National Bank of Pakistan

Quarterly Report | September 2008



The Nation's Bank



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Corporate Information

Board of Directors	Syed Ali Raza Chairman & President
	Muhammad Ayub Khan Tarin
	Sikandar Hayat Jamali
	Mian Kausar Hameed
	Ibrar A. Mumtaz
	Tariq Kirmani
I	Muhammed Arshad Chaudhry
Audit Committee	Tariq Kirmani
	Ibrar A. Mumtaz
I	Mian Kausar Hameed
Auditors	Ford Rhodes Sidat Hyder & Co.
	Chartered Accountants
	M. Yousuf Adil Saleem & Co.
	Chartered Accountants
Legal Advisors	Mandviwala & Zafar
I	Advocates & Legal Consultants
Registered & Head Office	NBP Building
	I. I. Chundrigar Road, Karachi, Pakistan
Registrar's & Share Registration Office	THK Associates (Pvt.) Ltd.
	Shares Department, Ground Floor,
	State Life Building # 3,
	Dr. Ziauddin Ahmed Road,
	Karachi, Pakistan.
Website	www.nbp.com.pk
TTENSILE	www.hbp.com.pk

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, 2008. The Profit for the nine months period ended September 30,2008 after carry over of accumulated profit of 2007 is proposed to be appropriated as follows: -

Net Profit before taxation for the nine months period ended September 30, 2008	Rs. in million 19,001
Taxation	
-Current year	8,277
-Prior year(s)	-
-Deferred	(1,972)
	6,305
After tax profit	12,696
Un-appropriated profit brought forward	45,344
Incremental depreciation- net of deferred tax	69
Profit available for appropriation	58,109
Cook Dividend sold	6 116
Cash Dividend paid	6,116
Transfer to Statutory Reserve (10% of after tax profit)	1,270
Bonus shares issued	815
	8201
Un-appropriated profit carried forward	49,908

Although, total revenue for the nine months in 2008 compared to the comparative period last year increased by 18% from Rs. 33.4 billion to Rs. 39.6 billion, net profit reduced by approximately 14% largely on account of higher provisions. Around 30% of the incremental provisions for nine months period ending September 30, 2008 are on account of legacy loans which have been downgraded. Last year provision charge included one off reversal of Rs. 1.4 billion on account of one large cash recovery and reversal in general provision of Rs.825 million due to reduction in provision requirement on advance salary from 5% to 3%. These two factors understated the last year provision charge and should be taken into account for comparison of provision charge for the two periods. Since all the non-performing loans are fully provided for in line with State Bank of Pakistan regulations, there exists strong potential of write backs in the profit & loss account in future years. Consequent to the reduction in after tax profit, earning per share has reduced by 14% during the same period last year. However, cost / income at 0.34 remained at the top tier as did the RoA at 3.4%.

Net interest margin registered an impressive growth of Rs. 2,421 million or 10.0% mainly due to growth in volumes. Net advances increased by Rs. 68 billion and Rs. 47 billion as compared to corresponding period of last year and year end 2007 respectively. The growth in advances mainly derived from corporate and commodity financing. Deposits increased by Rs. 39 billion or 7.4% over corresponding period last year. Compared to year end December 2007 however the deposits have decreased by Rs. 30 billion or 5.1% mainly due to reduction in expensive deposits.



Non interest base income has shown an impressive increase of Rs. 3.7 billion or 42.4% over corresponding period due to higher commission, exchange income and compensation on account of delayed tax refunds.

Administrative expenses increased by 25% mainly on account of investments in training, compensation adjustments to bring it in line with the market and inflation.

We are pleased to inform our shareholders that NBP has zero exposure in the sub-prime market or any other financial instruments which are currently creating havoc with financial institutions globally. We are also pleased to state that our prudence in retaining earnings for the benefit of the shareholders has provided the bank with a very strong tier 1 capital and CAR of 19% which is substantially higher than approximately 9-10% maintained by the banks internationally.

NBP will continue to benefit from its diversified product base and consequent diversification of its NBP will continue to benefit from its diversified product base and consequent diversification of its earning sources whereby the institution is not dependant on 1 or 2 sources for majority of its revenues. NBP has also consolidated its footprint in central and south Asia in addition to our presence in Europe and America. We have 4 branches each in Central Asia, Afghanistan and Bangladesh, 2 branches each in United States of America, Hong Kong, Japan and Europe, with one branch in Bahrain and Korea. We will inshallah be opening an office in Riyadh very shortly. Given the very substantial trade and investment potential in the region, NBP will substantially benefit from this footprint.

Our standalone credit rating has been maintained at AAA by JCR VIS Credit Rating Agency yet another proof of our strong performance and are thankful to our customers for their continued patronage and confidence that they have shown in our institution especially in these tough times. Our strength of 'customer service with security' will enable us to safeguard the interests of our customers and show an impressive performance under the circumstances.

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

On behalf of Board of Directors

S. Ali Raza

Chairman & President Date: October 30, 2008



Condensed Interim Balance Sheet

As at September 30, 2008

		(Un-audited) September 30, 2008	(Audited) December 31, 2007
	Note	(Rupees	in '000)
ASSETS			
Cash and balances with treasury banks		81,490,442	94,873,249
Balances with other banks		35,543,549	37,472,832
Lendings to financial institutions		11,335,339	21,464,600
Investments	6	154,983,535	211,142,868
Advances	7	388,170,526	340,322,100
Operating fixed assets		26,845,166	25,922,979
Deferred tax assets		-	-
Other assets		39,607,884	30,994,965
		737,976,441	762,193,593
LIABILITIES			
Bills payable		9,496,122	7,061,902
Borrowings		28,261,542	10,886,063
Deposits and other accounts	8	561,499,498	591,907,435
Sub-ordinated loans			-
Liabilities against assets subject to finance lease		25,135	33,554
Deferred tax liabilities - net	9	267,528	5,097,831
Other liabilities		28,607,493	30,869,154
NET ASSETS		628,157,318	645,855,939
NET ASSETS		109,819,123	116,337,654
REPRESENTED BY			
Share capital		8,969,751	8,154,319
Reserves		19,250,347	15,772,124
Unappropriated profit		49,908,027	45,344,188
		78,128,125	69,270,631
Surplus on revaluation of assets - net of tax	10	31,690,998	47,067,023
		109,819,123	116,337,654
CONTINGENCIES AND COMMITMENTS	11		

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

Syed Ali Raza Chairman & President Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director Tariq Kirmani Director

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Condensed Interim And Loss Account - (Un-audited)

For The Nine Months Period Ended September 30, 2008

	Quarter Ended September 30, 2008	Nine months period ended September 30, 2008	Quarter Ended September 30, 2007	Nine months period ended September 30, 2007
Note		(Rupees in	(000' ר	
Mark-up / Return / Interest earned	15,210,356	43,226,927	12,369,804	36,406,228
Mark-up / Return / Interest expensed	7,189,381	16,270,143	4,100,002	11,870,543
Net mark-up / Interest income	8,020,975	26,956,784	8,269,802	24,535,685
Provision / (reversal) against non-performing loans and advances	1,680,597	6,734,076	1,122,060	640,375
Reversal for diminution in the value of investments	(252)	(19,741)	1,122,000	(50,035)
Bad debts written off directly	96	203	41	25,936
Bad debts whiteh on directly	1,680,441	6,714,538	1,122,101	616,276
Not work up / interest income offer provisions	6,340,534	20,242,246		
Net mark-up / interest income after provisions	0,340,334	20,242,240	7,147,701	23,919,409
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	1,752,618	5,529,709	1,580,000	4,646,113
Dividend income	2,450,246	2,651,647	2,505,816	2,732,574
Income farom dealing in foreign currencies	649,355	2,613,838	445,515	906,715
Gain on sale of securities	30,806	489,144	181,661	403,848
Unrealized (loss) / gain on revaluation of		100,111	101,001	400,040
investments classified as held for trading	80,371	(26,707)	(1,026)	(5,519)
Other income 12	60.309	1,327,751	30.940	
				169,450
Total non-mark-up / interest income	5,023,705	12,585,382	4,742,906	8,853,181
	11,364,239	32,827,628	11,890,607	32,772,590
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	5,006,689	13,061,850	3,701,981	10,413,583
Other provisions / write offs	30,481	270,373	11,173	170,097
Other charges	-	494,629	(983)	8,883
Total non-mark-up / interest expenses	5,037,170	13,826,852	3,712,171	10,592,563
rotal non-mark-up / interest expenses	6,327,069	19,000,776	8,178,436	22,180,027
Extra ordinary items		-		
PROFIT BEFORE TAXATION	6,327,069	19,000,776	8,178,436	22,180,027
Toyotion Current	1 040 020	9 277 000	2 269 744	7 040 600
Taxation - Current	1,940,928	8,277,000	2,368,741	7,019,633
- Prior year(s)	(400 00-)			124,734
- Deferred	(428,297)	(1,972,095)	68,626	282,035
	1,512,631	6,304,905	2,437,367	7,426,402
PROFIT AFTER TAXATION	4,814,438	12,695,871	5,741,069	14,753,625
Unappropriated profit brought forward	53,271,439	45,344,188	41,106,737	32,074,677
Transfer from surplus on revaluation of fixed assets	22,909	68,727	9,751	29,255
Profit available for appropriation	58,108,786	58,108,786	46,857,557	46,857,557
Basic and diluted earnings per share (Rupees) 13	5.37	14.15	6.40	16.45

