
National Bank of Pakistan

Financial Statements

For the Half Year ended June 30, 2009

Directors' Report

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

	<i>Rs. in million</i>
Net Profit before taxation for the six months period ended June 30, 2009	9,690
Taxation	
-Current year	4,517
-Prior year(s)	-
-Deferred	(1,108)
	3,409
After tax profit	6,281
Un-appropriated profit brought forward	52,456
Transfer from surplus on revaluation of fixed assets –	62
Profit available for appropriation	58,799
Cash Dividend paid	5,830
Transfer to Statutory Reserve (10% of after tax profit)	628
Bonus shares issued	1,794
Un-appropriated profit carried forward	50,547

The international economic crisis coupled with problems of war against terror, power shortages and sustaining high levels of inflation are some of the biggest challenges facing the economy and financial sector of Pakistan. Due to the above factors in 2008-09 the GDP growth was only 2%, FDI reduced by almost 45%, Inflation was hovering around 20% and both Import and export business shrunk in terms of value. Despite these growth deterrents the Bank continued to make stable and sustaining progress. Our Deposits as well as advances show remarkable growth of 10.8% and 9.5% despite large base figure of December 2008.

The Non- performing Loans is a challenge for the entire financial sector globally and Pakistan is no exception. Reduced pace of economic growth, high financial cost, power shortages, liquidity problems are all the major contributing factors which are forcing upward the default rates, further the provision charge has increased due to downgrading of the existing NPL portfolio.

Net interest income remained at last year level due to high cost of fund on account of minimum 5.0% rate on all saving accounts and higher term deposits. Non –interest revenue declined to Rs. 6.9 billion from Rs. 7.5 billion of last year attributable mainly to a one off earning of approximately Rs. 1 billion. Consequently pre-tax profit reduced to Rs. 9.7 billion, a reduction of 23.5% from last year.

The bank's focus is to ensure adequate liquidity, strengthening the balance sheet through adequate provisions, effective credit controls and maintaining and building up the bank's capital adequacy ratio. NBP currently has the highest equity amongst the Pakistani banks with one of the highest capital adequacy ratio in the banking industry.

Going forward, we will focus on our recovery efforts and with the improvement in the power crisis, lowering of interest rates and improved economic conditions are hopeful that not only the accretion rate in the ailing portfolio will stop but there will be a sizable reversal going forward. Our organic expansion will continue both locally and internationally. We are upgrading our I.T. platform by implementation of new 'Core Banking software'. This is expected to transform the entire Bank's operations in the next three years.

Lastly we would like to recognize the contribution of our Director (Late) Mr. Sikandar Hayat Jamali whose guidance and support will always be remembered dearly. His experience, superlative opinions and unique perspective always helped the management in taking right decisions. His undying interest in the welfare of the institution and its worker's will always be cherished by us all.

Lastly we extend our thanks and appreciation to our customer's for their patronage, our stake holders & regulators for their confidence and the bank's staff for their commitment, dedication and hard work in achieving these excellent results.

On behalf of Board of Directors

S. Ali Raza

Chairman & President

Date: August 29, 2009

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

		(Un-audited) June 30, 2009	(Audited) December 31, 2008
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		130,825,765	106,503,756
Balances with other banks		28,102,400	38,344,608
Lendings to financial institutions-net		12,234,147	17,128,032
Investments-net	6	208,662,871	170,822,491
Advances-net	7	452,131,375	412,986,865
Operating fixed assets		24,682,166	24,217,655
Deferred tax assets-net	8	2,823,976	3,204,572
Other assets		41,627,179	44,550,347
		901,089,879	817,758,326
LIABILITIES			
Bills payable		18,178,434	10,219,061
Borrowings		39,189,296	40,458,926
Deposits and other accounts	9	692,721,067	624,939,016
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		28,695	25,274
Deferred tax liabilities		-	-
Other liabilities		42,253,367	39,656,831
		792,370,859	715,299,108
NET ASSETS			
		108,719,020	102,459,218
REPRESENTED BY			
Share capital		10,763,701	8,969,751
Reserves		20,887,121	19,941,047
Unappropriated profit		50,547,037	52,456,204
		82,197,859	81,367,002
Surplus on revaluation of assets - net	10	26,521,161	21,092,216
		108,719,020	102,459,218
CONTINGENCIES AND COMMITMENTS			
	11	-	-

The above surplus on revaluation of assets include impairment loss (net of tax) of Rs.392 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of June 30, 2009. Had the impairment loss been fully charged to unconsolidated condensed interim profit and loss account, the 'Surplus on revaluation of assets' (net of tax) would have been higher by Rs. 392 million and the unappropriated profit would have been lower by the same amount (see note 10).

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

Chairman & President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UN-AUDITED)
FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2009

	Quarter Ended June 30, 2009	Six Months Ended June 30, 2009	Quarter Ended June 30, 2008	Six Months Ended June 30, 2008
Note	----- (Rupees in '000) -----			
Mark-up / Return / Interest earned	18,472,192	37,268,430	14,461,388	28,016,571
Mark-up / Return / Interest expensed	8,959,353	18,289,042	4,571,749	9,080,762
Net mark-up / Interest income	9,512,839	18,979,388	9,889,639	18,935,809
Provision against non-performing advances	3,480,002	5,064,429	3,528,963	5,053,479
Provision for / (reversal) of diminution in the value of investments	374,199	491,111	(19,489)	(19,489)
Provision against off balance sheet obligations	20,237	20,237	-	-
Bad debts written off directly	125	125	107	107
	3,874,563	5,575,902	3,509,581	5,034,097
Net mark-up / interest income after provisions	5,638,276	13,403,486	6,380,058	13,901,712
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	2,577,496	4,325,513	2,165,047	3,777,091
Dividend income	70,564	303,128	125,364	201,401
Income from dealing in foreign currencies	768,658	1,927,007	741,828	1,964,483
(Loss) / gain on sale of securities	(196,844)	62,582	303,353	458,338
Unrealized gain / (loss) on revaluation of investments classified as Held-for-trading	60,071	60,071	(146,366)	(107,078)
Other income	28,418	288,603	264,715	1,267,442
Total non mark-up / interest income	3,308,363	6,966,904	3,453,941	7,561,677
	8,946,639	20,370,390	9,833,999	21,463,389
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	4,864,664	9,982,621	3,926,933	8,055,161
Other provisions / write offs	461,242	463,814	232,688	239,892
Other charges	234,109	234,109	1,251	494,629
Total non mark-up / interest expenses	5,560,015	10,680,544	4,160,872	8,789,682
	3,386,624	9,689,846	5,673,127	12,673,707
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	3,386,624	9,689,846	5,673,127	12,673,707
Taxation - Current	1,726,011	4,516,884	3,841,358	6,336,072
- Prior year(s)	-	-	-	-
- Deferred	(406,324)	(1,108,320)	(1,491,721)	(1,543,798)
	1,319,687	3,408,564	2,349,637	4,792,274
PROFIT AFTER TAXATION [see note (i) & 10]	2,066,937	6,281,282	3,323,490	7,881,433
Unappropriated profit brought forward	56,280,096	52,456,204	42,537,460	45,344,188
Transfer from surplus on revaluation of fixed assets	30,984	61,967	23,524	45,818
Profit available for appropriations	58,378,017	58,799,453	45,884,474	53,271,439
Appropriations				
Transfer to statutory reserves	(206,692)	(628,128)	(332,350)	(788,143)
Transfer from reserve for issue of bonus shares	(1,793,950)	(1,793,950)	-	(815,432)
Final cash dividend for the year ended December 31, 2008 and December 31, 2007 declared subsequent to the year end	(5,830,338)	(5,830,338)	-	(6,115,740)
	(7,830,980)	(8,252,416)	(332,350)	(7,719,315)
Unappropriated profit carried forward	50,547,037	50,547,037	45,552,124	45,552,124
Basic and diluted earnings per share (Rupees)	1.92	5.84	3.09	7.32

(i) The profit for the period does not include impairment loss (net of tax) of Rs. 392 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments in accordance with the treatment allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of June 30, 2009 and has been taken to 'Surplus on revaluation of assets' account (net of tax) as shown in the balance sheet. Had the impairment loss been fully charged to unconsolidated condensed interim profit and loss account, profit after tax for the period would have been lower by Rs. 392 million and earnings per share would have been lower by Rs. 0.36 (see note 10).

