Directors’ Report

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

Rs. in million

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

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

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

Net interest margin registered an increase of Rs. 1,727 million or 6.4% mainly due to growth in volumes. Net advances increased by Rs. 47 billion and Rs. 22 billion as compared to corresponding period of last year and year end 2008 respectively. The growth in advances was mainly driven from corporate and commodity financing. Deposits increased by Rs. 92 billion or 16.4% over corresponding period last year. Compared to year end December 2008 deposits have increased by Rs. 29 billion or 4.6%.
Administrative expenses show a rise of Rs. 2.1 billion or 16% compared to the corresponding period mainly due to inflation linked salary increases and related increase in other expenses.

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

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

On behalf of Board of Directors

S. Ali Raza

Chairman & President

Date: October 31, 2009
## National Bank of Pakistan

**UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET**

**AS AT SEPT 30, 2009**

### (Un-audited) (Audited)

<table>
<thead>
<tr>
<th>Note</th>
<th>Sept 30, 2009</th>
<th>Dec 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rupees in '000)</td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with treasury banks</td>
<td>72,976,246</td>
<td>106,503,756</td>
</tr>
<tr>
<td>Balances with other banks</td>
<td>26,527,558</td>
<td>38,344,608</td>
</tr>
<tr>
<td>Lendings to financial institutions-net</td>
<td>5,098,642</td>
<td>17,128,032</td>
</tr>
<tr>
<td>Investments-net</td>
<td>240,518,170</td>
<td>170,822,491</td>
</tr>
<tr>
<td>Advances-net</td>
<td>435,504,840</td>
<td>412,986,865</td>
</tr>
<tr>
<td>Operating fixed assets</td>
<td>24,876,923</td>
<td>24,217,655</td>
</tr>
<tr>
<td>Deferred tax assets-net</td>
<td>3,021,712</td>
<td>3,204,572</td>
</tr>
<tr>
<td>Other assets</td>
<td>56,613,570</td>
<td>44,550,347</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>865,137,661</td>
<td>817,758,326</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills payable</td>
<td>7,397,468</td>
<td>10,219,061</td>
</tr>
<tr>
<td>Borrowings</td>
<td>50,587,500</td>
<td>40,458,926</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>653,518,020</td>
<td>624,939,016</td>
</tr>
<tr>
<td>Sub-ordinated loans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>24,660</td>
<td>25,274</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>37,951,220</td>
<td>39,656,831</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>749,478,868</td>
<td>715,299,108</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>115,658,793</td>
<td>102,459,218</td>
</tr>
</tbody>
</table>

**REPRESENTED BY**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>10,763,701</td>
<td>8,969,751</td>
</tr>
<tr>
<td>Reserves</td>
<td>21,673,557</td>
<td>19,941,047</td>
</tr>
<tr>
<td>Unappropriated profit</td>
<td>53,970,735</td>
<td>52,456,204</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>86,407,993</td>
<td>81,367,002</td>
</tr>
</tbody>
</table>

| Surplus on revaluation of assets - net | 29,250,800 | 21,092,216 |

<table>
<thead>
<tr>
<th><strong>CONTINGENCIES AND COMMITMENTS</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>115,658,793</td>
<td>102,459,218</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Nine Months</th>
<th>Quarter</th>
<th>Nine Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ended</td>
<td>Ended</td>
<td>Sept 30,</td>
<td>Sept 30,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2009</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sept 30,</td>
<td>Sept 30,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2008</td>
<td>2008</td>
</tr>
<tr>
<td>Note</td>
<td>--------------</td>
<td>----------</td>
<td>-------------</td>
</tr>
<tr>
<td></td>
<td>(Rupees in '000)</td>
<td>----------</td>
<td>-------------</td>
</tr>
</tbody>
</table>

Mark-up / Return / Interest earned 18,663,111 55,931,541 15,210,356 43,226,927
Mark-up / Return / Interest expense 8,958,664 27,247,726 7,189,381 16,270,143
Net mark-up / Interest income 9,704,427 28,683,815 8,020,975 26,956,784