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

Syed Ali Raza 06 Chairman & President Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director



Nine months period ended

Condensed Interim Cash Flow Statement - (Un-audited)

For The Nine Months Period Ended September 30, 2008

	Nine months period ended	
	September 30, 2008	September 30, 2007
	(Rupees	in '000)
CASH FLOWS FROM OPERATING ACTIVITIES	40.000 770	00 400 007
Profit before taxation	19,000,776	22,180,027
Less: Dividend income	2,651,647	2,732,574
Adjustments for non-cash charges	16,349,129	19,447,453
Depreciation	445,225	356,070
Provision against non-performing loans and advances	6,734,076	640,375
Reversal for diminution in the value of investments	(19,741)	(50,035)
Bad debts written off directly	203	25,936
Other provision / write off	270,373	170,097
Gain on sale of fixed assets	(2,940)	(569)
Financial charges on leased assets	5,979	2,653
	7,433,175	1,144,527
(Increase) / decreases in energian exacts	23,782,304	20,591,980
(Increase) / decrease in operating assets Lendings to financial institutions	10.129.261	4,268,063
Held-for-trading securities	(12,676,740)	(419,579)
Advances	(54,582,705)	(5,022,284)
Other assets (excluding advance taxation - net)	(6,832,862)	(7,935,245)
	(63,963,046)	(9,109,045)
Increase / (decrease) in operating liabilities	0.404.000	(4 500 040)
Bills payable	2,434,220	(4,538,848)
Borrowings Deposits and other accounts	16,684,982 (30,407,937)	314,570 21,056,733
Other liabilities	(2,312,138)	1,487,467
	(13,600,873)	18,319,922
	(40.000.740)	(0.000.050)
Income tax paid	(10,282,712)	(8,302,250) (2,653)
Financial charges paid	(5,979) (10,288,691)	(8,304,903)
Net cash flow from operating activities	(64,070,306)	21,497,954
	(04,070,000)	21,407,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / net investment in available-for-sale securities	54,350,515	(38,720,937)
Proceeds from sale of held-to-maturity securities	(3,654,448)	1,010,022
Proceeds from sale of investments in associates	2 654 647	20,195
Dividend income received	2,651,647	2,732,574
Investments in operating fixed assets Sale proceeds of fixed assets disposed off	(1,367,412) 2.940	(672,686) 569
Net cash from / (used in) investing activities	51,983,242	(35,630,263)
Net cash nom / (used in) investing activities	J1,303,242	(33,030,203)
CASH FLOWS FROM FINANCING ACTIVITIES	(0.440)	(00.004)
Payments of lease obligations	(8,419)	(26,921)
Dividend paid	(6,115,740)	(2,827,029)
Net cash used in financing activities	(6,124,159)	(2,853,950)
Effects of exchange rate changes	2,208,636	154,669
Net increase in cash and cash equivalents	(16,002,587)	(16,831,590)
Cash and cash equivalents at beginning of the period	131,456,989	118,813,121
Cash and cash equivalents at the end of the period	115,454,402	101,981,531

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

Syed Ali RazaIbrar A.MumtazSikandar Hayat JamaliTariq KirmaniChairman & PresidentDirectorDirectorDirector07



Condensed Interim Statement Of Changes In Equity - (Un-audited)

For The Nine Months Period Ended September 30, 2008

		Reserves				
	Share capital	Ca Exchange equalisation	pital Statutory reserve (Rup	Revenue General reserve ees in '000) –	Unappropriat profit	ed Total
Balance as at January 1, 2007	7,090,712	3,374,825	9,983,097	521,338	32,074,677	53,044,649
Exchange adjustments on translation of net assets of foreign branches	-	154,669				154,669
Transfer from surplus on revaluation of fixed assets incremental depreciation - net of tax Net income recognised directly in equity		154,669			29,255 29,255	29,255
Profit after taxation for the nine months period ended September 30, 2007	-	-	-	-	14,753,625	14,753,625
Total recognised income and expense for the period		154,669	-	-	14,782,880	14,937,549
Transfer to statutory reserve	-	-	1,475,363	-	(1,475,363)	-
Issue of bonus shares (15%)	1,063,607	-	-	-	(1,063,607)	-
Cash dividend (Rs. 4 per share)	-		-	-	(2,836,285)	(2,836,285)
Balance as at September 30, 2007	8,154,319	3,529,494	11,458,460	521,338	41,482,302	65,145,913
Balance as at October 1, 2007	8,154,319	3,529,494	11,458,460	521,338	41,482,302	65,145,913
Exchange adjustments on translation of net assets of foreign branches		(165,182)				(165,182)
Transfer from surplus on revaluation of fixed assets incremental depreciation - net of tax Net income recognised directly in equity	<u> </u>	(165,182)	<u> </u>		<u>9,752</u> 9,752	9,752 (155,430)
Profit after taxation for the three months period ended December 31, 2007 Total recognised income and expense for the period		(165,182)	-	-	4,280,148 4,289,900	4,280,148 4,124,718
Transfer to statutory reserve	-		428,014	-	(428,014)	-
Balance as at December 31, 2007	8,154,319	3,364,312	11,886,474	521,338	45,344,188	69,270,631
Balance as at January 1, 2008	8,154,319	3,364,312	11,886,474	521,338	45,344,188	69,270,631
Exchange adjustments on translation of net assets of foreign branches	-	2,208,636				2,208,636
Transfer from surplus on revaluation of fixed assets incremental depreciation - net of tax Net income recognised directly in equity		2,208,636	<u> </u>	<u> </u>	<u>68,727</u> 68,727	<u>68,727</u> 2,277,363
Profit after taxation for the nine months period ended September 30, 2008	_				12,695,871	12,695,871
Total recognised income and expense for the period	-	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 September 30, 2008	8,969,751	5,572,948	13,156,061	521,338	49,908,027	78,128,125

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

Syed Ali Raza 08 Chairman & President Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director



Notes To The Condensed Interim Financial Statements (Un-audited)

For The Nine Months Period Ended September 30, 2008

1. STATUS AND NATURE OF BUSINESS

1.1 National Bank of Pakistan (the bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,243 (2007: 1,232) branches in Pakistan and 22 (2007: 18) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the bank also provides services as trustee to National Investment Trust (NIT) including safe custody of securities on behalf of NIT.

2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance
- 2.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 2.3 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2007.
- 2.4 These condensed interim financial statements are separate financial statements of the bank in which the investments in subsidiaries, associates and joint ventures are accounted for at cost and not on the basis of reported results and net assets of the investees.

3. ACCOUNTING POLICIES

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

Syed Ali Raza Chairman & President Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director Tariq Kirmani Director

