National Bank of Pakistan

Financial Statements

For the quarter ended September 30, 2009

Directors' Report

It gives me great pleasure to present on behalf of the Board of Directors accounts for the nine months period ended September 30, 2009. The Profit for the nine months period ended September 30,2009 after carry over of accumulated profit of 2008 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the nine months period ended Sep 30, 2009	15,000
Taxation	
-Current year	6,691
-Prior years	
-Deferred	(1,741)
	4,949
After tax profit	10,051
Un-appropriated profit brought forward	52,456
Transfer from surplus on revaluation of fixed assets –	93
Profit available for appropriation	62,600
Cash Dividend paid	5,830
Transfer to Statutory Reserve (10% of after tax profit)	1,005
Bonus sharess issued	1,794
Un-appropriated profit carried forward	53,971

The economy of Pakistan continued to remain under pressure as global economies are still showing signs of weakness. Internally the country is fighting a war against terrorism which is denting business confidence. This coupled with high inflation, energy & power shortages and high interest rate scenario is making conditions difficult for the companies who are loosing their financial viability. The outlook for the financial year 2009-10 is also tough as the Central Bank expects moderate growth in GDP.

In this back drop our Pre tax profit stood at Rs. 15,000 million from Rs. 19,001 million of corresponding period of last year, a reduction of 21%. Total revenue of the Bank increased by Rs. 382 million despite lower dividend by NIT in 2009 (Rs. 1.3 billion as against Rs. 2.4 billion in 2008) and one off income of Rs. 1.0 billion received as compensation on tax refunds in 2008. Earning per share declined to Rs. 9.34 from Rs. 11.80 during the same period of last year. Pre tax return on equity stands at 23.8% whereas Pre tax return on assets is at 2.4%. Cost to income ratio of the bank stood at 0.39.

Net interest margin registered an increase of Rs. 1,727 million or 6.4% mainly due to growth in volumes. Net advances increased by Rs. 47 billion and Rs. 22 billion as compared to corresponding period of last year and year end 2008 respectively. The growth in advances was mainly driven from corporate and commodity financing. Deposits increased by Rs. 92 billion or 16.4% over corresponding period last year. Compared to year end December 2008 deposits have increased by Rs. 29 billion or 4.6%.

Administrative expenses show a rise of Rs. 2.1 billion or 16% compare to corresponding period mainly due to inflation linked salary increases and related increase in other expenses.

Non Performing Loans continues to be the major challenge for the Banking industry. Provision against advance have increased in the year under review. The bank however is making all out efforts for recovery of non performing loans.

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

On behalf of Board of Directors

S. Ali Raza

Chairman & President

Date: October 31, 2009

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPT 30, 2009

	Note	(Un-audited) Sept 30, 2009	(Audited) Dec 31, 2008
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**72,976,246**	106,503,756
Balances with other banks		**26,527,558**	38,344,608
Lendings to financial institutions-net		**5,098,642**	17,128,032
Investments-net	6	**240,518,170**	170,822,491
Advances-net	7	**435,504,840**	412,986,865
Operating fixed assets		**24,876,923**	24,217,655
Deferred tax assets-net	8	**3,021,712**	3,204,572
Other assets		**56,613,570**	44,550,347
		865,137,661	817,758,326
LIABILITIES			
Bills payable		**7,397,468**	10,219,061
Borrowings		**50,587,500**	40,458,926
Deposits and other accounts	9	**653,518,020**	624,939,016
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**24,660**	25,274
Deferred tax liabilities		**-**	-
Other liabilities		**37,951,220**	39,656,831
		749,478,868	715,299,108
NET ASSETS		**115,658,793**	102,459,218
REPRESENTED BY			
Share capital		**10,763,701**	8,969,751
Reserves		**21,673,557**	19,941,047
Unappropriated profit		**53,970,735**	52,456,204
		86,407,993	81,367,002
Surplus on revaluation of assets - net	10	**29,250,800**	21,092,216
		115,658,793	102,459,218
CONTINGENCIES AND COMMITMENTS	11		

The above surplus on revaluation of assets include impairment loss (net of tax) of Rs.125 million in respect of listed equity securities / mutual funds held under ‘Available-for-sale’ category of investments as allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of September 30, 2009. Had the impairment loss been fully charged to unconsolidated condensed interim profit and loss account, the ‘Surplus on revaluation of assets’ (net of tax) would have been higher by Rs. 125 million and the unappropriated profit would have been lower by the same amount (see note 10).

The annexed notes 1 to 18 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 NINE MONTHS ENDED SEPT 30, 2009

	Note	**Quarter Ended Sept 30, 2009**	**Nine Months Ended Sept 30, 2009**	Quarter Ended Sept 30, 2008	Nine Months Ended Sept 30, 2008
		------------------------- (Rupees in '000)		**-------------------------**	
Mark-up / Return / Interest earned		**18,663,111**	**55,931,541**	15,210,356	43,226,927
Mark-up / Return / Interest expensed		**8,958,684**	**27,247,726**	7,189,381	16,270,143
Net mark-up / Interest income		**9,704,427**	**28,683,815**	8,020,975	26,956,784
Provision against non-performing advances		**3,567,291**	**8,631,720**	1,680,597	6,734,076
Provision for / (reversal) of diminution in the value of investments		**(369,631)**	**121,480**	(252)	(19,741)
Provision against off balance sheet obligations		**-**	**20,237**	-	-
Bad debts written off directly		**(69)**	**56**	96	203
		3,197,591	**8,773,493**	1,680,441	6,714,538
Net mark-up / interest income after provisions		**6,506,836**	**19,910,322**	6,340,534	20,242,246
NON MARK-UP/ INTEREST INCOME					
Fee, commission and brokerage income		**2,029,414**	**6,354,927**	1,752,618	5,529,709
Dividend income		**1,399,238**	**1,702,366**	2,450,246	2,651,647
Income from dealing in foreign currencies		**638,576**	**2,565,583**	649,355	2,613,838
(Loss) / gain on sale of securities		**174,745**	**237,327**	30,806	489,144
Unrealized gain / (loss) on revaluation of investments classified as Held-for-trading		**(5,650)**	**54,421**	80,371	(26,707)
Other income	12	**36,883**	**325,486**	60,309	1,327,751
Total non mark-up / interest income		**4,273,206**	**11,240,110**	5,023,705	12,585,382
		10,780,042	**31,150,432**	11,364,239	32,827,628
NON MARK-UP/ INTEREST EXPENSES					
Administrative expenses		**5,443,123**	**15,425,744**	5,006,689	13,061,850
Other provisions / write offs		**11,732**	**475,546**	30,481	270,373
Other charges		**14,959**	**249,068**	-	494,629
Total non mark-up / interest expenses		**5,469,814**	**16,150,358**	5,037,170	13,826,852
		5,310,228	**15,000,074**	6,327,069	19,000,776
Extra ordinary items		**-**	**-**	-	-
PROFIT BEFORE TAXATION		**5,310,228**	**15,000,074**	6,327,069	19,000,776
Taxation - Current		**2,173,703**	**6,690,587**	1,940,928	8,277,000
- Prior year(s)		**-**	**-**	-	-
- Deferred		**(633,159)**	**(1,741,479)**	(428,297)	(1,972,095)
		1,540,544	**4,949,108**	1,512,631	6,304,905
PROFIT AFTER TAXATION [see note (i) & 10]		**3,769,684**	**10,050,966**	4,814,438	12,695,871
Unappropriated profit brought forward		**50,547,037**	**52,456,204**	45,552,124	45,344,188
Transfer from surplus on revaluation of fixed assets		**30,983**	**92,950**	22,909	68,727
Profit available for appropriations		**54,347,704**	**62,600,120**	50,389,471	58,108,786
Appropriations					
Transfer to statutory reserves		**(376,969)**	**(1,005,097)**	(481,444)	(1,269,587)
Transfer from reserve for issue of bonus shares		**-**	**(1,793,950)**	-	(815,432)
Final cash dividend for the year ended December 31, 2008		**-**	**-**	-	-
and December 31, 2007 declared subsequent to		**-**	**-**	-	-
the year end		**-**	**(5,830,338)**	-	(6,115,740)
		(376,969)	**(8,629,385)**	(481,444)	(8,200,759)
Unappropriated profit carried forward		**53,970,735**	**53,970,735**	49,908,027	49,908,027
Basic and diluted earnings per share (Rupees)	13	**3.50**	**9.34**	4.47	11.80

-

(i) The profit for the period includes impairment loss (net of tax) of Rs. 125 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments, in accordance with the treatment allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of September 30, 2009 and has been taken to 'Surplus on revaluation of assets' account (net of tax) as shown in the balance sheet. Had the impairment loss been fully charged to unconsolidated condensed interim profit and loss account, profit after tax for the period would have been lowered by Rs. 125 million and earnings per share would have been lower by Rs. 0.12 (see note 10).