Provision against non-performing advances 3,567,291 8,631,720 1,680,597 6,734,076
Provision for / (reversal) of diminution in the value of investments (369,631) 121,480 (252) (19,741)
Provision against off balance sheet obligations - 20,237 - -
Bad debts written off directly (69) 56 96 203

Net mark-up / interest income after provisions 3,197,591 8,773,493 1,680,441 6,714,538
Profit after taxation [see note (i) & 10] 3,769,684 12,695,871 7,189,381 16,270,143

Transfer from surplus on revaluation of fixed assets 12,695,871 7,189,381 16,270,143
Unappropriated profit brought forward 54,942 16,270,143

Profit available for appropriations 54,347,704 62,600,120 50,389,471 58,108,786
Basic and diluted earnings per share (Rupees) 3.50 9.34 4.47 11.80

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

(ii) The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.
## NATIONAL BANK OF PAKISTAN
### UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)
### FOR THE NINE MONTHS ENDED SEPT 30, 2009

<table>
<thead>
<tr>
<th>Capital</th>
<th>Revenue</th>
<th>(Rupees in '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>Exchange</td>
<td>Statutory</td>
</tr>
<tr>
<td></td>
<td>Translation</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>Balance as at January 1, 2008</strong></td>
<td>8,154,319</td>
<td>3,364,312</td>
</tr>
<tr>
<td>Total comprehensive income for the nine months period ended September 30, 2008</td>
<td>-</td>
<td>2,208,636</td>
</tr>
<tr>
<td>Transfer to statutory reserve</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Issue of bonus shares (10%)</td>
<td>815,432</td>
<td>-</td>
</tr>
<tr>
<td>Cash dividend (Rs. 7.5 per share)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as at Sept 30, 2008</strong></td>
<td>8,969,751</td>
<td>5,572,948</td>
</tr>
<tr>
<td><strong>Balance as at Oct 1, 2008</strong></td>
<td>8,969,751</td>
<td>5,572,948</td>
</tr>
<tr>
<td>Total comprehensive income for the three months period ended December 31, 2008</td>
<td>-</td>
<td>414,428</td>
</tr>
<tr>
<td>Transfer to statutory reserve</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as at December 31, 2008</strong></td>
<td>8,969,751</td>
<td>5,987,376</td>
</tr>
<tr>
<td><strong>Balance as at January 1, 2009</strong></td>
<td>8,969,751</td>
<td>5,987,376</td>
</tr>
<tr>
<td>Total comprehensive income for the nine months period ended September 30, 2009</td>
<td>-</td>
<td>727,413</td>
</tr>
<tr>
<td>Transfer to statutory reserve</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Issue of bonus shares (20%)</td>
<td>1,793,950</td>
<td>-</td>
</tr>
<tr>
<td>Cash dividend (Rs. 6.5 per share)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as at Sept 30, 2009</strong></td>
<td>10,763,701</td>
<td>6,714,789</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.
# NATIONAL BANK OF PAKISTAN

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS ENDED SEPT 30, 2009

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

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.
## CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>15,000,074</td>
<td>19,000,776</td>
</tr>
<tr>
<td>Less: Dividend income</td>
<td>1,702,366</td>
<td>2,651,647</td>
</tr>
<tr>
<td></td>
<td>13,297,708</td>
<td>16,349,129</td>
</tr>
<tr>
<td><strong>Adjusted for non-cash charges:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>546,998</td>
<td>445,225</td>
</tr>
<tr>
<td>Provision against non-performing advances</td>
<td>8,631,720</td>
<td>6,734,076</td>
</tr>
<tr>
<td>Provision for / (reversal) of diminution in the value of investments</td>
<td>121,480</td>
<td>(19,741)</td>
</tr>
<tr>
<td>Provision against off balance sheet obligations</td>
<td>20,237</td>
<td>-</td>
</tr>
<tr>
<td>Bad debts written off directly</td>
<td>56</td>
<td>203</td>
</tr>
<tr>
<td>Other provisions/ write offs</td>
<td>475,546</td>
<td>270,373</td>
</tr>
<tr>
<td>Gain on sale of fixed assets</td>
<td>(2,768)</td>
<td>(2,940)</td>
</tr>
<tr>
<td>Financial charges on leased assets</td>
<td>7,906</td>
<td>5,979</td>
</tr>
<tr>
<td><strong>(Increase) / decrease in operating assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills payable</td>
<td>(2,821,593)</td>
<td>2,434,220</td>
</tr>
<tr>
<td>Borrowings</td>
<td>10,026,391</td>
<td>16,684,982</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>28,579,004</td>
<td>(30,407,937)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(1,725,848)</td>
<td>(2,312,138)</td>
</tr>
<tr>
<td><strong>Income tax paid</strong></td>
<td>(5,993,282)</td>
<td>(10,282,712)</td>
</tr>
<tr>
<td><strong>Financial charges paid</strong></td>
<td>(7,906)</td>
<td>(5,979)</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>15,312,197</td>
<td>(64,070,306)</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM INVESTING ACTIVITIES