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6. INVESTMENTS

6. INVESTMENTS		0			D		7 (
			mber 30, 2008			ember 31, 200	
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	Note		(Rupees in '0	00)		- (Rupees in '	000)
6.1 Investments by type:	NOLE		(Indees III o			- (rupees in	
Held-for-trading securities							
Ordinary shares of listed companies		133,648	-	133,648	785,593	-	785,593
Market Treasury Bills		13,004,201	-	13,004,201	_	-	-
Pakistan Investment Bonds		324,484	-	324,484	-	-	-
Total Held-for-trading securities		13,462,333	-	13,462,333	785,593	-	785,593
Available- for- sale securities							
Ordinary shares of listed companies		2,588,204	-	2,588,204	1,947,051	-	1,947,051
Ordinary shares of unlisted companies		733,204	-	733,204	304,119	-	304,119
		3,321,408	-	3,321,408	2,251,170	-	2,251,170
Market Treasury Bills		39,695,369	11,338,060	51 032 420	117,851,357	416,578	118,267,935
Preference shares		275,000	11,330,000	275,000	275,000	410,576	275,000
Pakistan Investment Bonds		1,552,545	2,843,747	4,396,292	3,734,905	_	3,734,905
Federal Investment Bonds		940.000	-,0-10,7 -77	940,000	940.000	-	940,000
GoP Foreign Currency Bonds		1,183,201	-	1,183,201	850,853	_	850,853
Term Finance Certificates	6.2	17,506,378	-	17,506,378	8,162,689	-	8,162,689
Investments in mutual funds		988,412	-	988,412	1,312,083	-	1,312,083
Investment outside Pakistan	6.3	463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) Units		5,764,258	-	5,764,258	5,764,258	-	5,764,258
NIT Market Opportunity Fund		1,800,000	-	1,800,000	-	-	-
Total Available- for- sale securities		73,489,866	14,181,807	87,671,673	141,605,610	416,578	142,022,188
Held-to-maturity securities							
Government Compensation Bonds		2,331,182	-	2,331,182	2,331,182	-	2,331,182
Provincial Government Securities		36,513	-	36,513	36,513	-	36,513
Pakistan Investment Bonds		11,551,720	-	11,551,720	11,679,736	-	11,679,736
GoP Foreign Currency Bonds		15,307,658	-	15,307,658	10,933,794	-	10,933,794
Foreign Government Securities Debentures, Bonds, Participation Term Certificates and Term Finance Certificates		5,021,029	-	5,021,029	4,803,796	-	4,803,796
and Sukuk Bonds	6.4	3,202,704	-	3,202,704	3,411,338	_	3,411,338
Certificates of Investment	0.1	200,000	-	200,000	800,000	-	800,000
Total held-to-maturity securities		37,650,806	-	37,650,806	33,996,359	-	33,996,359
Investments in associates		959,668		959,668	959,669	-	959,669
Investments in joint ventures		1,312,335	-	1,312,335	1,312,335		1,312,335
Investments in subsidiaries		1.352.458	-	1.352.458	1,352,458	-	1,352,458
Investment at cost		128,227,466	14,181,807	142,409,273	180,012,024	416,578	
Less: Provision for diminution in							
value of investments		(1,153,349)		(1,153,349)	(1,173,593)		(1,173,593)
Investments (net of provisions) Deficit on revaluation of		127,074,117	14,181,807	141,255,924	178,838,431	416,578	179,255,009
Held-for-trading securities Surplus / (deficit) on revaluation of		(26,707)	-	(26,707)	(31,964)	-	(31,964)
Available-for-sale securities		13,835,049	(80,731)	13,754,318	31,921,226	(1,403)	31,919,823
Total investments at market value	1	140,882,459	14,101,076		210,727,693		211,142,868
	13						,

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

Syed Ali Raza Chairman & President

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Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director



6.3 Investment outside Pakistan - Bank Al-Jazira

The bank holds 17,500,000 (2007: 13,125,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2007: 5.83%) holding in total equity of BAJ, including 4,375,000 ordinary shares issued as bonus shares during the period. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006.

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

		September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
7. ADVANCES	Note		es in '000)
Loans, cash credits, running finances, etc.			
In Pakistan Outside Pakistan		359,941,429 46,109,850	324,871,242 29,737,559
Bills discounted and purchased (excluding Gove	ernment treasury bills)	406,051,279	354,608,801
Payable in Pakistan Payable outside Pakistan		2,852,777 19,509,578	2,673,256 16,144,430
		22,362,355	18,817,686
Margin Financing / Continuous Funding System		319,876	1,308,715
Advances - gross Less: Provision against non-performing loans		428,733,510	374,735,202
Specific General	7.1	(38,391,899) (2,171,085)	(32,351,815) (2,061,287)
Advances - net of provision		(40,562,984) 388,170,526	(34,413,102) 340,322,100

7.1 Advances include Rs 49,438 million (2007: Rs.38,318 million) which have been placed under the non-performing status as detailed below:

			September 30	2008	
		ssified advanc	es	In July 201	Participant and a
Category of Classificati	on Domestic	Overseas	Total (Rupees in	Provision Required '000)	Provision Held
Other Assets Especially N Substandard Doubtful Loss	Mentioned 1,621,533 8,663,853 5,045,044 33,383,482 48,713,912	- 23,974 700,219 724,193	1,621,533 8,663,853 5,069,018 34,083,701 49,438,105	2,316,821 2,616,747 33,458,331 38,391,899	2,316,821 2,616,747 33,458,331 38,391,899
8. DEPOSITS AND OTHER	ACCOUNTS			September 30, 2008 (Un-audited) (Rupees	December 31, 2007 (Audited) 5 in '000)
Customers Fixed deposits Savings deposits Current accounts - remur Current accounts - non-re Financial Institutions				126,260,678 181,692,564 55,181,749 145,074,301 508,209,292	128,403,278 188,687,111 76,708,879 139,868,016 533,667,284
Remunerative deposits Non-remunerative deposit	ts			37,190,126 16,100,080 53,290,206 561,499,498	31,180,729 27,059,422 58,240,151 591,907,435
Syed Ali Raza Chairman & President	Ibrar A.Mumtaz Director	Sikan	dar Hayat Jamal Director		Kirmani irector 11



9.	DEFERRED TAX LIABILITIES - net	Note	September 30, 2008 (Un-audited) (Rupe	December 31, 2007 (Audited) es in '000)
	Deferred tax (assets) arising in respect of			
	Provision for diminution in the value of investments Provision against advances Other provisions Charge against defined benefits plans Provision against off-balance sheet obligations		(221,499) (2,722,042) (103,807) (289,333) (115,222) (3,451,903)	(228,408) (636,600) (103,806) (289,333) (115,222) (1,373,369)
	Deferred tax liabilities arising in respect of			
	Excess of accounting book value of leased assets over lease liabilities Difference between accounting book value of fixed assets and tax base Revaluation of securities Revaluation of fixed assets	10	4,220 227,680 2,537,692 949,839 3,719,431	3,196 85,259 5,395,899 986,846 6,471,200
	Net defense d Ann Relation			
	Net deferred tax liabilities		267,528	5,097,831
10.	SURPLUS ON REVALUATION OF ASSETS - net			
	Surplus on revaluation of fixed assets - net of tax		20,474,372	20,543,099
	Surplus / (deficit) on revaluation of available-for-sale-securities - ne	et of tax		
	Federal Government securities Term Finance Certificates Quoted shares GoP Foreign Currency Bonds NIT Units NIT Market Opportunity Fund Investment outside Pakistan - Bank Al-Jazira Deferred tax liability recognised		(789,272) 13,747 588,770 (518,745) 6,293,279 (200,094) 8,366,633 13,754,318 (2,537,692) 31,690,998	(37,626) 34,262 2,574,809 (73,531) 15,801,458 - - - 13,620,451 31,919,823 (5,395,899) 47,067,023
11.	CONTINGENCIES AND COMMITMENTS			
11.1	Direct credit substitutes			
	Includes general guarantee of indebtedness, bank acceptance guarante financial guarantees for loans and securities issued in favour of:	es and s	tandby letters of cred	it serving as
	- Government - Financial institutions - Others		14,537,840 6,642,707 16,631,904 37,812,452	15,096,694 6,898,062 17,271,257 39,266,013
11.2	Transaction-related contingent liabilities			
	Includes performance bonds, bid bonds, warranties, advance payment g letters of credits related to particular transactions issued in favour of:	guarantee	es, snipping guarante	es and standby

- Government	13,788,341	17,235,612
- Financial institutions	4,827,389	6,034,302
- Others	6,002,001	7,502,582
	24,617,731	30,772,496



11.3	Trade-related contingent liabilities	September 30, December 31, 2008 2007 (Un-audited) (Audited) (Rupees in '000)
	Letters of credit:	
	Issued in favour of	
	- Government	150,861,726 139,367,158
	- Financial institutions	203,030 187,561
	- Others	64,516,816 59,601,103
11.4	Other contingencies	215,581,572 199,155,822

11.4 Other contingencies

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

 8,935,826
 9,263,526

11.4.2 Taxation

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

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

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

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

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

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

11.4.3 Provident Fund

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

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

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



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

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

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

		December 31, 2007
	(Un-audited)	(Audited)
	(Rupees in '00)0) (0)
Commitments in respect of forward exchange contracts		
Purchase	81.836.927	49.819.478
Sale	70,858,339	38,137,569
Other Commitments		
Reverse Repo forward deal against PIB	315,000	-
	-	189,289
		8,852,500 9,317,886
Cross Currency SwAP	0,303,434	9,317,000
Commitments for the acquisition of operating fixed assets	587,580	475,088
Commitments to inject capital in the following companies		
- Nishat Power Limited	266.000	300.000
- Nishat (Chunian) Limited	275,049	300,000
- Atlas Power Limited	137,210	-
	Sale Other Commitments Reverse Repo forward deal against PIB Equity Futures Sold Interest Rates SWAP Cross Currency SWAP Commitments for the acquisition of operating fixed assets Commitments to inject capital in the following companies - Nishat Power Limited - Nishat (Chunian) Limited	2008 (Un-audited) Commitments in respect of forward exchange contracts Purchase Sale 81,836,927 70,858,339 Other Commitments Reverse Repo forward deal against PIB Equity Futures Sold Interest Rates SWAP Cross Currency SWAP 315,000 - - - - - - - - - Commitments for the acquisition of operating fixed assets 587,580 Commitments to inject capital in the following companies 587,580 - Nishat Power Limited - Nishat (Chunian) Limited 266,000 275,049