(ii) The annexed notes 1 to 18 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 CHANGES IN EQUITY - (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPT 30, 2009

		Reserves				
		Capital		Revenue		
	Share capital	Exchange Translation	Statutory	General	Unappropriated profit	Total
	----------	----------	----------	(Rupees in '000)	----------	----------
Balance as at January 1, 2008	8,154,319	3,364,312	11,886,474	521,338	45,344,188	69,270,631
Total comprehensive income for the nine months period ended September 30, 2008	-	2,208,636	-	-	12,764,598	14,973,234
Transfer to statutory reserve	-	-	1,269,587	-	(1,269,587)	-
Issue of bonus shares (10%)	815,432	-	-	-	(815,432)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	(6,115,740)	(6,115,740)
Balance as at Sept 30, 2008	**8,969,751**	**5,572,948**	**13,156,061**	**521,338**	**49,908,027**	**78,128,125**
Balance as at Oct 1, 2008	8,969,751	5,572,948	13,156,061	521,338	49,908,027	78,128,125
Total comprehensive income for the three months period ended December 31, 2008	-	414,428	-	-	2,824,449	3,238,877
Transfer to statutory reserve	-	-	276,272	-	(276,272)	-
Balance as at December 31, 2008	**8,969,751**	**5,987,376**	**13,432,333**	**521,338**	**52,456,204**	**81,367,002**
Balance as at January 1, 2009	8,969,751	5,987,376	13,432,333	521,338	52,456,204	81,367,002
Total comprehensive income for the nine months period ended September 30, 2009	-	727,413	-	-	10,143,916	10,871,329
Transfer to statutory reserve	-	-	1,005,097	-	(1,005,097)	-
Issue of bonus shares (20%)	1,793,950	-	-	-	(1,793,950)	-
Cash dividend (Rs. 6.5 per share)	-	-	-	-	(5,830,338)	(5,830,338)
Balance as at Spet 30, 2009	**10,763,701**	**6,714,789**	**14,437,430**	**521,338**	**53,970,735**	**86,407,993**

The annexed notes 1 to 18 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 NINE MONTHS ENDED SEPT 30, 2009

	Quarter Ended Sept 30, 2009	**Nine Months Ended Sept 30, 2009**	Quarter Ended Sept 30, 2008	Nine Months Ended Sept 30, 2008
	(Rupees in '000)			
Profit after taxation for the period	**3,769,684**	**10,050,966**	4,814,438	12,695,871
Other Comprehensive Income				
Exchange adjustments on translation of net assets of foreign branches	**409,466**	**727,413**	1,086,366	2,208,636
Transfer from surplus on revaluation of fixed assets - incremental depreciation	**47,666**	**143,000**	35,245	105,734
Income tax relating to components of other comprehensive income	**(16,683)**	**(50,050)**	(12,336)	(37,007)
Comprehensive Income transferred to equity	**4,210,133**	**10,871,329**	5,923,713	14,973,234
Components of comprehensive Income not transferred to equity				
Surplus on revaluation of fixed assets - incremental depreciation - net of tax	**(30,983)**	**(92,950)**	(22,909)	(68,727)
Surplus/ (deficit) on revaluation of investment	**7,850,775**	**10,175,872**	20,863,478	(18,165,505)
Deferred tax (liability) / asset on revaluation of investments	**(1,331,096)**	**(1,924,338)**	(3,808,628)	2,858,207
	6,519,679	**8,251,534**	17,054,850	(15,307,298)
Total Comprehensive Income	**10,698,829**	**19,029,913**	22,955,654	(402,791)

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

Chairman & President	**Director**	**Director**	**Director**

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPT 30, 2009

	Sept 30, 2009	Sept 30, 2008
	---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**15,000,074**	19,000,776
Less: Dividend income	**1,702,366**	2,651,647
	13,297,708	16,349,129
Adjustments for non-cash charges:		
Depreciation	**546,998**	445,225
Provision against non-performing advances	**8,631,720**	6,734,076
Provision for / (reversal) of diminution in the value of investments	**121,480**	(19,741)
Provision against off balance sheet obligations	**20,237**	-
Bad debts written off directly	**56**	203
Other provisions/ write offs	**475,546**	270,373
Gain on sale of fixed assets	**(2,768)**	(2,940)
Financial charges on leased assets	**7,906**	5,979
	9,801,175	7,433,175
	23,098,883	23,782,304
(Increase) / decrease in operating assets		
Lendings to financial institutions-net	**12,029,390**	10,129,261
Held-for-trading securities	**(3,535,017)**	(12,676,740)
Advances	**(31,149,751)**	(54,582,705)
Other assets (excluding advance taxation - net)	**(13,188,074)**	(6,832,862)
	(35,843,452)	(63,963,046)
Increase / (decrease) in operating liabilities		
Bills payable	**(2,821,593)**	2,434,220
Borrowings	**10,026,391**	16,684,982
Deposits and other accounts	**28,579,004**	(30,407,937)
Other liabilities	**(1,725,848)**	(2,312,138)
	34,057,954	(13,600,873)
Income tax paid	**(5,993,282)**	(10,282,712)
Financial charges paid	**(7,906)**	(5,979)
	(6,001,188)	(10,288,691)
Net cash flows from operating activities	**15,312,197**	(64,070,306)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Net investment in) / proceeds from Available-for-sale securities	**(67,538,772)**	54,350,515
Proceeds from held-to-maturity securities	**11,501,483**	(3,654,448)
Dividend income received	**1,702,366**	2,651,647
Investment in operating fixed assets	**(1,310,552)**	(1,367,412)
Sale proceeds of fixed assets disposed off	**2,768**	2,940
Net cash (used in) / from investing activities	**(55,642,707)**	51,983,242
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	**(13,308)**	(8,419)
Dividend paid	**(5,830,338)**	(6,115,740)
Net cash used in financing activities	**(5,843,646)**	(6,124,159)
Effects of exchange rate changes	**727,413**	2,208,636
Net increase in cash and cash equivalents	**(45,446,743)**	(16,002,587)
Cash and cash equivalents at beginning of the period	**144,676,388**	131,456,989
Cash and cash equivalents at the end of the period	**99,229,645**	115,454,402

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

Chairman & President **Director** **Director** **Director**

1. STATUS AND NATURE OF BUSINESS

1.1 National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,262 (2008: 1,254) branches in Pakistan and 22 (2008: 22) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the Bank also provides services as trustee to National Investment Trust (NIT) and Long Term Credit Fund (LTCF).

2. STATEMENT OF COMPLIANCE

2.1 These unconsolidated condensed interim financial statements for nine months have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) 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 shall prevail.

2.2 The SBP vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. 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 unconsolidated condensed interim 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, 2008.

2.4 During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standard has resulted in certain increased disclosures only. Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these unconsolidated condensed interim financial statements.

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 accounted for at cost and not on the basis of reported results and net assets of the investees(equity method).

3. ACCOUNTING POLICIES

The accounting policies adopted in preparation of these unconsolidated condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2008.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of unconsolidated condensed interim financial statements requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The basis for the significant judgments and estimates made by the management for the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended December 31, 2008 .

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2008.

6. INVESTMENTS - net

	Note	September 30, 2009 (Un-audited)			December 31, 2008 (Audited)		
		Held by bank	**Given as collateral**	**Total**	Held by bank	Given as collateral	Total -
		----------- (Rupees in '000) -----------			----------- (Rupees in '000) -----------		
6.1 Investments by type:							
Held-for-trading securities							
Ordinary shares of listed companies		**-**	**-**	**-**	7,496	-	7,496
Market Treasury Bills		**3,494,657**	**-**	**3,494,657**	-	-	-
Pakistan Investment Bonds		**1,047,856**	**-**	**1,047,856**	-	-	-
Ijara Sukuk Bonds		**-**	**-**	**-**	1,000,000	-	1,000,000
		4,542,513	**-**	**4,542,513**	1,007,496	-	1,007,496
Available- for- sale securities							
Ordinary shares of listed companies		**2,473,411**	**-**	**2,473,411**	3,669,441	-	3,669,441
Ordinary shares of unlisted companies		**1,326,319**	**-**	**1,326,319**	716,610	-	716,610
		3,799,730	**-**	**3,799,730**	4,386,051	-	4,386,051
Market Treasury Bills		**94,620,864**	**31,525,138**	**126,146,002**	64,523,811	23,990,054	88,513,865
Preference shares		**250,000**	**-**	**250,000**	275,000	-	275,000
Pakistan Investment Bonds		**11,654,499**	**497,250**	**12,151,749**	4,105,665	66,987	4,172,652
Federal Investment Bonds		**-**	**-**	**-**	940,000	-	940,000
GoP Foreign Currency Bonds		**2,901,161**	**-**	**2,901,161**	1,212,348	-	1,212,348
Foreign Government Securities		**207,180**	**-**	**207,180**	1,657,303	-	1,657,303
Term Finance Certificates / Musharika, Foreign Currency Debt Securities and Sukuk Bonds		**40,145,690**	**-**	**40,145,690**	17,695,681	-	17,695,681
Investments in Mutual Funds		**1,022,814**	**-**	**1,022,814**	993,897	-	993,897
Investment outside Pakistan	6.1.1	**463,295**	**-**	**463,295**	463,295	-	463,295
National Investment Trust (NIT) Units		**8,404,327**	**-**	**8,404,327**	7,643,084	-	7,643,084
NIT Market Opportunity Fund		**1,800,000**	**-**	**1,800,000**	1,800,000	-	1,800,000
Total Available- for- sale securities		**165,269,560**	**32,022,388**	**197,291,948**	105,696,135	24,057,041	129,753,176
Held-to-maturity securities							
Government Compensation Bonds		**1,189,327**	**-**	**1,189,327**	2,331,182	-	2,331,182
Pakistan Investment Bonds		**8,914,642**	**-**	**8,914,642**	9,515,583	-	9,515,583
GoP Foreign Currency Bonds		**7,943,385**	**-**	**7,943,385**	15,517,577	-	15,517,577
Foreign Government Securities		**1,549,966**	**-**	**1,549,966**	3,150,553	-	3,150,553
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds		**2,224,390**	**-**	**2,224,390**	2,808,298	-	2,808,298
Total Held-to-maturity securities		**21,821,710**	**-**	**21,821,710**	33,323,193	-	33,323,193
Investments in associates		**969,568**	**-**	**969,568**	959,669	-	959,669
Investments in joint ventures		**1,312,335**	**-**	**1,312,335**	1,312,335	-	1,312,335
Investments in subsidiaries		**1,352,458**	**-**	**1,352,458**	1,352,458	-	1,352,458
Investments at cost		**195,268,144**	**32,022,388**	**227,290,532**	143,651,286	24,057,041	167,708,327
Less: Provision for diminution in value of Investments		**(1,657,385)**	**-**	**(1,657,385)**	(1,542,273)	-	(1,542,273)
Investments (net of provisions)		**193,610,759**	**32,022,388**	**225,633,147**	142,109,013	24,057,041	166,166,054
Surplus on revaluation of Held-for-trading securities		**54,421**	**-**	**54,421**	1,707	-	1,707
Surplus / (deficit) on revaluation of Available-for-sale securities		**14,919,519**	**(88,917)**	**14,830,602**	4,689,265	(34,535)	4,654,730
Total investments at market value		**208,584,699**	**31,933,471**	**240,518,170**	146,799,985	24,022,506	170,822,491

