	779,186	402,853
Investments outside Pakistan	9,066,576	6,651,226
	12,793,586	6,878,450
Deferred tax liability	(2,794,121)	(1,814,915)
	27,005,146	22,131,436
13. CONTINGENCIES AND COMMITMENTS		
13.1 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:		
- Government	3,558,279	3,677,940
- Financial institutions	5,187,261	5,361,703
- Others	20,886,482	21,588,873
	29,632,022	30,628,516

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13.2 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, 2012	(Audited) December 31, 2011
----- (Rupees in '000') -----		
- Government	16,360,052	14,457,548
- Financial institutions	11,118,621	9,825,641
- Others	15,030,829	13,282,900
	42,509,502	37,566,089

13.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	45,224,636	47,591,186
- Financial institutions	562	591
- Others	115,801,206	121,860,942
	161,026,404	169,452,719

13.4 Other contingencies

13.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 185 million (2011: Rs.178 million) and claims relating to former Mehran Bank Limited amounting to Rs. 965 million (2011: Rs. 965 million)].

9,027,971	8,704,944
------------------	-----------

13.4.2 Taxation

The income tax returns of the Bank for global operations and for Azad Jammu Kashmir have been filed under section 120 of the Income Tax Ordinance, 2001 upto the tax year 2011 (accounting year ended December 31, 2010) and amended by the Taxation Officer under section 122(5A) of the Income Tax Ordinance, 2001 upto the tax year 2011 (accounting year ended December 31, 2010).

During the period, taxation authorities have further amended the assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2006, 2009 and 2010 raising aggregate demand of Rs. 3.7 billion. The additions are mainly on account of reversals of provisions of bad debts which in the view of the Bank has already been offered for tax in the respective years of reversal. The Bank has filed appeal before Commissioner Inland Revenue Appeal, the hearing of which has not been fixed as yet. The tax authorities have also rectified monitoring orders under section 161/205 of the Income Tax Ordinance, 2001 providing relief to the extent of Rs. 690 million. The remaining challans are still in process of verification. An appeal has also been filed before the Appellate Tribunal of Inland Revenue on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

In addition to above, the other matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 8,601 million (2011: Rs. 5,406 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

13.4.3 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2011.

13.4.4 Fine imposed by Competition Commission of Pakistan

A fine of Rs. 50 million was imposed by Competition Commission of Pakistan ("the Commission") on the Bank on account of uncompetitive behaviour and imposition of uniform cost on cash withdrawal from ATM transactions. The Bank alongwith other banks have filed a constitutional petition before High Court of Sindh, which has suspended the order of Commission till next hearing date.

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	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- (Rupees in '000') -----	
13.5 Commitments in respect of forward exchange contracts		
Purchase	212,654,184	160,587,401
Sale	122,287,520	106,748,426
13.6 Commitments in respect of forward trading of government securities		
Purchase	-	2,000,000
13.7 Other Commitments		
Cross currency swap	2,631,506	3,410,259
Professional services to be received	84,158	147,669
13.8 Commitments for the acquisition of operating fixed assets		
	1,416,184	1,643,221
14. Other income includes Rs. 984.930 million (June 30, 2011: Rs. 946.794) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.		

15. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-Audited) Quarter ended June 30, 2012	(Un-Audited) Half Year ended June 30, 2012	(Un-Audited) Quarter ended June 30, 2011	(Un-Audited) Half Year ended June 30, 2011
Profit after taxation (Rupees in '000)	3,556,707	8,201,985	3,871,335	8,091,509
Weighted average number of ordinary shares (in '000)	1,850,011	1,850,011	1,850,011	1,850,011
Basic and diluted earnings per share (Rupees)	1.92	4.43	2.09	4.37

16. 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, 2012 - Unaudited							
Total income	276,183	894,774	3,482,077	23,586,580	771,988	2,566,249	31,577,851
Inter segment revenue	-	(353,673)	6,662,080	(6,308,407)	-	-	-
Total expenses	9,475	28,592	9,149,509	8,109,125	719,582	1,881,621	19,897,904
Net income	266,708	512,509	994,648	9,169,048	52,406	684,628	11,679,947
Segment assets (Gross)	-	27,452,495	194,464,091	923,664,477	-	17,188,162	1,162,769,224
Segment non - performing loans	-	-	8,041,566	83,981,969	-	-	92,023,535
Segment provision required	-	-	6,741,189	61,478,509	-	-	(68,219,698)
Segment liabilities	-	-	260,249,081	757,216,838	-	11,289,533	1,028,755,452
Segment return on assets (ROA) (%)	0.00%	10.47%	1.16%	2.03%	0.00%	11.85%	
Segment cost of funds (%)	0.00%	0.00%	5.33%	6.66%	0.00%	0.00%	
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	2,074	39,989	7,919,634	10,772,632	644,752	1,478,019	20,857,100
Net income	310,100	937,576	936,682	8,263,335	318,769	892,575	11,659,037
Segment assets (Gross)	-	4,792,023	175,523,878	850,989,616	-	13,870,180	1,045,175,697
Segment non - performing loans	-	-	7,213,469	101,418,299	-	-	108,631,768
Segment provision required	-	-	6,547,509	59,111,213	-	-	65,658,722
Segment liabilities	-	-	238,654,826	664,768,126	-	15,300,590	918,723,542
Segment return on assets (ROA) (%)	0.00%	39.39%	7.26%	20.15%	0.00%	12.87%	
Segment cost of funds (%)	0.00%	0.00%	4.58%	5.65%	0.00%	0.00%	

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17. 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.