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

13. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	(Rupees in '000)	4,814,438	12,695,871	5,741,069	14,753,625
Weighted average number of ordinary shares	(in '000)	896,975	896,975	896,975	896,975
Basic and diluted earnings per share	(Rupees)	5.37	14.15	6.40	16.45

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

14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking Rupees in '0	Payment & Settlement	Agency Services	Total
September 30, 2008 - un-audited							
Total income Total expenses Net income	242,402 1,828 240,574	13,487,312 482,176 13,005,136	8,773,799 7,048,355 1,725,444	13,438,109 10,171,667 3,266,442	1,258,265 587,422 670,843	2,342,279 2,249,942 92,337	39,542,166 20,541,390 19,000,776
September 30, 2007 - un-audited							
Total income Total expenses Net income	233,211 1,025 232,186	11,960,271 304,039 11,656,232	6,918,953 4,253,182 2,665,771	11,427,102 4,413,092 7,014,010	910,619 439,431 471,188	1,938,710 1,798,070 140,640	33,388,866 11,208,839 22,180,027



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:

		Nine Months F mber 30, 2008		For the Yea	r Ended Decemi (Audited)	ber 31, 2007
	Key Management Executives	Subsidiaries	Associates	Key Management Executives n '000)	Subsidiaries	Associates
Advances			(
At January 01	89,102	786,382	1,515,120	65,225	719,220	1,600,070
Given during the period / year	7,515			23,877	67,162	- 1
Repaid during the period / year	-	(127,575)	(250,251)		-	(84,950)
At June 30 / Dec 31	96,617	658,807	1,264,869	89,102	786,382	1,515,120

	For the Nine Months Period Ended September 30, 2008 (Un-audited)		For the Year Ended December 31, 200 (Audited)			
	Subsidiaries	Pension Fund	Fund		Pension Fund	Provident Fund
Deposits			(Rupees II	n '000)		
At January 01	255,952	2,088,976	8,078,395	14,167	3,077,536	7,397,487
Received during the period / year		10,036,016	878,681	241,785	1,990,643	1,325,349
Repaid during the period / year	(126,572)	(10,159,760)	(962,230)	-	(2,979,203)	(644,441)
At June 30 / Dec 31	129,380	1,965,232	7,994,846	255,952	2,088,976	8,078,395

	September 30, D (Un-audited) (Rupees in '0	(Audited)
Debts due by company in which a director of the bank is interested as director	-	199,391
Placements with: Joint venture Subsidiary company Associates	862,802 281 27,331	759,343 - 27,331
Repo borrowing from Subsidiary company	414,635	-
Other receivables from Subsidiaries	28,857	30,259
Other payables to Subsidiaries	9,152	11,154



	Nine months period ended September 30, 2008 (Un-audited) (Rupee	Nine months period ended September 30, 2007 (Un-audited) es in '000)
Income On advances / placements with:		<i>,</i>
Subsidiaries Associates	5,695 12,841	8,712 26,248
On debts due by company in which a director of the bank is interested as director		3,736
Expenses Remuneration to key management executives Charge for defined benefit plan	178,676 5,110	107,697 2,658
Mark-up on deposits of:		
Subsidiaries Provident fund	206 563,403	509 690,932
Mark-up on repo borrowing of: Subsidiaries	25,645	-
Commission paid to subsidiaries	1,587	1,576
51 Although the Federal Covernment and the SPR held about 75 48% shares of the	bank (2007: 75 48%)	the transactions

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

16. ISLAMIC BANKING BUSINESS

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

	September 30, 2008 (Un-audited)	December 31, 2007 (Audited) in '000)
ASSETS	(Kupees	in 000)
Cash and balances with treasury banks	15,186	22,536
Investments	508,461	355,000
Advances	194,004	-
Fixed Assets	141,840	94,227
Other assets	26,534	10,626
Total Assets	886,025	482,389
LIABILITIES	504	268
Bills payable	38,055	26,895
Deposits and other accounts	500,503	338,141
Due to Head Office	32,795	9,536
Other liabilities	571,857	374,840
NET ASSETS	314,168	107,549
REPRESENTED BY	300,000	100,000
Islamic Banking Fund	14,168	7,549
Unappropriated (loss) / profit	314,168	107,549

17. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial statements were authorized for issue on October 30,2008 by the Board of Director of the Bank.

18. GENERAL

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

	Syed Ali Raza	Ibrar A.Mumtaz	Sikandar Hayat Jamali	Та
16	Chairman & President	Director	Director	

Consolidated Financial Statements of NBP and its Subsidiary Companies

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Interim Condensed Consolidated Balance Sheet

As at September 30, 2008

ASSETS	Note	September 30 , 2008 (Un-audited) (Rupees	2007 (Audited)
Cash and balances with treasury banks		81,713,937	95,010,514
Balances with other banks		36,421,257	38,216,263
Lendings to financial institutions		11,336,689	21,656,192
Investments	6	155,575,989	212,084,297
Advances	7	388,367,041	340,372,819
Operating fixed assets		26,900,949	25,979,302
Deferred tax assets			
Other assets		40,041,243	31,289,403
		740,357,105	764,608,790
		0.400.400	7.004.004
Bills payable		9,496,122	7,061,901
Borrowings	0	27,901,435	11,402,729
Deposits and other accounts	8	561,702,467	591,817,052
Sub-ordinated loans		15,400 25,135	33,739
Liabilities against assets subject to finance lease Deferred tax liabilities	9	25,135	5.099.060
Other liabilities	9	298,574	31,280,663
		628,361,034	646,695,144
NET ASSETS		111,996,071	117,913,646
REPRESENTED BY			
Share capital		8,969,751	8,154,319
Reserves		20,416,316	16,378,394
Unappropriated profit		50,875,813	46,232,813
		80,261,880	70,765,526
Minority interest		113,148	109,729
		80,375,028	70,875,255
Surplus/(Deficit) on revaluation of assets	10	31,621,043	47,038,391
		111,996,071	117,913,646
CONTINGENCIES AND COMMITMENTS	11		

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

Syed Ali Raza Chairman & President Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director Tariq Kirmani Director

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

For The Nine Months Period Ended September 30, 2008

Not	Quarter Ended September 30, 2008	Nine months period ended September 30, 2008	Quarter Ended September 30, 2007	Nine months period ended September 30, 2007
Mark-up / Return / Interest earned	15,187,429	43,373,886	12,439,701	36,599,691
Mark-up / Return / Interest expensed	7,183,056	16,270,128	4,119,259	11,930,721
Net mark-up / Interest income	8,004,373	27,103,758	8,320,442	24,668,970
Provision against non-performing loans and advances	1,680,597	6,734,076	1,122,060	640,375
Reversal for diminution in the value of investments	(252)		-	(50,035)
Bad debts written off directly	96	203	41	25,936
bad dobts whiteh on directly	1.680.441	6,714,538	1,122,101	616.276
Net mark-up / interest income after provisions	6,323,932	20,389,220	7,198,341	24,052,694
Net mark-up / merest moorne after provisions	0,525,352	20,303,220	7,130,541	24,002,004
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	1,764,371	5,583,523	1,604,801	4,722,336
Dividend income	2,450,246	2,651,647	2,505,816	2,732,574
Income from dealing in foreign currencies	669,524	2,654,730	458,659	929,261
Gain on sale of securities	30,806	489,144	188,945	411,132
Unrealized gain / (loss) on revaluation of				
investments classified as held for trading	80,371	(26,707)	(1,026)	(5,519)
Share of profit from joint ventures	30,055	110,400	43.215	104,792
Share of profit from associates	5,576	19,754	11,326	34,527
Other income	2 61,615	1,339,148	27,775	171,092
Total non mark-up / interest income	5,092,563	12,821,638	4,839,511	9,100,195
rotal normality interest moons	11,416,495	33,210,858	12,037,852	33,152,889
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	5,055,625	13,201,515	3,748,424	10,548,371
Other provisions / write offs	17,241	270,373	11,173	170,097
Other charges		494.629	4.017	13.883
Total non mark-up / interest expenses	5,072,866	13,966,517	3,763,614	10,732,351
	6,343,629	19,244,341	8,274,238	22,420,538
Extra ordinary items			-	-
PROFIT BEFORE TAXATION	6,343,629	19,244,341	8,274,238	22,420,538
Taxation - Current	1,942,041	8,283,960	2,371,569	7,027,890
- Prior year(s)		-		124,734
- Deferred	(428,360)	(1,972,085)	68,626	282,154
Dolonou	1,513,681	6,311,875	2,440,195	7,434,778
PROFIT AFTER TAXATION	4.829.948	12,932,466	5.834.043	14.985.760
Share of minority interest	(138)		2,011	7.461
Profit attributable to shareholders of the holding company	4.829.810	12.929.047	5,832,032	14.978.299
Unappropriated profit brought forward	54,377,868	46,232,813	41,789,278	32,623,507
Transfer from surplus on revaluation of fixed assets	22,909	68,727	9,751	29,255
Profit available for appropriation	59,230,587	59,230,587	47,631,061	47,631,061
Basic and Diluted earnings per share (Rupees) 1	3 5.38	14.41	6.50	16.70
Proto and pusted carmings her sugre (rapees)				10.70