6.1.1 Investment outside Pakistan - Bank Al-Jazira

The Bank holds 17,500,000 (2008: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2008: 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.

	Note	**Sept 30, 2009 (Un-audited)**	Dec 31, 2008 (Audited)
		--------- (Rupees in '000)	**----------**
7. ADVANCES-net			
Loans, cash credits, running finances, etc.			
In Pakistan		**415,283,727**	389,997,489
Outside Pakistan		**47,322,345**	45,145,226
		462,606,072	435,142,715
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		**3,116,745**	2,973,812
Payable outside Pakistan		**22,992,962**	19,518,940
		26,109,707	22,492,752
Margin Financing / Continuous Funding System		**60,963**	192,562
Advances - gross		**488,776,742**	457,828,029
Less: Provision against non-performing advances			
Specific	7.1	**(51,149,670)**	(42,729,947)
General		**(2,122,232)**	(2,111,217)
		(53,271,902)	(44,841,164)
Advances - net of provision		**435,504,840**	412,986,865

7.1 Advances include Rs.68,178 million (2008: Rs.56,462 million) which have been placed under the non-performing status as detailed below:

Category of Classification	**September 30, 2009 (Un-audited)**				
	Domestic	**Overseas**	**Total**	**Provision Required**	**Provision Held**
	--------------------------------		**(Rupees in '000)**		**--------------------------------**
Other Assets Especially Mentioned	**2,141,104**	**-**	**2,141,104**	**-**	**-**
Substandard	**6,222,477**	**609,355**	**6,831,832**	**1,512,568**	**1,512,568**
Doubtful	**7,116,524**	**444,497**	**7,561,021**	**3,614,213**	**3,614,213**
Loss	**50,773,242**	**871,083**	**51,644,325**	**46,022,889**	**46,022,889**
	66,253,347	**1,924,935**	**68,178,282**	**51,149,670**	**51,149,670**

Category of Classification	December 31, 2008 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	--------------------------------		(Rupees in '000)		--------------------------------
Other Assets Especially Mentioned	667,170	-	667,170	-	-
Substandard	6,149,457	59,853	6,209,310	1,560,030	1,560,030
Doubtful	9,760,535	28,682	9,789,217	4,826,228	4,826,228
Loss	39,062,987	733,097	39,796,084	36,343,689	36,343,689
	55,640,149	821,632	56,461,781	42,729,947	42,729,947

7.2 During the year, the SBP vide its BSD Circular No.10 dated October 20, 2009 has amemded Prudential Regulations in respect of provisioning against non-performing advances. The revised regulations that are efective from September 30, 2009 has allowed in addition to other, the benefit of Forced Sale Value of industrial land and building held by the bank to the extent of 40% in determining provisioning against non-performing advances classified during last three years. Accordingly the aforesaid changes in the computation of provisioning has resulted in reduction of provision of Rs 1,041 million and consequent increase in profit after tax of Rs. 677 million.

However, in accordance with the SBP directive, the increase in profit after tax of Rs. 677 million resulting from the reduction in provisioning shall not be available for payment of cash or stock dividend.

	Note	**Sept 30, 2009 (Un-audited)**	Dec 31, 2008 (Audited)
		---------- (Rupees in '000)	**-----------**

8. DEFERRED TAX ASSETS - net

	Note	**Sept 30, 2009**	Dec 31, 2008
Deferred tax assets arising in respect of			
Provision for diminution in the value of investments		**357,446**	357,446
Provision against advances and off-balance sheet obligations	8.1	**5,955,672**	4,210,526
Other provisions		**376,111**	376,111
Charge against defined benefits plans		**666,181**	666,181
		7,355,410	5,610,264
Deferred tax (liabilities) arising in respect of			
Excess of accounting book value of leased assets over lease liabilities		**(6,225)**	(5,600)
Difference between accounting book value of fixed assets and tax base		**(222,846)**	(169,754)
Revaluation of securities	10	**(2,820,011)**	(895,673)
Revaluation of fixed assets		**(1,284,616)**	(1,334,665)
		(4,333,698)	(2,405,692)
Net deferred tax assets		**3,021,712**	3,204,572

8.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable upto a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. The management is of the view that it would be able to get deduction of provision in excess of 1% of total advances provided for the nine months and accordingly has recognized deferred tax amounting to Rs. 1,745 million on such provisions.

The amendment introduced in the Seventh Schedule does not provide for any transitional mechanism. The matter has been taken up with the Federal Board of Revenue (FBR) by the Institute of Chartered Accountants of Pakistan (ICAP) and Pakistan Banks Association (PBA). Pending the final resolution of the matter, the issue of deductibility of provisions against advances and off balance sheet items made upto December 31, 2008 is carried forward upto financial year end, by which time the matter is expected to be decided by the FBR.

	Sept 30, 2009 (Un-audited)	Dec 31, 2008 (Audited)
	---------- (Rupees in '000)	**-----------**

9. DEPOSITS AND OTHER ACCOUNTS

	Sept 30, 2009	Dec 31, 2008
Customers		
Fixed deposits	**176,489,686**	141,949,041
Savings deposits	**194,703,282**	179,807,400
Current accounts - remunerative	**63,530,311**	50,893,400
Current accounts - non-remunerative	**152,994,460**	143,216,221
	587,717,739	515,866,062
Financial Institutions		
Remunerative deposits	**46,877,446**	38,438,503
Non-remunerative deposits	**18,922,835**	70,634,451
	65,800,281	109,072,954
	653,518,020	624,939,016

	Sept 30, 2009 (Un-audited)	Dec 31, 2008 (Audited)
	---------- (Rupees in '000) ----------	
10. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets - net of tax	**17,240,209**	17,333,159
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government securities	**(103,855)**	(820,863)
Term Finance Certificates	**(143,577)**	(87,983)
Quoted shares and mutual funds	**1,506,931**	(438,078)
GoP Foreign Currency Bonds	**846,184**	(679,108)
NIT Units	**5,063,613**	2,386,570
NIT Market Opportunity Fund	**355,071**	(796,196)
Investment outside Pakistan	**7,306,235**	5,090,388
	14,830,602	4,654,730
Deferred tax liability recognised	**(2,820,011)**	(895,673)
	29,250,800	21,092,216

The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as 'Available for Sale' to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009. However, for the purposes of dividend, the impairment loss as referred above shall be treated as a charge to the profit and loss for the period.

The impairment loss as of September 30, 2009, based on the above discussions and the market values as of that date have been determined at Rs.139 million (December 31,2008 : Rs.1,979 million) after quarterly adjustments as required.