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Net investment in) / proceeds from Available-for-sale securities</td>
<td>(67,538,772)</td>
<td>54,350,515</td>
</tr>
<tr>
<td>Proceeds from held-to-maturity securities</td>
<td>11,501,483</td>
<td>(3,654,448)</td>
</tr>
<tr>
<td>Dividend income received</td>
<td>1,702,366</td>
<td>2,651,647</td>
</tr>
<tr>
<td>Investment in operating fixed assets</td>
<td>(1,310,552)</td>
<td>(1,367,412)</td>
</tr>
<tr>
<td>Sale proceeds of fixed assets disposed off</td>
<td>2,768</td>
<td>2,940</td>
</tr>
<tr>
<td><strong>Net cash (used in) / from investing activities</strong></td>
<td>(55,642,707)</td>
<td>51,983,242</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM FINANCING ACTIVITIES

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments of lease obligations</td>
<td>(13,308)</td>
<td>(8,419)</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(5,830,338)</td>
<td>(6,115,740)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(5,843,646)</td>
<td>(6,124,159)</td>
</tr>
<tr>
<td>Effects of exchange rate changes</td>
<td>727,413</td>
<td>2,208,636</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>(45,446,743)</td>
<td>(16,002,587)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the period</td>
<td>144,676,388</td>
<td>131,456,989</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>99,229,645</td>
<td>115,454,402</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.
1. STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

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

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

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

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

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

3. ACCOUNTING POLICIES

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

<table>
<thead>
<tr>
<th>Held by</th>
<th>Given as</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank</td>
<td>collateral</td>
<td></td>
</tr>
</tbody>
</table>

Note: (Rupees in '000)

### 6.1 Investments by type:

#### Held-for-trading securities:
- Ordinary shares of listed companies
- Market Treasury Bills: 3,494,657
- Pakistan Investment Bonds: 1,047,856
- Ijara Sukuk Bonds: 1,000,000

#### Available-for-sale securities:
- Ordinary shares of listed companies: 2,473,411
- Ordinary shares of unlisted companies: 1,326,319
- Market Treasury Bills: 94,620,864
- Preference shares: 250,000
- Pakistan Investment Bonds: 11,654,499
- GoP Foreign Currency Bonds: 2,901,161
- Foreign Government Securities: 207,180
- National Investment Trust (NIT) Units: 8,404,327
- NIT Market Opportunity Fund: 1,800,000

#### Held-to-maturity securities:
- Government Compensation Bonds: 1,189,327
- Pakistan Investment Bonds: 8,914,642
- GoP Foreign Currency Bonds: 7,943,385
- Foreign Government Securities: 1,549,966
- Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds: 2,224,390