	2012 - Un audited				2011 - Audited			
	At January 01, 2012	Given during the half year	Repaid during the half year	At June 30, 2012	At January 01, 2011	Given during the year	Repaid during the year	At December 31, 2011
----- (Rupees in '000) -----								
Advances								
Key Management Executives	82,110	8,000	(18,028)	72,082	88,178	10,700	(16,768)	82,110
Subsidiaries	330,414	547,793	(39,875)	838,332	466,787	-	(136,373)	330,414
Associates	1,281,029	-	(42,849)	1,238,180	1,294,419	-	(13,390)	1,281,029
Debts due by Company in which director is interested as director	10,007,468	54,261	(44,749)	5,878,983	9,564,548	1,635,668	(1,192,748)	10,007,468
* Adjustment	(4,137,997)	-	-	-	-	-	-	-
	5,869,471	54,261	(44,749)	5,878,983	9,564,548	1,635,668	(1,192,748)	10,007,468
	7,563,024	610,054	(145,501)	8,027,577	11,413,932	1,646,368	(1,359,279)	11,701,021

	2012 - Un audited				2011 - Audited			
	At January 01, 2012	Received during the half year	Repaid during the half year	At June 30, 2012	At January 01, 2011	Received during the year	Repaid during the year	At December 31, 2011
----- (Rupees in '000) -----								
Deposits								
Subsidiaries	329,897	96,441	(213,510)	212,828	292,977	36,920	-	329,897
Key Management Executives	14,750	142,884	(137,547)	20,087	58,300	217,213	(260,763)	14,750
Pension Fund (Current)	5,856	22,080,599	(22,081,441)	5,014	5,037	30,056	(29,237)	5,856
Pension Fund (Fixed Deposit)	16,100,000	3,000,000	(15,000,000)	4,100,000	8,400,000	10,200,000	(2,500,000)	16,100,000
Provident Fund	10,224,455	1,295,971	(681,206)	10,839,220	8,909,272	2,281,333	(966,150)	10,224,455
	26,674,958	26,615,895	(38,113,704)	15,177,149	17,665,586	12,765,522	(3,756,150)	26,674,958

* Adjustment due to retirement / appointment of directors and changes in key management executives

	Un-audited June 30, 2012	Audited December 31, 2011
---(Rupees in '000') ---		
Placements with:		
Subsidiary	-	8,374
Joint venture	482,133	614,100
Associates	1,770	23,332
Repo lendings to:		
Pension Fund	76,897	66,093
	-	9,999,998
Borrowing from:		
Joint Ventures	31,041	78,063
Other receivables from subsidiaries	-	46,796
Other payables to subsidiaries	-	5,414

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	Un-audited June 30, 2012	Un-audited June 30, 2011
	---(Rupees in '000') ---	
Income for the half year		
On advances / placements with:		
Subsidiaries	27,545	12
Joint Venture	2,063	-
Key management executives	1,734	2,110
Debts due by company in which a director of the Bank is interested as director	391,168	1,306,913
On Reverse Repo / Lendings with:		
Subsidiaries	5,182	-
Expenses for the half year		
Remuneration to key management executives	129,916	217,152
Charge for defined benefit plan	9,154	13,710
Mark-up on Deposits of:		
Subsidiaries	3,010	5,050
Provident fund	918,539	890,149
Pension fund	217,815	468,351
Key management executives	949	2,093
Commission paid to subsidiaries	2,618	2,493
Mark-up on Borrowing (Repo / Call):		
Subsidiaries	-	1,271
Joint Ventures	653	-
Associate	-	2,923

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

18. ISLAMIC BANKING BUSINESS

The Bank is operating 8 (December 31, 2011: 8) Islamic banking branches as at June 30, 2012. Statement of financial position and profit and loss account is as under:

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	87,574	141,873
Balances with and due from financial institutions	-	-
Investments	1,429,191	1,557,399
Financing / Receivables under:		
- Murabaha	588,400	658,310
- Diminishing Musharika	674,100	723,313
- Ijarah assets	299,399	372,408
- Other Islamic modes	-	-
Provision against non-performing financings	(194,366)	(192,874)
Operating fixed assets	11,067	11,613
Due from Head Office	-	-
Other assets	86,329	111,182
	2,981,694	3,383,224
Liabilities		
Bills Payable	3,289	9,385
Deposits and other accounts	1,385,706	1,519,844
Due to Head Office	1,254,154	1,433,810
Other liabilities	41,786	48,650
	2,684,935	3,011,689
Net Assets	296,759	371,535
Represented By		
Islamic Banking Fund	300,000	300,000
Accumulated (loss) / profit	(3,241)	71,535
	296,759	371,535

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	(Un-audited) June 30, 2012	(Un-audited) June 30, 2011
	----- (Rupees in '000) -----	
PROFIT AND LOSS ACCOUNT		
Profit / Return earned on financings, investments and placements	241,123	242,874
Profit / Return expensed on deposit	119,586	129,067
Net spread earned	121,537	113,807
Depreciation on assets given on ijarah	(70,049)	(64,365)
	51,488	49,442
Provision against advances and investments	(39,157)	(33,334)
Provision reversed against advances and investments	37,666	-
	(1,491)	(33,334)
(Loss) / Profit after provision	49,997	16,108
Other income		
Fee, commission and brokerage income	1,843	1,762
Income from dealing in foreign currencies	(1)	109
Other income	-	276
Total other income	1,842	2,147
	51,839	18,255
Other expenses		
Administrative expenses	(55,080)	(46,953)
Loss before taxation	(3,241)	(28,698)
Unconsolidated Cash Flow Statement		
For the half year ended June 30, 2012		
	(Un-audited) June 30, 2012	(Un-audited) June 30, 2011
	----- (Rupees in '000) -----	
Cash Flow from Operating Activities		
(Loss) for the period	(3,241)	(28,698)
Adjustments :		
Depreciation - Own assets	810	704
Depreciation - Ijarah assets	70,049	64,365
Provision against non performing financings	1,491	33,334
	72,350	98,403
	69,110	69,705
(Increase) / Decrease in operating assets		
Due from Financial Institutions	-	200,000
Financings	250,291	(1,713,337)
Other assets	24,853	(24,933)
	275,144	(1,538,270)
(Increase) / Decrease in operating liabilities		
Bills payable	(6,096)	(2,931)
Deposits and other accounts	(134,138)	28,570
	(251,191)	1,475,397
Other liabilities	(6,863)	17,512
	(398,288)	1,518,548
Net cash (used in) / generated from operating activities	(54,034)	49,983
Cash Flow from Investing Activities		
Investment in operating fixed assets	(265)	-
Net cash used in investing activities	(265)	-
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
(Decrease) / Increase in cash and cash equivalents	(54,299)	49,983
Cash and cash equivalents at beginning of the half year	141,873	157,726
Cash and cash equivalents at the end of the half year	87,574	207,709