The full recognition of impairment loss based on the market values as at September 30, 2009 would have had the following effect on these unconsolidated condensed interim financial statements:

	Sept 30, 2009
	Rupees in '000
Increase in 'Impairment Loss' in Profit and Loss Account	138,630
Decrease in tax charge for the nine months	13,863
Decrease in profit for the nine months - after tax	124,767
	Rupees
Decrease in earnings per share -after tax (basic and diluted)	0.12
	Rupees in '000
Increase in net surplus on revaluation of available for sale securities	124,767
Decrease in unappropriated profit	124,767

11. CONTINGENCIES AND COMMITMENTS

11.1 Direct credit substitutes

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

	Sept 30, 2009 (Un-audited)	December 31, 2008 (Audited)
	---------- (Rupees in '000) -----------	
- Government	**18,100,889**	15,444,979
- Financial institutions	**6,883,524**	5,873,517
- Others	**13,785,190**	11,762,514
	38,769,603	33,081,010

11.2 Transaction-related contingent liabilities

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

- Government	**22,005,432**	18,660,550
- Financial institutions	**5,967**	5,060
- Others	**9,321,182**	7,904,339
	31,332,581	26,569,949

11.3 Trade-related contingent liabilities

Letters of credit		
Issued in favour of		
- Government	**142,317,363**	133,467,937
- Financial institutions	**1,074,117**	1,007,327
- Others	**38,699,017**	36,292,676
	182,090,497	170,767,940

11.4 Other contingencies

11.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.172 million (2008: Rs.172 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2008: Rs.965 million)].	**8,788,982**	11,442,569

11.4.2 Taxation

The income tax assessments of the bank for global operations and for Azad Kashmir have been finalized upto and including the Tax year 2008 (accounting year ended December 31, 2007). The income tax returns for the Tax year 2009 (accounting year ended December 31, 2008) has been filed for global operations and Azad Kashmir .

Appeals filed by the bank and tax department for various assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

In the event that the pending issues are decided against the bank, a further tax liability of Rs.14,024 million (December 31, 2008: Rs. 14,024 million) may arise in addition to the provision made by the Bank.

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

11.4.3 Provident Fund

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

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

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

Some Ex-Employees not being satisfied with the payment filed contempt against the Bank in 2004 in the form of Criminal Original No. 7/2004 in which the petitioners claimed that the amount being paid to them against Bank's contribution is far less than that due to them. The Bank filed a reply and contested the claim, however the case was disposed of on 04-05-2009 and as per Honourable Supreme Court of Pakistan's judgement, the Bank had recalculated the interest at the five years fixed deposit rate on bank's contribution and paid to all eligible employees / ex-employees upto the date of payment i.e. 31-05-2009.

A Review petition has been filed by the Petitioners against the judgement of Honourable Supreme Court of Pakistan dated 04-05-2009, which has not been admitted so far.

The difference / excess interest amount lying in Provident Fund ledger has been adjusted in Bank's Books of Accounts.

		Sept 30, 2009 (Un-audited)	Dec 31, 2008 (Audited)
		----------- (Rupees in '000)	**-----------**
11.5	**Commitments in respect of forward exchange contracts**		
	Purchase	**85,259,748**	69,361,297
	Sale	**48,636,239**	55,563,737
11.6	**Commitments in respect of trading with Government securities**		
	Purchase	**2,000,000**	5,200,000
	Sale	**-**	5,200,000
11.7	**Other Commitments**		
	Cross Currency Interest Rate SWAP	**6,914,650**	8,082,780

		Sept 30, 2009 (Un-audited)	Dec 31, 2008 (Audited)
11.8	**Commitments for the acquisition of operating fixed assets**	**2,240,235**	490,396
11.9	**Commitments to inject capital in the following companies**		
	- Nishat Power Limited	**-**	178,750
	- Nishat (Chunian) Limited	**-**	211,893
11.10	**Commitments for purchase of NIT Market Opportunity Fund units**	**200,000**	200,000
11.11	**Commitments for investment in NIT State Enterprise Fund**	**3,300,000**	7,000,000

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

13. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended Sept 30, 2009	**Nine Months Ended Sept 30, 2009**	Quarter Ended Sept 30, 2008	Nine Months Ended Sept 30, 2008
Profit after taxation (Rupees in '000)	**3,769,684**	**10,050,966**	4,814,438	12,695,871
Weighted average number of ordinary shares (in '000)	**1,076,370**	**1,076,370**	1,076,370	1,076,370
Basic and diluted earnings per share (Rupees)	**3.50**	**9.34**	4.47	11.80

13.1 The earnings per share for the quarter and nine months ended September 30, 2008 have been adjusted for the effect of bonus shares issued during the period.

14. 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**	**Total**
	------------------------	------------------------	------------------------	**Rupees in '000**	------------------------	------------------------	------------------------
Sept 30, 2009							
Total income	295,407	6,270,289	11,181,362	17,788,060	1,442,843	2,945,963	39,923,925
Total expenses	394	880,764	7,888,597	13,372,443	936,400	1,845,253	24,923,851
Net income	295,013	5,389,525	3,292,765	4,415,617	506,443	1,100,710	15,000,074
Sept 30, 2008							
Total income	242,402	6,046,684	10,911,612	18,753,715	1,245,474	2,342,279	39,542,166
Total expenses	476	333,834	7,318,734	10,456,483	865,498	1,566,365	20,541,390
Net income	241,926	5,712,850	3,592,878	8,297,232	379,976	775,914	19,000,776

15. RELATED PARTY TRANSACTIONS

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

	For the Nine Months Ended September 30, 2009 (Un-audited)			For the Year Ended December 31, 2008 (Audited)		
	Key Management Executives	**Subsidiaries**	**Associates**	**Key Management Executives**	**Subsidiaries**	**Associates**
	(Rupees in '000)					
Advances						
	95,931	**682,730**	**1,269,498**	89,102	786,382	1,515,120
Given during the period / year	**22,339**	**-**	**13,886**	6,829	-	-
Repaid during the period / year	**-**	**(41,667)**	**(70)**	-	(103,652)	(245,622)
At Sept 30 / December 31	**118,270**	**641,063**	**1,283,314**	95,931	682,730	1,269,498

	For the Nine Months Ended September 30, 2009 (Un-audited)			For the Year Ended December 31, 2008 (Audited)		
	Subsidiaries	**Pension Fund**	**Provident Fund**	**Subsidiaries**	**Pension Fund**	**Provident Fund**
	(Rupees in '000)					
Deposits						
At January 01	**167,224**	**3,940,161**	**8,507,300**	255,952	2,088,976	8,078,395
Received during the period / year	**260**	**6,909,788**	**891,455**		12,055,094	1,351,602
Repaid during the period / year	**(70,972)**	**(8,969,222)**	**(1,690,025)**	(88,728)	(10,203,909)	(922,697)
At Sept 30 / December 31	**96,512**	**1,880,727**	**7,708,730**	167,224	3,940,161	8,507,300

	Sept 30, 2009 (Un-audited)	Dec 31, 2008 (Audited)
	(Rupees in '000)	
Placements with:		
Joint venture	**483,166**	420,535
Associates / subsidiaries	**25,881**	25,881
Pension Fund	**-**	2,900,000
Lendings to:		
Subsidiary	**-**	113,983
(Repo) Borrowing from		
Subsidiary company	**450,000**	414,635
Other receivables from Subsidiaries	**39,364**	32,195
Other payables to Subsidiaries	**-**	11,594

	Nine Months Ended Sept 30, 2009 (Un-audited)	Nine Months Ended Sept 30, 2008 (Un-audited)
	------- (Rupees in '000) -------	
Income		
On advances / placements with:		
Subsidiaries	**4,289**	5,695
Associates	**-**	12,841
On debts due by company in which a director of the bank is interested as director	**-**	-
Expenses		
Remuneration to key management executives	**155,549**	178,676
Charge for defined benefit plan	**7,089**	5,110
Mark-up on deposits of:		
Subsidiaries	**187**	206
Provident fund	**753,994**	563,403
Mark-up on repo borrowing of:		
Subsidiaries	**39,399**	25,645
Commission paid to subsidiaries	**563**	1,587

15.1 Although the Federal Government and the SBP held about 75.48% shares of the bank (2008: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

16. ISLAMIC BANKING BUSINESS

The Bank is operating 8 (December 31, 2008: 5) Islamic banking branches as at September 30, 2009. The balance sheet and profit and loss account of such branches is as under:

	Sept 30, 2009 (Un-audited)	Dec 31, 2008 (Audited)
	------- (Rupees in '000) -------	
ASSETS		
Cash and balances with treasury banks	**42,376**	10,159
Investments	**401,880**	509,642
Financing and Receivables	**374,732**	321,650
Fixed Assets	**172,147**	1,050
Other assets	**58,169**	45,579
Total Assets	**1,049,304**	888,080
LIABILITIES		
Bills Payable	**6,405**	5,993
Deposits and other accounts	**397,141**	47,186
Due to Head Office	**348,696**	508,591
Other liabilities	**55,592**	19,577
	807,834	581,347
NET ASSETS	**241,470**	306,733
REPRESENTED BY		
Islamic Banking Fund	**300,000**	300,000
Unappropriated profit	**10,050**	5,552
	310,050	305,552
(Deficit) / Surplus on Revaluation of Assets	**(68,580)**	1,181
	241,470	306,733

	Sept 30, 2009 (Un-audited)	Sept 30, 2008 (Un-audited)
	----------- (Rupees in '000) ---------	
Profit and Loss Account		
Profit / return on financing and placements earned	**142,090**	84,393
Profit / return on deposit and other dues expensed	**62,033**	30,949
Net spread earned	**80,057**	53,444
OTHER INCOME		
Fee, commission and brokerage income	**1,367**	931
Income from dealing in foreign currencies	**-**	5
Other income	**9,834**	-
Total other income	**11,201**	936
OTHER EXPENSES		
Administrative expenses	**81,008**	55,013
Other charges	**200**	-
Total other expenses	**81,208**	55,013
PROFIT / LOSS BEFORE TAXATION	**10,050**	(633)

17. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue on October 31, 2009 by the Board of Directors of the Bank.