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

Chairman & President

Director

Director

Director

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

	June 30, 2009	June 30, 2008
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,689,846	12,673,707
Less: Dividend income	303,128	201,401
	9,386,718	12,472,306
Adjustments for non-cash charges:		
Depreciation	387,458	339,893
Provision against non-performing advances	5,064,429	5,053,479
Provision for / (reversal) of diminution in the value of investments	491,111	(19,489)
Provision against off balance sheet obligations	20,237	-
Bad debts written off directly	125	107
Other provisions/ write offs	463,814	239,892
Gain on sale of fixed assets	(1,921)	(2,688)
Financial charges on leased assets	2,351	4,952
	6,427,604	5,616,146
	15,814,322	18,088,452
(Increase) / decrease in operating assets		
Lendings to financial institutions-net	4,845,885	1,484
Held-for-trading securities	(7,244,092)	(420,037)
Advances	(44,209,064)	(37,497,717)
Other assets (excluding advance taxation - net)	2,486,864	(599,435)
	(44,120,407)	(38,515,705)
Increase / (decrease) in operating liabilities		
Bills payable	7,959,373	5,162,394
Borrowings	(1,301,596)	4,240,474
Deposits and other accounts	67,782,051	29,434,330
Other liabilities	2,576,299	1,052,930
	77,016,127	39,890,128
Income tax paid	(4,496,394)	(8,478,567)
Financial charges paid	(2,351)	(4,952)
	(4,498,745)	(8,483,519)
Net cash flows from operating activities	44,211,297	10,979,356
CASH FLOWS FROM INVESTING ACTIVITIES		
(Net investment in) / proceeds from Available-for-sale securities	(32,910,062)	31,414,581
Proceeds from held-to-maturity securities	8,818,026	393,619
Dividend income received	303,128	201,401
Investment in operating fixed assets	(851,993)	(906,425)
Sale proceeds of fixed assets disposed off	1,921	2,688
Net cash (used in) / from investing activities	(24,638,980)	31,105,864
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(12,091)	(8,354)
Dividend paid	(5,830,338)	(6,115,740)
Net cash used in financing activities	(5,842,429)	(6,124,094)
Effects of exchange rate changes	317,946	1,122,270
Net increase in cash and cash equivalents	14,047,834	37,083,396
Cash and cash equivalents at beginning of the period	144,676,388	131,456,989
Cash and cash equivalents at the end of the period	158,724,222	168,540,385
	158,724,222	168,540,385

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

Chairman & President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - (UN-AUDITED)
FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2009

	Quarter Ended June 30, 2009	Six Months Ended June 30, 2009	Quarter Ended June 30, 2008	Six Months Ended June 30, 2008
----- (Rupees in '000) -----				
Profit after taxation for the period	2,066,937	6,281,282	3,323,490	7,881,433
Other Comprehensive Income				
Exchange adjustments on translation of net assets of foreign branches	351,107	317,947	854,795	1,122,270
Transfer from surplus on revaluation of fixed assets - incremental depreciation	47,668	95,334	36,191	70,489
Income tax relating to components of other comprehensive income	(16,684)	(33,367)	(12,667)	(24,671)
Comprehensive Income transferred to equity	2,449,028	6,661,196	4,201,809	9,049,521
Components of comprehensive Income not transferred to equity				
Surplus on revaluation of fixed assets - incremental depreciation - net of tax	(30,984)	(61,967)	(23,524)	(45,818)
Surplus/ (deficit) on revaluation of investment	2,676,525	6,979,827	(5,959,848)	(7,109,160)
Deferred tax (liability) / asset on revaluation of investments	(720,703)	(1,488,915)	731,710	1,270,936
	1,955,822	5,490,912	(5,228,138)	(5,838,224)
Total Comprehensive Income	4,373,866	12,090,141	(1,049,853)	3,165,479

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

Chairman & President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2009

	Share capital	Reserves		Unappropriated profit	Total	
		Capital	Revenue			
	Exchange Translation	Statutory	General			
----- (Rupees in '000) -----						
Balance as at January 1, 2008	8,154,319	3,364,312	11,886,474	521,338	45,344,188	69,270,631
Total comprehensive income for the six months period ended June 30, 2008	-	1,122,270	-	-	7,927,251	9,049,521
Transfer to statutory reserve	-	-	788,143	-	(788,143)	-
Issue of bonus shares (10%)	815,432	-	-	-	(815,432)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	(6,115,740)	(6,115,740)
Balance as at June 30, 2008	8,969,751	4,486,582	12,674,617	521,338	45,552,124	72,204,412
Balance as at July 1, 2008	8,969,751	4,486,582	12,674,617	521,338	45,552,124	72,204,412
Total comprehensive income for the six months period ended December 31, 2008	-	1,500,794	-	-	7,661,796	9,162,590
Transfer to statutory reserve	-	-	757,716	-	(757,716)	-
Balance as at December 31, 2008	8,969,751	5,987,376	13,432,333	521,338	52,456,204	81,367,002
Balance as at January 1, 2009	8,969,751	5,987,376	13,432,333	521,338	52,456,204	81,367,002
Total comprehensive income for the six months period ended June 30, 2009	-	317,946	-	-	6,343,249	6,661,195
Transfer to statutory reserve	-	-	628,128	-	(628,128)	-
Issue of bonus shares (20%)	1,793,950	-	-	-	(1,793,950)	-
Cash dividend (Rs. 6.5 per share)	-	-	-	-	(5,830,338)	(5,830,338)
Balance as at June 30, 2009	10,763,701	6,305,322	14,060,461	521,338	50,547,037	82,197,859

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

Chairman & President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2009

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 1,258 (2008: 1,254) branches in Pakistan and 22 (2008: 22) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the Bank also provides services as trustee to National Investment Trust (NIT) and Long Term Credit Fund (LTCF).

2. STATEMENT OF COMPLIANCE

2.1 These unconsolidated condensed interim financial statements for six months have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

2.2 The SBP vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

2.3 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2008.

