



National Bank of Pakistan

Quarterly Report | September 2008



NBP

National Bank of Pakistan

*The Nation's
Bank*

Contents



Corporate Information	2
Directors' Report	3
Balance Sheet	5
Profit and Loss Account	6
Cash Flow Statement	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9
Consolidated Financial Statements of NBP and its Subsidiary Companies	17



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
Muhammed Arshad Chaudhry

Audit Committee

Tariq Kirmani
Ibrar A. Mumtaz
Mian Kausar Hameed

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisors

Mandviwala & Zafar
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

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: -

	Rs. in million
Net Profit before taxation for the nine months period ended September 30, 2008	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
	58,109
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 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
		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



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)				
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)	-	(50,035)	
Bad debts written off directly	96	203	41	25,936	
	1,680,441	6,714,538	1,122,101	616,276	
Net mark-up / interest income after provisions	6,340,534	20,242,246	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 from 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 investments classified as held for trading	80,371	(26,707)	(1,026)	(5,519)	
Other income	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	
	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	
Taxation - Current	1,940,928	8,277,000	2,368,741	7,019,633	
- Prior year(s)	-	-	-	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.

06 Syed Ali Raza
Chairman & President

Ibrar A.Mumtaz
Director

Sikandar Hayat Jamali
Director

Tariq Kirmani
Director

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		
Profit before taxation	19,000,776	22,180,027
Less: Dividend income	2,651,647	2,732,574
	<u>16,349,129</u>	<u>19,447,453</u>
Adjustments for non-cash charges		
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
	<u>7,433,175</u>	<u>1,144,527</u>
	<u>23,782,304</u>	<u>20,591,980</u>
(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)
	<u>(63,963,046)</u>	<u>(9,109,045)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,434,220	(4,538,848)
Borrowings	16,684,982	314,570
Deposits and other accounts	(30,407,937)	21,056,733
Other liabilities	(2,312,138)	1,487,467
	<u>(13,600,873)</u>	<u>18,319,922</u>
Income tax paid	(10,282,712)	(8,302,250)
Financial charges paid	(5,979)	(2,653)
	<u>(10,288,691)</u>	<u>(8,304,903)</u>
Net cash flow from operating activities	<u>(64,070,306)</u>	<u>21,497,954</u>
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	-	20,195
Dividend income received	2,651,647	2,732,574
Investments in operating fixed assets	(1,367,412)	(672,686)
Sale proceeds of fixed assets disposed off	2,940	569
Net cash from / (used in) investing activities	<u>51,983,242</u>	<u>(35,630,263)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(8,419)	(26,921)
Dividend paid	(6,115,740)	(2,827,029)
Net cash used in financing activities	<u>(6,124,159)</u>	<u>(2,853,950)</u>
Effects of exchange rate changes	2,208,636	154,669
Net increase in cash and cash equivalents	<u>(16,002,587)</u>	<u>(16,831,590)</u>
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	<u>115,454,402</u>	<u>101,981,531</u>

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



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

For The Nine Months Period Ended September 30, 2008

	Share capital	Reserves			Unappropriated profit	Total
		Exchange equalisation	Capital Statutory reserve	Revenue General reserve		
	(Rupees in '000)					
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	-	-	-	-	29,255	29,255
Net income recognised directly in equity	-	154,669	-	-	29,255	183,924
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	-	-	-	-	9,752	9,752
Net income recognised directly in equity	-	(165,182)	-	-	9,752	(155,430)
Profit after taxation for the three months period ended December 31, 2007	-	-	-	-	4,280,148	4,280,148
Total recognised income and expense for the period	-	(165,182)	-	-	4,289,900	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	-	-	-	-	68,727	68,727
Net income recognised directly in equity	-	2,208,636	-	-	68,727	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

Tariq Kirmani
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, 1962 or the requirements of the said 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 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.

6. INVESTMENTS

Note	September 30, 2008 (Un-audited)			December 31, 2007 (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	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	51,033,429	117,851,357	416,578	118,267,935
Preference shares	275,000	-	275,000	275,000	-	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	-	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	5,021,029	-	5,021,029	4,803,796	-	4,803,796
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates and Sukuk Bonds	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	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	180,428,602
Less: Provision for diminution in value of investments	(1,153,349)	-	(1,153,349)	(1,173,593)	-	(1,173,593)
Investments (net of provisions)	127,074,117	14,181,807	141,255,924	178,838,431	416,578	179,255,009
Deficit on revaluation of Held-for-trading securities	(26,707)	-	(26,707)	(31,964)	-	(31,964)
Surplus / (deficit) on revaluation of 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	140,882,459	14,101,076	154,983,535	210,727,693	415,175	211,142,868

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.