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the quarter and half year ended June 30, 2012

19. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated condensed interim financial statements were authorized for issue on August 16, 2012 by the Board of Directors of the Bank.

20. GENERAL

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

Chairman / President

Director

Director

Director

NATIONAL BANK OF PAKISTAN

Consolidated Financial Statements

for

Half Year ended June 30, 2012

National Bank of Pakistan
Consolidated Condensed Interim Statement of Financial Position
As at June 30, 2012

		(Un-Audited) June 30 2012	(Audited) December 31 2011
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and Balances with Treasury Banks		112,574,183	131,843,316
Balances with other Banks		21,223,873	28,070,350
Lendings to Financial Institutions		30,369,414	43,973,532
Investments - Net	7	304,730,475	319,429,370
Advances - Net	8	581,486,341	528,179,115
Operating Fixed Assets - Net	9	29,364,728	29,069,116
Deferred Tax Assets	10	8,160,948	7,948,436
Other Assets		81,911,537	66,544,193
		1,169,821,499	1,155,057,428
LIABILITIES			
Bills Payable		10,930,567	9,104,710
Borrowings		16,363,170	27,402,330
Deposits and other Accounts	11	946,127,713	927,410,553
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		67,435	92,739
Deferred Tax Liabilities		-	-
Other Liabilities		57,423,484	55,015,649
		1,030,912,369	1,019,025,981
NET ASSETS			
		138,909,130	136,031,447
REPRESENTED BY			
Share Capital		18,500,116	16,818,285
Reserves		28,267,781	26,206,507
Unappropriated Profit		63,947,679	69,717,283
		110,715,576	112,742,076
Minority Interest		760,794	727,356
		111,476,370	113,469,432
Surplus on Revaluation of Assets - net	12	27,432,760	22,562,015
		138,909,130	136,031,447
CONTINGENCIES AND COMMITMENTS			
	13		

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)
For the Quarter & Half Year ended June 30, 2012

	Quarter Ended June 30 2012	Half Year Ended June 30 2012	Quarter Ended June 30 2011	Half Year Ended June 30 2011
Note		-----	(Rupees in '000)	-----
Mark-up / Return / Interest Earned	25,232,643	50,531,681	23,850,532	47,111,745
Mark-up / Return / Interest Expensed	14,377,126	28,993,467	12,025,058	24,250,028
Net Mark-up / Interest Income	<u>10,855,517</u>	<u>21,538,214</u>	<u>11,825,474</u>	<u>22,861,718</u>
Provision against Non-Performing Loans & Advances	1,610,183	2,569,237	3,234,147	4,623,432
Provision for Diminution in the Value of Investments	2,290,358	779,290	1,231,399	1,512,678
Provision against Off Balance Sheet Obligations	-	-	-	-
Bad Debts Written Off Directly	-	-	-	-
	<u>3,900,541</u>	<u>3,348,527</u>	<u>4,465,546</u>	<u>6,136,110</u>
Net Mark-up / Interest Income after Provisions	<u>6,954,976</u>	<u>18,189,687</u>	<u>7,359,928</u>	<u>16,725,608</u>
NON MARK-UP / INTEREST INCOME				
Fee, Commission & Brokerage Income	2,786,608	5,006,538	3,000,217	5,309,532
Dividend income	515,296	1,292,016	211,134	594,507
Income from Dealing In Foreign Currencies	761,888	1,569,915	807,489	1,452,307
Gain / (Loss) on Sale of Securities	1,681,251	1,869,177	1,207,147	1,654,592
Unrealized Gain / (Loss) on Revaluation of Investments Classified as Held-for-Trading	(48,793)	(30,506)	9,618	(36,729)
Share of Profit/ (Loss) from Joint Ventures	16,956	23,395	(8,277)	(10,948)
Share of Profit/ (Loss) from Associates	763,730	938,725	(1,875)	10,570
Other income	1,037,342	1,106,294	1,046,960	1,076,064
Total non mark-up / interest income	<u>7,514,277</u>	<u>11,775,554</u>	<u>6,272,413</u>	<u>10,049,894</u>
	<u>14,469,254</u>	<u>29,965,241</u>	<u>13,632,341</u>	<u>26,775,502</u>
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	8,807,174	17,156,413	7,990,409	14,708,065
Other provisions / write offs	(59,342)	(8,646)	334,101	342,670
Other charges	9,257	13,064	2,628	12,035
Total non mark-up / interest expenses	<u>8,757,089</u>	<u>17,160,831</u>	<u>8,327,138</u>	<u>15,062,770</u>
	<u>5,712,164</u>	<u>12,804,410</u>	<u>5,305,203</u>	<u>11,712,732</u>
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	<u>5,712,164</u>	<u>12,804,410</u>	<u>5,305,203</u>	<u>11,712,732</u>
Taxation - Current	2,864,122	4,644,853	3,495,559	5,796,257
- Prior year(s)	-	-	-	-
- Deferred	(1,573,945)	(1,166,891)	(2,049,493)	(2,216,428)
	<u>1,290,178</u>	<u>3,477,962</u>	<u>1,446,066</u>	<u>3,579,829</u>
PROFIT AFTER TAXATION	<u>4,421,986</u>	<u>9,326,448</u>	<u>3,859,138</u>	<u>8,132,903</u>
Share Holders of the Bank	4,401,636	9,293,009	3,872,577	8,151,258
Minority Interest	20,351	33,439	(13,439)	(18,355)
	<u>4,421,986</u>	<u>9,326,448</u>	<u>3,859,138</u>	<u>8,132,903</u>
Basic and Diluted Earnings per Share (Rupees)	<u>15</u> <u>2.39</u>	<u>5.04</u>	<u>2.09</u>	<u>4.40</u>