18. GENERAL

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

Chairman & President	Director	Director	Director

National Bank of Pakistan

Consolidated Financial Statements

For the quarter ended September 30, 2009

National Bank of Pakistan and its Subsidiary Companies
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2009

	Note	(Un-Audited) Sept 30 2009	(Audited) Dec 31 2008
		----------- (Rupees in '000) -----------	
ASSETS			
Cash and Balances with Treasury Banks		**73,676,659**	106,778,346
Balances with other Banks		**27,177,788**	39,490,730
Lendings to Financial Institutions		**5,651,088**	17,139,081
Investments	6	**240,675,396**	171,204,889
Advances	7	**435,676,563**	413,076,389
Net Operating Fixed Assets		**24,929,307**	24,271,964
Deferred Tax Assets	8	**3,034,989**	3,203,565
Other Assets		**57,026,385**	44,912,238
		867,848,176	820,077,201
LIABILITIES			
Bills Payable		**7,397,468**	10,219,061
Borrowings		**50,587,500**	40,044,291
Deposits and other Accounts	9	**653,702,145**	625,349,270
Sub-ordinated Loans		**-**	-
Liabilities against Assets subject to Finance Lease		**26,296**	25,274
Deferred Tax Liabilities		**-**	-
Other Liabilities		**38,240,964**	39,988,100
		749,954,373	715,625,996
NET ASSETS		**117,893,802**	104,451,206
REPRESENTED BY			
Share Capital		**10,763,701**	8,969,751
Reserves		**22,315,064**	20,476,863
Unappropriated Profit		**55,151,409**	53,567,326
		88,230,174	83,013,940
Minority Interest		**114,075**	112,699
		88,344,249	83,126,639
Surplus on Revaluation of Assets - net	10	**29,549,553**	21,324,568
		117,893,802	104,451,206
CONTINGENCIES AND COMMITMENTS	11		

The above surplus on revaluation of assets include impairment loss (net of tax) of Rs.133 million in respect of listed equity securities / mutual funds held under ‘Available-for-sale’ category of investments as allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of September 30, 2009. Had the impairment loss been fully charged to unconsolidated condensed interim profit and loss account, the ‘Surplus on revaluation of assets’ (net of tax) would have been higher by Rs. 133 million and the unappropriated profit would have been lower by the same amount (see note 10).

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

Chairman & President	**Director**	**Director**	**Director**

National Bank of Pakistan and its Subsidiary Companies
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2009

	Note	**Quarter Ended Sept 30 2009**	**Nine Months Ended Sept 30 2009**	Quarter Ended Sept 30 2008	Nine Months Ended Sept 30 2008
		-------------------------------	(Rupees in '000')	-------------------------------	
Mark-up / Return / Interest Earned		**18,704,253**	**56,051,294**	15,187,429	43,373,886
Mark-up / Return / Interest Expensed		**8,946,670**	**27,211,557**	7,183,056	16,270,128
Net Mark-up / Interest Income		**9,757,584**	**28,839,738**	8,004,373	27,103,758
Provision against Non-Performing Loans and Advances		**3,564,761**	**8,631,720**	1,680,597	6,734,076
Provision / Reversal for Diminution in the Value of Investments		**(367,266)**	**147,345**	(252)	(19,741)
Provision against Off Balance Sheet Obligations		**-**	**20,237**	-	-
Bad Debts Written Off Directly		**(69)**	**56**	96	203
		3,197,426	**8,799,358**	1,680,441	6,714,538
Net Mark-up / Interest Income after Provisions		**6,560,157**	**20,040,379**	6,323,932	20,389,220
NON MARK-UP / INTEREST INCOME					
Fee, Commission and Brokerage Income		**2,048,085**	**6,403,898**	1,764,371	5,583,523
Dividend Income		**1,399,238**	**1,702,366**	2,450,246	2,651,647
Income from Dealing in Foreign Currencies		**662,452**	**2,621,378**	669,524	2,654,730
Gain on Sale of Securities		**175,125**	**237,707**	30,806	489,144
Unrealized Gain / (Loss) on Revaluation of Investments Classified as Held-for-Trading		**(5,650)**	**54,421**	80,371	(26,707)
Share of Profit from Joint Ventures		**(5,652)**	**441**	30,055	110,400
Share of Profit from Associates		**1,022**	**6,035**	5,576	19,754
Other Income	**12**	**36,826**	**327,853**	61,615	1,339,148
Total Non Mark-up / Interest Income		**4,311,446**	**11,354,099**	5,092,564	12,821,639
		10,871,603	**31,394,478**	11,416,496	33,210,859
NON MARK-UP / INTEREST EXPENSES					
Administrative Expenses		**5,496,471**	**15,578,350**	5,055,625	13,201,515
Other Provisions / Write Offs		**43,594**	**506,874**	17,241	270,373
Other Charges		**14,959**	**249,068**	-	494,629
Total Non Mark-up / Interest Expenses		**5,555,024**	**16,334,292**	5,072,866	13,966,517
		5,316,579	**15,060,186**	6,343,630	19,244,342
Extra Ordinary Items		**-**	**-**	-	-
PROFIT BEFORE TAXATION		**5,316,579**	**15,060,186**	6,343,630	19,244,342
Taxation - Current		**2,184,537**	**6,704,358**	1,942,041	8,283,960
- Prior Year(s)		**(1,316)**	**(1,316)**	-	-
- Deferred		**(664,771)**	**(1,763,375)**	(428,360)	(1,972,085)
		1,518,451	**4,939,668**	1,513,681	6,311,875
PROFIT AFTER TAXATION		**3,798,128**	**10,120,518**	4,829,949	12,932,467
Share of Minority Interest		**(664)**	**(1,376)**	(138)	(3,419)
Profit attributable to shareholders of the holding company		**3,797,464**	**10,119,142**	4,829,811	12,929,048
Unappropriated Profit Brought Forward		**51,698,555**	**53,567,326**	46,658,553	46,232,813
Transfer from Surplus on Revaluation of Fixed Assets		**30,983**	**92,950**	22,909	68,727
Profit Available for Appropriations		**55,527,002**	**63,779,418**	51,511,273	59,230,588
Appropriations					
Transfer to Statutory Reserves		**(376,969)**	**(1,005,097)**	(481,444)	(1,269,587)
Transfer to Reserve for Issue of Bonus Shares		**-**	**(1,793,950)**	-	(815,432)
Final Cash Dividend for the Year Ended December 31, 2008 and December 31, 2007 declared subsequent to the year end		**-**	**(5,830,338)**	-	(6,115,740)
		(376,969)	**(8,629,385)**	(481,444)	(8,200,759)
Unappropriated Profit Carried Forward		**55,150,033**	**55,150,033**	51,029,829	51,029,829
Basic and Diluted earnings per share (Rupees)	**13**	**3.53**	**9.40**	4.49	12.01

(i) The profit for the period includes impairment loss (net of tax) of Rs. 133 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments, in accordance with the treatment allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of September 30, 2009 and has been taken to 'Surplus on revaluation of assets' account (net of tax) as shown in the balance sheet. Had the impairment loss been fully charged to unconsolidated condensed interim profit and loss account, profit after tax for the period would have been lowered by Rs. 133 million and earnings per share would have been lower by Rs. 0.12 (see note 10).

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

Chairman & President | **Director** | **Director** | **Director**

National Bank of Pakistan and its Subsidiary Companies
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2009

	Attributable to the shareholders of the holding company							
		Reserves						
		Capital		Revenue				
	Share Capital	Exchange Equalisation	Statutory	General	Unappropriated Profit	Sub Total	Minority Interest	Total
	(Rupees in '000')							
Balance as at January 1, 2008	8,154,319	3,879,535	11,977,521	521,338	46,232,813	70,765,526	109,729	70,875,255
Total Comprehensive Income for the Nine months period ended September 2008	-	2,614,320	-	-	13,001,194	15,615,514	3,419	15,618,933
Transfer to statutory reserve	-	-	1,423,602	-	(1,269,587)	154,015	-	154,015
Issue of bonus shares (10%)	815,432	-	-	-	(815,432)	-	-	-
Cash Dividend (Rs. 7.5 per share)	-	-	-	-	(6,115,739)	(6,115,739)	-	(6,115,739)
Balance as at September 30, 2008	**8,969,751**	**6,493,855**	**13,401,123**	**521,338**	**51,033,249**	**80,419,316**	**113,148**	**80,532,464**
Balance as at October 1, 2008	8,969,751	6,493,855	13,401,123	521,338	51,033,249	80,419,316	113,148	80,532,464
Total Comprehensive Income for the Three months period ended December 2008	-	(61,710)	-	-	2,656,334	2,594,624	(449)	2,594,175
Transfer to statutory reserve	-	-	122,257	-	(122,257)	-	-	-
Balance as at December 31, 2008	**8,969,751**	**6,432,145**	**13,523,380**	**521,338**	**53,567,326**	**83,013,940**	**112,699**	**83,126,639**
Balance as at January 1, 2009	8,969,751	6,432,145	13,523,380	521,338	53,567,326	83,013,940	112,699	83,126,639
Total Comprehensive Income for the Nine months period ended September 2008		833,104			10,213,468	11,046,572	1,376	11,047,948
Transfer to statutory reserve	-	-	1,005,097	-	(1,005,097)	-	-	-
Issue of bonus shares (20%)	1,793,950	-	-	-	(1,793,950)	-	-	-
Cash Dividend (Rs. 6.5 per share)	-	-	-	-	(5,830,338)	(5,830,338)	-	(5,830,338)
Balance as at September 30, 2009	**10,763,701**	**7,265,249**	**14,528,477**	**521,338**	**55,151,409**	**88,230,174**	**114,075**	**88,344,249**