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

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

3. ACCOUNTING POLICIES

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

6. INVESTMENTS - net

Note	June 30, 2009 (Un-audited)			December 31, 2008 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)			(Rupees in '000)		
6.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	112,671	-	112,671	7,496	-	7,496
Market Treasury Bills	6,536,108	-	6,536,108	-	-	-
Pakistan Investment Bonds	1,602,809	-	1,602,809	-	-	-
Ijara Sukuk Bonds	-	-	-	1,000,000	-	1,000,000
	8,251,588	-	8,251,588	1,007,496	-	1,007,496
Available- for- sale securities						
Ordinary shares of listed companies	2,746,880	-	2,746,880	3,669,441	-	3,669,441
Ordinary shares of unlisted companies	1,103,032	-	1,103,032	716,610	-	716,610
	3,849,912	-	3,849,912	4,386,051	-	4,386,051
Market Treasury Bills	87,716,383	16,763,302	104,479,685	64,523,811	23,990,054	88,513,865
Preference shares	250,000	-	250,000	275,000	-	275,000
Pakistan Investment Bonds	11,460,754	187,595	11,648,349	4,105,665	66,987	4,172,652
Federal Investment Bonds	940,000	-	940,000	940,000	-	940,000
GoP Foreign Currency Bonds	2,096,004	-	2,096,004	1,212,348	-	1,212,348
Foreign Government Securities	202,784	-	202,784	1,657,303	-	1,657,303
Term Finance Certificates / Musharika, Foreign Currency Debt Securities and Sukuk Bonds	28,221,248	-	28,221,248	17,695,681	-	17,695,681
Investments in Mutual Funds	1,023,316	-	1,023,316	993,897	-	993,897
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) Units	7,643,084	-	7,643,084	7,643,084	-	7,643,084
NIT Market Opportunity Fund	1,800,000	-	1,800,000	1,800,000	-	1,800,000
Total Available- for- sale securities	145,666,780	16,950,897	162,617,677	105,696,135	24,057,041	129,753,176
Held-to-maturity securities						
Government Compensation Bonds	1,189,327	-	1,189,327	2,331,182	-	2,331,182
Pakistan Investment Bonds	8,947,485	-	8,947,485	9,515,583	-	9,515,583
GoP Foreign Currency Bonds	8,139,639	-	8,139,639	15,517,577	-	15,517,577
Foreign Government Securities	1,590,237	-	1,590,237	3,150,553	-	3,150,553
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	4,638,479	-	4,638,479	2,808,298	-	2,808,298
Total Held-to-maturity securities	24,505,167	-	24,505,167	33,323,193	-	33,323,193
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
Investments at cost	182,047,996	16,950,897	198,998,893	143,651,286	24,057,041	167,708,327
Less: Provision for diminution in value of Investments	(2,030,650)	-	(2,030,650)	(1,542,273)	-	(1,542,273)
Investments (net of provisions)	180,017,346	16,950,897	196,968,243	142,109,013	24,057,041	166,166,054
Surplus on revaluation of Held-for-trading securities	60,071	-	60,071	1,707	-	1,707
Surplus / (deficit) on revaluation of Available-for-sale securities	11,627,267	7,290	11,634,557	4,689,265	(34,535)	4,654,730
Total investments at market value	191,704,684	16,958,187	208,662,871	146,799,985	24,022,506	170,822,491

6.1.1 Investment outside Pakistan - Bank Al-Jazira

The Bank holds 17,500,000 (2008: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2008: 5.83%) holding in total share capital of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006.

	June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
Note	----- (Rupees in '000) -----	
7. ADVANCES-net		
Loans, cash credits, running finances, etc.		
In Pakistan	426,663,012	389,997,489
Outside Pakistan	47,513,868	45,145,226
	474,176,880	435,142,715
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	3,368,682	2,973,812
Payable outside Pakistan	24,239,326	19,518,940
	27,608,008	22,492,752
Margin Financing / Continuous Funding System		
Advances - gross	501,847,920	457,828,029
Less: Provision against non-performing advances		
Specific	7.1 (47,579,743)	(42,729,947)
General	(2,136,802)	(2,111,217)
	(49,716,545)	(44,841,164)
Advances - net of provision	452,131,375	412,986,865

7.1 Advances include Rs. 64,749 million (2008: Rs.56,462 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2009 (Un-audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	966,896	-	966,896	-	-
Substandard	5,810,326	73,527	5,883,853	1,424,024	1,424,024
Doubtful	13,888,194	70,962	13,959,156	5,917,003	5,917,003
Loss	43,078,608	860,344	43,938,952	40,238,716	40,238,716
	63,744,024	1,004,833	64,748,857	47,579,743	47,579,743

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

	June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
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Note ----- (Rupees in '000) -----

8. DEFERRED TAX ASSETS - net

Deferred tax assets arising in respect of

Provision for diminution in the value of investments	529,335	357,446
Provision against advances and off-balance sheet obligations	5,111,925	4,210,526
Other provisions	376,111	376,111
Charge against defined benefits plans	666,181	666,181
	6,683,552	5,610,264

Deferred tax (liabilities) arising in respect of

Excess of accounting book value of leased assets over lease liabilities	(4,418)	(5,600)
Difference between accounting book value of fixed assets and tax base	(169,272)	(169,754)
Revaluation of securities	(2,384,588)	(895,673)
Revaluation of fixed assets	(1,301,298)	(1,334,665)
	(3,859,576)	(2,405,692)
Net deferred tax assets	2,823,976	3,204,572

- 8.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable upto a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. The management is of the view that it would be able to get deduction of provision in excess of 1% of total advances provided for the six months and accordingly has recognized deferred tax amounting to Rs. 901 million on such provisions.

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

	June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
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----- (Rupees in '000) -----

9. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	177,468,413	141,949,041
Savings deposits	199,272,232	179,807,400
Current accounts - remunerative	53,720,226	50,893,400
Current accounts - non-remunerative	163,179,061	143,216,221
	593,639,932	515,866,062

Financial Institutions

Remunerative deposits	62,047,704	64,509,238
Non-remunerative deposits	37,033,431	44,563,716
	99,081,135	109,072,954
	692,721,067	624,939,016

June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
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----- (Rupees in '000) -----

10. SURPLUS ON REVALUATION OF ASSETS - net

Surplus on revaluation of fixed assets - net of tax	17,271,192	17,333,159
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government securities	431,400	(820,863)
Term Finance Certificates	(143,108)	(87,983)
Quoted shares and mutual funds	880,016	(438,078)
GoP Foreign Currency Bonds	(19,439)	(679,108)
NIT Units	3,479,575	2,386,570
NIT Market Opportunity Fund	(94,930)	(796,196)
Investment outside Pakistan	7,101,043	5,090,388
	11,634,557	4,654,730
Deferred tax liability recognised	(2,384,588)	(895,673)
	26,521,161	21,092,216

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

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

The impairment loss as of June 30, 2009, based on the above discussions and the market values as of that date have been determined at Rs. 436 million (December 31, 2008 : Rs 1,979 million) after quarterly adjustments as required.

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

	June 30, 2009 Rupees in '000
Increase in 'Impairment Loss' in Profit and Loss Account	435,739
Decrease in tax charge for the six months	43,574
Decrease in profit for the six months - after tax	<u>392,165</u>
	Rupees
Decrease in earnings per share -after tax (basic and diluted)	<u>0.36</u>
	Rupees in '000
Increase in net surplus on revaluation of available for sale securities	<u>392,165</u>
Decrease in unappropriated profit	<u>392,165</u>

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:

	June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
	----- (Rupees in '000) -----	
- Government	21,276,944	15,444,979
- Financial institutions	6,663,782	5,873,517
- Others	10,346,198	11,762,514
	38,286,924	33,081,010

11.2 Transaction-related contingent liabilities

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

- Government	19,396,526	18,660,550
- Financial institutions	753,054	5,060
- Others	6,966,830	7,904,339
	27,116,410	26,569,949

11.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	139,895,907	133,467,937
- Financial institutions	-	1,007,327
- Others	36,356,850	36,292,676
	176,252,757	170,767,940

11.4 Other contingencies

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

8,788,982	11,442,569
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11.4.2 Taxation

The income tax assessments of the bank for global operations and for Azad Kashmir have been finalized upto and including the Tax year 2008 (accounting year ended December 31, 2007). The income tax returns for the Tax year 2009 (accounting year ended December 31, 2008) is due to be filed for global operations and Azad Kashmir on or before September 30, 2009.

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

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

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

11.4.3 Provident Fund

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

Subsequently, three employees filed a writ petition in 1980 before a Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this decision of the Single Bench, the aggrieved employees filed Intra Court Appeal before the Lahore High Court which was heard by a Division Bench 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 was 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 was 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 petition against the Bank in 2004. 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 payment being made is in accordance with the Bank's Provident Fund Rules.

