

NATIONAL BANK OF PAKISTAN

Standalone Financial Statements

for

Nine Months ended September 30, 2012

Directors' Report to the Share holder's

It gives me pleasure to present on behalf of the Board of Directors the accounts for the nine months period ended September 30, 2012. The Profit for the nine months period ended September 30,2012 after carryover of accumulated profit of 2011 is proposed to be appropriated as follows: -

	Rs. million
Net Profit before taxation for the nine months period ended Sep 30, 2012	16,802
Taxation	
-Current year	5,204
-Prior years	-
-Deferred	(212)
	<u>4,992</u>
After tax profit	11,810
Un-appropriated profit brought forward (restated)	68,359
Transfer from surplus on revaluation of fixed assets	74
-	
Profit available for appropriation	<u>80,243</u>
Cash Dividend paid	(12,614)
Transfer to Statutory Reserve (10% of after tax profit)	(1,181)
Bonus sharess issued	(1,682)
Un-appropriated profit carried forward	<u>64,766</u>

After tax profit increased to Rs 11.8 billion i.e. marginally higher from last year by 3.6%. Earning per share stands at Rs. 6.38 compare to Rs. 6.16 of corresponding period last year. Pre tax return on equity stands at 20.2% with pre tax return on assets at 2.0%.

Bank's net interest income continued to remain under pressure and declined by Rs.2.2 billion from corresponding period last year due to reduction in discount rate by 200 bps last year, and 150 bps in August 2012 as well as increase in minimum profit rate on deposits to 6% effective from May 2012. Despite this impact was to a certain extent offset through recoveries and balance sheet growth. Non interest markup income increased by Rs. 2.7 billion or 20.5% compared to corresponding period last year mainly because of higher dividend and capital gains due to higher portfolio size. Exchange income was higher due to increase in volumes as well as movement in exchange rates. Expenses increased by 14% in line with inflation related salary increases and other overhead costs. Provision charge against advances show a reduction of Rs. 929 million or 17% mainly on account of lower fresh accretion and restructuring of certain corporate loans. Provision against investments shows reduction compared to corresponding period last year by Rs. 1,370 million or 76% mainly due to lower impairment loss against shares. NPL's show a slight increase of Rs. 3.0

billion compared to June 30, 2012 mainly due to increase in agriculture and gold loans due to seasonal factors.

Deposits compare to September 2011 are higher by Rs. 91 billion. The bank continued to replace high cost deposits with low cost deposits, due to which term deposits declined by Rs. 56 billion resulting in deposit reduction of Rs. 38 billion from December 2011. Advances increased by Rs. 59 billion compared to year end December 2011 mainly in corporate, retail, commercial and agriculture sector. The bank is focusing on low risk gold and agriculture loans and have increased its portfolio by 23% in the segment during the year.

Going forward with reduction in SBP discount rate by 2.0% so far this year on one side and increase in minimum benchmark rate on all remunerative deposits from 5.0% p.a. to 6.0% p.a. will further put pressure on net interest margins. The bank will however compensate for reduction in rates through increase in volumes, raising of low cost deposits and further austerity measures to curtail expenditure.

Lastly in a challenging and competitive environment we are confident that our employees through their commitment and hard work will maintain bank's leadership position. We would like to express our appreciation to our stakeholders, regulators and our valued customers for their support and sustained level of trust in NBP.

On behalf of Board of Directors

Qamar Hussain
President
Date: October 24, 2012

National Bank of Pakistan
Unconsolidated Condensed Interim Statement of Financial Position
As at September 30, 2012

		(Un-audited) Sept 30, 2012	(Audited) Dec 31, 2011
----- (Rupees in '000') -----			
ASSETS			
	Note		
Cash and balances with treasury banks		123,645,538	131,675,907
Balances with other banks		19,321,341	27,581,695
Lendings to financial institutions - net		11,911,673	44,380,396
Investments - net	7	305,585,814	319,531,213
Advances - net	8	583,685,097	525,045,764
Operating fixed assets	9	27,897,382	27,453,815
Deferred tax assets - net	10	5,278,277	7,935,497
Other assets		89,457,324	65,973,449
		1,166,782,446	1,149,577,736
LIABILITIES			
Bills payable		9,773,175	9,104,710
Borrowings from financial institutions		66,280,544	26,371,675
Deposits and other accounts	11	889,653,819	927,421,438
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		39,148	76,477
Deferred tax liabilities		-	-
Other liabilities		57,471,227	53,951,988
		1,023,217,913	1,016,926,288
NET ASSETS		143,564,533	132,651,448
REPRESENTED BY			
Share capital		18,500,114	16,818,285
Reserves		27,587,089	25,342,817
Unappropriated profit		64,766,239	68,358,910
		110,853,442	110,520,012
Surplus on revaluation of assets - net	12	32,711,091	22,131,436
		143,564,533	132,651,448
CONTINGENCIES AND COMMITMENTS		13	

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

Chairman / President

Director

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Profit and Loss Account - (Un-Audited)
For the Nine Months Period Ended September 30, 2012

	Quarter Ended Sept 30, 2012	Nine Months Ended Sept 30, 2012	Quarter Ended Sept 30, 2011	Nine Months Ended Sept 30, 2011
Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest earned	25,194,134	75,241,090	22,552,731	69,487,391
Mark-up / Return / Interest expensed	15,380,358	44,327,995	12,062,429	36,311,898
Net mark-up / interest income	<u>9,813,776</u>	<u>30,913,095</u>	10,490,302	33,175,493
Provision against non-performing advances - net	1,934,460	4,503,697	808,988	5,432,420
Provision for diminution in value of investments - net	(356,812)	422,478	280,082	1,792,760
Provision against off-balance sheet obligations	-	-	-	-
Bad debts written off directly	-	-	127	127
	<u>1,577,648</u>	<u>4,926,175</u>	1,089,197	7,225,307
Net mark-up / interest income after provisions	<u>8,236,128</u>	<u>25,986,920</u>	9,401,105	25,950,186
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	2,241,415	6,971,199	1,875,106	7,008,116
Dividend income	1,090,906	2,382,922	317,360	911,867
Income from dealing in foreign currencies	1,281,527	2,807,225	831,266	2,257,254
Gain on sale and redemption of securities - net	681,094	2,550,271	220,493	1,875,085
Unrealized gain on revaluation of investments classified as held-for-trading	45,561	15,055	48,346	11,617
Other income	60,708	1,153,072	52,014	1,111,592
Total non-mark-up / interest income	<u>5,401,211</u>	<u>15,879,744</u>	3,344,585	13,175,531
	<u>13,637,339</u>	<u>41,866,664</u>	12,745,690	39,125,717
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	8,510,365	25,055,325	7,633,371	22,003,528
Other provisions / write-offs	1,774	(6,872)	6,893	345,691
Other charges	2,794	15,858	13,653	25,688
Total non-mark-up / interest expenses	<u>8,514,933</u>	<u>25,064,311</u>	7,653,917	22,374,907
	<u>5,122,406</u>	<u>16,802,353</u>	5,091,773	16,750,810
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	<u>5,122,406</u>	<u>16,802,353</u>	5,091,773	16,750,810
Taxation - current	559,449	5,204,302	1,268,851	7,052,137
- prior year(s)	-	-	-	-
- deferred	954,743	(212,148)	511,630	(1,704,128)
	<u>1,514,192</u>	<u>4,992,154</u>	1,780,481	5,348,009
PROFIT AFTER TAXATION	<u>3,608,214</u>	<u>11,810,199</u>	3,311,292	11,402,801
Basic and diluted earnings per share (Rupees)	<u>1.95</u>	<u>6.38</u>	1.79	6.16

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

Chairman / President

Director

Director

Director

National Bank of Pakistan

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

For the Nine Months Period Ended September 30, 2012

	Quarter ended Sept 30, 2012	Nine Months ended Sept 30, 2012	Quarter ended Sept 30, 2011	Nine Months ended Sept 30, 2011
	----- (Rupees in '000') -----			
Profit after taxation for the period	3,608,214	11,810,199	3,311,292	11,402,801
Other comprehensive income:				
Exchange adjustments on translation of net assets of foreign branches	216,038	1,063,252	(730,897)	(339,201)
Income tax relating to component of other comprehensive Income	-	-	-	-
Other comprehensive income - net of tax	216,038	1,063,252	(730,897)	(339,201)
Comprehensive income transferred to equity	<u>3,824,252</u>	<u>12,873,451</u>	<u>2,580,395</u>	<u>11,063,600</u>
Components of comprehensive income not reflected in equity				
Deficit / Suplus on revaluation of investments	7,616,738	13,531,874	(569,548)	(800,606)
Deferred tax on revaluation of investments	(1,890,164)	(2,869,370)	(103,166)	(296,066)
	5,726,574	10,662,504	(672,714)	(1,096,672)
Total comprehensive income	<u>9,550,826</u>	<u>23,535,955</u>	<u>1,907,681</u>	<u>9,966,928</u>

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

Chairman \ President

Director

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Director

National Bank of Pakistan
Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the Nine Months Period Ended September 30, 2012

Share Capital	Attributable to the Shareholders of the bank					Unappropriated Profit	Total
	Reserves						
	Capital			Revenue General			
	Exchange Translation	Bonus Shares Issue Reserve	Statutory				