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan

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

For the Quarter & Half Year ended June 30, 2012

	Quarter Ended June 30 2012	Half Year Ended June 30 2012	Quarter Ended June 30 2011	Half Year Ended June 30 2011
	----- (Rupees in '000) -----			
Profit after taxation for the period	4,421,986	9,326,448	3,859,138	8,132,903
Other comprehensive income:				
Exchange adjustments on translation of net assets of foreign branches Subsidiary, & Joint Venture	736,680	1,241,075	366,072	616,085
Income tax relating to component of other comprehensive income	-	-	-	-
	736,680	1,241,075	366,072	616,085
Comprehensive income transferred to equity	<u>5,158,666</u>	<u>10,567,523</u>	<u>4,225,211</u>	<u>8,748,988</u>
Comprehensive Income attributable to :				
Share Holders of the Bank	5,138,315	10,534,084	4,238,650	8,767,343
Non-Controlling Interest	20,351	33,439	(13,439)	(18,355)
	<u>5,158,666</u>	<u>10,567,523</u>	<u>4,225,211</u>	<u>8,748,988</u>
Components of comprehensive income not reflected in equity				
Suplus on revaluation of investments	(229,189)	5,939,766	(229,189)	242,408
Deferred tax on revaluation of investments	(77,964)	(979,206)	(77,964)	192,900
	(307,153)	4,960,560	(307,153)	435,308
Total comprehensive income	<u>4,851,513</u>	<u>15,528,083</u>	<u>3,918,058</u>	<u>9,184,296</u>

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the Half Year ended June 30, 2012

	Share capital	Attributable to the shareholders of the bank					Sub Total	Non Controlling Interest	Total
		Reserves				Unappropriated profit			
		Exchange Translation	Capital		Revenue General				
Bonus Shares Issue	Statutory								
(Rupees in '000)									
Balance as at January 1, 2011	13,454,629	7,507,201	-	17,100,886	521,338	67,103,611	105,687,664	498,076	106,185,740
FNBM consolidation								219,804	
Total Comprehensive Income for the period									
Profit after tax for the half year ended June 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)	8,748,989
Transferred from Surplus on Revaluation of operating fixed assets	-	-	-	-	-	55,928	55,928	-	55,928
Transfer to Statutory Reserve	-	-	-	809,151	-	(809,151)	-	-	-
Transactions with Owners, recorded directly in equity									
Transfer for issue of bonus shares	-	3,363,657				(3,363,657)			
Issue of Bonus shares (25%)	3,363,657	(3,363,657)							
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(10,090,971)	(10,090,971)	-	(10,090,971)
	-	-	-	-	-	(13,454,628)	(10,090,971)		(10,090,971)
Balance as at June 30, 2011	16,818,286	8,123,286	-	17,910,037	521,338	61,047,019	104,419,964	699,525	104,899,686
Balance as at July 1, 2011	16,818,286	8,123,286	-	17,910,037	521,338	61,047,019	104,419,964	699,525	104,899,686
Comprehensive income									
Profit after tax for the half year ended December 31, 2011	-	-	-	-	-	9,565,663	9,565,663	23,001	9,588,664
Other comprehensive income - net of tax									
Effect of translation on net assets of foreign branches	-	(1,299,475)	-	-	-	-	(1,299,475)	-	(1,299,475)
	-	(1,299,475)	-	-	-	9,565,663	8,266,188	23,001	8,289,189
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	55,922	55,922	-	55,922
Transfer to Statutory Reserve	-	-	-	951,321	-	(951,321)	-	-	-
Balance as at December 31, 2011	16,818,286	6,823,811	-	18,861,358	521,338	69,717,283	112,742,076	727,356	113,469,432
Balance as at January 1, 2012	16,818,286	6,823,811	-	18,861,358	521,338	69,717,283	112,742,076	727,356	113,469,432
Comprehensive income									
Profit after tax for the half year ended Jun 30, 2012	-	-	-	-	-	9,293,009	9,293,009	33,439	9,326,448
Other comprehensive income - net of tax									
Effect of translation on net assets of foreign branches	-	1,241,075	-	-	-	-	1,241,075	-	1,241,075
	-	1,241,075	-	-	-	9,293,009	10,534,084	33,439	10,567,523
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	53,129	53,129	-	53,129
Transfer to Statutory Reserve	-	-	-	820,199	-	(820,199)	-	-	-
Transactions with Owners, recorded directly in equity									
Issue of Bonus Shares (10%)	1,681,829					(1,681,829)			
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,613,715)	(12,613,715)	-	(12,613,715)
	1,681,829	-	-	-	-	(14,295,543)	(12,613,715)	-	(12,613,715)
Balance as at June 30, 2012	18,500,116	8,064,886	-	19,681,557	521,338	63,947,679	110,715,575	760,795	111,476,370

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)
For the Half Year ended June 30, 2012