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

Syed Ali Raza 20 Chairman & President Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director



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

For The Nine Months Period Ended September 30, 2008

	Nine months	period ended
	September 30.	September 30,
	2008	2007
	(Rupees	in 000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,244,341	22,420,537
Less: Dividend income	2,651,647	2,732,574
	16,592,694	19,687,963
Adjustments:		
Depreciation	453,438	363,638
Provision/ reversal against non-performing advances	6,734,076	640,375
Reversal for diminution in the value of investments	(19,741)	(50,035)
Bad Debts Written off directly	203	25,936
Other provisions / write offs	270,373	170,097
Gain on sale of fixed assets	(3,283)	(790)
Financial charges on leased assets	5,979	2,681
Share of profit from joint ventures	(110,400)	(104,792)
Share of profit from associates	(19,754)	(34,527)
	7,310,891	1.012,583
	23,903,585	20,700,546
(Increase) / decrease in operating assets		
Lendings to financial institutions	10,319,503	4,418,063
Held-for-trading securities	(12,683,021)	(346,951)
Advances	(54,728,501)	(5,056,667)
Other assets (excluding advance taxation - net)	(6,951,302)	(8,145,208)
	(64,043,321)	(9,130,763)
Increase / (decrease) in operating liabilities	(04,040,021)	(0,100,100)
	0 494 094	(4 520 047)
Bills payable	2,434,221	(4,538,847)
Borrowings	15,808,209	(62,763)
Deposits and other accounts	(30,114,585)	20,956,882
Other liabilities (excluding current taxation)	(2,403,480)	1,508,750
	(14,275,635)	17,864,022
Income tax paid	(10,284,093)	(8,247,148)
Financial charges paid	(5,979)	(2,681)
i manolai charges paid	(10,290,072)	(8,249,829)
Not each flow from exercise activities		
Net cash flow from operating activities	(64,705,442)	21,183,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	54,557,647	(38,785,546)
Proceeds from held-to-maturity securities	(3,147,122)	1,130,556
Proceeds from sale of investments in associates		20,195
Dividend received	2,651,647	2,732,574
Investments in operating fixed assets	(1,375,085)	(702,728)
Sale proceeds of property and equipment disposed off	3,283	790
Net cash flow from (used) in investing activities	52,690,369	(35,604,159)
Net cash now noni (used) in investing activities	52,090,509	(35,004,159)
CASH ELONG ERON EINANCING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES	(0.00.0)	(07.7.47)
Payments of lease obligations	(8,604)	(27,747)
Dividend paid	(6,115,740)	(2,827,029)
cash used in financing activities	(6,124,344)	(2,854,776)
Effects of exchange rate changes on cash and cash equivalents	2,357,339	185,582
Net increase in cash and cash equivalents	(15,782,078)	(17,089,377)
Cash and cash equivalents at beginning of the period	132.337.685	119.821.386
Cash and cash equivalents at the end of the period	116,555,607	102,732,009
	110,000,007	102,732,009

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

Syed Ali Raza Chairman & President Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED

For The Nine Months Period Ended September 30, 2008

	Share capital	Exchange equalisation	Reserve for issue of Bonus	statutory	areholders o General		d Sub	Minority	Total
	reserve		Shares		(Rupees in '	profit 000) ————	total	Interest	
Balance as at January 1, 2007	7,090,712	3,809,070	-	10,054,449	521,338	32,623,507	54,099,076	97,827	54,196,903
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	_	292,101					292,101	-	292,10
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax Net income recognised directly in equity		292,101				29,255 29,255	29,255 321,356	-	29,25 321,35
Profit after taxation for the nine months period ended September 30, 2007		-		-	-	14,978,298	14,978,298	7,461	14,985,75
Total recognised income and expense for the period				-		14,978,298	14,978,298	7,461	14,985,75
Transfer to statutory reserve	-	-	-	1,475,363	-	(1,475,363)	-	-	-
Issue of bonus shares (15%)	1,063,607					(1,063,607)	-		-
Cash Dividend (Rs. 4 per share)						(2,836,285)	(2,836,285)		(2,836,28
Balance as at September 30, 2007	8,154,319	4,101,171	<u> </u>	11,529,812	521,338	42,255,805	66,562,445	105,288	66,667,73
Balance as at October 1, 2007	8,154,319	4,101,171		11,529,812	521,338	42,255,805	66,562,445	105,288	66,667,73
Exchange adjustments on revaluation of net assets of foreign branches, subsidiarles and joint ventures		(221,636)		_		-	(221,636)	_	(221,63
Transfer from surplus on revaluation of fixed assets incremental depreciation - net of tax Net income recognised directly in equity		(221,636)			<u> </u>	<u>9,752</u> 9,752	<u>9,752</u> (211,884)		<u>9,75</u> (211,88
Profit after taxation for the three months period ended December 31, 2007 Total recognised income and expense for the period		(221,636)				4,414,965	4,414,965	4,441	4,419,40
Issue of bonus shares (15%)		-		-	-	-	_	-	
Cash dividend (Rs 4 per share)						-			
Transfer to statutory reserve	-	-		447,709	-	(447,709)	-	-	-
Balance as at December 31, 2007	8,154,319	3,879,535		11,977,521	521,338	46,232,813	70,765,526	109,729	70,875,25
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	70,875,25
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures		2,614,320		-			2,614,320		2,614,32
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax Net Income recognised directly in equity	:	2,614,320	<u> </u>		<u> </u>	68,727	68,727		68,72
Profit after taxation for the nine months period ended	Ī	2,014,020		Ī		00,727			2,003,04
September 30, 2008		-		-	-	12,929,047	12,929,047	3,419	12,932,46
Total recognised income and expense for the period	-	-		-	-	12,929,047	12,929,047	3,419	12,932,46
Transfer to statutory reserve	-	-		1,423,602	-	(1,423,602)	-	-	
issue of bonus shares (10%)	815,432	-	-	-	-	(815,432)	-	-	
Cash Dividend (Rs. 7.5 per share)	-	-		-	-	(6,115,740)	(6,115,740)	-	(6,115,74
Balance as at September 30, 2008	8,969,751	6,493,855		13,401,123	521,338	50,875,813	80,261,880	113,148	80,375,02

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

Syed Ali Raza 22 Chairman & President Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

For The Nine Months Period Ended September 30, 2008

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

- NBP Capital Limited

- CJSC Subsidiary Bank of NBP in 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 1,243 (2007: 1,232) branches in Pakistan and 22 (2007: 18) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT) including safe custody of securities on behalf of NIT.