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

Balance as at January 1, 2011	13,454,628	6,919,067	-	17,009,839	521,338	65,857,438	103,762,310
Comprehensive Income							
Profit after tax for the nine months period ended Sept 30, 2011	-	-	-	-	-	11,402,801	11,402,801
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	(339,201)	-	-	-	-	(339,201)
	-	(339,201)	-	-	-	11,402,801	11,063,600
Transferred from Surplus on Revaluation Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	83,887	83,887
Transfer to Statutory Reserve	-	-	-	1,140,280	-	(1,140,280)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (25%)	-	-	3,363,657	-	-	(3,363,657)	-
Cash dividend (Rs. 7.5 per share)	3,363,657	-	(3,363,657)	-	-	(10,090,970)	(10,090,970)
	3,363,657	-	-	-	-	(13,454,627)	(10,090,970)
Balance as at Sept 30, 2011	16,818,285	6,579,866	-	18,150,120	521,338	62,749,219	104,818,827
Balance as at Oct 1, 2011	16,818,285	6,579,866	-	18,150,120	521,338	62,749,219	104,818,827
Comprehensive Income							
Profit after tax for the three months period ended Dec 31, 2011	-	-	-	-	-	6,201,920	6,201,920
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	(528,698)	-	-	-	-	(528,698)
	-	(528,698)	-	-	-	6,201,920	5,673,222
Transferred from Surplus on Revaluation Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	27,963	27,963
Transfer to Statutory Reserve	-	-	-	620,192	-	(620,192)	-
Balance as at December 31, 2011	16,818,285	6,051,168	-	18,770,311	521,338	68,358,910	110,520,012
Balance as at January 1, 2012	16,818,285	6,051,168	-	18,770,311	521,338	68,358,910	110,520,012
Comprehensive Income							
Profit after tax for the nine months period ended Sept 30, 2012	-	-	-	-	-	11,810,199	11,810,199
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	1,063,252	-	-	-	-	1,063,252
	-	1,063,252	-	-	-	11,810,199	12,873,451
Transferred from Surplus on Revaluation Fixed Assets	-	-	-	-	-	73,693	73,693
Transfer to Statutory Reserve	-	-	-	1,181,020	-	(1,181,020)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (10%)	1,681,829	-	-	-	-	(1,681,829)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,613,714)	(12,613,714)
	1,681,829	-	-	-	-	(14,295,543)	(12,613,714)
Balance as at Sept 30, 2012	18,500,114	7,114,420	-	19,951,331	521,338	64,766,239	110,853,442

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

Chairman/President

Director

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)
For the Nine Months Period Ended September 30, 2012

Nine Months **Nine Months**
Ended **Ended**
Sept 30, **Sept 30,**
2012 **2011**

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

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	16,802,353	16,750,810
Less: Dividend income	2,382,922	911,867
	14,419,431	15,838,943

Adjustments

Depreciation	949,220	848,948
Other assets	4,503,697	5,432,420
Provision for diminution in value of investments	422,478	1,792,760
Provision against off-balance sheet obligations	-	-
Other provision / Write-off	(6,872)	345,691
Gain on sale of fixed assets	(31,771)	(14,459)
Financial charges on leased assets	7,613	14,515
	5,844,365	8,419,875
	20,263,796	24,258,818

(Increase) / Decrease in operating assets

Lendings to financial institutions	32,642,223	355,190
Held-for-trading securities	2,249,828	(18,324,008)
Advances	(63,143,030)	(41,165,989)
Other assets	(14,441,224)	(19,297,124)
	(42,692,203)	(78,431,931)

Increase / (Decrease) in operating liabilities

Bills payable	668,465	4,460,960
Borrowings	40,103,687	10,380,332
Deposits & other accounts	(37,767,619)	(33,810,681)
Other liabilities (excluding current taxation)	3,495,690	(960,525)
	6,500,223	(19,929,914)

Income tax paid	(14,479,384)	(11,708,105)
Financial charges paid	(7,613)	(14,515)
	(14,486,997)	(11,722,620)
Net cash (used in) / from operating activities	(30,415,181)	(85,825,647)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceed from / net investments in available-for-sale securities	45,980,143	65,727,467
Proceeds from held-to-maturity securities	316,959	1,019,349
Investments in associates and subsidiaries	(21,435,487)	(1,303,738)
Dividend received	2,382,922	911,867
Investments in operating fixed assets	(1,392,787)	(1,324,782)
Sale proceeds of operating fixed assets disposed off	31,771	14,459
Net cash from / (used in) investing activities	25,883,521	65,044,622

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of lease obligations	(37,329)	(36,560)
Dividend paid	(12,590,165)	(10,072,906)
Net cash used in financing activities	(12,627,494)	(10,109,466)
Effects of exchange rate changes on cash and cash equivalents	1,063,252	(339,201)
Net decrease in cash and cash equivalents	(16,095,902)	(31,229,692)
Cash and cash equivalents at beginning of the period	158,883,208	145,294,950
Cash and cash equivalents at the end of the period	142,787,306	114,065,258

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

Chairman/President

Director

Director

Director

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the Nine Months Period Ended September 30, 2012

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. It's 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 1,283 (2011: 1,277) branches in Pakistan and 23 (2011: 23) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

2. STATEMENT OF COMPLIANCE

- 2.1** These unconsolidated condensed interim financial statements of the bank for the nine months period ended September 30, 2012 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular 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, 2011.
- 2.4** On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs. The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

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

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

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the Nine Months Period Ended September 30, 2012

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

Had the exemption not been granted, the staff costs of the bank for the period would have been higher by Rs. 843 million (September 30, 2011: 868 million), profit before taxation would have been lower by Rs. 843 million (September 30, 2011: 868 million), un-appropriated profit would have been lower by Rs. 3,545 million (September 30, 2011: 2,466 million) and reserves would have been higher by Rs. 3,545 million (September 30, 2011: 2,466 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.46 per share (September 30, 2011: Rs 0.47).

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

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

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

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

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

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

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

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

5 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

6. FINANCIAL RISK MANAGEMENT

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

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the Nine Months Period Ended September 30, 2012

7. INVESTMENTS

(Un-Audited) Sept 30, 2012			(Audited) December 31, 2011		
Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
----- (Rupees in '000') -----			----- (Rupees in '000') -----		

7.1 Investments by type:

Held-for-trading securities

Market Treasury Bills	10,326,317	-	10,326,317	13,042,925	-	13,042,925
Pakistan Investment Bonds	379,601	-	379,601	97,727	-	97,727
Ordinary Shares of Listed companies	573,680	-	573,680	388,774	-	388,774
Sukuk Bonds	20,000	-	20,000	20,000	-	20,000
Total held-for-trading securities	11,299,598	-	11,299,598	13,549,426	-	13,549,426

Available- for- sale securities

Ordinary shares of listed companies	31,397,303	-	31,397,303	27,801,608	-	27,801,608
Ordinary shares of unlisted companies	1,065,173	-	1,065,173	1,065,173	-	1,065,173
Investment outside Pakistan	32,462,476	-	32,462,476	28,866,781	-	28,866,781
Market Treasury Bills	463,295	-	463,295	463,295	-	463,295
Preference Shares	50,468,366	56,173,685	106,642,051	159,199,048	10,971,238	170,170,286
Pakistan Investment Bonds	886,924	-	886,924	285,260	-	285,260
Gop Foreign Currency Bonds	44,715,427	502,432	45,217,859	38,097,048	-	38,097,048
Foreign Currency Debt Securities	3,853,711	-	3,853,711	3,484,334	-	3,484,334
Term Finance Certificates / Mushairka, and Sukuk Bonds	6,771,653	-	6,771,653	5,362,824	-	5,362,824
Investments in mutual funds	25,857,064	-	25,857,064	19,536,942	-	19,536,942
NI(U)T Non-LoC Units	1,979,950	-	1,979,950	1,831,543	-	1,831,543
NIT Market Opportunity Fund	600,000	-	600,000	600,000	-	600,000
Total available- for- sale securities	169,039,983	56,676,117	225,716,100	258,759,830	10,971,238	269,731,068

Held-to-maturity securities

Pakistan Investment Bonds	23,492,547	-	23,492,547	24,105,281	-	24,105,281
GoP Foreign Currency Bonds	570,012	-	570,012	534,046	-	534,046
Foreign Government Securities	1,040,350	-	1,040,350	793,296	-	793,296
Foreign Currency Debt Securities	126,411	-	126,411	120,272	-	120,272
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	2,131,788	-	2,131,788	2,125,567	-	2,125,567
Total held-to-maturity securities	27,361,108	-	27,361,108	27,678,462	-	27,678,462

Investments in Associates

Investments in Joint Ventures	27,558,615	-	27,558,615	7,117,374	-	7,117,374
Investments in Subsidiaries	1,244,835	-	1,244,835	1,244,835	-	1,244,835
Investment at cost	4,447,213	-	4,447,213	3,452,967	-	3,452,967
	240,951,352	56,676,117	297,627,469	311,802,894	10,971,238	322,774,132

**Less: Provision for diminution in
value of investments**

	(12,467,034)	-	(12,467,034)	(10,080,358)	-	(10,080,358)
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Investments (net of Provisions)

Unrealized (loss) / gain on revaluation of investments classified as held-for-trading	228,484,318	56,676,117	285,160,435	301,722,536	10,971,238	312,693,774
	15,055	-	15,055	(41,011)	-	(41,011)

**Surplus / (Deficit) on revaluation of
available-for-sale securities**

	20,408,146	2,178	20,410,324	6,822,246	56,204	6,878,450
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Total investments at carrying value

	248,907,519	56,678,295	305,585,814	308,503,771	11,027,442	319,531,213
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For the Nine Months Period Ended September 30, 2012

	(Un-audited) Sept 30, 2012	(Audited) Dec 31, 2011
Note	----- (Rupees in '000') -----	
7.2 Particulars of provision for diminution in value of investments		
Opening balance	10,080,358	6,720,091
Charge for the year	1,699,975	3,944,886
Reversals	(1,277,497)	(807,118)
	422,478	3,137,768
Transfer in	1,965,175	223,081
Amount written off	(977)	(582)
Closing balance	7 <u>12,467,034</u>	<u>10,080,358</u>

7.3 During the year, the bank has made investments in NAFA Money Market Fund and NAFA Financial Sector Income Fund amounting to Rs. 20,000 million and Rs. 1,500 million respectively.