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

Chairman & President **Director** **Director** **Director**

National Bank of Pakistan and its Subsidiary Companies
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2009

	Quarter Ended Sept 30 2009	**Nine Months Ended Sept 30 2009**	Quarter Ended Sept 30 2008	Nine Months Ended Sept 30 2008
	(Rupees in '000)			
Profit after taxation for the period	**3,798,128**	**10,121,894**	4,829,949	12,935,886
Other Comprehensive Income				
Exchange adjustments on translation of net assets of foreign branches	**1,056,560**	**833,104**	1,241,219	2,614,320
Transfer from surplus on revaluation of fixed assets - incremental depreciation - net of tax	**30,983**	**92,950**	22,909	68,727
Comprehensive Income transferred to equity	**4,885,671**	**11,047,948**	**6,094,077**	**15,618,933**
Components of Comprehensive Income not transferred to equity				
Surplus on revaluation of fixed assets - incremental depreciation - net of tax	**(30,983)**	**(92,950)**	(22,909)	(68,727)
Surplus/ (deficit) on revalauation of investment	**7,762,665**	**10,242,273**	20,817,010	(18,193,439)
Deferred tax (liability) / asset on revaluation of investments	**(1,331,096)**	**(1,924,338)**	(3,818,167)	2,844,818
	6,431,569	**8,317,935**	16,998,843	(15,348,621)
Total Comprehensive Income	**11,286,257**	**19,272,933**	**23,070,011**	**201,585**

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

Chairman & President **Director** **Director** **Director**

National Bank of Pakistan and its Subsidiary Companies
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2009

	Nine Months Ended Sept 30 2009	Nine Months Ended Sept 30 2008
	----------- (Rupees in '000) -----------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**15,060,186**	19,244,342
Less: Dividend income	**1,702,366**	2,651,647
	13,357,820	16,592,695
Adjustments:		
Depreciation	**556,450**	453,438
Provision against non-performing advances	**8,631,720**	6,734,076
Provision / (reversal) for diminution in the value of investments	**147,345**	(19,741)
Provision against off balance sheet obligations	**20,237**	-
Bad Debts Written off directly	**56**	203
Other provisions / write offs	**506,874**	270,373
Gain on sale of fixed assets	**(2,428)**	(3,283)
Financial charges on leased assets	**8,145**	5,979
Share of profit from joint ventures	**(441)**	(110,400)
Share of profit from associates	**(6,035)**	(19,754)
	9,861,924	7,310,891
	23,219,744	23,903,586
(Increase) / decrease in operating assets		
Lendings to financial institutions	**11,487,993**	10,319,503
Held-for-trading securities	**(3,678,222)**	(12,683,021)
Advances	**(31,231,950)**	(54,728,501)
Other assets (excluding advance taxation - net)	**(13,247,938)**	(6,951,302)
	(36,670,117)	(64,043,321)
Increase / (decrease) in operating liabilities		
Bills payable	**(2,821,593)**	2,434,221
Borrowings	**10,441,026**	15,808,209
Deposits and other accounts	**28,352,876**	(30,114,585)
Other liabilities	**(1,767,373)**	(2,403,480)
	34,204,935	(14,275,635)
Income tax paid	**(5,996,798)**	(10,284,093)
Financial charges paid	**(8,145)**	(5,979)
	(6,004,943)	(10,290,072)
Net cash flow from operating activities	**14,749,619**	(64,705,442)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Net investments) / proceeds from available-for-sale securities	**(67,489,447)**	54,557,647
Proceeds from held-to-maturity securities	**11,519,176**	(3,147,122)
Dividend income received	**1,702,366**	2,651,647
Investments in operating fixed assets	**(1,344,038)**	(1,375,085)
Sale proceeds of property and equipment disposed off	**2,428**	3,283
Net cash (used) in investing activities	**(55,609,516)**	52,690,370
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	**(11,672)**	(8,604)
Dividend paid	**(5,830,338)**	(6,115,740)
Net cash used in financing activities	**(5,842,010)**	(6,124,344)
Effects of exchange rate changes on cash and cash equivalents	**1,185,094**	2,357,339
Net increase in cash and cash equivalents	**(45,516,812)**	(15,782,077)
Cash and cash equivalents at beginning of the period	**146,097,099**	132,337,685
Cash and cash equivalents at the end of the period	**100,580,288**	116,555,608

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

Chairman & President **Director** **Director** **Director**

National Bank of Pakistan and its Subsidiary Companies
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2009

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company
- National Bank of Pakistan

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,262 (2008: 1,254) branches in Pakistan and 22 (2008: 22) 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 Kazakhistan, NBP Exchange Company Limited, NBP Modaraba Management Company Limited and National Agricultural & Storage Company Limited are wholly owned subsidiaries of the holding company while the controlling interest in Taurus Securities Limited is 58.32% and Cast-N-Link Products Limited is 76.51%.

1.2 Basis of Consolidation

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

2. STATEMENT OF COMPLIANCE

2.1 These consolidated condensed interim financial statements for nine months have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) 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 SBP vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. 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 consolidated 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 unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2008.

2.4 During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standard has resulted in certain increased disclosures only. Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these unconsolidated condensed interim financial statements.

3. ACCOUNTING POLICIES

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the holding company for the year ended December 31, 2008.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated condensed interim financial statements requires management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The basis for the significant judgments and estimates made by the management for the preparation of these consolidated condensed interim financial statements are consistent with those applied in the annual consolidated financial statements for the year ended December 31, 2008 .

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the bank for the year ended December 31, 2008.

6. INVESTMENTS

	Note	September 30, 2009 (Un-audited) Held by bank	Given as collateral	Total	December 31, 2008 (Audited) Held by bank	Given as collateral	Total
		----------- (Rupees in '000) -----------			----------- (Rupees in '000) -----------		
6.1 Investments by type:							
Held-for-trading securities							
Ordinary shares of listed companies		**143,205**	**-**	**143,205**	7,496	-	7,496
Market Treasury Bills		**3,494,657**	**-**	**3,494,657**	-	-	-
Ijara Sukuk Bonds		**-**	**-**	**-**	1,000,000	-	1,000,000
Pakistan Investment Bonds		**1,047,856**	**-**	**1,047,856**	-	-	-
Total Held-for-Trading Securities		**4,685,718**	**-**	**4,685,718**	1,007,496	-	1,007,496
Available- for- sale securities							
Ordinary shares of listed companies		**2,476,273**	**-**	**2,476,273**	3,673,105	-	3,673,105
Ordinary shares of unlisted companies		**1,326,319**	**-**	**1,326,319**	716,610	-	716,610
		3,802,592	**-**	**3,802,592**	4,389,715	-	4,389,715
Market Treasury Bills		**94,620,864**	**31,525,138**	**126,146,002**	64,523,811	23,990,054	88,513,865
Preference shares		**272,500**	**-**	**272,500**	297,500	-	297,500
Pakistan Investment Bonds		**11,938,815**	**497,250**	**12,436,065**	4,306,820	66,987	4,373,807
Federal Investment Bonds		**-**	**-**	**-**	940,000	-	940,000
GoP Foreign Currency Bonds		**2,901,161**	**-**	**2,901,161**	1,212,348	-	1,212,348
Term Finance Certificates / Musharika, Foreign Currency Debt Securities and Sukuk Bonds		**40,221,067**	**-**	**40,221,067**	17,876,117	-	17,876,117
Mutual funds		**1,084,992**	**-**	**1,084,992**	1,082,700	-	1,082,700
Foreign Government Securities		**207,180**	**-**	**207,180**	1,657,303	-	1,657,303
Investment outside Pakistan	6.1.1	**463,295**	**-**	**463,295**	463,295	-	463,295
NIT Market Opportunity Fund		**1,800,000**	**-**	**1,800,000**	1,800,000	-	1,800,000
National Investment Trust (NIT) Units		**8,404,327**	**-**	**8,404,327**	7,643,084	-	7,643,084
Total Available- for- sale securities		**165,716,793**	**32,022,388**	**197,739,181**	106,192,693	24,057,041	130,249,734
Held-to-maturity securities							
Government Compensation Bonds		**1,189,327**	**-**	**1,189,327**	2,331,182	-	2,331,182
Pakistan Investment Bonds		**8,914,642**	**-**	**8,914,642**	9,515,583	-	9,515,583
Federal Investment Bonds		**-**	**-**	**-**	-	-	-
Market Treasury Bills		**-**	**-**	**-**	-	-	-
GoP Foreign Currency Bonds		**7,943,385**	**-**	**7,943,385**	15,623,010	-	15,623,010
Foreign Government Securities		**1,549,966**	**-**	**1,549,966**	3,959,627	-	3,959,627
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates and Sukuk Bonds		**2,224,390**	**-**	**2,224,390**	1,911,484	-	1,911,484
Certificates of Investment		**-**	**-**	**-**	-	-	-
Total Held-to-maturity securities		**21,821,710**	**-**	**21,821,710**	33,340,886	-	33,340,886
Investments in associates		**1,159,332**	**-**	**1,159,332**	1,139,777	-	1,139,777
Investments in joint ventures		**2,099,861**	**-**	**2,099,861**	2,451,411	-	2,451,411
Investments in subsidiaries		**3,245**	**-**	**3,245**	3,245	-	3,245
Investment at cost		**195,486,659**	**32,022,388**	**227,509,047**	144,135,508	24,057,041	168,192,549
Less: Provision for diminution in value of Investments		**(1,683,250)**	**-**	**(1,683,250)**	(1,542,273)	-	(1,542,273)
Investments (net of provisions)		**193,803,409**	**32,022,388**	**225,825,797**	142,593,235	24,057,041	166,650,276
Surplus on Revaluation of Held-for-trading securities		**54,421**	**-**	**54,421**	1,707	-	1,707
Surplus/(Deficit) on revaluation of Available-for-sale securities		**14,884,096**	**(88,917)**	**14,795,179**	4,587,441	(34,535)	4,552,906
Total investments at market value		**208,741,925**	**31,933,471**	**240,675,396**	147,182,383	24,022,506	171,204,889