### Total Held-to-maturity securities:

#### Investments in associates:
- 969,568

#### Investments in joint ventures:
- 1,312,335

#### Investments in subsidiaries:
- 1,352,458

### Investments at cost:
- 126,146,002

#### Less: Provision for diminution in value of Investments:
- (1,657,385)

### Investments (net of provisions):
- 143,488,617

#### Surplus on revaluation of Held-for-trading securities:
- 54,421

#### Surplus / (deficit) on revaluation of Available-for-sale securities:
- (88,917)

### Total investments at market value:
- 146,799,985
6.1.1 Investment outside Pakistan - Bank Al-Jazira

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

<table>
<thead>
<tr>
<th>Note</th>
<th>Sept 30, 2009 (Un-audited)</th>
<th>Dec 31, 2008 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rupees in '000)</td>
<td>(Rupees in '000)</td>
</tr>
<tr>
<td>7. ADVANCES-net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans, cash credits, running finances, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Pakistan</td>
<td>415,283,727</td>
<td>389,997,489</td>
</tr>
<tr>
<td>Outside Pakistan</td>
<td>47,322,345</td>
<td>45,145,226</td>
</tr>
<tr>
<td>Bills discounted and purchased (excluding Government treasury bills)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable in Pakistan</td>
<td>3,116,745</td>
<td>2,973,812</td>
</tr>
<tr>
<td>Payable outside Pakistan</td>
<td>22,992,962</td>
<td>19,518,940</td>
</tr>
<tr>
<td>Margin Financing / Continuous Funding System</td>
<td>60,963</td>
<td>192,956</td>
</tr>
<tr>
<td>Advances - gross</td>
<td>488,776,742</td>
<td>457,826,029</td>
</tr>
<tr>
<td>Less: Provision against non-performing advances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific</td>
<td>(51,149,670)</td>
<td>(42,729,947)</td>
</tr>
<tr>
<td>General</td>
<td>(2,122,232)</td>
<td>(2,111,217)</td>
</tr>
<tr>
<td>Advances - net of provision</td>
<td>435,504,840</td>
<td>412,986,865</td>
</tr>
</tbody>
</table>

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

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

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

Deferred tax assets arising in respect of

<table>
<thead>
<tr>
<th>Description</th>
<th>Sept 30, 2009</th>
<th>Dec 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for diminution in the value of investments</td>
<td>357,446</td>
<td>357,446</td>
</tr>
<tr>
<td>Provision against advances and off-balance sheet obligations</td>
<td>5,955,672</td>
<td>4,210,526</td>
</tr>
<tr>
<td>Other provisions</td>
<td>376,111</td>
<td>376,111</td>
</tr>
<tr>
<td>Charge against defined benefits plans</td>
<td>666,181</td>
<td>666,181</td>
</tr>
<tr>
<td>Total</td>
<td>7,355,410</td>
<td>5,610,264</td>
</tr>
</tbody>
</table>

Deferred tax (liabilities) arising in respect of

<table>
<thead>
<tr>
<th>Description</th>
<th>Sept 30, 2009</th>
<th>Dec 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of accounting book value of leased assets over lease liabilities</td>
<td>(6,225)</td>
<td>(5,600)</td>
</tr>
<tr>
<td>Difference between accounting book value of fixed assets and tax base</td>
<td>(222,846)</td>
<td>(169,754)</td>
</tr>
<tr>
<td>Revaluation of securities</td>
<td>(2,620,011)</td>
<td>(895,673)</td>
</tr>
<tr>
<td>Revaluation of fixed assets</td>
<td>(1,284,616)</td>
<td>(1,334,665)</td>
</tr>
<tr>
<td>Total</td>
<td>(4,333,698)</td>
<td>(2,405,692)</td>
</tr>
</tbody>
</table>

Net deferred tax assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,021,712</td>
<td>3,204,572</td>
</tr>
</tbody>
</table>

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

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

9. DEPOSITS AND OTHER ACCOUNTS

Customers

<table>
<thead>
<tr>
<th>Description</th>
<th>Sept 30, 2009</th>
<th>Dec 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed deposits</td>
<td>176,489,686</td>
<td>141,949,041</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>194,703,282</td>
<td>179,807,400</td>
</tr>
<tr>
<td>Current accounts - remunerative</td>
<td>63,530,311</td>
<td>50,893,400</td>
</tr>
<tr>
<td>Current accounts - non-remunerative</td>
<td>152,994,460</td>
<td>143,216,221</td>
</tr>
<tr>
<td>Total</td>
<td>587,717,739</td>
<td>515,866,062</td>
</tr>
</tbody>
</table>