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 dis-obedience of the order. The Court also put a direct question to the council for the petitioners to pinpoint the portion of the Order of Supreme Court which according to him, was disobeyed. The learned Council 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.

The case was last fixed for hearing on 04-05-2009. In hearing arguments the Bank expressed willingness to pay interest on Bank's Contribution at the prescribed rates. However on re-consideration and keeping the interest of the retired employees in view the Bank had recalculated the interest at the five years fixed deposit rate which has also been accepted by the Hon'able Supreme court of Pakistan and directed the Bank to pay the Bank's Contribution to all Employees/Ex-Employees with interest at this rate upto date of payment i.e. 31-05-2009. Pay orders calculated on this rate were delivered to some of the petitioners present in the court and have also been sent to all the eligible beneficiaries.

The Review petition has been filed by the Petitioner against the judgment of Hon'able Supreme Court of Pakistan dated 04-05-2009, which is to be heard.

	June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
	----- (Rupees in '000) -----	
11.5 Commitments in respect of forward exchange contracts		
Purchase	110,327,694	69,361,297
Sale	72,737,265	55,563,737
11.6 Commitments in respect of trading with Government securities		
Purchase	-	5,200,000
Sale	-	5,200,000
11.7 Other Commitments		
Cross Currency Interest Rate SWAP	7,304,026	8,082,780

	June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
	----- (Rupees in '000) -----	
11.8 Commitments for the acquisition of operating fixed assets	380,266	490,396
11.9 Commitments to inject capital in the following companies		
- Nishat Power Limited	58,750	178,750
- Nishat (Chunian) Limited	114,370	211,893
11.10 Commitments for purchase of NIT Market Opportunity Fund units	200,000	200,000
11.11 Commitments for investment in NIT State Enterprise Fund	-	7,000,000

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

	Quarter Ended June 30, 2009	Six Months Ended June 30, 2009	Quarter Ended June 30, 2008	Six Months Ended June 30, 2008
13. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation (Rupees in '000)	<u>2,066,937</u>	<u>6,281,282</u>	3,323,490	7,881,433
Weighted average number of ordinary shares (in '000)	<u>1,076,370</u>	<u>1,076,370</u>	1,076,370	1,076,370
Basic and diluted earnings per share (Rupees)	<u>1.92</u>	<u>5.84</u>	3.09	7.32

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

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- Rupees in '000 -----						
June 30, 2009							
Total income	270,407	2,981,469	8,265,497	11,650,772	801,145	1,977,003	25,946,293
Total expenses	320	1,215,497	5,925,784	7,502,392	597,202	1,015,252	16,256,447
Net income	<u>270,087</u>	<u>1,765,972</u>	<u>2,339,713</u>	<u>4,148,380</u>	<u>203,943</u>	<u>961,751</u>	<u>9,689,846</u>
June 30, 2008							
Total income	148,839	4,037,860	7,862,233	12,129,381	817,955	1,501,218	26,497,486
Total expenses	706	299,985	5,281,772	6,869,573	500,704	871,039	13,823,779
Net income	<u>148,133</u>	<u>3,737,875</u>	<u>2,580,461</u>	<u>5,259,808</u>	<u>317,251</u>	<u>630,179</u>	<u>12,673,707</u>

15. RELATED PARTY TRANSACTIONS

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

	For the Six Months Ended June 30, 2009 (Un-audited)			For the Year Ended December 31, 2008 (Audited)		
	Key Management Executives	Subsidiaries	Associates	Key Management Executives	Subsidiaries	Associates
	----- (Rupees in '000) -----					
Advances						
	95,931	682,730	1,269,498	89,102	786,382	1,515,120
Given during the period / year	22,339		9,257	6,829	-	-
Repaid during the period / year	-	(41,667)	(70)	-	(103,652)	(245,622)
At June 30 / December 31	<u>118,270</u>	<u>641,063</u>	<u>1,278,685</u>	<u>95,931</u>	<u>682,730</u>	<u>1,269,498</u>

	For the Six Months Ended June 30, 2009 (Un-audited)			For the Year Ended December 31, 2008 (Audited)		
	Subsidiaries	Pension Fund	Provident Fund	Subsidiaries	Pension Fund	Provident Fund
	----- (Rupees in '000) -----					
Deposits						
At January 01	167,224	3,940,161	8,507,300	255,952	2,088,976	8,078,395
Received during the period / year		2,487,898	751,759		12,055,094	1,351,602
Repaid during the period / year	(105,903)	(3,921,257)	(1,595,134)	(88,728)	(10,203,909)	(922,697)
At June 30 / December 31	<u>61,321</u>	<u>2,506,802</u>	<u>7,663,925</u>	<u>167,224</u>	<u>3,940,161</u>	<u>8,507,300</u>

	June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
	----- (Rupees in '000) -----	
Placements with:		
Joint venture	495,864	420,535
Associates / subsidiaries	26,114	25,881
Pension Fund	2,900,000	2,900,000
Lendings to:		
Subsidiary	-	113,983
(Repo) Borrowing from		
Subsidiary company	450,000	414,635
Other receivables from Subsidiaries	36,764	32,195
Other payables to Subsidiaries	-	11,594

	Six months ended June 30, 2009 (Un-audited)	Six months ended June 30, 2008 (Un-audited)
	----- (Rupees in '000) -----	
Income		
On advances / placements with:		
Subsidiaries	3,553	319
Associates	-	12,841
On debts due by company in which a director of the bank is interested as director	-	11,569
Expenses		
Remuneration to key management executives	129,288	42,897
Charge for defined benefit plan	4,798	3,267
Mark-up on deposits of:		
Subsidiaries	91	132
Provident fund	489,933	578,595
Mark-up on repo borrowing of:		
Subsidiaries	27,396	16,500
Commission paid to subsidiaries	405	1,587

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

16. ISLAMIC BANKING BUSINESS

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

	June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	30,503	10,159
Investments	418,803	509,642
Financing and Receivables	534,912	321,650
Fixed Assets	5,218	1,050
Other assets	43,167	45,579
Total Assets	1,032,603	888,080
LIABILITIES		
Bills Payable	4,778	5,993
Deposits and other accounts	367,733	47,186
Due to Head Office	-	508,591
Other liabilities	428,312	19,577
	800,823	581,347
NET ASSETS	231,780	306,733
REPRESENTED BY		
Islamic Banking Fund	300,000	300,000
Unappropriated profit	2,438	5,552
	302,438	305,552
(Deficit) / Surplus on Revaluation of Assets	(70,658)	1,181
	231,780	306,733

	June 30, 2009 (Un-audited)	June 30, 2008 (Un-audited)
	----- (Rupees in '000) -----	
Profit and Loss Account		
Profit / return on financing and placements earned	88,812	48,340
Profit / return on deposit and other dues expensed	39,232	15,907
Net spread earned	49,580	32,433
OTHER INCOME		
Fee, commission and brokerage income	632	502
Income from dealing in foreign currencies	-	-
Other income	3,001	37
Total other income	3,633	539
OTHER EXPENSES		
Administrative expenses	50,576	33,435
Other charges	200	-
Total other expenses	50,776	33,435
PROFIT / LOSS BEFORE TAXATION	2,437	(463)

17. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue on August 29, 2009 by the Board of Directors of the Bank.