10 **Syed Ali Raza**
Chairman & President

Ibrar A.Mumtaz
Director

Sikandar Hayat Jamali
Director

Tariq Kirmani
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.

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

Category of Classification	September 30, 2008			Provision Required	Provision Held
	Classified advances				
	Domestic	Overseas	Total		
					(Rupees in '000)
Other Assets Especially Mentioned	1,621,533	-	1,621,533	-	-
Substandard	8,663,853		8,663,853	2,316,821	2,316,821
Doubtful	5,045,044	23,974	5,069,018	2,616,747	2,616,747
Loss	33,383,482	700,219	34,083,701	33,458,331	33,458,331
	48,713,912	724,193	49,438,105	38,391,899	38,391,899

	September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
		----- (Rupees in '000) -----

8. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	126,260,678	128,403,278
Savings deposits	181,692,564	188,687,111
Current accounts - remunerative	55,181,749	76,708,879
Current accounts - non-remunerative	145,074,301	139,868,016
	508,209,292	533,667,284

Financial Institutions

Remunerative deposits	37,190,126	31,180,729
Non-remunerative deposits	16,100,080	27,059,422
	53,290,206	58,240,151
	561,499,498	591,907,435

Syed Ali Raza
Chairman & President

Ibrar A. Mumtaz
Director

Sikandar Hayat Jamali
Director

Tariq Kirmani
Director



		September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
	Note	(Rupees in '000)	
9. DEFERRED TAX LIABILITIES - net			
Deferred tax (assets) arising in respect of			
Provision for diminution in the value of investments		(221,499)	(228,408)
Provision against advances		(2,722,042)	(636,600)
Other provisions		(103,807)	(103,806)
Charge against defined benefits plans		(289,333)	(289,333)
Provision against off-balance sheet obligations		(115,222)	(115,222)
		<u>(3,451,903)</u>	<u>(1,373,369)</u>
Deferred tax liabilities arising in respect of			
Excess of accounting book value of leased assets over lease liabilities		4,220	3,196
Difference between accounting book value of fixed assets and tax base		227,680	85,259
Revaluation of securities	10	2,537,692	5,395,899
Revaluation of fixed assets		949,839	986,846
		<u>3,719,431</u>	<u>6,471,200</u>
Net deferred tax liabilities		<u>267,528</u>	<u>5,097,831</u>
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 - net of tax			
Federal Government securities		(789,272)	(37,626)
Term Finance Certificates		13,747	34,262
Quoted shares		588,770	2,574,809
GoP Foreign Currency 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
		<u>13,754,318</u>	<u>31,919,823</u>
Deferred tax liability recognised		(2,537,692)	(5,395,899)
		<u>31,690,998</u>	<u>47,067,023</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:			
- Government		14,537,840	15,096,694
- Financial institutions		6,642,707	6,898,062
- Others		16,631,904	17,271,257
		<u>37,812,452</u>	<u>39,266,013</u>
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		13,788,341	17,235,612
- Financial institutions		4,827,389	6,034,302
- Others		6,002,001	7,502,582
		<u>24,617,731</u>	<u>30,772,496</u>



11.3 Trade-related contingent liabilities

Letters of credit:
Issued in favour of
- Government
- Financial institutions
- Others

September 30, 2008
(Un-audited)
December 31, 2007
(Audited)
----- (Rupees in '000) -----

150,861,726	139,367,158
203,030	187,561
64,516,816	59,601,103
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 million) 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.

	September 30, 2008 (Un-audited) (Rupees in '000)	December 31, 2007 (Audited)
11.5 Commitments in respect of forward exchange contracts		
Purchase	81,836,927	49,819,478
Sale	70,858,339	38,137,569
11.6 Other Commitments		
Reverse Repo forward deal against PIB	315,000	-
Equity Futures Sold	-	189,289
Interest Rates SWAP	-	8,852,500
Cross Currency SWAP	8,383,454	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	266,000	300,000
- Nishat (Chunian) Limited	275,049	300,000
- Atlas Power Limited	137,210	-
12. 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