6.2 Investment outside Pakistan - Bank Al-Jazira

The Bank holds 17,500,000 (2008: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2008: 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.

	Note	**Sept 30 2009 (Un-audited)**	Dec 31 2008 (Audited)
		----------- (Rupees in '000) -----------	
7. ADVANCES -net			
Loans, cash credits, running finances, etc.			
In Pakistan		**414,751,743**	389,450,214
Outside Pakistan		**47,684,772**	45,292,545
		462,436,515	434,742,758
Net investment in finance lease			
In Pakistan		**332,611**	467,392
Outside Pakistan		**-**	-
		332,611	467,392
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		**3,125,415**	2,973,812
Payable outside Pakistan		**22,992,962**	19,518,940
		26,118,377	22,492,752
Margin Financing / Continuous Funding System		**60,963**	255,453
Advances - gross		**488,948,465**	457,958,355
Less: Provision against non-performing loans			
Specific	7.1	**(51,149,670)**	(42,770,749)
General		**(2,122,232)**	(2,111,217)
		(53,271,902)	(44,881,966)
Advances - net of provision		**435,676,563**	413,076,389

7.1 Advances include Rs 68,178 million (2008: Rs.56,503 million) which have been placed under the non-performing status as detailed below:

	September 30, 2009 (Un-audited)				
Category of Classification	**Domestic**	**Overseas**	**Total**	**Provision Required**	**Provision Held**
	---------------------------------(Rupees in '000)--------------------------------------				
Other Assets Especially Mentioned	**2,141,104**	**-**	**2,141,104**	**-**	**-**
Substandard	**6,222,477**	**609,355**	**6,831,832**	**1,512,568**	**1,512,568**
Doubtful	**7,116,524**	**444,497**	**7,561,021**	**3,614,213**	**3,614,213**
Loss	**50,773,242**	**871,083**	**51,644,325**	**46,022,889**	**46,022,889**
	66,253,347	**1,924,935**	**68,178,282**	**51,149,670**	**51,149,670**

	December 31, 2008 (Audited)				
Category of Classification	**Domestic**	**Overseas**	**Total**	**Provision Required**	**Provision Held**
	---------------------------------(Rupees in '000)--------------------------------------				
Other Assets Especially Mentioned	667,170	-	667,170	-	-
Substandard	6,149,457	59,853	6,209,310	1,560,030	1,560,030
Doubtful	9,760,535	28,682	9,789,217	4,826,228	4,826,228
Loss	39,103,789	733,097	39,836,886	36,384,491	36,384,491
	55,680,951	821,632	56,502,583	42,770,749	42,770,749

7.2 During the year, the SBP vide its BSD Circular No.10 dated October 20, 2009 has amemded Prudential Regulations in respect of provisioning against non-performing advances. The revised regulations that are efective from September 30, 2009 has allowed in addition to other, the benefit of Forced Sale Value of industrial land and building held by the bank to the extent of 40% in determining provisioning against non-performing advances classified during last three years. Accordingly the aforesaid changes in the computation of provisioning has resulted in reduction of provision of Rs 1,041 million and consequent increase in profit after tax of Rs 677 million.

However, in accordance with the SBP directive, the increase in profit after tax of Rs. 677 million resulting from the reduction in provisioning shall not be available for payment of cash or stock dividend.

8. DEFERRED TAX ASSETS - net	Note	Sept 30 2009 (Un-audited)	Dec 31 2008 (Audited)
		------- (Rupees in '000') -------	
Deferred tax assets arising in respect of			
Provision for diminution in the value of investments		**357,446**	357,446
Provision against advances and off-balance sheet obligations	8.1	**5,955,672**	4,210,526
Other provision		**376,111**	376,111
Charge against defined benefits plans		**666,181**	666,181
Others		**13,277**	(1,007)
		7,368,687	5,609,257
Deferred tax (liabilities) arising in respect of			
Excess of accounting book value of leased assets over lease liabilities		**(6,225)**	(5,600)
Difference between accounting book value of fixed assets and tax base		**(222,846)**	(169,754)
Revaluation of securities	10	**(2,820,011)**	(895,673)
Revaluation of fixed assets		**(1,284,616)**	(1,334,665)
		(4,333,698)	(2,405,692)
Net deferred tax liabilities		**3,034,989**	3,203,565

8.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable upto a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. The management is of the view that it would be able to get deduction of provision in excess of 1% of total advances provided for the nine months and accordingly has recognized deferred tax amounting to Rs. 1,745 million on such provisions.

The amendment introduced in the Seventh Schedule does not provide for any transitional mechanism. The matter has been taken up with the Federal Board of Revenue (FBR) by the Institute of Chartered Accountants of Pakistan (ICAP) and Pakistan Banks Association (PBA). Pending the final resolution of the matter, the issue of deductibility of provisions against advances and off balance sheet items made upto December 31, 2008 is carried forward upto financial year end, by which time the matter is expected to be decided by the FBR.

9. DEPOSITS AND OTHER ACCOUNTS	Sept 30 2009 (Un-audited)	Dec 31 2008 (Audited)
	--------- (Rupees in '000') ---------	
Customers		
Fixed deposits	**176,513,800**	142,315,907
Savings deposits	**194,812,822**	179,807,686
Current accounts - remunerative	**63,677,295**	50,740,004
Current accounts - non-remunerative	**152,994,460**	143,412,718
	587,998,376	516,276,316
Financial Institutions		
Remunerative deposits	**46,877,446**	38,438,503
Non-remunerative deposits	**18,826,323**	70,634,451
	65,703,769	109,072,954
	653,702,145	625,349,270

10. SURPLUS ON REVALUATION OF ASSETS

	Sept 30 2009 (Un-audited)	Dec 31 2008 (Audited)
	---------- (Rupees in '000) ----------	
Surplus on Revaluation of Fixed Assets - net of Tax	**17,584,479**	17,677,429
Surplus on Revaluation of Securities - net of Tax		
Federal Government securities	**(128,286)**	(872,274)
Term Finance Certificates	**(147,256)**	(84,886)
Quoted shares and Mutual Funds	**1,499,618**	(491,588)
GoP Foreign Currency Bonds	**846,184**	(679,108)
NIT Units	**5,063,613**	2,386,570
NIT Market Opportunity Fund	**355,071**	(796,196)
Investment outside Pakistan	**7,306,235**	5,090,388
	14,795,179	4,552,906
Deferred tax Liability Recognized	**(2,820,011)**	(895,673)
Share of Revaluation Loss on Securities of Associates	**(10,094)**	(10,094)
	29,549,553	21,324,568

The Karachi Stock Exchange (Guarantee) Limited (“KSE”) placed a “Floor Mechanism” on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the “Floor Mechanism”, the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of “Floor Mechanism” by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as 'Available for Sale' to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009. However, for the purposes of dividend, the impairment loss as referred above shall be treated as a charge to the profit and loss for the period.

The impairment loss as of September 30, 2009, based on the above discussions and the market values as of that date have been determined at Rs.148 million (December 31,2008 : Rs.1,979 million) after quarterly adjustments as required.