18. GENERAL

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

Chairman & President

Director

Director

Director

National Bank of Pakistan

Consolidated Financial Statements

For the Half Year ended June 30, 2009

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

		(Un-Audited) June 30 2009	(Audited) December 31 2008
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		131,030,136	106,778,346
Balances with other banks		28,801,803	39,490,730
Lendings to financial institutions		12,317,895	17,139,081
Investments	6	208,676,100	171,204,889
Advances	7	452,183,733	413,076,389
Net Operating fixed assets		24,734,111	24,271,964
Deferred tax assets	8	2,804,590	3,203,565
Other assets		42,070,894	44,912,238
		902,619,262	820,077,202
LIABILITIES			
Bills payable		18,178,433	10,219,061
Borrowings		38,739,296	40,044,291
Deposits and other accounts	9	692,958,360	625,349,270
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		30,396	25,274
Deferred tax liabilities		-	-
Other liabilities		42,450,241	39,988,100
		792,356,727	715,625,996
NET ASSETS		110,262,535	104,451,206
REPRESENTED BY			
Share capital		10,763,701	8,969,751
Reserves		20,881,535	20,476,863
Unappropriated profit		51,698,555	53,567,326
		83,343,791	83,013,940
Minority interest		113,410	112,699
		83,457,201	83,126,639
Surplus on revaluation of assets - net	10	26,805,334	21,324,568
		110,262,535	104,451,206
CONTINGENCIES AND COMMITMENTS	11		

The above surplus on revaluation of assets include impairment loss (net of tax) of Rs.413 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of June 30, 2009. Had the impairment loss been fully charged to unconsolidated condensed interim profit and loss account, the 'Surplus on revaluation of assets' (net of tax) would have been higher by Rs. 413 million and the unappropriated profit would have been lower by the same amount (see note 10).

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

Chairman & President

Director

Director

Director

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

	Quarter Ended June 30, 2009	Six Months Ended June 30, 2009	Quarter Ended June 30, 2008	Six Months Ended June 30, 2008
Note	(Rupees in '000')			
Mark-up / Return / Interest earned	18,503,548	37,347,041	14,515,069	28,110,923
Mark-up / Return / Interest expensed	8,984,025	18,264,887	4,574,963	9,087,072
Net mark-up / Interest income	<u>9,519,523</u>	<u>19,082,154</u>	9,940,106	19,023,851
Provision against non-performing loans and advances	3,482,532	5,066,959	3,528,963	5,053,479
Provision / Reversal for diminution in the value of investments	385,287	514,611	(19,489)	(19,489)
Provision against off balance sheet obligations	20,237	20,237	-	-
Bad debts written off directly	125	125	107	107
	<u>3,888,182</u>	<u>5,601,932</u>	3,509,581	5,034,097
Net mark-up / interest income after provisions	<u>5,631,341</u>	<u>13,480,222</u>	6,430,525	13,989,754
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	2,591,901	4,355,813	2,184,047	3,819,152
Dividend income	70,564	303,128	123,565	201,401
Income from dealing in foreign currencies	737,044	1,958,926	752,500	1,985,206
(Loss) / gain on sale of securities	(196,844)	62,582	303,353	458,338
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	60,071	60,071	(146,366)	(107,078)
Share of profit from joint ventures	(1,624)	6,093	116,209	155,879
Share of profit from associates	1,022	5,013	5,859	14,178
Other income	22,355	291,027	273,947	1,277,533
Total non mark-up / interest income	<u>3,284,488</u>	<u>7,042,653</u>	3,613,114	7,804,609
	<u>8,915,829</u>	<u>20,522,875</u>	10,043,639	21,794,363
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	4,893,620	10,081,879	3,970,851	8,145,890
Other provisions / write offs	460,708	463,280	245,696	253,132
Other charges	226,124	234,109	1,251	494,629
Total non mark-up / interest expenses	<u>5,580,452</u>	<u>10,779,267</u>	4,217,798	8,893,651
	<u>3,335,377</u>	<u>9,743,607</u>	5,825,840	12,900,711
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	<u>3,335,377</u>	<u>9,743,607</u>	5,825,840	12,900,711
Taxation - Current	1,703,748	4,519,821	3,844,220	6,341,919
- Prior year(s)	-	-	-	-
- Deferred	(396,570)	(1,098,604)	(1,491,648)	(1,543,725)
	<u>1,307,178</u>	<u>3,421,217</u>	2,352,572	4,798,194
PROFIT AFTER TAXATION	<u>2,028,199</u>	<u>6,322,390</u>	3,473,269	8,102,518
Share of minority interest	(1,157)	(712)	(2,415)	(3,281)
Profit attributable to shareholders of the holding company	<u>2,027,042</u>	<u>6,321,679</u>	3,470,854	8,099,237
Unappropriated profit brought forward	57,471,509	53,567,326	43,496,525	46,232,813
Transfer from surplus on revaluation of fixed assets	30,984	61,967	23,524	45,818
Profit available for appropriations	<u>59,529,536</u>	<u>59,950,972</u>	46,990,903	54,377,868
Appropriations				
Transfer to statutory reserves	(206,692)	(628,128)	(332,350)	(788,143)
Transfer to reserve for issue of bonus shares	(1,793,950)	(1,793,950)	-	(815,432)
Final cash dividend for the year ended December 31, 2008 and December 31, 2007 declared subsequent to the year end	(5,830,338)	(5,830,338)	-	(6,115,740)
	<u>(7,830,980)</u>	<u>(8,252,416)</u>	(332,350)	(7,719,315)
Unappropriated profit carried forward	<u>51,698,555</u>	<u>51,698,555</u>	46,658,553	46,658,553
Basic and Diluted earnings per share (Rupees)	<u>1.88</u>	<u>5.87</u>	3.22	7.52

(i) The profit for the year does not include impairment loss (net of tax) of Rs. 413 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments in accordance with the treatment allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net assets values as of June 30, 2009 and has been taken to 'Surplus on revaluation of assets' account (net of tax) as shown in the balance sheet. Had the impairment loss been fully charged to unconsolidated condensed interim profit and loss account, profit after tax for the period would have been lower by Rs. 413 million and earnings per share would have been lower by Rs. 0.38 (see note 10).

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

Chairman & President

Director

Director

Director

National Bank of Pakistan and its Subsidiary Companies
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008

	Six months ended June 30, 2009	Six months ended June 30, 2008
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,743,607	12,900,711
Less: Dividend income	303,128	201,401
	<u>9,440,479</u>	<u>12,699,310</u>
Adjustments:		
Depreciation	393,801	348,358
Provision against non-performing advances	5,066,959	5,053,479
Provision / (reversal) for diminution in the value of investments	514,611	(19,489)
Provision against off balance sheet obligations	20,237	-
Bad Debts Written off directly	125	107
Other provisions / write offs	463,280	253,132
Gain on sale of fixed assets	(2,261)	(3,110)
Financial charges on leased assets	2,503	4,953
Share of profit from joint ventures	(6,093)	(155,879)
Share of profit from associates	(5,013)	(14,178)
	<u>6,448,149</u>	<u>5,467,373</u>
	15,888,629	18,166,683
(Increase) / decrease in operating assets		
Lendings to financial institutions	4,821,186	191,726
Held-for-trading securities	(7,249,609)	(420,036)
Advances	(44,174,429)	(37,668,356)
Other assets (excluding advance taxation - net)	2,349,594	(846,684)
	<u>(44,253,258)</u>	<u>(38,743,350)</u>
Increase / (decrease) in operating liabilities		
Bills payable	7,959,372	5,162,395
Borrowings	(1,336,961)	3,549,507
Deposits and other accounts	67,609,091	29,709,737
Other liabilities	2,441,904	818,596
	<u>76,673,406</u>	<u>39,240,235</u>
Income tax paid	(4,554,882)	(8,479,018)
Financial charges paid	(2,503)	(4,953)
	<u>(4,557,385)</u>	<u>(8,483,971)</u>
Net cash flow from operating activities	43,751,392	10,179,597
CASH FLOWS FROM INVESTING ACTIVITIES		
(Net investments) / proceeds from available-for-sale securities	(32,786,064)	31,542,165
Proceeds from held-to-maturity securities	8,747,431	793,211
Dividend income received	303,128	201,401
Investments in operating fixed assets	(855,948)	(913,650)
Sale proceeds of property and equipment disposed off	2,261	3,110
Net cash (used) in investing activities	(24,589,193)	31,626,237
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(10,390)	(8,539)
Dividend paid	(5,830,338)	(6,115,739)
Net cash used in financing activities	(5,840,728)	(6,124,278)
Effects of exchange rate changes on cash and cash equivalents	185,926	1,373,101
Net increase in cash and cash equivalents	13,507,397	37,054,657
Cash and cash equivalents at beginning of the period	146,097,099	132,337,685
Cash and cash equivalents at the end of the period	<u>159,604,496</u>	<u>169,392,342</u>