	(Rupees in '000)	4,814,438	12,695,871	5,741,069	14,753,625
Profit after taxation					
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	Payment & Settlement	Agency Services	Total
	Rupees in '000						
September 30, 2008 - un-audited							
Total income	242,402	13,487,312	8,773,799	13,438,109	1,258,265	2,342,279	39,542,166
Total expenses	1,828	482,176	7,048,355	10,171,667	587,422	2,249,942	20,541,390
Net income	240,574	13,005,136	1,725,444	3,266,442	670,843	92,337	19,000,776
September 30, 2007 - un-audited							
Total income	233,211	11,960,271	6,918,953	11,427,102	910,619	1,938,710	33,388,866
Total expenses	1,025	304,039	4,253,182	4,413,092	439,431	1,798,070	11,208,839
Net income	232,186	11,656,232	2,665,771	7,014,010	471,188	140,640	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:

	For the Nine Months Period Ended September 30, 2008 (Un-audited)			For the Year Ended December 31, 2007 (Audited)		
	Key Management Executives	Subsidiaries	Associates	Key Management Executives	Subsidiaries	Associates
Advances	(Rupees in '000)					
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	-
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, 2007 (Audited)		
	Subsidiaries	Pension Fund	Provident Fund	Subsidiaries	Pension Fund	Provident Fund
Deposits	(Rupees in '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, (Un-audited)	December 31, (Audited)
Debts due by company in which a director of the bank is interested as director	-	199,391
Placements with:		
Joint venture	862,802	759,343
Subsidiary company	281	-
Associates	27,331	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)	Nine months period ended September 30, 2007 (Un-audited)
----- (Rupees in '000) -----	

Income

On advances / placements with:

Subsidiaries	5,695	8,712
Associates	12,841	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	178,676	107,697
Charge for defined benefit plan	5,110	2,658
Mark-up on deposits of:		
Subsidiaries	206	509
Provident fund	563,403	690,932
Mark-up on repo borrowing of:		
Subsidiaries	25,645	-
Commission paid to subsidiaries	1,587	1,576

15.1 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)
	----- (Rupees in '000) -----	
ASSETS		
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		
Bills payable	504	268
Deposits and other accounts	38,055	26,895
Due to Head Office	500,503	338,141
Other liabilities	32,795	9,536
	571,857	374,840
NET ASSETS REPRESENTED BY	314,168	107,549
Islamic Banking Fund	300,000	100,000
Unappropriated (loss) / profit	14,168	7,549
	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	Tariq Kirmani
Chairman & President	Director	Director	Director

**Consolidated Financial
Statements of NBP
and its
Subsidiary Companies**

Interim Condensed Consolidated Balance Sheet

As at September 30, 2008



	Note	September 30 , 2008 (Un-audited)	December 31, 2007 (Audited)
----- (Rupees in '000) -----			
ASSETS			
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
LIABILITIES			
Bills payable		9,496,122	7,061,901
Borrowings		27,901,435	11,402,729
Deposits and other accounts	8	561,702,467	591,817,052
Sub-ordinated loans		15,400	-
Liabilities against assets subject to finance lease		25,135	33,739
Deferred tax liabilities	9	298,574	5,099,060
Other liabilities		28,921,901	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



Interim Condensed Consolidated Profit 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				
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	<u>8,004,373</u>	<u>27,103,758</u>	<u>8,320,442</u>	<u>24,668,970</u>
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)	(19,741)	-	(50,035)
Bad debts written off directly	96	203	41	25,936
	<u>1,680,441</u>	<u>6,714,538</u>	<u>1,122,101</u>	<u>616,276</u>
Net mark-up / interest income after provisions	<u>6,323,932</u>	<u>20,389,220</u>	<u>7,198,341</u>	<u>24,052,694</u>
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	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
	<u>11,416,495</u>	<u>33,210,858</u>	<u>12,037,852</u>	<u>33,152,889</u>
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
	<u>6,343,629</u>	<u>19,244,341</u>	<u>8,274,238</u>	<u>22,420,538</u>
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	<u>6,343,629</u>	<u>19,244,341</u>	<u>8,274,238</u>	<u>22,420,538</u>
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
	<u>1,513,681</u>	<u>6,311,875</u>	<u>2,440,195</u>	<u>7,434,778</u>
PROFIT AFTER TAXATION	<u>4,829,948</u>	<u>12,932,466</u>	<u>5,834,043</u>	<u>14,985,760</u>
Share of minority interest	(138)	(3,419)	2,011	7,461
Profit attributable to shareholders of the holding company	<u>4,829,810</u>	<u>12,929,047</u>	<u>5,832,032</u>	<u>14,978,299</u>
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	<u>59,230,587</u>	<u>59,230,587</u>	<u>47,631,061</u>	<u>47,631,061</u>
Basic and Diluted earnings per share (Rupees)	13	<u>5.38</u>	<u>14.41</u>	<u>6.50</u>
		<u>16.70</u>		