	(Un-audited) Sept 30, 2012	(Audited) Dec 31, 2011
Note	----- (Rupees in '000') -----	
8. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	577,884,526	518,915,140
Outside Pakistan	45,322,928	46,494,802
	623,207,454	565,409,942
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	7,039,619	11,718,036
Payable outside Pakistan	23,571,547	15,237,920
	30,611,166	26,955,956
Advances - gross	653,818,620	592,365,898
Less: Provision against non-performing loans		
-specific	(66,645,971)	(63,476,311)
-general	(3,487,552)	(3,843,823)
	(70,133,523)	(67,320,134)
Advances - net of provision	583,685,097	525,045,764

8.1 Advances include Rs.95,067 million (2011: Rs.88,161 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Sept 30, 2012			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000') -----				
Other Assets Especially					
Mentioned	3,153,573	-	3,153,573	-	-
Substandard	8,848,659	1,188,304	10,036,963	2,151,962	2,151,962
Doubtful	6,436,198	367,033	6,803,231	2,859,676	2,859,676
Loss	72,424,443	2,648,804	75,073,247	61,634,333	61,634,333
	90,862,873	4,204,141	95,067,014	66,645,971	66,645,971

	December 31, 2011			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- (Rupees in '000') -----				
Other Assets Especially					
Mentioned	622,297	-	622,297	-	-
Substandard	5,606,741	365,295	5,972,036	1,130,285	1,130,285
Doubtful	12,284,111	908,853	13,192,964	4,319,583	4,319,583
Loss	65,939,496	2,433,929	68,373,425	58,026,443	58,026,443
	84,452,645	3,708,077	88,160,722	63,476,311	63,476,311

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For the Nine Months Period Ended September 30, 2012

8.2 Particulars of provision against non-performing advances

	June 30, 2012 (Un-Audited)			December 31, 2011 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	63,476,311	3,843,823	67,320,134	57,337,200	3,765,432	61,102,632
Exchange adjustments	42,590	24,629	67,219	(33,992)	(1,570)	(35,562)
Charge for the period - net of reversals	4,884,597	(380,900)	4,503,697	6,121,397	79,961	6,201,358
Transfer (out) / in	(1,965,175)	-	(1,965,175)	478,202	-	478,202
Write offs	-	-	-	(256,574)	-	(256,574)
Other adjustments	207,648	-	207,648	(169,922)	-	(169,922)
Closing balance	<u>66,645,971</u>	<u>3,487,552</u>	<u>70,133,523</u>	<u>63,476,311</u>	<u>3,843,823</u>	<u>67,320,134</u>

8.2.1 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances. Accordingly, as of September 30, 2012, the accumulated increase in profit after tax of Rs. 5,009 million (December 31, 2011: Rs. 5,039 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

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

9. OPERATING FIXED ASSETS

	(Un-Audited) Sept 30, 2012	(Audited) Dec 31, 2011
Capital work-in-progress	2,797,100	2,489,641
Property and equipment	25,051,990	24,892,380
Intangible assets	48,292	71,794
	<u>27,897,382</u>	<u>27,453,815</u>

9.1 Additions and disposals during the period amounted to Rs.1,036.165 million (September 30, 2011:875.911million) and Rs.69.8 million (September 30, 2011:91.084 million) respectively.

10. DEFERRED TAX ASSETS - net

Deferred tax assets arising in respect of

Provision for diminution in the value of investments	2,832,758	2,684,890
Provision against advances	6,510,108	6,424,530
Other provisions	518,820	521,225
Charge against defined benefits plans	1,521,525	1,468,297
Provision against off-balance sheet obligations	116,622	116,622
	<u>11,499,833</u>	<u>11,215,564</u>

Deferred tax (liabilities) arising in respect of

Excess of accounting book value of leased assets over lease liabilities	(16,093)	(12,502)
Difference between accounting book value of fixed assets and tax base	(453,673)	(299,322)
Revaluation of securities	(4,684,285)	(1,814,915)
Revaluation of fixed assets	(1,067,505)	(1,153,328)
	<u>(6,221,556)</u>	<u>(3,280,067)</u>
Net deferred tax assets	<u>5,278,277</u>	<u>7,935,497</u>

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	(Un-Audited) Sept 30, 2012	(Audited) Dec 31, 2011
	----- (Rupees in '000') -----	
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	201,410,238	257,375,642
Savings deposits	258,987,170	232,868,076
Current accounts - remunerative	89,124,490	80,724,968
Current accounts - non-remunerative	210,200,188	214,069,549
	759,722,086	785,038,235
Financial Institutions		
Remunerative deposits	79,276,579	65,183,827
Non-remunerative deposits	50,655,154	77,199,376
	129,931,733	142,383,203
	889,653,819	927,421,438
12. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets - net of tax	16,985,052	17,067,901
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government securities	3,012,005	500,745
Term Finance Certificates	(61,241)	(74,545)
Shares and mutual funds	5,039,612	(338,799)
Gov Foreign Currency Bonds	353,834	(119,692)
Foreign Government Securities	63,613	(121,529)
NI(U)T Non-LoC Units	70,836	(21,809)
NIT Market Opportunity Fund	847,361	402,853
Investment outside Pakistan - Bank Al-Jazira	11,084,304	6,651,226
	20,410,324	6,878,450
Deferred tax liability	(4,684,285)	(1,814,915)
	32,711,091	22,131,436
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
This includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	3,785,157	3,677,940
- Financial institutions	5,518,003	5,361,703
- Others	22,218,216	21,588,873
	31,521,376	30,628,516
13.2 Transaction-related contingent liabilities		
This includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:		
- Government	15,425,162	14,457,548
- Financial institutions	10,483,251	9,825,641
- Others	14,171,897	13,282,900
	40,080,310	37,566,089
13.3 Trade-related contingent liabilities		
Letters of credit issued in favour of:		
- Government	53,509,329	47,591,186
- Financial institutions	664	591
- Others	137,014,809	121,860,942
	190,524,803	169,452,719
13.4 Other contingencies		
13.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.185 million (2011: Rs.178 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2011: Rs.965 million)].	9,009,125	8,704,944

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13.4.2 Taxation

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

During the period, taxation authorities have further amended the assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2006, 2008, 2009 and 2010 raising aggregate demand of Rs. 5.5 billion. The additions are mainly on account of reversals of provisions of bad debts which in the view of the Bank has already been offered for tax in the respective years of reversal. The Bank has filed appeal before Commissioner Inland Revenue Appeal, the hearing of which has not been fixed as yet. The tax authorities have also rectified monitoring orders under section 161/205 of the Income Tax Ordinance, 2001 providing relief to the extent of Rs. 690 million. The remaining challans are still in process of verification. An appeal has also been filed before the Appellate Tribunal of Inland Revenue on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

In addition to above, the other matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 10,401 million (2011: Rs. 5,406 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

13.4.3 Barter Trade Agreements / Golden Handshake

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

13.4.4 Fine imposed by Competition Commission of Pakistan

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

	(Un-audited) Sept 30, 2012	(Audited) Dec 31, 2011		
	----- (Rupees in '000') -----			
13.5 Commitments in respect of forward exchange contracts				
Purchase	182,435,250	160,587,401		
Sale	96,513,978	106,748,426		
13.6 Commitments in respect of forward trading of government securities				
Purchase	-	2,000,000		
Sale	100,000	-		
13.7 Other Commitments				
Cross Currency SWAP	-	3,410,259		
Professional services to be received	138,409	147,669		
13.8 Commitments for the acquisition of operating fixed assets	1,424,769	1,643,221		
14. Other income includes Rs 984.930 million (September 31, 2011 Rs 946.794 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001				
15. BASIC AND DILUTED EARNINGS PER SHARE				
	(Un-Audited) Quarter ended Sept 30, 2012	(Un-Audited) Nine Months ended Sept 30, 2012	(Un-Audited) Quarter ended Sept 30, 2011	(Un-Audited) Nine Months ended Sept 30, 2011
Profit after taxation (Rupees in '000)	<u>3,608,214</u>	<u>11,810,199</u>	<u>3,311,292</u>	<u>11,402,801</u>
Weighted average number of ordinary shares (in '000)	<u>1,850,011</u>	<u>1,850,011</u>	<u>1,850,011</u>	<u>1,850,011</u>
Basic and diluted earnings per share (Rupees)	<u>1.95</u>	<u>6.38</u>	<u>1.79</u>	<u>6.16</u>