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

Chairman & President

Director

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Director

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

	Quarter Ended June 30, 2009	Six Months Ended June 30, 2009	Quarter Ended June 30, 2008	Six Months Ended June 30, 2008
	----- (Rupees in '000) -----			
Profit after taxation for the period	2,028,199	6,322,390	3,473,269	8,102,518
Other Comprehensive Income				
Exchange adjustments on translation of net assets of foreign branches	303,775	(223,456)	1,064,617	1,373,101
Transfer from surplus on revaluation of fixed assets - incremental depreciation - net of tax	30,984	61,967	23,524	45,818
Comprehensive Income transferred to equity	2,362,958	6,160,901	4,561,410	9,521,437
Components of Comprehensive Income not transferred to equity				
Surplus on revaluation of fixed assets - incremental depreciation - net of tax	(30,984)	(61,967)	(23,524)	(45,818)
Surplus/ (deficit) on revaluation of investment	2,698,792	7,032,514	(5,995,998)	(7,132,647)
Deferred tax (liability) / asset on revaluation of investments	(720,703)	(1,488,915)	754,638	1,280,475
	1,978,089	5,543,599	(5,241,360)	(5,852,172)
Total Comprehensive Income	4,310,063	11,642,533	(703,474)	3,623,447

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

Chairman & President

Director

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Director

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

Attributable to the shareholders of the holding company								
	Share capital	Reserves		Revenue General	Unappropriated profit	Sub total	Minority Interest	Total
		Capital Exchange equalisation	Statutory					
(Rupees in '000')								
Balance as at January 1, 2008	8,154,319	3,879,535	11,977,521	521,338	46,232,813	70,765,526	109,729	70,875,255
Total Comprehensive Income for the Six months period ended June 30, 2008	-	1,373,101	-	-	8,145,055	9,518,156	3,281	9,521,437
Transfer to statutory reserve	-	-	788,143	-	(788,143)	-	-	-
Issue of bonus shares (10%)	815,432	-	-	-	(815,432)	-	-	-
Cash Dividend (Rs. 7.5 per share)	-	-	-	-	(6,115,739)	(6,115,739)	-	(6,115,739)
Balance as at June 30, 2008	8,969,751	5,252,636	12,765,664	521,338	46,658,554	74,167,943	113,010	74,280,953
Balance as at July 1, 2008	8,969,751	5,252,636	12,765,664	521,338	46,658,554	74,167,943	113,010	74,280,953
Total Comprehensive Income for the Six months period ended December 31, 2008	-	1,179,509	-	-	7,666,487	8,845,996	(311)	8,845,685
Issue of bonus shares	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	757,716	-	(757,716)	-	-	-
Balance as at December 31, 2008	8,969,751	6,432,145	13,523,380	521,338	53,567,326	83,013,940	112,699	83,126,638
Balance as at January 1, 2009	8,969,751	6,432,145	13,523,380	521,338	53,567,326	83,013,940	112,699	83,126,638
Total Comprehensive Income for the Six months period ended June 30, 2009	-	(223,456)	-	-	6,383,646	6,160,190	712	6,160,901
Transfer to statutory reserve	-	-	628,128	-	(628,128)	-	-	-
Issue of bonus shares (20%)	1,793,950	-	-	-	(1,793,950)	-	-	-
Cash Dividend (Rs. 6.5 per share)	-	-	-	-	(5,830,338)	(5,830,338)	-	(5,830,338)
Balance as at June 30, 2009	10,763,701	6,208,689	14,151,508	521,338	51,698,555	83,343,791	113,410	83,457,201

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

Chairman & President

Director

Director

Director

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

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,258 (2008: 1,254) branches in Pakistan and 22 (2008: 22) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT) and Long Term Credit Fund (LTCF).

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

1.2 Basis of Consolidation

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

2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements for six months have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.
- 2.2 The SBP vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2008.
- 2.4 During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standard has resulted in certain increased disclosures only. Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these unconsolidated condensed interim financial statements.

3. ACCOUNTING POLICIES

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

6. INVESTMENTS

Note	June 30 2009 (Un-audited)			December 31, 2008 (Audited)		
	Held by	Given as	Total	Held by	Given as	Total
	bank	collateral		bank	collateral	
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
6.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	118,188	-	118,188	7,496	-	7,496
Market Treasury Bills	6,536,108	-	6,536,108	-	-	-
Ijara Sukuk Bonds	-	-	-	1,000,000	-	1,000,000
Pakistan Investment Bonds	1,602,809	-	1,602,809	-	-	-
Total Held-for-Trading Securities	8,257,105	-	8,257,105	1,007,496	-	1,007,496
Available- for- sale securities						
Ordinary shares of listed companies	2,747,852	-	2,747,852	3,673,105	-	3,673,105
Ordinary shares of unlisted companies	1,103,032	-	1,103,032	716,610	-	716,610
	3,850,884	-	3,850,884	4,389,715	-	4,389,715
Market Treasury Bills	87,716,383	16,763,302	104,479,685	64,523,811	23,990,054	88,513,865
Preference shares	272,500	-	272,500	297,500	-	297,500
Pakistan Investment Bonds	11,659,337	187,595	11,846,932	4,306,820	66,987	4,373,807
Federal Investment Bonds	940,000	-	940,000	940,000	-	940,000
GoP Foreign Currency Bonds	2,096,004	-	2,096,004	1,212,348	-	1,212,348
Debentures, Bonds, Participation Term						
Certificates and Term Finance Certificates	28,297,372	-	28,297,372	17,876,117	-	17,876,117
Mutual funds	1,089,102	-	1,089,102	1,082,700	-	1,082,700
Foreign Government Securities	256,941	-	256,941	1,657,303	-	1,657,303
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
NIT Market Opportunity Fund	1,800,000	-	1,800,000	1,800,000	-	1,800,000
National Investment Trust (NIT) Units	7,643,084	-	7,643,084	7,643,084	-	7,643,084
Total Available- for- sale securities	146,084,902	16,950,897	163,035,799	106,192,693	24,057,041	130,249,734
Held-to-maturity securities						
Government Compensation Bonds	1,189,327	-	1,189,327	2,331,182	-	2,331,182
Pakistan Investment Bonds	9,035,773	-	9,035,773	9,515,583	-	9,515,583
GoP Foreign Currency Bonds	8,139,639	-	8,139,639	15,623,010	-	15,623,010
Foreign Government Securities	1,590,237	-	1,590,237	3,959,627	-	3,959,627
Debentures, Bonds, Participation Term						
Certificates and Term Finance Certificates	4,638,479	-	4,638,479	1,911,484	-	1,911,484
Certificates of Investment	-	-	-	-	-	-
Total Held-to-maturity securities	24,593,455	-	24,593,455	33,340,886	-	33,340,886
Investments in associates	1,136,454	-	1,136,454	1,139,777	-	1,139,777
Investments in joint ventures	2,058,702	-	2,058,702	2,451,411	-	2,451,411
Investments in subsidiaries	3,245	-	3,245	3,245	-	3,245
Investment at cost	182,133,863	16,950,897	199,084,760	144,135,508	24,057,041	168,192,549
Less: Provision for diminution in value of Investments	(2,054,150)	-	(2,054,150)	(1,542,273)	-	(1,542,273)
Investments (net of provisions)	180,079,713	16,950,897	197,030,610	142,593,235	24,057,041	166,650,276
Deficit on revaluation of						
Held-for-trading securities	60,071	-	60,071	1,707	-	1,707
Surplus on revaluation of						
Available-for-sale securities	11,578,130	7,290	11,585,420	4,587,441	(34,535)	4,552,906
Total investments at market value	191,717,913	16,958,187	208,676,100	147,182,383	24,022,506	171,204,889

6.2 Investment outside Pakistan - Bank Al-Jazira

The Bank holds 17,500,000 (2008: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2008: 5.83%) holding in total share capital of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006.