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

Tariq Kirmani
Director

Interim Condensed Consolidated 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		
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		
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)
	(10,290,072)	(8,249,829)
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)
CASH FLOWS FROM FINANCING ACTIVITIES		
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

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



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

For The Nine Months Period Ended September 30, 2008

	Attributable to the shareholders of the holding company								
	Share capital reserve	Exchange equalisation	Reserve for issue of Bonus Shares	Reserves Statutory reserve	General	Unappropriated profit	Sub total	Minority Interest	Total
	(Rupees in '000)								
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	-	292,101
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	29,255	29,255	-	29,255
Net income recognised directly in equity	-	292,101	-	-	-	29,255	321,356	-	321,356
Profit after taxation for the nine months period ended September 30, 2007	-	-	-	-	-	14,978,298	14,978,298	7,461	14,985,759
Total recognised income and expense for the period	-	-	-	-	-	14,978,298	14,978,298	7,461	14,985,759
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)	-	(2,836,285)
Balance as at September 30, 2007	8,154,319	4,101,171	-	11,529,812	521,338	42,255,805	66,562,445	105,288	66,667,733
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	66,667,733
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	(221,636)	-	-	-	-	(221,636)	-	(221,636)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	9,752	9,752	-	9,752
Net income recognised directly in equity	-	(221,636)	-	-	-	9,752	(211,884)	-	(211,884)
Profit after taxation for the three months period ended December 31, 2007	-	-	-	-	-	4,414,965	4,414,965	4,441	4,419,406
Total recognised income and expense for the period	-	(221,636)	-	-	-	4,424,717	4,203,081	4,441	4,207,522
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	70,875,255
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
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	2,614,320	-	-	-	-	2,614,320	-	2,614,320
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	68,727	68,727	-	68,727
Net income recognised directly in equity	-	2,614,320	-	-	-	68,727	2,683,047	-	2,683,047
Profit after taxation for the nine months period ended September 30, 2008	-	-	-	-	-	12,929,047	12,929,047	3,419	12,932,466
Total recognised income and expense for the period	-	-	-	-	-	12,929,047	12,929,047	3,419	12,932,466
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)	-	(6,115,740)
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	80,375,028

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

22 **Syed Ali Raza**
Chairman & President

Ibrar A.Mumtaz
Director

Sikandar Hayat Jamali
Director

Tariq Kirmani
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 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 1,243 (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 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 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 Ordinance, 1962 or the requirements of the said 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

Note	September 30 2008 (Un-audited)			December 31, 2007 (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	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	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	51,033,429	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	-	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	14,101,076	155,575,989	211,669,122	415,175	212,084,297

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.

	September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
Note	----- (Rupees in '000) -----	
7. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	359,392,759	324,394,094
Outside Pakistan	46,109,850	29,737,559
	405,502,609	354,131,653
Net investment in finance lease		
In Pakistan	504,474	527,867
Outside Pakistan	-	-
	504,474	527,867
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	2,878,809	2,673,256
Payable outside Pakistan	19,509,578	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	7.1 (38,391,899)	(32,351,815)
General	(2,171,085)	(2,061,287)
	(40,562,984)	(34,413,102)
Advances - net of provision	388,367,041	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	Provision	Provision
				Required	Held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	1,621,533	-	1,621,533	-	-
Substandard	8,663,853	-	8,663,853	2,316,821	2,316,821
Doubtful	5,045,044	23,974	5,069,018	2,616,747	2,616,747
Loss	33,383,482	700,219	34,083,701	33,458,331	33,458,331
	48,713,912	724,193	49,438,105	38,391,899	38,391,899



	September 30, 2008 (Un-audited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
8. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	126,281,259	128,417,463
Savings deposits	181,692,845	188,655,146
Current accounts - remunerative	55,298,347	76,708,609
Current accounts - non-remunerative	145,139,809	139,795,683
Transactions with related parties during the period are as under:		
	508,412,261	533,576,901
Financial Institutions		
Remunerative deposits	37,190,126	31,180,729
Non-remunerative deposits	16,100,080	27,059,422
	53,290,206	58,240,151
	561,702,467	591,817,052
9. DEFERRED TAX LIABILITIES - net		
Deferred tax (assets) arising in respect of		
Provision for diminution in the value of investments	(221,499)	(228,408)
Provision against advances	(2,722,042)	(636,600)
Other provisions	(103,807)	(103,806)
Charge against defined benefits plans	(289,333)	(289,333)
Provision against off-balance sheet obligations	(115,222)	(115,222)
	(3,451,903)	(1,373,369)
Deferred tax liabilities arising in respect of		
Excess of accounting book value of leased assets over lease liabilities	4,220	3,196
Difference between accounting book value of fixed assets and tax base	227,680	85,259
Revaluation of securities	2,537,692	5,382,510
Revaluation of fixed assets	949,839	986,846
Others	31,047	14,618
	3,750,478	6,472,429
Net deferred tax liabilities	298,574	5,099,060
10. SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of fixed assets - net of tax	20,474,372	20,543,099
Surplus on revaluation of securities - net of tax		
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	(200,094)	-
Investment outside Pakistan - Bank Al-Jazira	8,366,633	13,620,451
	13,684,363	31,877,802
Deferred tax liability	(2,537,692)	(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)	December 31, 2007 (Audited)
	(Rupees in '000)	
- Government	14,537,840	15,096,694
- Financial institutions	6,642,707	6,898,062
- Others	16,631,904	17,271,257
	37,812,451	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	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