The full recognition of impairment loss based on the market values as at September 30, 2009 would have had the following effect on these financial statements:

	Sept 30 2009
	Rupees in '000
Increase in ‘Impairment Loss’ in Profit and Loss Account	147,252
Decrease in tax charge for the nine months	14,725
Decrease in profit for the nine months - after tax	132,527
	Rupees
Decrease in earnings per share -after tax (basic and diluted)	0.12
	Rupees in '000
Increase in net surplus on revaluation of available for sale securities	132,527
Decrease in unappropriated profit	132,527

11. CONTINGENCIES AND COMMITMENTS

11.1 Direct credit substitutes

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

	Sept 30 2009 (Un-audited)	Dec 31 2008 (Audited)
	---------- (Rupees in '000)	**----------**
- Government	**18,100,889**	15,444,979
- Financial institutions	**6,883,524**	5,873,517
- Others	**13,785,190**	11,762,514
	38,769,603	33,081,010

11.2 Transaction-related contingent liabilities

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

- Government	**22,005,432**	18,660,550
- Financial institutions	**5,967**	5,060
- Others	**9,321,182**	7,904,339
	31,332,581	26,569,949

11.3 Trade-related contingent liabilities

Letters of credit		
Issued in favour of		
- Government	**142,317,363**	133,467,937
- Financial institutions	**1,074,117**	1,007,327
- Others	**38,699,017**	36,292,676
	182,090,497	170,767,940

11.4 Other contingencies

11.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.172 million (2008: Rs.172 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2008: Rs.965 million)].

	8,788,982	11,442,569

11.4.2 Taxation

The income tax assessments of the holding company for global operations and for Azad Kashmir have been finalized upto and including the Tax year 2008 (accounting year ended December 31, 2007). The income tax returns for the Tax year 2009 (accounting year ended December 31, 2008) has been filed for global operations and Azad Kashmir .

Appeals filed by the holding company and tax department for various assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

In the event that the pending issues are decided against the bank, a further tax liability of Rs.14,024 million (December 31, 2008: Rs. 14,024 million) may arise in addition to the provision made by the Bank.

Contingencies in respect of tax amounting to Rs.28.67 million (2008: Rs.28.67 million) relates to subsidiaries. These mainly pertains to disallowed expenses and additional tax.

However, no additional provision against pending issues have been made as the management, based on the opinion of tax lawyers and consultants, expects favourable outcome of these matters.

11.4.3 Provident Fund

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

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

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

Some Ex-Employees not being satisfied with the payment filed contempt against the Bank in 2004 in the form of Criminal Original No. 7/2004 in which the petitioners claimed that the amount being paid to them against Bank's contribution is far less than that due to them. The Bank filed a reply and contested the claim, however the case was disposed of on 04-05-2009 and as per Honourable Supreme Court of Pakistan's judgement, the Bank had recalculated the interest at the five years fixed deposit rate on bank's contribution and paid to all eligible employees / ex-employees upto the date of payment i.e. 31-05-2009.

A Review petition has been filed by the Petitioners against the judgement of Honourable Supreme Court of Pakistan dated 04-05-2009, which has not been admitted so far.

The difference / excess interest amount lying in Provident Fund ledger has been adjusted in Bank's Books of Accounts.

		Sept 30 2009 (Un-audited)	Dec 31 2008 (Audited)
		------- (Rupees in '000) -------	
11.5	**Commitments in respect of forward exchange contracts**		
	Purchase	**85,259,748**	69,361,297
	Sale	**48,636,239**	55,563,737
11.6	**Commitments in respect of trading with Govt. securities**		
	Purchase	**2,000,000**	5,200,000
	Sale	**-**	5,200,000
11.7	**Other Commitments**		
	Cross Currency SWAP	**6,914,650**	8,082,780

		Sept 30 2009 (Un-audited)	Dec 31 2008 (Audited)
		(Rupees in '000)	
11.8	**Commitments for the acquisition of operating fixed assets**	**2,240,235**	490,396
11.9	**Commitments to inject capital in the following companies**		
	- Nishat Power Limited	**-**	178,750
	- Nishat (Chunian) Limited	**-**	211,893
11.10	**Commitments for purchase of NIT Market Opportunity Fund units**	**200,000**	200,000
11.11	**Commitments for investment in NIT State Enterprise Fund**	**3,300,000**	7,000,000

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

13. BASIC AND DILUTED EARNINGS PER SHARE

		Quarter Ended Sept 30 2009	Nine Months Ended Sept 30 2009	Quarter Ended Sept 30 2008	Nine Months Ended Sept 30 2008
Profit attributable to the shareholders of the holding company	(Rupees in '000)	**3,798,128**	**10,120,518**	4,829,949	12,932,467
Weighted average number of ordinary shares	(Number '000)	**1,076,370**	**1,076,370**	1,076,370	1,076,370
Basic and diluted earnings per share	(Rupees)	**3.53**	**9.40**	4.49	12.01

13.1 The earnings per share for the quarter and nine months ended September 30, 2008 have been adjusted for the effect of bonus shares issued during the period

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
					Rupees in '000				
Sept 30, 2009									
Total income	295,407	6,474,942	11,181,362	17,788,060	1,442,843	2,945,963	7,558	57,702	40,193,836
Total expenses	394	1,034,114	7,888,597	13,372,443	936,400	1,845,253	8,763	47,687	25,133,651
Net income	295,013	5,440,828	3,292,765	4,415,617	506,443	1,100,710	(1,205)	10,015	15,060,186
Sept 30, 2008									
Total income	242,402	6,347,574	10,911,612	18,753,715	1,245,474	2,342,279	10,855	71,486	39,925,397
Total expenses	476	410,448	7,318,734	10,456,483	865,498	1,566,365	6,738	56,313	20,681,055
Net income	241,926	5,937,126	3,592,878	8,297,232	379,976	775,914	4,117	15,173	19,244,342

15. RELATED PARTY TRANSACTIONS

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

	For the Nine Months ended Sept 30, 2009 (Un-Audited)		For the Nine Months ended Dec 31, 2008 (Audited)	
	Key Management Executives	Associates	Key Management Executives	Associates
	(Rupees in '000)			
Advances				
At January 01	**95,931**	**1,269,498**	89,102	1,515,120
Given during the period / year	**22,339**	**13,886**	6,829	**-**
Repaid during the period / year	**-**	**(70)**	-	(245,622)
At September 30 / December 31	**118,270**	**1,283,314**	95,931	1,269,498

	Pension Fund	Provident Fund	Pension Fund	Provident Fund
	(Rupees in '000)			
Deposits				
At January 01	**3,940,161**	**8,507,300**	2,088,976	8,078,395
Received during the period / year	**6,909,788**	**891,455**	12,055,094	1,351,602
Repaid during the period / year	**(8,969,222)**	**(1,690,025)**	(10,203,909)	(922,697)
At September 30 / December 31	**1,880,727**	**7,708,730**	3,940,161	8,507,300

	Sept 30 2009 (Un-audited)	Dec 31 2008 (Audited)
	---------- (Rupees in '000) ----------	
Placements with:		
Joint venture	**483,166**	420,535
Associates	**25,881**	25,881
Pension Fund	**-**	2,900,000

	Nine Months Ended Sept 30 2009 (Un-audited)	Nine Months Ended Sept 30 2008 (Un-audited)
	---------- (Rupees in '000) ----------	
Income on Advances / Placement with:		
Associates	-	12,841
Debts due by company in which a director of the holding company is interested as director	**-**	11,569
Expenses for the period		
Remuneration to key management executives	**155,549**	178,676
Charge for defined benefit plan	**7,089**	5,110
Mark-up on deposits of:		
Provident fund	**753,994**	563,403

15.1 Although the Federal Government and the SBP held about 75.48% shares of the holding company (2008: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

16. ISLAMIC BANKING BUSINESS

The Bank is operating 8 (December 31, 2008: 5) Islamic banking branches as at September 30, 2009. The balance sheet and profit and loss account of such branches is as under:

Balance Sheet	Sept 30 2009 (Un-audited)	Dec 31 2008 (Audited)
	------ (Rupees in '000) ------	
ASSETS		
Cash and balances with treasury banks	**42,376**	10,159
Investments	**401,880**	509,642
Financing and Receivables	**374,732**	321,650
Fixed Assets	**172,147**	1,050
Other assets	**58,169**	45,579
Total Assets	**1,049,304**	888,080
LIABILITIES		
Bills payable	**6,405**	5,993
Deposits and other accounts	**397,141**	47,186
Due to Head Office	**348,696**	508,591
Other liabilities	**55,592**	19,577
	807,834	581,347
NET ASSETS	**241,470**	306,733
REPRESENTED BY		
Islamic Banking Fund	**300,000**	300,000
Un remitted (loss) / profit	**10,050**	5,552
	310,050	305,552
Surplus on Revaluation of Assets	**(68,580)**	1,181
	241,470	306,733

	Sept 30 2009 (Un-audited)	Sept 30 2008 (Audited)
	------ **(Rupees in '000)** ------	
Profit and Loss Account		
Profit / return on financing and placements earned	**142,090**	84,393
Profit / return on deposit and other dues expensed	**62,033**	30,949
Net spread earned	**80,057**	53,444
OTHER INCOME		
Fee, commission and brokerage income	**1,367**	931
Income from dealing in foreign currencies		5
Other income	**9,834**	
Total other income	**11,201**	936
OTHER EXPENSES		
Administrative expenses	**81,008**	55,013
Other charges	**200**	
Total other expenses	**81,208**	**55,013**
	10,050	(633)

17. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue on October 31, 2009 by the Board of Directors of the Holding Company.

18. GENERAL

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

Chairman & President **Director** **Director** **Director**