	Half Year Ended June 30 2012	Half Year Ended June 30 2011
----- (Rupees in '000) -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,804,410	11,712,732
Less: Dividend income	1,292,016	594,507
	<u>11,512,394</u>	<u>11,118,225</u>
Adjustments:		
Depreciation	668,074	601,561
Provision against non-performing advances	2,569,237	4,623,432
Provision / (reversal) for diminution in the value of investments	779,290	1,512,678
Provision against off balance sheet obligations	-	-
Other provisions / write offs	(8,646)	342,670
Gain on sale of fixed assets	(27,233)	(10,323)
Financial charges on leased assets	6,482	10,408
Share of (gain)/ loss from joint ventures	(23,395)	10,948
Share of profit from associates	(938,725)	(10,570)
	<u>3,025,084</u>	<u>7,080,805</u>
	14,537,478	18,199,030
(Increase) / decrease in operating assets		
Lendings to financial institutions	13,430,618	12,237,368
Held-for-trading securities	9,469,335	1,248,067
Advances	(55,876,463)	(29,637,473)
Other assets (excluding advance taxation - net)	(3,299,848)	(9,083,390)
	<u>(36,276,359)</u>	<u>(25,235,428)</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,825,857	7,040,499
Borrowings	(10,835,780)	6,141,323
Deposits and other accounts	18,717,160	(1,063,861)
Other liabilities	2,305,693	211,483
	<u>12,012,930</u>	<u>12,329,444</u>
Income tax paid	(15,634,233)	(16,429,299)
Financial charges paid	(6,482)	(10,408)
	<u>(15,640,715)</u>	<u>(16,439,707)</u>
Net cash flow from operating activities	<u>(25,366,665)</u>	<u>(11,146,662)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / (Net investments) in available-for-sale securities	31,995,786	25,775,556
Proceeds from held-to-maturity securities	146,162	861,830
Dividend income received	1,292,016	594,507
Investments in Associate / Joint Venture	(21,746,797)	(100,000)
Investments in operating fixed assets	(963,686)	(1,257,804)
Sale proceeds of property and equipment disposed off	27,233	10,323
Net cash (used) in investing activities	<u>10,750,714</u>	<u>25,884,411</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(25,304)	(19,733)
Dividend paid	(12,511,572)	(10,063,345)
Net cash used in financing activities	<u>(12,536,876)</u>	<u>(10,083,078)</u>
Effects of exchange rate changes on cash and cash equivalents	1,241,075	616,086
Net increase in cash and cash equivalents	<u>(25,911,752)</u>	<u>5,270,757</u>
Cash and cash equivalents at beginning of the period	159,538,794	145,863,319
Cash and cash equivalents at the end of the period	<u>133,627,042</u>	<u>151,134,076</u>

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Notes to the condensed consolidated financial statements - unaudited
For the half year ended June 30, 2012

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

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

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

1.2 Basis of Consolidation

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

2. STATEMENT OF COMPLIANCE

- 2.1** These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 2.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3** The disclosures made in these interim consolidated condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2011.
- 2.4** On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs. The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

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

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

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

Had the exemption not been granted, the staff costs of the bank for the period would have been higher by Rs. 562 million (June 30, 2011: 579 million), profit before taxation would have been lower by Rs. 562 million (June 30, 2011: 579 million), un-appropriated profit would have been lower by Rs. 3,256 million (June 30, 2011: 2,176 million) and reserves would have been higher by Rs. 3,256 million (June 30, 2011: 2,176 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.304 per share (June 30, 2011: Rs 0.309).

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

4.1 The accounting policies adopted in 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, 2011 other than as disclosed in note 4.3 below.

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

4.3 New standards, interpretations and amendments thereof, adopted by the Bank

During the period, the following amended accounting standard has been adopted by the Bank:

Standard or interpretation	Effective date (annual periods beginning on or after)
IAS 12 Income Taxes (Amendment) - Recovery of underlying assets	January 01, 2012

Adoption of the above standard did not have any material effect on the financial statements.

5 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

6. FINANCIAL RISK MANAGEMENT

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

7. INVESTMENTS-net

	June 30, 2012 (Un-audited)			December 31, 2011 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Note						
7.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	941,049	-	941,049	613,457	-	613,457
Market Treasury Bills	3,296,670	-	3,296,670	13,042,925	-	13,042,925
Ijarah Sukuk Bonds	20,000	-	20,000	20,000	-	20,000
Pakistan Investment Bonds	47,055	-	47,055	97,727	-	97,727
Total Held-for-Trading Securities	4,304,774	-	4,304,774	13,774,109	-	13,774,109
Available- for- sale securities						
Ordinary shares of listed companies	30,669,308	-	30,669,308	27,827,808	-	27,827,808
Ordinary shares of unlisted companies	1,065,173	-	1,065,173	1,065,173	-	1,065,173
	31,734,481	-	31,734,481	28,892,981	-	28,892,981
Market Treasury Bills	124,669,217	1,924,136	126,593,353	159,199,048	10,971,238	170,170,286
Preference shares	909,424	-	909,424	307,760	-	307,760
Pakistan Investment Bonds	39,507,323	-	39,507,323	38,302,933	-	38,302,933
GoP Foreign Currency Bonds	3,799,006	-	3,799,006	3,484,334	-	3,484,334
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	27,751,124	-	27,751,124	19,569,935	-	19,569,935
Investment in Mutual funds	-	-	-	1,886,466	-	1,886,466
Foreign Government Securities	1,962,006	-	1,962,006	-	-	-
Foreign Government Debt Securities	5,690,191	-	5,690,191	5,362,824	-	5,362,824
Investment outside Pakistan (note 7.2)	463,295	-	463,295	463,295	-	463,295
NI(U)T LoC Units - note 7.3	-	-	-	-	-	-
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,032,755	-	1,032,755	1,032,755	-	1,032,755
Total Available- for- sale securities	238,118,822	1,924,136	240,042,958	259,102,331	10,971,238	270,073,569
Held-to-maturity securities						
Pakistan Investment Bonds	24,529,805	-	24,529,805	24,105,281	-	24,105,281
Market Treasury Bills				215,137		
GoP Foreign Currency Bonds	568,198	-	568,198	534,046	-	534,046
Foreign Government Securities	1,387,567	-	1,387,567	793,296	-	793,296
Foreign Government Debt Securities	126,057	-	126,057	937,790	-	937,790
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	2,027,933	-	2,027,933	2,200,567	-	2,200,567
Total Held-to-maturity securities	28,639,560	-	28,639,560	28,786,117	-	28,786,117
Investments in associates	28,730,287	-	28,730,287	7,200,076	-	7,200,076
Investments in joint ventures	3,073,144	-	3,073,144	2,856,557	-	2,856,557
Investments in subsidiaries	1,245	-	1,245	1,245	-	1,245
Investment at cost	302,867,831	1,924,136	304,791,967	311,720,435	10,971,238	322,691,673
Less: Provision for diminution in value of Investments	(12,824,572)	-	(12,824,572)	(10,081,084)	-	(10,081,084)
Investments (net of provisions)	290,043,259	1,924,136	291,967,395	301,639,351	10,971,238	312,610,589
Deficit / Surplus on revaluation of Held-for-trading securities	(30,506)	-	(30,506)	(35,039)	-	(35,039)
Surplus on revaluation of Available-for-sale securities	12 12,792,146	1,440	12,793,586	6,851,844	1,976	6,853,820
Total investments at carrying value	302,804,899	1,925,576	304,730,475	308,456,156	10,973,214	319,429,370