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

3. ACCOUNTING POLICIES

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

5. FINANCIAL RISK MANAGEMENT

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



6. INVESTMENTS

Ь.	INVESTMENTS					_		
					(Un-audited)			07 (Audited)
			Held by	Given as	Total	Held by	Given as	Total
			bank	collateral		bank	collateral	
		lote		 (Rupees in ' 	000)		(Rupees i	n '000)
6.1	Investments by type:							
	Held-for-trading securities							
	Ordinary shares of listed companies		139,930	-	139,930	785,594	-	785,594
	Market Treasury Bills		13,004,201	-	13,004,201	-	-	-
	Pakistan Investment Bonds		324,484	-	324,484		-	-
	Total Held-for-Trading Securities		13,468,615	-	13,468,615	785,594	-	785,594
	Available- for- sale securities	_						
	Ordinary shares of listed companies		2,588,204	-	2,588,204	1,947,051	-	1,947,051
	Ordinary shares of unlisted companies	L	733,204	-	733,204	304,119		304,119
			3,321,408	•	3,321,408	2,251,170	-	2,251,170
	Market Treasury Bills		39,695,369	11,338,060		117,851,357	416,578	118,267,935
	Preference shares		297,500		297,500	305,000	-	305,000
	Pakistan Investment Bonds		1,754,369	2,843,747	4,598,116	3,950,207	-	3,950,207
	Federal Investment Bonds		940,000	-	940,000	940,000	-	940,000
	GoP Foreign Currency Bonds		1,183,201		1,183,201	850,853	-	850,853
	Debentures, Bonds, Participation Term							
	Certificates and Term Finance Certificates	6.2	17,704,424	-	17,704,424	8,522,972	-	8,522,972
	Mutual funds		1,102,215	-	1,102,215	1,425,886	-	1,425,886
	Foreign Government Securities		9,787	-	9,787	33,704	-	33,704
	Investment outside Pakistan	6.3	463,295	-	463,295	463,295	-	463,295
	National Investment Trust (NIT) Units		5,764,258	-	5,764,258	5,764,258	-	5,764,258
	NIT Market Opportunity Fund		1,800,000	-	1,800,000	-	-	-
	Total Available- for- sale securities	-	74,035,826	14,181,807	88.217.633	142,358,702	416,578	142,775,280
	Held-to-maturity securities							
	Government Compensation Bonds		2,331,182	-	2,331,182	2,331,182	-	2,331,182
	Provincial Government Securities		36,513	-	36,513	36,513	-	36,513
	Pakistan Investment Bonds		11,551,720	-	11,551,720	11,773,316	-	11,773,316
	Market Treasury Bills			-		413,745	-	413,745
	GoP Foreign Currency Bonds		15,307,658	-	15,307,658	10,933,794	1	10,933,794
	Foreign Government Securities		5,021,029	-	5,021,029	4,803,796	-	4,803,796
	Debentures, Bonds, Participation Term		-,,		-,	.,,		.,
	Certificates and Term Finance Certificates	6.4	3,202,704	-	3,202,704	3,411,338	-	3,411,338
	Certificates of Investment		200,000	-	200,000	800,000	-	800,000
					· · · · · · · · · · · · · · · · · · ·			·
	Total Held-to-maturity securities		37,650,806	-	37,650,806	34,503,684	-	34,503,684
	Investments in associates		1,163,334	-	1,163,334	1,143,581	-	1,143,581
	Investments in joint ventures		2,568,048	-	2,568,048	2,200,668	-	2,200,668
	Investments in subsidiaries		3,245	-	3,245	3,245	-	3,245
	Investment at cost		128,889,875	14,181,807	143,071,682	180,995,474	416,578	181,412,052
	Less: Provision for diminution in							
	value of investments		(1,153,349)	-	(1,153,349)	(1,173,593)	-	(1,173,593)
	Investments (net of provisions)		127,736,526	14,181,807	141,918,333	179,821,881	416,578	180,238,459
	Deficit on revaluation of							
	Held-for-trading securities		(26,707)	-	(26,707)	(31,964)	-	(31,964)
	Surplus on revaluation of							,
	Available-for-sale securities		13,765,094	(80,731)	13,684,363	31,879,205	(1,403)	31,877,802
	Total investments at market value		141,474,913		155,575,989	211,669,122	415,175	
		-						

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



6.3 Investment outside Pakistan - Bank Al-Jazira

The bank holds 17,500,000 (2007: 13,125,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2007: 5.83%) holding in total equity of BAJ, including 4,375,000 ordinary shares issued as bonus shares during the period. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006.

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

7.	ADVANCES	ote 	September 30, 2008 (Un-audited) (Rupees i	December 31, 2007 (Audited) in '000)
	Loans, cash credits, running finances, etc.			
	In Pakistan Outside Pakistan		359,392,759 46,109,850	324,394,094 29,737,559
			405,502,609	354,131,653
	Net investment in finance lease In Pakistan Outside Pakistan		504,474	527,867
	Bills discounted and purchased (excluding Government treasury bills)		504,474	527,867
	Payable in Pakistan Payable outside Pakistan		2,878,809 19,509,578	2,673,256 16,144,430
			22,388,387	18,817,686
	Margin Financing		534,555	1,308,715
	Advances - gross		428,930,025	374,785,921
	Less: Provision against non-performing loans Specific General	7.1	(38,391,899) (2,171,085)	(32,351,815) (2,061,287)
	Advances - net of provision		(40,562,984) 388,367,041	(34,413,102) 340,372,819

7.1 Advances include Rs 49,438 million (2007: Rs.38,318 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Domestic -	Overseas	Total (Rupees in	Provision Required '000)	Provision Held
Other Assets Especially Mentioned Substandard Doubtful Loss	1,621,533 8,663,853 5,045,044 33,383,482 48,713,912	23,974 700,219 724,193	1,621,533 8,663,853 5,069,018 34,083,701 49,438,105	2,316,821 2,616,747 33,458,331 38,391,899	2,316,821 2,616,747 33,458,331 38,391,899