16. **SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000						
Sept 30, 2012 - Unaudited							
Total income	335,652	1,081,870	5,593,657	34,981,744	1,235,914	3,564,002	46,792,839
Inter segment revenue	-	(470,656)	9,163,533	(8,692,877)	-	-	-
Total expenses	14,312	43,188	13,374,844	12,616,866	1,086,688	2,854,588	29,990,486
Net income	321,340	568,026	1,382,346	13,672,001	149,226	709,414	16,802,353
Segment assets - (Gross)	-	27,452,495	200,996,008	920,813,358	-	17,520,586	1,166,782,447
Segment non-performing loans	-	-	11,480,045	83,586,969	-	-	95,067,014
Segment specific provision required	-	-	7,293,378	62,840,145	-	-	70,133,523
Segment liabilities	-	-	261,416,159	751,695,596	-	10,106,158	1,023,217,913
Segment return on assets (ROA) (%)	0.00%	7.97%	1.03%	1.97%	0.00%	8.20%	
Segment cost of fund (%)	0.00%	0.00%	5.27%	6.97%	0.00%	0.00%	
Sept 30, 2011 - Unaudited							
Total income	395,516	1,014,866	4,361,917	36,031,961	1,407,450	3,139,315	46,351,025
Inter segment revenue	-	(545,775)	8,418,473	(7,872,698)	-	-	-
Total expenses	2,074	53,384	11,713,048	14,571,903	985,808	2,273,998	29,600,215
Net income	393,442	415,707	1,067,342	13,587,360	421,642	865,317	16,750,810
Segment assets - (Gross)	-	4,792,023	177,115,571	818,222,515	-	13,870,180	1,014,000,289
Segment non performing loans	-	-	7,817,682	110,408,279	-	-	118,225,961
Segment specific provision required	-	-	6,471,427	59,960,857	-	-	66,432,284
Segment liabilities	-	-	228,107,436	644,834,581	-	12,697,113	885,639,130
Segment return on assets (ROA) (%)	0.00%	8.38%	0.93%	2.23%	0.00%	10.05%	
Segment cost of fund (%)	0.00%	0.00%	5.16%	6.20%	0.00%	0.00%	

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17. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 7 to these financial statements.

Transactions between the bank and its related parties are carried out under normal course of business, except employee staff loans, employees sale of assets, provident fund and loan given to NBP Exchange Company Limited, that are as per agreement.

There are no transactions with key management personnel other than under their terms of employment.

	2012 - Un audited				2011 - Audited			
	At January 01,	Given during the period	Repaid during the period	At Septembr 30	At January 01,	Given during the year	Repaid during the year	At December 31,
----- (Rupees in '000) -----								
Advances								
Key Management Executives	82,110	8,000	(23,918)	66,192	88,178	10,700	(16,768)	82,110
Subsidiaries	330,414	419,341	(62,334)	687,421	466,787	-	(136,373)	330,414
Associates	1,281,029	-	(61,043)	1,219,986	1,294,419	-	(13,390)	1,281,029
Debts due by Company in which director is interested as director	10,007,468	7,641,067	(11,832,170)	7,560,719	9,564,548	1,635,668	(1,192,748)	10,007,468
Adjustments*	1,744,354	-	-	-				
	11,751,822	7,641,067	(11,832,170)	7,560,719				
	13,445,375	8,068,408	(11,979,465)	9,534,318	11,413,932	1,646,368	(1,359,279)	11,701,021

	2012 - Un audited				2011 - Audited			
	At January 01, 2011	Received during the period	Repaid during the period	At Septembr 30 2011	At January 01, 2010	Received during the year	Repaid during the year	At December 31, 2011
----- (Rupees in '000) -----								
Deposits								
Subsidiaries	329,897	125,358	(198,605)	256,650	292,977	36,920	-	329,897
Key Management Executives	14,750	64,803	(60,650)	18,903	58,300	217,213	(260,763)	14,750
Pension Fund (Current)	5,856	30,120,482	(30,122,284)	4,054	5,037	30,056	(29,237)	5,856
Pension Fund (Fixed Deposit)	16,100,000	15,800,000	(27,100,000)	4,800,000	8,400,000	10,200,000	(2,500,000)	16,100,000
Provident Fund	10,224,455	1,635,014	(1,172,052)	10,687,417	8,909,272	2,281,333	(966,150)	10,224,455
	26,674,958	47,745,657	(58,653,591)	15,767,024	17,665,586	12,765,522	(3,756,150)	26,674,958

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

	Un-audited Sept 30, 2012	Audited Dec 31, 2011
---(Rupees in '000) ---		
Placements with:		
Subsidiaries	-	8,374
Joint ventures	482,133	614,100
Associates	1,770	23,332
Rev Repo Lending to:		
Subsidiaries	147,626	66,093
Pension Fund	-	9,999,998
Borrowing from:		
Joint ventures	31,041	78,063
Other receivables from subsidiaries	49,486	46,796
Other payables to subsidiaries	944	5,414

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	Un-audited Sept 30, 2012	Un-audited Sept 30, 2011
	---(Rupees in '000) ---	
Income for the period		
On advances / placements with:		
Subsidiaries	441	45
Joint venture	3,095	1,377
Key management executives	2,601	2,638
Debts due by company in which a director of the bank is interested as director	880,706	751,525
On Reverse Repo / Lendings with:		
Subsidiaries	8,139	-
Associates	-	2,121
Expenses for the period		
Remuneration to key management executives	225,874	284,699
Charge for defined benefit plan	13,731	20,565
Mark-up on Deposits of:		
Subsidiaries	14,677	7,205
Provident fund	1,478,434	1,349,358
Pension fund	254,673	704,429
Key management executives	1,424	2,616
Commission paid to subsidiaries	3,394	3,080
Mark-up on Borrowing (Repo / Call):		
Joint venture	980	1,629
Associate	-	3,184

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

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For the Nine Months Period Ended September 30, 2012

18. ISLAMIC BANKING BUSINESS

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

Statement of Financial Position As At September 30, 2012	(Un-audited) Sept 30, 2012	(Audited) Dec 31, 2011
	----- (Rupees in '000') -----	
Assets		
Cash and balances with treasury banks	90,402	141,873
Investments	1,389,087	1,557,399
Financing / Receivables under:		
- Murabaha	688,400	658,310
- Diminishing Musharika	648,713	723,313
- Ijarah assets	263,573	372,408
Provision against non-performing financings	(360,665)	(192,874)
Operating fixed assets	11,445	11,613
Other assets	133,592	111,182
	2,864,547	3,383,224
Liabilities		
Bills Payable	6,595	9,385
Deposits and other accounts	1,451,480	1,519,844
Due to Head Office	1,092,275	1,433,810
Other liabilities	90,435	48,650
	2,640,785	3,011,689
Net Assets	223,762	371,535
Represented By		
Islamic Banking Fund	300,000	300,000
Unappropriated loss	(76,238)	71,535
	223,762	371,535
Profit & Loss Account For the nine months period ended September 30, 2012		
	(Un-audited) Sept 30, 2012	(Un-audited) Sept 30, 2011
	----- (Rupees in '000') -----	
Profit / Return earned on financings, investments and placements	357,743	388,483
Profit / Return expensed on deposit	(183,405)	(217,793)
Net spread earned	174,338	170,690
Depreciation on assets given on ijarah	(104,064)	(101,823)
	70,274	68,867
Provision against advances and investments	(105,457)	(111,719)
Provision reversed against advances and investments	37,666	-
	(67,791)	(111,719)
(Loss) / Profit after provision	2,483	(42,852)
Other income		
Fee, commission and brokerage income	2,549	2,678
Income from dealing in foreign currencies	(1)	114
Other income	-	279
Total other income	2,548	3,071
	5,031	(39,781)
Other expenses		
Administrative expenses	(81,269)	(72,716)
Loss before taxation	(76,238)	(112,497)

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Cash Flow Statement	(Un-audited)	(Un-audited)
For the nine months period ended September 30, 2012	Sept 30,	Sept 30,
	2012	2011
	----- (Rupees in '000) -----	
Cash Flow from Operating Activities		
(Loss) for the period	(76,238)	(112,497)
Adjustments :		
Depreciation - Own assets	953	818
Depreciation - Ijarah assets	104,064	101,823
Provision against non performing financings	67,791	111,719
	<u>172,808</u>	<u>214,360</u>
	96,571	101,863
(Increase) / Decrease in operating assets		
Due from Financial Institutions	-	200,000
Financings	317,593	(1,607,504)
Other assets	(22,410)	(33,400)
	<u>295,183</u>	<u>(1,440,904)</u>
(Increase) / Decrease in operating liabilities		
Bills payable	(2,790)	(1,781)
Deposits and other accounts	(68,364)	(1,028,100)
	<u>(413,070)</u>	<u>2,246,700</u>
Other liabilities	41,785	70,409
	<u>(442,439)</u>	<u>1,287,228</u>
Net cash (used in) / generated from operating activities	<u>(50,685)</u>	<u>(51,813)</u>
Cash Flow from Investing Activities		
Investment in operating fixed assets	(785)	-
Net cash used in investing activities	<u>(785)</u>	-
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
(Decrease) in cash and cash equivalents	<u>(51,470)</u>	<u>(51,813)</u>
Cash and cash equivalents at beginning of the period	141,873	157,726
Cash and cash equivalents at the end of the period	<u>90,403</u>	<u>105,913</u>

19. DATE OF AUTHORIZATION FOR ISSUE

The Unconsolidated Interim Condensed Financial Statements were authorized for issue on October 24, 2012 by the Board of Directors of the bank.