Letters of credit
Issued in favour of

- Government
- Financial institutions
- Others

	150,861,726	139,367,158
	203,030	187,561
	64,516,816	59,601,103
	215,581,572	199,155,822

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
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11.4.2 Taxation

The income tax assessments of the holding company for global operations and for Azad Kashmir have been finalized upto and including the Tax year 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 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 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 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 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 submitted 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)
	----- (Rupees in '000) -----	
11.5 Commitments in respect of forward exchange contracts		
Purchase	81,836,927	49,819,478
Sale	70,858,339	38,137,569
11.6 Other Commitments		
Reverse repo forward deal against PIB	315,000	-
Equity Futures Sold	-	189,289
Interest Rates SWAP	-	8,852,500
Cross Currency SWAP	8,383,454	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	266,000	300,000
- Nishat (Chunian) Limited	275,049	300,000
- Atlas Power Limited	137,210	-
12. 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	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	Rupees in '000								
September 30, 2008									
Total income	242,402	13,788,201	8,773,799	13,438,109	1,258,265	2,342,279	10,855	71,486	39,925,396
Total expenses	1,827	558,790	7,048,355	10,171,667	587,422	2,249,942	6,738	56,313	20,681,055
Net income	240,575	13,229,411	1,725,444	3,266,442	670,843	92,337	4,117	15,173	19,244,341
September 30, 2007									
Total income	233,211	12,214,610	6,918,953	11,460,320	910,619	1,938,710	15,955	76,787	33,769,165
Total expenses	1,025	359,171	4,253,182	4,442,237	439,431	1,798,070	5,000	50,511	11,348,627
Net income	232,186	11,855,439	2,665,771	7,018,083	471,188	140,640	10,955	26,276	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 September 30, 2008 (Un-audited)		For the Year Ended December 31, 2007 (Audited)	
	Key Management Executives	Associates	Key Management Executives	Associates
	(Rupees in '000)			
Advances				
At January 01	89,102	1,515,120	65,255	1,600,070
Given during the period / year	7,515	-	23,847	-
Repaid during the period / year	-	(250,251)	-	(84,950)
At September 30 / Dec 31	96,617	1,264,869	89,102	1,515,120
	Pension Fund	Provident Fund	Pension Fund	Provident Fund
	(Rupees in '000)			
Deposits				
At January 01	2,088,976	8,078,395	3,077,536	7,397,487
Received during the period / year	10,036,016	878,681	4,990,643	1,325,349
Repaid during the period / year	(10,159,760)	(962,230)	(2,979,203)	(644,441)
At September 30 / Dec 31	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
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	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
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Debts due by company in which a director of the holding company is interested as director	-	3,736
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Expenses for the period

Remuneration to key management executives	178,676	107,697
Charge for defined benefit plan	5,110	2,658

Mark-up on deposits of: Provident fund	563,403	690,932
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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:

	September 30, 2008 (Unaudited) (Rupees in '000)	December 31, 2007 (Audited)
ASSETS		
Cash and balances with treasury banks	15,186	22,536
Balances with and due from Financial Institutions	-	-
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		
Bills payable	504	268
Deposits and other accounts	38,055	26,895
Due to Head Office	500,503	338,141
Other liabilities	32,795	9,536
Total Liabilities	571,857	374,840
NET ASSETS	314,168	107,549
REPRESENTED BY		
Islamic Banking Fund	300,000	100,000
Unappropriated (loss) / profit	14,168	7,549
	314,168	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.



National Bank of Pakistan

NBP Building, I.I. Chundrigar Road, Karachi, Pakistan.

Phone: (021) 921 2100 (50 lines)

Call Center: 0800-80080

Website : www.nbp.com.pk

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Half Yearly Report | June 2008