September 30, 2005 December 31, 2005 Customers Fixed deposits Fixed deposits 126,281,229 Current accounts - remunerative 126,281,229 Current accounts - remunerative 128,283,27 Transactions with related parties during the period are as under: 598,412,261 Financial Institutions 31,180,729 Remunerative deposits 37,190,126 Non-remunerative deposits 37,190,126 Statistic during the period are as under: 598,412,261 Financial Institutions 31,180,729 Non-remunerative deposits 37,190,126 Statistic during the period are as under: 53,290,206 Financial Institutions 53,290,206 Socies 53,290,206 Cherred tax liabilities 228,333 Deferred tax liabilities 228,333			
8. DEPOSITS AND OTHER ACCOUNTS (Un-audited) (Audited) Customers Fixed deposits (28,281,259) (18,1692,445,134) Savings deposits (28,281,259) (18,1692,445,134) (18,1692,445,134) Current accounts - non-nerative (28,281,259) (18,1692,445,134) (18,1692,445,134) Current accounts - non-nerative (28,281,259) (18,1692,445,134) (18,1692,445,134) Financial institutions (28,17,082,00) (18,17,082,00) (18,17,082,00) (18,17,082,00) Non-remunerative deposits (37,190,128) (31,180,729) (27,059,422) (53,260,206) (58,240,151) Solution of a diminution in the value of investments (221,499) (228,408) (13,007) (13,326) Provision against defined benefits plans (24,169,303) (11,15,222) (115,222) <td< th=""><th></th><th>September 30,</th><th>December 31,</th></td<>		September 30,	December 31,
8. DEPOSITS AND OTHER ACCOUNTS (Rupees in '000) Customers (Rupees in '000) Fixed deposits 125,281,259 Savings deposits 126,281,259 Current accounts - non-remunerative 181,692,445 Current accounts - non-remunerative 181,692,445 Transactions with related parties during the period are as under: 508,412,261 Financial Institutions 808,412,261 Remunerative deposits 37,190,128 Non-remunerative deposits 31,180,729 Non-remunerative deposits 53,290,206 54,220,467 591,817,052 9. DEFERRED TAX LIABILITIES - net 221,499 Deferred tax (assets) arising in respect of 70,103,8061 Provision for diminution in the value of investments (221,499) Provision against defined benefits plans (15,222) Provision against defined benefits plans (15,222) Deferred tax liabilities (15,222) Difference between accounting book value of fixed assets and tax base 10 Revaluation of securities 24,220 Signed assets 3,196 Surplus on revaluation of fixed assets - net of tax 20,474,372 20		2008	2007
Customers Fixed deposits Savings deposits 126,521,259 Current accounts - non-memunerative 126,522,845 Current accounts - non-memunerative 136,322,845 Current accounts - non-memunerative 136,322,845 Transactions with related parties during the period are as under: 568,412,261 Financial Institutions 33,576,001 Remunerative deposits 31,80,729 Non-remunerative deposits 31,180,729 Non-remunerative deposits 31,180,729 Subject 53,290,206 53,290,206 591,817,052 9. DEFERRED TAX LIABILITIES - net 253,676,001 Deferred tax (assets) arising in respect of (221,499) Provision against advances (23,451,903) Othere provisions (13,73,369) Deferred tax liabilities arising in respect of 25,57,602 Difference between accounting book value of fixed assets over lease liabilities 216,522 Difference between accounting book value of fixed assets over lease liabilities 227,660 Difference between accounting book value of fixed assets over lease liabilities 23,047 Difference between accounting book value of fixed assets 10 <td></td> <td>(Un-audited)</td> <td>(Audited)</td>		(Un-audited)	(Audited)
Fixed deposits 128,417,463 Savings deposits 128,417,463 Current accounts - non-nemunerative 181,692,447 Current accounts - non-nemunerative 181,692,447 Current accounts - non-nemunerative 181,692,447 Current accounts - non-nemunerative 193,795,683 Financial Institutions 31,975,683 Remunerative deposits 37,190,126 Non-remunerative deposits 37,190,126 Subject 53,290,206 59, DEFERRED TAX LIABILITIES - net 252,200,206 Deferred tax (assets) arising in respect of 128,333 Provision ogainst advances (221,499) (228,408) Othere provision against advances (13,360) (13,360) Difference between accounting book value of investments (21,499) (228,408) Provision against off-balance sheet obligations (14,522) (11,522) Difference between accounting book value of fixed assets over lease liabilities 227,660 532,510 Difference between accounting book value of fixed assets over lease liabilities 24,220 3,196 Difference between accounting book value of fixed assets and tax bas	8. DEPOSITS AND OTHER ACCOUNTS	(Rupee	s in '000)
Fixed deposits 128,417,463 Savings deposits 128,417,463 Current accounts - nemunerative 181,692,484 Current accounts - nemunerative 181,692,484 Current accounts - nemunerative 193,795,683 Transactions with related parties during the period are as under: 508,412,261 Financial Institutions 37,190,126 Remunerative deposits 37,190,126 Non-remunerative deposits 37,190,126 Stavings deposits 37,190,126 Stavings deposits 37,190,126 Non-remunerative deposits 37,190,126 Stavings deposits 37,190,126 Provision for diminution in the value of investments (221,499) Provision against advances (13,360) Otherer provision against off-balance sheet obligations (14,320) Deferred tax liabilities arising in respect of (24,199) Excess of accounting book value of fixed assets over lease liabilities 227,660 Difference between accounting book value of fixed assets over lease liabilities 24,220 3,196 Difference between accounting book value of fixed assets 10 227,660			
Savings deposits 181,682,845 188,665,146 Current accounts - non-remunerative 152,892,847 186,665,146 Transactions with related parties during the period are as under: 508,412,261 533,576,901 Financial Institutions 37,190,126 31,180,729 Non-remunerative deposits 37,190,126 31,180,729 Non-remunerative deposits 37,190,126 31,180,729 Non-remunerative deposits 37,190,126 31,180,729 Source of the second secon	Customers		
Curreñt accounts - remunerativeCurreñt accounts - non-remunerativeCurreñt accounts - non-remunerativeTransactions with related parties during the period are as under:Financial InstitutionsRemunerative depositsNon-remunerative depositsNon-remunerative deposits9. DEFERRED TAX LIABILITIES - netDeferred tax (assets) arising in respect ofProvision against divances(221,499)(228,408)Provision against divances(211,309)Deferred tax (assets) arising in respect ofProvision against divances(211,309)Deferred tax liabilities arising in respect ofExcess of accounting book value of investmentsProvision against divances(211,493)(213,407)(13,807)(13,807)(13,309)Deferred tax liabilities arising in respect ofExcess of accounting book value of fixed assets over lease liabilitiesDifference between accounting book value of fixed assets over lease liabilities10Revaluation of fixed assets010.SURPLUS ON REVALUATION OF ASSETSSurplus on revaluation of fixed assets - net of taxPederal Government securitiesTerm Finance CertificatesQuoted sharesOverseas GOP BondsNIT UnitsNIT UnitsNIT UnitsNIT UnitsNIT Market Opportunity FundInvestment outside Pakistan - Bank Al-JaziraDeferred tax liabilityDeferred tax liability <td>Fixed deposits</td> <td>126,281,259</td> <td>128,417,463</td>	Fixed deposits	126,281,259	128,417,463
Curreñt accounts - remunerativeCurreñt accounts - non-remunerativeCurreñt accounts - non-remunerativeTransactions with related parties during the period are as under:Financial InstitutionsRemunerative depositsNon-remunerative depositsNon-remunerative deposits9. DEFERRED TAX LIABILITIES - netDeferred tax (assets) arising in respect ofProvision against divances(221,499)(228,408)Provision against divances(211,309)Deferred tax (assets) arising in respect ofProvision against divances(211,309)Deferred tax liabilities arising in respect ofExcess of accounting book value of investmentsProvision against divances(211,493)(213,407)(13,807)(13,807)(13,309)Deferred tax liabilities arising in respect ofExcess of accounting book value of fixed assets over lease liabilitiesDifference between accounting book value of fixed assets over lease liabilities10Revaluation of fixed assets010.SURPLUS ON REVALUATION OF ASSETSSurplus on revaluation of fixed assets - net of taxPederal Government securitiesTerm Finance CertificatesQuoted sharesOverseas GOP BondsNIT UnitsNIT UnitsNIT UnitsNIT UnitsNIT Market Opportunity FundInvestment outside Pakistan - Bank Al-JaziraDeferred tax liabilityDeferred tax liability <td>Savings deposits</td> <td>181.692.845</td> <td>188,655,146</td>	Savings deposits	181.692.845	188,655,146
Current accounts - non-remunerative Transactions with related parties during the period are as under:145,139,809139,795,683Financial Institutions Remunerative deposits Non-remunerative deposits508,412,261533,576,901Some revenue extrements Provision against advances Others37,190,12631,180,729Provision against advances Other provisions Charge against defined benefits plans Provision against off-balance sheet obligations(221,499)(228,408)Deferred tax liabilities Difference between accounting book value of fixed assets over lease liabilities Difference between accounting book value of fixed assets and tax base Revaluation of securities Revaluation of fixed assets1022,537,680 221,680 233,331 (115,222) (23,451,903)10Excess of accounting book value of fixed assets over lease liabilities Difference between accounting book value of fixed assets and tax base Revaluation of fixed assets1022,537,680 227,680 227,680 23,33625,382,510 396,846 31,04710Excess of accounting book value of fixed assets - net of tax Term Finance Certificates Quoted shares Overseas GOP Bonds NIT Units NIT Market Opportunity Fund Investment outside Pakistan - Bank Al-Jazira(834,747) 13,681,481 31,877,802(70,186) 13,682,533 31,877,8020Deferred tax liability(2,537,692) (5,532,510)5,532,579(5,328,574) 3,532			
Transactions with related parties during the period are as under:Financial InstitutionsRemunerative depositsNon-remunerative depositsNon-remunerative depositsStatistic deposit <tr< td=""><td></td><td></td><td></td></tr<>			
Financial institutions Remunerative deposits 508,412,261 533,576,901 Non-remunerative deposits 37,190,122 31,180,729 Non-remunerative deposits 53,290,206 58,240,151 561,702,467 591,817,052 9. DEFERRED TAX LIABILITIES - net 561,702,467 591,817,052 9. DEFERRED TAX liabilities arising in respect of (103,807) (103,807) 9. Deferred tax liabilities arising in respect of (3,451,903) (11,373,369) 9. Revaluation of securities 4,220 3,196 32,5259 9. Revaluation of securities 10 948,838 986,846 31,047 14,618 9. Net deferred tax liabilities 296,574 <			,,
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Surplus on revaluation of fixed assets - net of tax 20,474,372 20,543,099 Surplus on revaluation of securities - net of tax -	10 SUDDI US ON DEVALUATION OF ASSETS		
Surplus on revaluation of securities - net of taxFederal Government securities(834,747)Term Finance Certificates16,161Quoted shares561,876Overseas GoP Bonds(518,745)NIT Units6,293,279NIT Market Opportunity Fund(200,094)Investment outside Pakistan - Bank Al-Jazira13,684,363Deferred tax liability13,684,36331,877,802	10.30KFL03 ON REVALUATION OF ASSETS		
Surplus on revaluation of securities - net of taxFederal Government securities(834,747)Term Finance Certificates16,161Quoted shares561,876Overseas GoP Bonds(518,745)NIT Units6,293,279NIT Market Opportunity Fund(200,094)Investment outside Pakistan - Bank Al-Jazira13,684,363Deferred tax liability13,684,36331,877,802	Sumlus on revoluction of fixed association and of tax	20 474 272	20 542 000
Federal Government securities (834,747) (70,186) Term Finance Certificates 16,161 33,612 Quoted shares 561,876 2,565,998 Overseas GoP Bonds (518,745) (73,531) NIT Units 6,293,279 15,801,458 NIT Market Opportunity Fund 2,366,633 13,620,451 Investment outside Pakistan - Bank Al-Jazira 13,684,363 31,877,802 Deferred tax liability (2,537,692) (5,382,510)	Surplus on revaluation of fixed assets - net of tax	20,474,372	20,040,099
Federal Government securities (834,747) (70,186) Term Finance Certificates 16,161 33,612 Quoted shares 561,876 2,565,998 Overseas GoP Bonds (518,745) (73,531) NIT Units 6,293,279 15,801,458 NIT Market Opportunity Fund 2,366,633 13,620,451 Investment outside Pakistan - Bank Al-Jazira 13,684,363 31,877,802 Deferred tax liability (2,537,692) (5,382,510)	Sumlus on revoluction of acquities - not of tax		
Term Finance Certificates 16,161 33,612 Quoted shares 561,876 2,565,998 Overseas GoP Bonds (518,745) (73,531) NIT Units 6,293,279 15,801,458 NIT Market Opportunity Fund (200,094) - Investment outside Pakistan - Bank Al-Jazira 8,366,633 13,620,451 Deferred tax liability (2,537,692) (5,382,510)	Surplus on revaluation of securities - net of tax		
Term Finance Certificates 16,161 33,612 Quoted shares 561,876 2,565,998 Overseas GoP Bonds (518,745) (73,531) NIT Units 6,293,279 15,801,458 NIT Market Opportunity Fund (200,094) - Investment outside Pakistan - Bank Al-Jazira 8,366,633 13,620,451 Deferred tax liability (2,537,692) (5,382,510)	Endered Covernment coourities	(924 747)	(70.196)
Quoted shares 561,876 2,565,998 Overseas GoP Bonds (518,745) (73,531) NIT Units 6,293,279 15,801,458 NIT Market Opportunity Fund (200,094) - Investment outside Pakistan - Bank Al-Jazira 8,366,633 13,620,451 Deferred tax liability (2,537,692) (5,382,510)			
Overseas GoP Bonds (518,745) (73,531) NIT Units 6,293,279 15,801,458 NIT Market Opportunity Fund (200,094) - Investment outside Pakistan - Bank Al-Jazira 8,366,633 13,620,451 Deferred tax liability (2,537,692) (5,382,510)			
NIT Units 6,293,279 15,801,458 NIT Market Opportunity Fund (200,094) - Investment outside Pakistan - Bank Al-Jazira 8,366,633 13,620,451 Deferred tax liability (2,537,692) (5,382,510)			
NIT Market Opportunity Fund (200,094) - Investment outside Pakistan - Bank Al-Jazira 8,366,633 13,620,451 Deferred tax liability 13,684,363 31,877,802			
Investment outside Pakistan - Bank Al-Jazira 8,366,633 13,620,451 Deferred tax liability 31,877,802 (2,537,692) (5,382,510)			15,801,458
Deferred tax liability (2,537,692) (5,382,510)	NIT Market Opportunity Fund		-
Deferred tax liability (2,537,692) (5,382,510)	Investment outside Pakistan - Bank Al-Jazira		
		13,684,363	31,877,802
	Deferred tax liability		(5,382,510)
		31,621,043	47,038,391