20. GENERAL

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

Chairman/President

Director

Director

Director

NATIONAL BANK OF PAKISTAN

Consolidated Financial Statements

for

Nine Months ended September 30, 2012

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

		(Un-Audited) September 30 2012 ----- (Rupees in '000') -----	(Audited) December 31 2011
ASSETS			
Cash and Balances with Treasury Banks		123,782,557	131,843,316
Balances with other Banks		20,009,016	28,070,350
Lendings to Financial Institutions		13,013,408	43,973,532
Investments - Net	7	305,421,647	319,429,370
Advances - Net	8	586,576,888	528,179,115
Operating Fixed Assets - Net	9	29,389,518	29,069,116
Deferred Tax Assets	10	5,299,368	7,948,436
Other Assets		90,286,258	66,544,193
		1,173,778,660	1,155,057,428
LIABILITIES			
Bills Payable		9,773,175	9,104,710
Borrowings		67,028,588	27,402,330
Deposits and other Accounts	11	890,378,780	927,410,553
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		49,344	92,739
Deferred Tax Liabilities		-	-
Other Liabilities		58,100,884	55,015,649
		1,025,330,771	1,019,025,981
NET ASSETS			
		148,447,889	136,031,447
REPRESENTED BY			
Share Capital		18,500,116	16,818,285
Reserves		28,907,298	26,206,507
Unappropriated Profit		66,965,515	69,717,283
		114,372,929	112,742,076
Minority Interest		784,548	727,356
		115,157,477	113,469,432
Surplus on Revaluation of Assets - net	12	33,290,412	22,562,015
		148,447,889	136,031,447
CONTINGENCIES AND COMMITMENTS			
	13		

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)
For the Nine Months period ended September 30, 2012

	Quarter Ended September 30 2012	Nine Months Ended September 30 2012	Quarter Ended September 30 2011	Nine Months Ended September 30 2011
Note		-----	(Rupees in '000')	-----
Mark-up / Return / Interest Earned	25,197,289	75,728,970	22,648,727	69,760,472
Mark-up / Return / Interest Expensed	15,384,293	44,377,760	12,062,647	36,312,674
Net Mark-up / Interest Income	<u>9,812,996</u>	<u>31,351,210</u>	<u>10,586,080</u>	<u>33,447,798</u>
Provision against Non-Performing Loans & Advances	1,934,460	4,503,697	799,759	5,423,191
Provision for Diminution in the Value of Investments	(356,812)	422,478	280,082	1,792,760
Provision against Off Balance Sheet Obligations	-	-	-	-
Bad Debts Written Off Directly	-	-	127	127
	<u>1,577,648</u>	<u>4,926,175</u>	<u>1,079,968</u>	<u>7,216,078</u>
Net Mark-up / Interest Income after Provisions	<u>8,235,348</u>	<u>26,425,035</u>	<u>9,506,112</u>	<u>26,231,720</u>
NON MARK-UP / INTEREST INCOME				
Fee, Commission & Brokerage Income	2,421,997	7,428,535	1,962,101	7,271,633
Dividend income	170,870	1,462,886	317,360	911,867
Income from Dealing In Foreign Currencies	1,302,481	2,872,396	807,112	2,259,419
Gain on Sale of Securities	718,981	2,588,158	265,862	1,920,454
Unrealized Gain on Revaluation of Investments Classified as Held-for-Trading	45,561	15,055	48,346	11,617
Share of Profit from Joint Ventures	62,229	85,624	12,698	1,750
Share of Profit/ (Loss) from Associates	528,692	1,467,417	(9,513)	1,057
Other income	65,935	1,172,229	53,372	1,129,436
Total non mark-up / interest income	<u>5,316,746</u>	<u>17,092,300</u>	<u>3,457,338</u>	<u>13,507,232</u>
	<u>13,552,094</u>	<u>43,517,335</u>	<u>12,963,450</u>	<u>39,738,952</u>
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	8,596,123	25,752,536	7,790,132	22,498,197
Other provisions / write offs	1,774	(6,872)	19,320	361,990
Other charges	2,794	15,858	13,653	25,688
Total non mark-up / interest expenses	<u>8,600,691</u>	<u>25,761,522</u>	<u>5,140,345</u>	<u>22,885,875</u>
	<u>4,951,403</u>	<u>17,755,813</u>	<u>5,140,345</u>	<u>16,853,077</u>
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	<u>4,951,403</u>	<u>17,755,813</u>	<u>5,140,345</u>	<u>16,853,077</u>
Taxation - Current	590,625	5,235,478	1,279,795	7,076,052
- Prior year(s)	-	-	-	-
- Deferred	969,270	(197,621)	476,223	(1,740,205)
	<u>1,559,895</u>	<u>5,037,857</u>	<u>1,756,018</u>	<u>5,335,847</u>
PROFIT AFTER TAXATION	<u>3,391,508</u>	<u>12,717,956</u>	<u>3,384,327</u>	<u>11,517,230</u>
Share Holders of the Bank	3,367,755	12,660,764	3,371,404	11,522,662
Minority Interest	23,753	57,192	12,923	(5,432)
	<u>3,391,508</u>	<u>12,717,956</u>	<u>3,384,327</u>	<u>11,517,230</u>
Basic and Diluted Earnings per Share (Rupees)	<u>1.83</u>	<u>6.87</u>	<u>1.83</u>	<u>6.23</u>

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan

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

For the Nine Months period ended September 30, 2012

	Quarter Ended September 30 2012	Nine Months Ended September 30 2012	Quarter Ended September 30 2011	Nine Months Ended September 30 2011
	----- (Rupees in '000) -----			
Profit after taxation for the period	3,391,508	12,717,956	3,384,327	11,517,230
Other comprehensive income:				
Exchange adjustments on translation of net assets of foreign branches Subsidiary, & Joint Venture	269,034	1,510,109	(785,740)	(169,655)
Income tax relating to component of other comprehensive income	-	-		
	269,034	1,510,109	(785,740)	(169,655)
Comprehensive income transferred to equity	<u>3,660,542</u>	<u>14,228,065</u>	<u>2,598,587</u>	<u>11,347,575</u>
Comprehensive Income attributable to :				
Share Holders of the Bank	3,636,789	14,170,873	2,585,664	11,353,007
Non-Controlling Interest	23,753	57,192	12,923	(5,432)
	<u>3,660,542</u>	<u>14,228,065</u>	<u>2,598,587</u>	<u>11,347,575</u>
Components of comprehensive income not reflected in equity				
Suplus on revaluation of investments	7,616,738	13,556,504	(563,790)	(806,198)
Deferred tax on revaluation of investments	(1,890,164)	(2,869,370)	103,166	(296,066)
	5,726,574	10,687,134	(460,624)	(1,102,264)
Total comprehensive income	<u>9,387,116</u>	<u>24,915,199</u>	<u>2,137,963</u>	<u>10,245,311</u>

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the Nine Months period ended September 30, 2012

	Share capital	Attributable to the shareholders of the bank					Sub Total	Non Controlling Interest	Total
		Reserves							
		Exchange Translation	Capital		Revenue General	Unappropriated profit			
			Bonus Shares Issue	Statutory					
(Rupees in '000)									
Balance as at January 1, 2011	13,454,627	7,507,201	-	17,100,886	521,338	67,103,611	105,687,663	498,076	106,185,739
FNBM consolidation								219,804	219,804
Total Comprehensive Income for the period									
Profit after tax for the nine months period ended September 30, 2011	-	-	-	-	-	11,522,662	11,522,662	(5,432)	11,517,231
Other comprehensive income - net of tax									
Effect of translation on net assets of foreign branches	-	(169,655)	-	-	-	-	(169,655)	-	(169,655)
	-	(169,655)	-	-	-	11,522,662	11,353,007	(5,432)	11,347,576
Transferred from Surplus on Revaluation of operating fixed assets	-	-	-	-	-	83,887	83,887	-	83,887
Transfer to Statutory Reserve	-	-	-	1,140,280	-	(1,140,280)	-	-	-
Transactions with Owners, recorded directly in equity									
Transfer for issue of bonus shares	-	3,363,657	-	-	-	(3,363,657)	-	-	-
Issue of Bonus shares (25%)	3,363,657	(3,363,657)	-	-	-	-	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(10,090,970)	(10,090,970)	-	(10,090,970)
	-	-	-	-	-	(13,454,627)	(10,090,970)	-	(10,090,970)
Balance as at September 30, 2011	16,818,284	7,337,546	-	18,241,166	521,338	64,115,253	107,033,587	712,448	107,746,035
Balance as at October 1, 2011	16,818,284	7,337,546	-	18,241,166	521,338	64,115,253	107,033,587	712,448	107,746,035
Comprehensive income									
Profit after tax for the three months period ended December 31, 2011	-	-	-	-	-	6,194,259	6,194,259	14,908	6,209,167
Other comprehensive income - net of tax									
Effect of translation on net assets of foreign branches	-	(513,735)	-	-	-	-	(513,735)	-	(513,735)
	-	(513,735)	-	-	-	6,194,259	5,680,524	14,908	5,695,432
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	27,963	27,963	-	27,963
Transfer to Statutory Reserve	-	-	-	620,192	-	(620,192)	-	-	-
Balance as at December 31, 2011	16,818,286	6,823,811	-	18,861,358	521,338	69,717,283	112,742,076	727,356	113,469,432
Balance as at January 1, 2012	16,818,286	6,823,811	-	18,861,358	521,338	69,717,283	112,742,076	727,356	113,469,432
Comprehensive income									
Profit after tax for the nine months period ended September 30, 2012	-	-	-	-	-	12,660,764	12,660,764	57,192	12,717,956
Other comprehensive income - net of tax									
Effect of translation on net assets of foreign branches	-	1,510,109	-	-	-	-	1,510,109	-	1,510,109
	-	1,510,109	-	-	-	12,660,764	14,170,873	57,192	14,228,065
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	73,693	73,693	-	73,693
Transfer to Statutory Reserve	-	-	-	1,190,682	-	(1,190,682)	-	-	-
Transactions with Owners, recorded directly in equity									
Issue of Bonus Shares (10%)	1,681,829	-	-	-	-	(1,681,829)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(12,613,715)	(12,613,715)	-	(12,613,715)
	1,681,829	-	-	-	-	(14,295,543)	(12,613,715)	-	(12,613,715)
Balance as at September 30, 2012	18,500,116	8,333,920	-	20,052,040	521,338	66,965,515	114,372,929	784,548	115,157,477