	Note	Jun 30 2009 (Un-audited)	Dec 31 2008 (Audited)
----- (Rupees in '000) -----			
7. ADVANCES -net			
Loans, cash credits, running finances, etc.			
In Pakistan		426,132,726	389,450,214
Outside Pakistan		47,733,915	45,292,545
		473,866,641	434,742,758
Net investment in finance lease			
In Pakistan		349,933	467,392
Outside Pakistan		-	-
		349,933	467,392
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		3,381,346	2,973,812
Payable outside Pakistan		24,239,326	19,518,940
		27,620,672	22,492,752
Margin Financing		63,032	255,453
Advances - gross		501,900,278	457,958,355
Less: Provision against non-performing loans			
Specific	7.1	(47,579,743)	(42,770,749)
General		(2,136,802)	(2,111,217)
		(49,716,545)	(44,881,966)
Advances - net of provision		452,183,733	413,076,389

7.1 Advances include Rs 64,749 million (2008: Rs.56,503 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2009 (Un-audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	966,896	-	966,896	-	-
Substandard	5,810,326	73,527	5,883,853	1,424,024	1,424,024
Doubtful	13,888,194	70,962	13,959,156	5,917,003	5,917,003
Loss	43,078,608	860,344	43,938,952	40,238,716	40,238,716
	63,744,024	1,004,833	64,748,857	47,579,743	47,579,743
Category of Classification	December 31, 2008 (Audited)			Provision Required	Provision Held
	Domestic	Overseas	Total		
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	667,170	-	667,170	-	-
Substandard	6,149,457	59,853	6,209,310	1,560,030	1,560,030
Doubtful	9,760,535	28,682	9,789,217	4,826,228	4,826,228
Loss	39,103,789	733,097	39,836,886	36,384,491	36,384,491
	55,680,951	821,632	56,502,583	42,770,749	42,770,749

8. DEFERRED TAX ASSETS - net	Note	June 30 2009 (Un-audited)	December 31 2008 (Audited)
----- (Rupees in '000') -----			
Deferred tax assets arising in respect of			
Provision for diminution in the value of investments		529,335	357,446
Provision against advances and off-balance sheet obligations	8.1	5,111,925	4,210,526
Other provision		376,111	376,111
Charge against defined benefits plans		666,181	666,181
		6,683,552	5,610,264
Deferred tax (liabilities) arising in respect of			
Excess of accounting book value of leased assets over lease liabilities		(4,418)	(5,600)
Difference between accounting book value of fixed assets and tax base		(169,272)	(169,754)
Revaluation of securities	10	(2,384,588)	(895,673)
Revaluation of fixed assets		(1,301,298)	(1,334,665)
Others		(19,386)	(1,007)
		(3,878,962)	(2,406,699)
Net deferred tax liabilities		2,804,590	3,203,565

- 8.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable upto a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. The management is of the view that it would be able to get deduction of provision in excess of 1% of total advances provided for the half year and accordingly has recognized deferred tax amounting to Rs. 901 million on such provisions.

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

9. DEPOSITS AND OTHER ACCOUNTS	June 30 2009 (Un-audited)	December 31 2008 (Audited)
----- (Rupees in '000') -----		
Customers		
Fixed deposits	177,496,791	142,315,907
Savings deposits	199,272,528	179,807,686
Current accounts - remunerative	53,990,167	50,740,004
Current accounts - non-remunerative	163,179,061	143,412,718
	593,938,547	516,276,316
Financial Institutions		
Remunerative deposits	62,045,838	64,509,238
Non-remunerative deposits	36,973,975	44,563,716
	99,019,813	109,072,954
	692,958,360	625,349,270

	June 30 2009 (Un-audited)	December 31 2008 (Audited)
	----- (Rupees in '000) -----	
10. SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of fixed assets - net of tax	17,614,596	17,677,429
Surplus on revaluation of securities - net of tax		
Federal Government securities	407,718	(872,274)
Term Finance Certificates	(148,148)	(84,886)
Quoted shares and Mutual Funds	859,601	(491,588)
GoP Foreign Currency Bonds	(19,439)	(679,108)
NIT Units	3,479,575	2,386,570
NIT Market Opportunity Fund	(94,930)	(796,196)
Investment outside Pakistan	7,101,043	5,090,388
	11,585,420	4,552,906
Deferred tax liability recognized	(2,384,588)	(895,673)
Share of revaluation loss on securities of associates	(10,094)	(10,094)
	26,805,334	21,324,568

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

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

The impairment loss as of June 30 2009, based on the above discussions and the market values as of that date have been determined at Rs. 459 million (December 31, 2008 : Rs 2,028 million) after quarterly adjustments as required.

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

	June 30, 2009 Rupees in '000
Increase in 'Impairment Loss' in Profit and Loss Account	458,915
Decrease in tax charge for the six months	45,892
Decrease in profit for the six months - after tax	<u>413,024</u>
	Rupees
Decrease in earnings per share -after tax (basic and diluted)	<u>0.38</u>
	Rupees in '000
Increase in net surplus on revaluation of available for sale securities	<u>413,024</u>
Decrease in unappropriated profit	<u>413,024</u>

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:

	June 30 2009 (Un-audited)	December 31 2008 (Audited)
----- (Rupees in '000) -----		
- Government	21,276,944	15,444,979
- Financial institutions	6,663,782	5,873,517
- Others	10,346,198	11,762,514
	38,286,924	33,081,010

11.2 Transaction-related contingent liabilities

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

- Government	19,396,526	18,660,550
- Financial institutions	753,054	5,060
- Others	6,966,830	7,904,339
	27,116,410	26,569,949

11.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	139,895,907	133,467,937
- Financial institutions	-	1,007,327
- Others	36,356,850	36,292,676
	176,252,757	170,767,940

11.4 Other contingencies

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

8,788,982	11,442,569
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11.4.2 Taxation

The income tax assessments of the bank for global operations and for Azad Kashmir have been finalized upto and including the Tax year 2008 (accounting year ended December 31, 2007). The income tax returns for the Tax year 2009 (accounting year ended December 31, 2008) is due to be filed for global operations and Azad Kashmir on or before September 30, 2009.

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

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

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

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

11.4.3 Provident Fund

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

Subsequently, three employees filed a writ petition in 1980 before a Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this petition of the Single Bench, the aggrieved employees filed Intra Court Appeal before the Lahore High Court which was heard by a Division Bench 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 was 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 was calculated in accordance with Rule 19 i.e. to ex-employees upto the date of retirement or death and upto date of payment in

Some Ex-Employees not being satisfied with the payment filed contempt petition against the holding company in 2004. The petitioners claimed that the amount being paid to them against holding company's contribution is far less than that due to them. The holding company filed a reply and submitted before the Honorable Court that the payment being made is in accordance with the holding company's Provident Fund Rules.