	June 30 2012 (Un-audited) ----- (Rupees in '000') -----	December 31 2011 (Audited)
9. OPERATING FIXED ASSETS		
Capital work-in-progress	2,748,384	2,590,080
Property and equipment	26,546,773	25,837,433
Intangible assets	69,571	641,603
	<u>29,364,728</u>	<u>29,069,116</u>
9.1 Additions and disposals during the period amounted to Rs 763.987 million (June 30, 2011: Rs.913.316 million) and Rs.59.778 million (June 30, 2011: Rs 10.797 million), respectively.		
10. DEFERRED TAX ASSETS - net		
Deferred tax assets arising in respect of		
Provision for diminution in the value of investments	2,957,642	2,684,890
Provision against advances and off-balance sheet obligations	6,271,710	6,424,530
Other provision	518,199	521,225
Charge against defined benefits plans	1,492,726	1,468,297
Unrealized loss on derivatives	992,690	-
Provision against off balance sheet obligation	116,622	116,622
Others	37,766	12,939
	<u>12,387,355</u>	<u>11,228,503</u>
Deferred tax (liabilities) arising in respect of		
Excess of accounting book value of leased assets over lease liabilities	(12,982)	(12,502)
Difference between accounting book value of fixed assets and tax base	(294,584)	(299,322)
Revaluation of securities	(2,794,121)	(1,814,915)
Revaluation of fixed assets	(1,124,720)	(1,153,328)
	<u>(4,226,407)</u>	<u>(3,280,067)</u>
Net deferred tax liabilities	<u>8,160,948</u>	<u>7,948,436</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	198,266,588	257,518,704
Savings deposits	259,719,516	232,868,411
Current accounts - remunerative	92,442,762	80,905,162
Current accounts - non-remunerative	228,486,664	214,069,549
	<u>778,915,530</u>	<u>785,361,826</u>
Financial Institutions		
Remunerative deposits	81,648,808	65,153,307
Non-remunerative deposits	85,563,375	76,895,420
	<u>167,212,183</u>	<u>142,048,727</u>
	<u>946,127,713</u>	<u>927,410,553</u>
12. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on Revaluation of Fixed Assets - net of Tax	17,568,663	17,594,441
Surplus on Revaluation of Securities - net of Tax		
Federal Government securities	(139,439)	481,362
Term Finance Certificates	(1,646)	(71,285)
Quoted shares and Mutual Funds	2,706,524	(347,306)
GoP Foreign Currency Bonds	141,549	(119,692)
Foreign Government Securities	165,312	(121,529)
NI(UT) Non-LoC Units	75,524	(21,809)
NIT Market Opportunity Fund	779,186	402,853
Investment outside Pakistan	9,066,576	6,651,226
	<u>12,793,586</u>	<u>6,853,820</u>
Deferred tax Liability Recognized	(2,794,121)	(1,814,915)
Share of Revaluation Loss on Securities of Associates	(135,368)	(71,331)
	<u>27,432,760</u>	<u>22,562,015</u>

13. CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes

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

	June 30 2012 (Un-audited)	December 31 2011 (Audited)
	----- (Rupees in '000) -----	
- Government	3,558,279	3,677,940
- Financial institutions	5,187,261	5,361,703
- Others	20,886,482	21,588,873
	29,632,021	30,628,516

13.2 Transaction-related contingent liabilities

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

- Government	16,360,052	14,457,548
- Financial institutions	11,118,621	9,825,641
- Others	15,030,829	13,282,900
	42,509,501	37,566,089

13.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	45,224,636	47,591,186
- Financial institutions	562	591
- Others	115,801,206	121,860,942
	161,026,403	169,452,719

13.4 Other contingencies

13.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.185 million (2011: Rs.178 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2011: Rs.965 million)].

9,027,971	8,704,944
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13.4.2 Taxation

The income tax returns of the bank for global operations and for Azad Jammu Kashmir have been filed under section 120 of the Income Tax Ordinance, 2001 upto the tax year 2011 (accounting year ended December 31, 2010) and amended by the Taxation Officer under section 122(5A) of the Income Tax Ordinance, 2001 upto the tax year 2011 (accounting year ended December 31, 2010).