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)
For the Nine Months period ended September 30, 2012

	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,755,813	16,853,077
Less: Dividend income	1,462,886	911,867
	<u>16,292,927</u>	<u>15,941,210</u>
Adjustments:		
Depreciation	1,068,495	875,636
Provision against non-performing advances	4,503,697	5,423,191
Provision / (reversal) for diminution in the value of investments	422,478	1,792,760
Provision against off balance sheet obligations	-	-
Other provisions / write offs	(6,872)	361,990
Gain on sale of fixed assets	(31,771)	(13,289)
Financial charges on leased assets	7,613	16,523
Share of profit from joint ventures	(85,624)	(1,750)
Share of profit from associates	(1,467,417)	(1,057)
	<u>4,410,599</u>	<u>8,454,131</u>
	20,703,526	24,395,342
(Increase) / decrease in operating assets		
Lendings to financial institutions	30,786,624	(464,532)
Held-for-trading securities	2,370,216	(18,827,730)
Advances	(59,543,460)	(41,243,606)
Other assets (excluding advance taxation - net)	(14,880,169)	(18,626,611)
	<u>(41,266,789)</u>	<u>(79,162,479)</u>
Increase / (decrease) in operating liabilities		
Bills payable	668,465	4,460,960
Borrowings	39,651,358	10,289,642
Deposits and other accounts	(37,031,773)	(33,513,648)
Other liabilities	3,061,686	(901,274)
	<u>6,349,736</u>	<u>(19,664,320)</u>
Income tax paid	(14,510,560)	(11,731,745)
Financial charges paid	(7,613)	(16,523)
	<u>(14,518,173)</u>	<u>(11,748,268)</u>
Net cash flow from operating activities	(28,731,700)	(86,179,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from available-for-sale securities	45,849,366	65,713,054
Proceeds from held-to-maturity securities	465,848	1,023,708
Dividend income received	1,462,886	911,867
Investments in Associate	(22,493,098)	(405,860)
Investments in operating fixed assets	(1,388,897)	(1,340,551)
Sale proceeds of property and equipment disposed off	31,771	13,289
Net cash (used) in investing activities	23,927,877	65,915,506
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(43,395)	(34,910)
Dividend paid	(12,590,165)	(10,072,906)
Net cash used in financing activities	(12,633,560)	(10,107,816)
Effects of exchange rate changes on cash and cash equivalents	1,510,109	(169,655)
Net increase in cash and cash equivalents	(15,927,275)	(30,541,691)
Cash and cash equivalents at beginning of the period	<u>159,539,272</u>	<u>145,863,319</u>
Cash and cash equivalents at the end of the period	<u>143,611,997</u>	<u>115,321,628</u>

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

Chairman/ President

Director

Director

Director

National Bank of Pakistan
Notes to the condensed consolidated financial statements - unaudited
For the Nine Months period ended September 30, 2012

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The holding company is engaged in providing commercial banking and related services in Pakistan and overseas. The holding company also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The holding company operates 1,283 (2011: 1,277) branches in Pakistan and 23 (2011: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT), Long Term Credit Fund (LTCF), & Endowment Fund for Student Loan Scheme

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

1.2 Basis of Consolidation

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

2. STATEMENT OF COMPLIANCE

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

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

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

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

Had the exemption not been granted, the staff costs of the bank for the period would have been higher by Rs. 843 million (September 30, 2011: 868 million), profit before taxation would have been lower by Rs. 843 million (September 30, 2011: 868 million), un-appropriated profit would have been lower by Rs. 3,545 million (September 30, 2011: 2,466 million) and reserves would have been higher by Rs. 3,545 million (September 30, 2011: 2,466 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.46 per share (September 30, 2011: Rs 0.47).

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

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

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

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

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

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

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

5 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

6. FINANCIAL RISK MANAGEMENT

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

7. INVESTMENTS-net

	September 30, 2012 (Un-audited)			December 31, 2011 (Audited)		
	Held by bank ----- (Rupees in '000) -----	Given as collateral	Total	Held by bank ----- (Rupees in '000) -----	Given as collateral	Total
Held-for-trading securities						
Ordinary shares of listed companies	677,975	-	677,975	613,457	-	613,457
Market Treasury Bills	10,326,317	-	10,326,317	13,042,925	-	13,042,925
Ijarah Sukuk Bonds	20,000	-	20,000	20,000	-	20,000
Pakistan Investment Bonds	379,601	-	379,601	97,727	-	97,727
Total Held-for-Trading Securities	11,403,893	-	11,403,893	13,774,109	-	13,774,109
Available- for- sale securities						
Ordinary shares of listed companies	31,399,917	-	31,399,917	27,827,808	-	27,827,808
Ordinary shares of unlisted companies	1,065,173	-	1,065,173	1,065,173	-	1,065,173
	32,465,090	-	32,465,090	28,892,981	-	28,892,981
Market Treasury Bills	50,468,366	56,173,685	106,642,051	159,199,048	10,971,238	170,170,286
Preference shares	909,424	-	909,424	307,760	-	307,760
Pakistan Investment Bonds	44,911,620	502,432	45,414,052	38,302,933	-	38,302,933
GoP Foreign Currency Bonds	3,853,711	-	3,853,711	3,484,334	-	3,484,334
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	25,891,482	-	25,891,482	19,569,935	-	19,569,935
Investment in Mutual funds	2,197,503	-	2,197,503	1,886,466	-	1,886,466
Foreign Government Debt Securities	6,771,653	-	6,771,653	5,362,824	-	5,362,824
Investment outside Pakistan	463,295	-	463,295	463,295	-	463,295
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	981,117	-	981,117	1,032,755	-	1,032,755
Total Available- for- sale securities	169,513,261	56,676,117	226,189,378	259,102,331	10,971,238	270,073,569
Held-to-maturity securities						
Pakistan Investment Bonds	24,243,292	-	24,243,292	24,105,281	-	24,105,281
Market Treasury Bills	158,021	-	158,021	215,137	-	215,137
GoP Foreign Currency Bonds	570,012	-	570,012	534,046	-	534,046
Foreign Government Securities	1,040,350	-	1,040,350	793,296	-	793,296
Foreign Government Debt Securities	126,411	-	126,411	937,790	-	937,790
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	2,181,788	-	2,181,788	2,200,567	-	2,200,567
Total Held-to-maturity securities	28,319,874	-	28,319,874	28,786,117	-	28,786,117
Investments in associates	28,181,045	-	28,181,045	7,200,076	-	7,200,076
Investments in joint ventures	3,374,440	-	3,374,440	2,856,557	-	2,856,557
Investments in subsidiaries	1,245	-	1,245	1,245	-	1,245
Investment at cost	240,793,758	56,676,117	297,469,875	311,720,435	10,971,238	322,691,673
Less: Provision for diminution in value of Investments	(12,467,760)	-	(12,467,760)	(10,081,084)	-	(10,081,084)
Investments (net of provisions)	228,325,998	56,676,117	285,002,115	301,639,351	10,971,238	312,610,589
Deficit / Surplus on revaluation of Held-for-trading securities	15,055	-	15,055	(35,039)	-	(35,039)
Surplus on revaluation of Available-for-sale securities	20,402,299	2,178	20,404,477	6,851,844	1,976	6,853,820
Total investments at carrying value	248,743,352	56,678,295	305,421,647	308,456,156	10,973,214	319,429,370

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

Note

7.2 Particulars of provision for diminution in value of investments

Opening balance	10,081,084	6,720,091
Charge for the year	1,699,975	3,945,612
Reversals	(1,277,497)	(807,118)
	422,478	3,138,494
Transfer in	1,965,175	223,081
Amount written off	(977)	(582)
Closing balance	12,467,760	10,081,084

7.3 During the year, the Bank has made investments in NAFA Money Market Fund and NAFA Financial Sector Income Fund amounting to Rs. 20,000 million and Rs. 1,500 million respectively.