11. CONTINGENCIES AND COMMITMENTS

11.1 Direct credit substitutes

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

	September 30, 2008 (Un-audited) (Rupees ii	December 31, 2007 (Audited) n '000)
- Government - Financial institutions - Others	14,537,840 6,642,707 16,631,904 37,812,451	15,096,694 6,898,062 17,271,257 39,266,013

11.2 Transaction-related contingent liabilities

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

	- Government - Financial institutions - Others	13,788,341 4,827,389 6,002,001 24,617,731	17,235,612 6,034,302 7,502,582 30,772,496
1.3	Trade-related contingent liabilities		
	Letters of credit Issued in favour of		
	- Government - Financial institutions	150,861,726 203,030	139,367,158 187,561
	- Others	64,516,816	59,601,103

11.4 Other contingencies

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

8,935,826 9,263,526

199.155.822

215,581,572

11.4.2 Taxation

11.

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

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

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

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

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

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

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



11.4.3 Provident Fund

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

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

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

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

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

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

		September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
11.5	Commitments in respect of forward exchange contracts	(Rupees in	ייייי)
	Purchase Sale	81,836,927 70,858,339	49,819,478 38,137,569
11.6	Other Commitments		
	Reverse repo forward deal against PIB Equity Futures Sold Interest Rates SWAP Cross Currency SWAP	315,000 - - 8,383,454	189,289 8,852,500 9,317,886
11.7	Commitments for the acquisition of operating fixed assets	587,580	475,088
11.8	Commitments to inject capital in the following companies		
	- Nishat Power Limited - Nishat (Chunian) Limited - Atlas Power Limited	266,000 275,049 137,210	300,000 300,000 -

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



13.	BASIC AND DILUTED EARNINGS PER SHARE		Quarter Ended September 30 2008	Nine months period ended September 30 2008	Quarter Ended September 30 2007	Nine months period ended September 30 2007
	Profit attributable to the shareholders of the holding company	(Rupees in '000)	4,829,810	12,929,047	5,832,032	14,978,299
	Weighted average number of ordinary shares	(Number '000)	896,975	896,975	896,975	896,975
	Basic and diluted earnings per share	(Rupees)	5.38	14.41	6.50	16.70

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

14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking Rupe	Payment & Settlement es in '000	Agency Services	Assets Management	Retail Brokerage	Total
September 30,	2008								
Total income Total expenses Net income	242,402 1,827 240,575	13,788,201 558,790 13,229,411	8,773,799 7,048,355 1,725,444	13,438,109 10,171,667 3,266,442	1,258,265 587,422 670,843	2,342,279 2,249,942 92,337	10,855 6,738 4,117	71,486 56,313 15,173	39,925,396 20,681,055 19,244,341
September 30,	2007								
Total income Total expenses Net income	233,211 1,025 232,186	12,214,610 359,171 11,855,439	6,918,953 4,253,182 2,665,771	11,460,320 4,442,237 7,018,083	910,619 439,431 471,188	1,938,710 1,798,070 140,640	15,955 5,000 10,955	76,787 50,511 26,276	33,769,165 11,348,627 22,420,538

15. RELATED PARTY TRANSACTIONS

The group has related party relationship with its associated undertakings, joint ventures, employee benefit plans, and its key management personnel (including their associates).

Transactions between the group and its related parties are carried out under normal commercial term except employee staff loans and return on provident fund that are as per the agreed term.

Transactions with related parties during the period are as under:

For the Nine months period ended For the Year Ended September 30, 2008 December 31, 2007 (Un-audited) (Audited)
Key Associates Key Associates Management Management Executives Executives
89,102 1, 515,120 65,255 1,600,070 7,515 23,847 (250,251) (84,950)
96,617 1,264,869 89,102 1,515,120
Pension Provident Pension Provident Fund Fund Fund Fund Fund
2,088,976 8,078,395 3,077,536 7,397,487 10,036,016 878,681 1,990,643 1,325,349 (10,159,760) (962,230) (2,979,203) (644,441) 1,965,232 7,994,846 2,088,976 8,078,395



	September 30, 2008 (Un-audited) (Rupees in '000)	December 31, 2007 (Audited)
Debts due by company in which a director of the holding company is interested as director	-	199,391
Placements with:		
Joint venture associates	862,802 27,331	759,343 27,331
	Nine months period ended September 30, 2008 (Un-audited) (Rupees in '000)	Nine months period ended September 30, 2007 (Un-audited)
Income for the period On advances/placements with:		
Associates	12,841	26,248
Debts due by company in which a director of the holding company is interested as director		3,736
Expenses for the period		
Remuneration to key management executives Charge for defined benefit plan	178,676 5,110	107,697 2,658
Mark-up on deposits of: Provident fund	563,403	690,932

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

16. ISLAMIC BANKING BUSINESS

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

ACCETC	September 30, 2008 (Unaudited) (Rupees	December 31, 2007 (Audited) in '000)
ASSETS Cash and balances with treasury banks Balances with and due from Financial Institutions Investments Advances Fixed Assets Other assets Total Assets	15,186 508,461 194,004 141,840 26,534 886,025	22,536 355,000 94,227 10,626 482,389
LIABILITIES Bills payable Deposits and other accounts Due to Head Office Other liabilities Total Liabilities	504 38,055 500,503 32,795 571,857	268 26,895 338,141 9,536 374,840
NET ASSETS	314,168	107,549
REPRESENTED BY Islamic Banking Fund Unappropriated (loss) / profit	300,000 14,168 314,168	100,000 7,549 107,549



17. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed consolidated financial statements were authorized for issue on October 30, 2008 by the Board of Directors of the holding company.

18. GENERAL

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

Syed Ali Raza 32 Chairman & President Ibrar A.Mumtaz Director Sikandar Hayat Jamali Director



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National Bank of Pakistan

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