During the period, taxation authorities have further amended the assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2006, 2009 and 2010 raising aggregate demand of Rs. 3.7 billion. The additions are mainly on account of reversals of provisions of bad debts which in the view of the bank has already been offered for tax in the respective years of reversal. The bank has filed appeal before Commissioner Inland Revenue Appeal, the hearing of which has not been fixed as yet. The tax authorities have also rectified monitoring orders under section 161/205 of the Income Tax Ordinance, 2001 providing relief to the extent of Rs. 690 million. The remaining challans are still in process of verification. An appeal has also been filed before the Appellate Tribunal of Inland Revenue on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

In addition to above, the other matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 8,601 million (2011: Rs. 5,406 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

13.4.3 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2011.

13.4.4 Fine imposed by Competition Commission of Pakistan

A fine of Rs. 50 million was imposed by Competition Commission of Pakistan ("the Commission") on the Bank on account of uncompetitive behaviour and imposition of uniform cost on cash withdrawal from ATM transactions. The Bank along with other Banks have filed a constitutional petition before High Court of Sindh, which has suspended the order of Commission till next hearing date.

13.4.3 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2011.

	June 30 2012 (Un-audited)	December 31 2011 (Audited)
	----- (Rupees in '000) -----	
13.5 Commitments in respect of forward exchange contracts		
Purchase	212,654,184	160,587,401
Sale	122,287,520	106,748,426
13.6 Commitments in respect of trading with Govt. securities		
Purchase (Reverse Repo)	-	2,000,000
13.7 Other Commitments		
Cross Currency SWAP	2,631,506	3,410,259
Professional services to be received	84,158	147,669
13.8 Commitments for the acquisition of operating fixed assets	1,416,184	1,643,221

14. Other income includes Rs. 984,930 million (June 30, 2011 Rs 946.794) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001.

	Quarter Ended June 30 2012	Half Year Ended June 30 2012	Quarter Ended June 30 2011	Half Year Ended June 30 2011
15. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation (Rupees in '000)	4,421,986	9,326,448	3,859,138	8,132,903
Weighted average number of ordinary shares (Number '000)	1,850,011	1,850,011	1,850,011	1,850,011
Basic and diluted earnings per share (Rupees)	2.39	5.04	2.09	4.40

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage
	----- Rupees in '000 -----							
Jun 30, 2012-Unaudited								
Total income	276,183	30,744,266	3,482,077	23,873,038	771,988	2,566,249	542,756	50,678
Inter segment revenue	-	(353,673)	6,662,080	(6,308,407)	-	-	-	-
Total expenses	9,475	28,915,964	9,149,509	8,300,870	719,582	1,881,621	486,417	39,387
Net income	266,708	1,474,629	994,648	9,263,761	52,406	684,628	56,339	11,291
Segment Assets - (Gross of NPLs Provisions)	-	25,360,217	194,464,091	929,841,974	-	17,188,162	2,619,421	347,634
Segment Non-Performing Loans	-	-	8,041,566	84,188,263	-	-	-	-
Segment Specific Provision Required	-	-	6,741,189	61,684,804	-	-	-	-
Segment Liabilities	-	0	260,249,081	757,482,057	-	11,289,533	1,832,688	59,010
Segment Return on Assets (ROA) (%)	0.00%	10.47%	1.16%	2.03%	0.00%	11.85%	2.00%	1.61%
Segment Cost of Fund (%)	0.00%	0.00%	5.33%	6.66%	0.00%	0.00%	0.18%	0.42%
Jun 30, 2011- Unaudited								
Total income	312,174	25,484,029	2,915,468	24,936,107	963,521	2,370,594	144,875	34,871
Inter segment revenue	-	(261,852)	5,940,848	(5,678,996)	-	-	-	-
Total expenses	2,074	24,287,513	7,919,634	10,901,080	644,752	1,478,019	184,609	31,226
Net income	310,100	934,664	936,682	8,356,031	318,769	892,575	(39,734)	3,645
Segment Assets - (Gross of NPLs Provisions)	-	3,882,539	175,523,878	850,989,616	-	13,870,180	546,315	363,169
Segment Non-Performing Loans	-	-	7,213,469	101,418,299	-	-	-	-
Segment Specific Provision Required	-	-	6,547,509	59,111,213	-	-	-	-
Segment Liabilities	-	-	238,654,826	664,496,453	-	15,300,590	182,191	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%

17. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its associated undertakings, joint venture, 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.

	2012				2011			
	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	82,110	8,000	(18,028)	72,082	126,519	10,700	(16,768)	120,451
*Adjustment	-	-	-	-	(38,341)	-	-	(38,341)
	<u>82,110</u>	<u>8,000</u>	<u>(18,028)</u>	<u>72,082</u>	<u>88,178</u>	<u>10,700</u>	<u>(16,768)</u>	<u>82,110</u>
Debts due by Company in which director is interested as director	10,007,468	54,261	(44,749)	5,878,983	9,564,548	1,635,668	(1,192,748)	10,007,468
*Adjustment	(4,137,997)	-	(42,849)	-	-	-	(13,390)	-
	<u>5,869,471</u>	<u>54,261</u>	<u>(44,749)</u>	<u>5,878,983</u>	<u>9,564,548</u>	<u>1,635,668</u>	<u>(1,192,748)</u>	<u>10,007,468</u>
Associates	1,281,029	-	(42,849)	1,238,180	1,294,419	-	-	1,281,029
	<u>7,232,610</u>	<u>62,261</u>	<u>(105,626)</u>	<u>7,189,245</u>	<u>10,947,145</u>	<u>1,646,368</u>	<u>(1,222,906)</u>	<u>11,370,607</u>
(Rupees in '000)								
Deposits								
Key Management Executives	14,750	142,884	(137,547)	20,087	58,136	217,213	(260,763)	14,586
*Adjustment	-	-	-	-	164	-	-	164
	<u>14,750</u>	<u>142,884</u>	<u>(137,547)</u>	<u>20,087</u>	<u>58,300</u>	<u>217,213</u>	<u>(260,763)</u>	<u>14,750</u>
Pension Fund (Current)	5,856	22,080,599	(22,081,441)	5,014	5,037	30,056	(29,237)	5,856
Pension Fund (Fixed Deposit)	16,100,000	3,000,000	(15,000,000)	4,100,000	8,400,000	10,200,000	(2,500,000)	16,100,000
Provident Fund	10,224,455	1,295,971	(681,206)	10,839,220	8,909,272	2,281,333	(966,150)	10,224,455
	<u>26,345,061</u>	<u>26,519,454</u>	<u>(37,900,194)</u>	<u>14,964,321</u>	<u>17,372,609</u>	<u>12,728,602</u>	<u>(3,756,150)</u>	<u>26,345,061</u>