8. ADVANCES -net

Loans, cash credits, running finances, etc.

In Pakistan	577,801,388	519,646,451
Outside Pakistan	47,614,365	48,123,170
	625,415,753	567,769,621

Net investment in finance lease

In Pakistan	868,773	947,325
Outside Pakistan	-	-
	868,773	947,325

Bills discounted and purchased (excluding Government treasury bills)

Payable in Pakistan	7,054,866	11,733,608
Payable outside Pakistan	23,571,547	15,237,920
	30,626,413	26,971,528
Advances - gross	656,910,939	595,688,474

Less: Provision against non-performing loans - Specific

8.2

-General

	(66,831,252)	(63,660,616)
	(3,502,799)	(3,848,743)
	(70,334,051)	(67,509,359)
Advances - net of provision	586,576,888	528,179,115

8.1 Advances include Rs. 95,252 million (2011: Rs.88,392 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2012 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	3,153,573	-	3,153,573	-	-
Substandard	8,848,659	1,188,304	10,036,963	2,151,962	2,151,962
Doubtful	6,436,198	367,033	6,803,231	2,859,676	2,859,676
Loss	72,609,724	2,648,804	75,258,528	61,819,614	61,819,614
	91,048,154	4,204,141	95,252,295	66,831,252	66,831,252

Category of Classification	December 31, 2011 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	622,297	-	622,297	-	-
Substandard	5,606,741	365,295	5,972,036	1,130,285	1,130,285
Doubtful	12,284,620	908,853	13,193,473	4,319,707	4,319,707
Loss	66,144,410	2,459,424	68,603,834	58,210,625	58,210,625
	84,658,068	3,733,572	88,391,640	63,660,616	63,660,616

8.2 Particulars of provision against non-performing advances

	September 30, 2012 (Un-audited)			December 31, 2011 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	63,660,616	3,848,744	67,509,360	57,478,191	3,765,432	61,243,623
Exchange adjustments	42,590	24,629	67,219	(33,992)	(1,570)	(35,562)
Charge for the period / net off reversal	4,884,597	(380,900)	4,503,697	6,139,710	79,961	6,219,671
Transfer (out) / in	(1,965,175)	-	(1,965,175)	478,202	-	478,202
Write offs	-	-	-	(256,574)	-	(256,574)
Other adjustments	208,624	10,326	218,950	(144,921)	4,921	(140,000)
Closing balance	66,831,252	3,502,799	70,334,051	63,660,616	3,848,744	67,509,360

- 8.2.1** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances. Accordingly, as of September 30, 2012, the accumulated increase in profit after tax of Rs. 5,009 million (December 31, 2011: Rs. 5,039 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.
- 8.2.2** General provision against consumer loans represents provision maintained at an amount ranging from 1.5% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP. In addition, management in the previous year reviewed recoverability of loans in certain sectors with particular reference to history of default and current economic conditions. Based on this review, in addition to specific provision made in accordance with the prudential regulations, a general provision has been made for possible risk of losses in respect of such sectors aggregating Rs. 1,116 million (December 31, 2011: Rs. 1,538 million).

	September 30 2012 (Un-audited) ----- (Rupees in '000') -----	December 31 2011 (Audited)
9. OPERATING FIXED ASSETS		
Capital work-in-progress	2,797,575	2,590,080
Property and equipment	26,526,978	25,837,433
Intangible assets	64,965	641,603
	<u>29,389,518</u>	<u>29,069,116</u>
9.1 Additions and disposals during the period amounted to Rs.1,036.165 million (September 30, 2011:875.911million) and Rs.69.8 million (September 30, 2011:91.084 million) respectively.		
10. DEFERRED TAX ASSETS - net		
Deferred tax assets arising in respect of		
Provision for diminution in the value of investments	2,832,758	2,684,890
Provision against advances and off-balance sheet obligations	6,510,108	6,424,530
Other provision	518,820	521,225
Charge against defined benefits plans	1,521,525	1,468,297
Provision against off balance sheet obligation	116,622	116,622
Others	21,091	12,939
	<u>11,520,924</u>	<u>11,228,503</u>
Deferred tax (liabilities) arising in respect of		
Excess of accounting book value of leased assets over lease liabilities	(16,093)	(12,502)
Difference between accounting book value of fixed assets and tax base	(453,673)	(299,322)
Revaluation of securities	(4,684,285)	(1,814,915)
Revaluation of fixed assets	(1,067,505)	(1,153,328)
	<u>(6,221,556)</u>	<u>(3,280,067)</u>
Net deferred tax liabilities	<u>5,299,368</u>	<u>7,948,436</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	201,656,381	257,518,704
Savings deposits	258,987,170	232,868,411
Current accounts - remunerative	89,677,517	80,905,162
Current accounts - non-remunerative	210,382,629	214,069,549
	<u>760,703,697</u>	<u>785,361,826</u>
Financial Institutions		
Remunerative deposits	79,127,047	65,153,307
Non-remunerative deposits	50,548,036	76,895,420
	<u>129,675,083</u>	<u>142,048,727</u>
	<u>890,378,780</u>	<u>927,410,553</u>
12. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on Revaluation of Fixed Assets - net of Tax	17,537,639	17,594,441
Surplus on Revaluation of Securities - net of Tax		
Federal Government securities	3,012,005	481,362
Term Finance Certificates	(61,241)	(71,285)
Quoted shares and Mutual Funds	5,039,612	(347,306)
GoP Foreign Currency Bonds	353,834	(119,692)
Foreign Government Securities	63,613	(121,529)
NI(U)T Non-LoC Units	70,836	(21,809)
NIT Market Opportunity Fund	847,361	402,853
Investment outside Pakistan	11,084,304	6,651,226
	<u>20,410,324</u>	<u>6,853,820</u>
Deferred tax Liability Recognized	(4,684,285)	(1,814,915)
Share of Revaluation Loss on Securities of Associates	26,734	(71,331)
	<u>33,290,412</u>	<u>22,562,015</u>

13. CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes

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

	September 30 2012 (Un-audited)	December 31 2011 (Audited)
	----- (Rupees in '000) -----	
- Government	3,785,157	3,677,940
- Financial institutions	5,518,003	5,361,703
- Others	22,420,361	21,588,873
	31,723,521	30,628,516

13.2 Transaction-related contingent liabilities

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

- Government	15,425,162	14,457,548
- Financial institutions	10,483,251	9,825,641
- Others	14,171,897	13,282,900
	40,080,310	37,566,089

13.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	53,509,329	47,591,186
- Financial institutions	664	591
- Others	137,014,809	121,860,942
	190,524,803	169,452,719

13.4 Other contingencies

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

9,009,125	8,704,944
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13.4.2 Taxation

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

During the period, taxation authorities have further amended the assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2006, 2008, 2009 and 2010 raising aggregate demand of Rs. 5.5 billion. The additions are mainly on account of reversals of provisions of bad debts which in the view of the Bank has already been offered for tax in the respective years of reversal. The Bank has filed appeal before Commissioner Inland Revenue Appeal, the hearing of which has not been fixed as yet. The tax authorities have also rectified monitoring orders under section 161/205 of the Income Tax Ordinance, 2001 providing relief to the extent of Rs. 690 million. The remaining challans are still in process of verification. An appeal has also been filed before the Appellate Tribunal of Inland Revenue on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

In addition to above, the other matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 10,401 million (2011: Rs. 5,406 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

13.4.3 Barter Trade Agreements / Golden Handshake

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

13.4.4 Fine imposed by Competition Commission of Pakistan

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

	September 30 2012 (Un-audited) ----- (Rupees in '000) -----	December 31 2011 (Audited) ----- (Rupees in '000) -----
13.5 Commitments in respect of forward exchange contracts		
Purchase	182,435,250	160,587,401
Sale	96,513,978	106,748,426
13.6 Commitments in respect of trading with Govt. securities		
Purchase (Reverse Repo)	-	2,000,000
Sale	100,000	-
13.7 Other Commitments		
Cross Currency SWAP	-	3,410,259
Professional services to be received	138,409	147,669
13.8 Commitments for the acquisition of operating fixed assets	1,424,769	1,643,221

14. Other income includes Rs 984.930 million (September 31, 2011 Rs 946.794 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001

	Quarter Ended September 30 2012	Nine Months Ended September 30 2012	Quarter Ended September 30 2011	Nine Months Ended September 30 2011
15. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation (Rupees in '000)	3,391,508	12,717,956	3,384,327	11,517,230
Weighted average number of ordinary shares (Number '000)	1,850,011	1,850,011	1,850,011	1,850,011
Basic and diluted earnings per share (Rupees)	1.83	6.87	1.83	6.23