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 dis-obedience of the order. The Court also put a direct question to the council for the petitioners to pinpoint the portion of the Order of Supreme Court which according to him, was disobeyed. The learned Council 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.

The case was last fixed for hearing on 04-05-2009. In hearing arguments the holding company expressed willingness to pay interest on holding company's Contribution at the prescribed rates. However on re-consideration and keeping the interest of the retired employees in view the holding company had recalculated the interest at the five years fixed deposit rate which has also been accepted by the Hon'able Supreme court of Pakistan and directed the holding company to pay the holding company's Contribution to all Employees/Ex-Employees with interest at this rate upto date of payment i.e. 31-05-2009. Pay orders calculated on this rate were delivered to some of the petitioners present in the court and have also been sent to all the eligible beneficiaries.

The Review petition has been filed by the Petitioner against the judgment of Hon'able Supreme Court of Pakistan dated 04-05-2009, which is to be heard.

	June 30 2009 (Un-audited)	December 31 2008 (Audited)
	----- (Rupees in '000) -----	
11.5 Commitments in respect of forward exchange contracts		
Purchase	110,327,694	69,361,297
Sale	72,737,265	55,563,737
11.6 Commitments in respect of trading with Govt. securities		
Purchase	-	5,200,000
Sale	-	5,200,000
11.7 Other Commitments		
Cross Currency SWAP	7,304,026	8,082,780

	June 30 2009 (Un-audited) ----- (Rupees in '000) -----	December 31 2008 (Audited)
11.8 Commitments for the acquisition of operating fixed assets	380,266	490,396
11.9 Commitments to inject capital in the following companies		
- Nishat Power Limited	58,750	178,750
- Nishat (Chunian) Limited	114,370	211,893
11.10 Commitments for purchase of NIT Market Opportunity Fund units	200,000	200,000
11.11 Commitments for investment in NIT State Enterprise Fund	-	7,000,000

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

		Quarter Ended June 30, 2009	Six Months Ended June 30, 2009	Quarter Ended June 30, 2008	Six Months Ended June 30, 2008
13. BASIC AND DILUTED EARNINGS PER SHARE					
Profit attributable to the shareholders of the holding company	(Rupees in '000)	<u>2,027,042</u>	<u>6,321,679</u>	<u>3,470,854</u>	<u>8,099,237</u>
Weighted average number of ordinary shares	(Number '000)	<u>1,076,370</u>	<u>1,076,370</u>	<u>1,076,370</u>	<u>1,076,370</u>
Basic and diluted earnings per share	(Rupees)	<u>1.88</u>	<u>5.87</u>	<u>3.22</u>	<u>7.52</u>

13.1 The earnings per share for the quarter and half year ended June 30, 2008 have been adjusted for the effect of bonus shares issued during the period

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	----- Rupees in '000 -----								
June 30, 2009									
Total income	270,407	3,117,438	8,265,497	11,650,772	801,145	1,977,003	5,750	36,795	26,124,807
Total expenses	320	1,304,118	5,925,784	7,502,392	597,202	1,015,252	5,066	31,066	16,381,200
Net income	<u>270,087</u>	<u>1,813,320</u>	<u>2,339,713</u>	<u>4,148,380</u>	<u>203,943</u>	<u>961,751</u>	<u>684</u>	<u>5,729</u>	<u>9,743,607</u>
June 30, 2008									
Total income	148,839	4,308,409	7,862,233	12,129,381	817,955	1,501,218	6,730	53,695	26,828,460
Total expenses	706	359,619	5,281,772	6,869,573	500,704	871,039	4,431	39,904	13,927,748
Net income	<u>148,133</u>	<u>3,948,789</u>	<u>2,580,461</u>	<u>5,259,808</u>	<u>317,251</u>	<u>630,179</u>	<u>2,299</u>	<u>13,791</u>	<u>12,900,711</u>

15. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, joint ventures, employee benefit plans, and its key management. Transactions between the Holding Company and its related parties are carried out under normal commercial term except employee staff are as per the agreed term. Transactions with related parties during the period are as under:

	For the Six Months Ended Jun 30, 2009 (Un-Audited)		For the Year Ended December 31, 2008 (Audited)	
	Key Management Executives	Associates	Key Management Executives	Associates
	----- (Rupees in '000) -----			
Advances				
At January 01	95,931	1,269,498	89,102	1,515,120
Given during the period / year	22,339	9,257	6,829	-
Repaid during the period / year	-	(70)	-	(245,622)
At June 30 / Dec 31	<u>118,270</u>	<u>1,278,685</u>	<u>95,931</u>	<u>1,269,498</u>

	For the Six Months Ended Jun 30, 2009 (Un-Audited)		For the Year Ended December 31, 2008 (Audited)	
	Pension Fund	Provident Fund	Pension Fund	Provident Fund
	----- (Rupees in '000) -----			
Deposits				
At January 01	3,940,161	8,507,300	2,088,976	8,078,395
Received during the period / year	2,487,898	751,759	12,055,094	1,351,602
Repaid during the period / year	(3,921,257)	(1,595,134)	(10,203,909)	(922,697)
At June 30 / Dec 31	<u>2,506,802</u>	<u>7,663,925</u>	<u>3,940,161</u>	<u>8,507,300</u>

	June 30, 2009 (Un-audited)	December 31, 2008 (Audited)
	----- (Rupees in '000) -----	
Placements with:		
Joint venture	495,864	420,535
Associates	25,881	25,881
Pension Fund	2,900,000	2,900,000

	Six Months ended June 30, 2009 (Un-audited)	Six Months ended June 30, 2008 (Un-audited)
	----- (Rupees in '000) -----	
Income on Advances / Placement with:		
Associates	-	12,841
Debts due by company in which a director of the holding company is interested as director	-	11,569
Expenses for the period		
Remuneration to key management executives	129,288	42,897
Charge for defined benefit plan	4,798	3,267
Mark-up on deposits of:		
Provident fund	489,933	578,595

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

16. ISLAMIC BANKING BUSINESS

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

<u>Balance Sheet</u>	Jun 30, 2009 (Un-Audited)	December 31, 2008 (Audited)
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	30,503	10,159
Investments	418,803	509,642
Financing and Receivables	534,912	321,650
Fixed Assets	5,218	1,050
Other assets	43,167	45,579
Total Assets	1,032,603	888,080
LIABILITIES		
Bills payable	4,778	5,993
Deposits and other accounts	367,733	47,186
Due to Head Office	-	508,591
Other liabilities	428,312	19,577
	800,823	581,347
NET ASSETS	231,780	306,733
REPRESENTED BY		
Islamic Banking Fund	300,000	300,000
Un remitted (loss) / profit	2,438	5,552
	302,438	305,552
Surplus on Revaluation of Assets	(70,658)	1,181
	231,780	306,733
	Jun 30, 2009 (Un-Audited)	Jun 30 2008 (Audited)
	----- (Rupees in '000) -----	
<u>Profit and Loss Account</u>		
Profit / return on financing and placements earned	88,812	48,340
Profit / return on deposit and other dues expensed	39,232	15,907
Net spread earned	49,580	32,433
OTHER INCOME		
Fee, commission and brokerage income	632	502
Income from dealing in foreign currencies	-	-
Other income	3,001	37
Total other income	3,633	539
OTHER EXPENSES		
Administrative expenses	50,576	33,435
Other charges	200	-
Total other expenses	50,776	33,435
	2,437	(463)

17. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue on August 29, 2009 by the Board of Directors of the Holding Company.

18. GENERAL

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

Chairman & President

Director

Director

Director