* Adjustments due to changes in Directors and key management executives.

	June 30 2012 (Un-audited)	December 31 2011 (Audited)
(Rupees in '000)		
Placements with:		
Joint venture	482,133	614,100
Associates	1,770	23,332
Reverse Repo lending to		
Pension Fund	-	9,999,998
Repo Borrowing from		
Joint venture	31,040	78,063
Off balance Sheet Items		
Forward exchange contracts with Joint Ventures		
-Bought	-	974,344
-Sold	-	962,351
	Half Year Ended June 30 2012 (Un-audited)	Half Year Ended June 30 2011 (Un-audited)
Income for the period		
On advances / placements with:		
Joint Ventures	2,063	-
Key management executives	1,734	2,110
Debts Due by company in which a director of the bank is interested as director	391,168	1,306,913
Expenses for the period		
Remuneration to key management executives	129,916	217,152
Charge for defined benefit plan	9,154	13,710
Mark-up on Deposits of:		
Provident fund	918,539	890,149
Pension fund	217,815	468,351
Key management executives	949	2,093
Mark-up on Borrowing (Repo / Call) :		
Joint venture	653	-
Associates	-	2,923

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

18. ISLAMIC BANKING BUSINESS

The bank is operating 8 (December 31, 2011: 8) Islamic banking branches as at June 30, 2012. Statement of financial position and profit and loss account is as under:

	June 30 2012 (Unaudited) ----- (Rupees in '000) -----	December 31 2011 (Audited)
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash and balances with treasury banks	87,574	141,873
Balances with and due from financial institutions	-	-
Investments	1,429,191	1,557,399
Financing / Receivables under:		
- Murabaha	588,400	658,310
- Diminishing Musharika	674,100	723,313
- Ijarah assets	299,399	372,408
- Other Islamic modes	-	-
Provision against non performing financings	(194,366)	(192,874)
Operating fixed assets	11,067	11,613
Due from Head Office	-	-
Other assets	86,329	111,182
Total Assets	2,981,694	3,383,224
LIABILITIES		
Bills payable	3,289	9,385
Deposits and other accounts	1,385,706	1,519,844
Due to Head Office	1,254,154	1,433,810
Other liabilities	41,786	48,650
	2,684,935	3,011,689
NET ASSETS	296,759	371,535
REPRESENTED BY		
Islamic Banking Fund	300,000	300,000
Unappropriated (loss)	(3,241)	71,535
	296,759	371,535
Profit and Loss Account		
Profit / Return earned on financings, investments and placements	241,123	242,874
Profit / return on deposit and other dues expensed	119,586	129,067
Net spread earned	121,537	113,807
Depreciation on assets given on ijarah	(70,049)	(64,365)
	51,488	49,442
Provision against advances and investments	(39,157)	(33,334)
Provision reversed against advances and investments	37,666	-
	(1,491)	(33,334)
(Loss) / Profit after provision	49,997	16,108
OTHER INCOME		
Fee, commission and brokerage income	1,843	1,762
Income from dealing in foreign currencies	(1)	109
Other income	-	276
Total other income	1,842	2,147
	51,839	18,255
OTHER EXPENSES		
Administrative expenses	(55,080)	(46,953)
Loss for the year	(3,241)	(28,698)

Cash Flow Statement**Cash Flow from Operating Activities**

(Un-audited) (Un-audited)
June 30, June 30,
2012 2011

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

Cash Flow from Operating Activities

Profit / (Loss) for the year	(3,241)	71,535
Adjustments :		
Depreciation - Own assets	811	2,056
Depreciation - Ijarah assets	70,049	138,619
Provision against non performing financings	1,491	46,875
	72,352	187,550
	69,110	259,085
(Increase) / Decrease in operating assets		
Due from Financial Institutions	-	200,000
Financings	250,291	(1,616,684)
Other assets	24,853	(63,189)
	275,144	(1,479,873)
(Increase) / Decrease in operating liabilities		
Bills payable	(6,096)	3,964
Deposits and other accounts	(134,138)	(673,569)
Borrowings from Head Office	(251,191)	1,861,179
Other liabilities	(6,863)	13,871
	(398,288)	1,205,445
Net cash (used in) / generated from operating activities	(54,034)	(15,343)
Cash Flow from Investing Activities		
Investment in operating fixed assets	(265)	(510)
Net cash used in investing activities	(265)	(510)
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
(Decrease) / Increase in cash and cash equivalents	(54,299)	(15,853)
Cash and cash equivalents at beginning of the year	141,873	157,726
Cash and cash equivalents at end of the year	87,574	141,873

19. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue on August 16, 2012 by the Board of Directors of the Holding Company.

20. GENERAL

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

Chairman/ President

Director

Director

Director