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage
	Rupees in '000							
September 30, 2012-Unaudited								
Total income	335,652	46,024,358	5,593,657	35,447,116	1,235,914	3,564,002	551,872	68,699
Inter segment revenue		(470,655)	9,163,533	(8,692,878)				
Total expenses	14,312	44,352,672	13,374,844	12,909,806	1,086,688	2,854,587	423,072	49,476
Net income	321,340	1,201,031	1,382,346	13,844,432	149,226	709,415	128,800	19,223
Segment Assets - (Gross of NPLs Provisions)	-	25,230,214	200,996,008	927,030,742	-	17,520,586	2,625,495	375,615
Segment Non-Performing Loans	-	-	11,480,045	83,772,250	-	-	-	-
Segment Specific Provision Required	-	-	7,293,378	63,040,673	-	-	-	-
Segment Liabilities	-	-	261,416,158	751,938,512	-	10,106,158	1,784,378	85,565
Segment Return on Assets (ROA) (%)	0.00%	7.97%	1.03%	1.97%	0.00%	8.20%	4.57%	2.63%
Segment Cost of Fund (%)	0.00%	0.00%	5.27%	6.97%	0.00%	0.00%	0.18%	0.00%
September 30, 2011-Unaudited								
Total income	395,516	37,864,715	4,361,917	36,031,981	1,407,450	3,139,315	16,675	50,136
Inter segment revenue		(545,775)	8,418,473	(7,872,698)				
Total expenses	2,074	36,809,907	11,713,048	14,571,903	985,808	2,273,998	12,096	45,793
Net income	393,442	509,032	1,067,342	13,587,380	421,642	865,317	4,579	4,343
Segment Assets - (Gross of NPLs Provisions)	-	8,891,457	177,115,571	818,222,515	-	13,870,180	-	-
Segment Non-Performing Loans	-	-	7,817,682	110,408,279	-	-	-	-
Segment Specific Provision Required	-	-	6,471,427	59,960,857	-	-	-	-
Segment Liabilities	-	752,867	228,107,436	644,834,581	-	12,697,113	48,254	193,982
Segment Return on Assets (ROA) (%)	0.00%	8.38%	0.93%	2.23%	0.00%	10.05%	20.54%	0.19%
Segment Cost of Fund (%)	0.00%	0.00%	5.16%	6.20%	0.00%	0.00%	0.00%	0.17%

17. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its associated undertakings, employee benefit plans, and its key management personnel (including their associates). The details of investments in associated undertakings are stated in note 7 to these financial statements.

Transactions between the bank and its related parties are carried out under normal course of business, except employee staff loans, employees sale of assets, provident fund and loan given to NBP Exchange Company Limited, that are as per agreement.

There are no transactions with key management personnel other than under their terms of employment.

	2012-Un audited				2011- Audited			
	At January 1,	Given during the period	Repaid during the period	At September 30,	At January 1,	Given during the year	Repaid during the year	At December 31,
(Rupees in '000)								
Advances								
Key Management Executives	82,110	8,000	(23,918)	66,192	126,519	10,700	(16,768)	120,451
*Adjustment	-	-	-	-	(38,341)	-	-	(38,341)
	82,110	8,000	(23,918)	66,192	88,178	10,700	(16,768)	82,110
Debts due by Company in which director is interested as director	10,007,468	7,641,067	(11,832,170)	7,560,719	9,564,548	1,635,668	(1,192,748)	10,007,468
*Adjustment	1,744,354	-	-	-	-	-	-	-
	11,751,822	7,641,067	(11,832,170)	7,560,719	9,564,548	1,635,668	(1,192,748)	10,007,468
Associates	1,281,029	-	(61,043)	1,219,986	1,294,419	-	(13,390)	1,281,029
	13,114,961	7,649,067	(11,917,131)	8,846,897	10,947,145	1,646,368	(1,222,906)	11,370,607

	2012-Un audited				2011- Audited			
	At January 1,	Received during the period	Repaid during the period	At September 30,	At January 1,	Received during the year	Repaid during the year	At December 31,
(Rupees in '000)								
Deposits								
Key Management Executives	14,750	64,803	(60,650)	18,903	58,136	217,213	(260,763)	14,586
*Adjustment	-	-	-	-	164	-	-	164
	14,750	64,803	(60,650)	18,903	58,300	217,213	(260,763)	14,750
Pension Fund (Current)	5,856	30,120,482	(30,122,284)	4,054	5,037	30,056	(29,237)	5,856
Pension Fund (Fixed Deposit)	16,100,000	15,800,000	(27,100,000)	4,800,000	8,400,000	10,200,000	(2,500,000)	16,100,000
Provident Fund	10,224,455	1,635,014	(1,172,052)	10,687,417	8,909,272	2,281,333	(966,150)	10,224,455
	26,345,061	47,620,299	(58,454,986)	15,510,374	17,372,609	12,728,602	(3,756,150)	26,345,061

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

	September 30 2012 (Un-audited)	December 31 2011 (Audited)
(Rupees in '000)		
Placements with:		
Joint venture	482,133	614,100
Associates	23,332	23,332
Reverse Repo lending to		
Pension Fund	-	9,999,998
Borrowing from		
Joint venture	31,041	78,063
Off balance Sheet Items		
Forward exchange contracts with Joint Ventures		
-Bought	-	974,344
-Sold	-	962,351
	Nine Months Ended September 30, 2012 (Un-audited)	Nine Months Ended September 30, 2011 (Un-audited)
(Rupees in '000)		
Income for the period		
On advances / placements with:		
Joint Ventures	3,095	1,377
Key management executives	2,601	2,638
Debts Due by company in which a director of the bank is interested as director	880,706	751,525
On Reverse Repo / Lendings with:		
Associates	-	2,121
Expenses for the period		
Remuneration to key management executives	225,874	284,699
Charge for defined benefit plan	13,731	20,565
Mark-up on Deposits of:		
Provident fund	1,478,434	1,349,358
Pension fund	254,673	704,429
Key management executives	1,424	2,616
Mark-up on Borrowing (Repo / Call) :		
Joint venture	980	1,629
Associates	-	3,184

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

18. ISLAMIC BANKING BUSINESS

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

	September 30 2012 (Unaudited) ----- (Rupees in '000) -----	December 31 2011 (Audited)
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash and balances with treasury banks	90,402	141,873
Balances with and due from financial institutions		-
Investments	1,389,087	1,557,399
Financing / Receivables under:		
- Murabaha	688,400	658,310
- Diminishing Musharika	648,713	723,313
- Ijarah assets	263,573	372,408
- Other Islamic modes	-	-
Provision against non performing financings	(360,665)	(192,874)
Operating fixed assets	11,445	11,613
Due from Head Office	-	-
Other assets	133,592	111,182
Total Assets	2,864,547	3,383,224
LIABILITIES		
Bills payable	6,595	9,385
Deposits and other accounts	1,451,480	1,519,844
Due to Head Office	1,092,275	1,433,810
Other liabilities	90,435	48,650
	2,640,785	3,011,689
NET ASSETS	223,762	371,535
REPRESENTED BY		
Islamic Banking Fund	300,000	300,000
Unappropriated (loss) / Profit	(76,238)	71,535
	223,762	371,535
Profit and Loss Account		
Profit / Return earned on financings, investments and placements	357,743	388,483
Profit / return on deposit and other dues expensed	(183,405)	(217,793)
Net spread earned	174,338	170,690
Depreciation on assets given on ijarah	(104,064)	(101,823)
	70,274	68,867
Provision against advances and investments	(105,457)	(111,719)
Provision reversed against advances and investments	37,666	-
	(67,791)	(111,719)
Profit / (Loss) after provision	2,483	(42,852)
OTHER INCOME		
Fee, commission and brokerage income	2,549	2,678
Income from dealing in foreign currencies	(1)	114
Other income	-	279
Total other income	2,548	3,071
	5,031	(39,781)
OTHER EXPENSES		
Administrative expenses	(81,269)	(72,716)
Loss for the period	(76,238)	(112,497)

Cash Flow Statement**Cash Flow from Operating Activities**(Un-audited) (Un-audited)
September 30 September 30
2012 2011

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

Cash Flow from Operating Activities

Loss for the period (76,238) (112,497)

Adjustments :

Depreciation - Own assets 953 818

Depreciation - Ijarah assets 104,064 101,823

Provision against non performing financings 67,791 111,719

172,808 214,360

96,570 101,863

(Increase) / Decrease in operating assets

Due from Financial Institutions - 200,000

Financings 317,593 (1,607,504)

Other assets (22,410) (33,400)

295,183 (1,440,904)

(Increase) / Decrease in operating liabilities

Bills payable (2,790) (1,781)

Deposits and other accounts (68,364) (1,028,100)

Borrowings from Head Office (413,070) 2,246,700

Other liabilities 41,785 70,409

(442,439) 1,287,228

Net cash (used in) / generated from operating activities (50,686) (51,813)

Cash Flow from Investing Activities

Investment in operating fixed assets (785) -

Net cash used in investing activities (785) -

Cash Flow from Financing Activities

Net Cash Flow from Financing Activities - -

(Decrease) / Increase in cash and cash equivalents (51,471) (51,813)

Cash and cash equivalents at beginning of the year 141,873 157,726

Cash and cash equivalents at end of the year 90,402 105,913**19. DATE OF AUTHORIZATION FOR ISSUE**

The consolidated condensed interim financial statements were authorized for issue on October 24, 2012 by the Board of Directors of the Holding Company.

20. GENERAL**20.1** Figures have been rounded-off to the nearest thousand rupees._____
Chairman/ President_____
Director_____
Director_____
Director