Financial Institutions

<table>
<thead>
<tr>
<th>Description</th>
<th>Sept 30, 2009</th>
<th>Dec 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remunerative deposits</td>
<td>46,877,446</td>
<td>38,438,503</td>
</tr>
<tr>
<td>Non-remunerative deposits</td>
<td>18,922,835</td>
<td>70,634,451</td>
</tr>
<tr>
<td>Total</td>
<td>65,800,281</td>
<td>109,072,954</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>653,518,020</td>
<td>624,939,016</td>
</tr>
</tbody>
</table>
### 10. SURPLUS ON REVALUATION OF ASSETS - net

| Surplus on revaluation of fixed assets - net of tax | 17,240,209 | 17,333,159 |
| Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax | | |
| Federal Government securities | (103,855) | (820,863) |
| Term Finance Certificates | (143,577) | (67,983) |
| Quoted shares and mutual funds | 1,506,931 | (438,078) |
| GoP Foreign Currency Bonds | 846,184 | (679,108) |
| NIT Units | 5,063,613 | 2,386,570 |
| NIT Market Opportunity Fund | 355,071 | (796,196) |
| Investment outside Pakistan | 7,306,235 | 5,090,388 |
| | 14,830,602 | 4,654,730 |
| Deferred tax liability recognised | (2,820,011) | (895,673) |
| | **29,250,800** | **21,092,216** |

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

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

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

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

<table>
<thead>
<tr>
<th>Sept 30, 2009</th>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in ‘Impairment Loss’ in Profit and Loss Account</td>
<td>138,630</td>
</tr>
<tr>
<td>Decrease in tax charge for the nine months</td>
<td>13,863</td>
</tr>
<tr>
<td>Decrease in profit for the nine months - after tax</td>
<td><strong>124,767</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in earnings per share -after tax (basic and diluted)</td>
<td>0.12</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net surplus on revaluation of available for sale securities</td>
<td>124,767</td>
</tr>
<tr>
<td>Decrease in unappropriated profit</td>
<td><strong>124,767</strong></td>
</tr>
</tbody>
</table>
11. CONTINGENCIES AND COMMITMENTS

11.1 Direct credit substitutes

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30, 2009</th>
<th>December 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Un-audited)</td>
<td>(Audited)</td>
</tr>
<tr>
<td>- Government</td>
<td>18,100,889</td>
<td>15,444,979</td>
</tr>
<tr>
<td>- Financial institutions</td>
<td>6,883,524</td>
<td>5,873,517</td>
</tr>
<tr>
<td>- Others</td>
<td>13,785,190</td>
<td>11,762,514</td>
</tr>
<tr>
<td></td>
<td>38,769,603</td>
<td>33,081,010</td>
</tr>
</tbody>
</table>

11.2 Transaction-related contingent liabilities

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30, 2009</th>
<th>December 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Government</td>
<td>22,005,432</td>
<td>18,660,550</td>
</tr>
<tr>
<td>- Financial institutions</td>
<td>5,967</td>
<td>5,060</td>
</tr>
<tr>
<td>- Others</td>
<td>9,321,182</td>
<td>7,904,339</td>
</tr>
<tr>
<td></td>
<td>31,332,581</td>
<td>26,569,949</td>
</tr>
</tbody>
</table>

11.3 Trade-related contingent liabilities

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30, 2009</th>
<th>December 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Government</td>
<td>142,317,363</td>
<td>133,467,937</td>
</tr>
<tr>
<td>- Financial institutions</td>
<td>1,074,117</td>
<td>1,007,327</td>
</tr>
<tr>
<td>- Others</td>
<td>38,699,017</td>
<td>36,292,676</td>
</tr>
<tr>
<td></td>
<td>182,090,497</td>
<td>170,767,940</td>
</tr>
</tbody>
</table>

11.4 Other contingencies

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30, 2009</th>
<th>December 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,788,982</td>
<td>11,442,569</td>
</tr>
</tbody>
</table>

11.4.2 Taxation

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

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

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

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30, 2009 (Un-audited)</th>
<th>Dec 31, 2008 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.5 Commitments in respect of forward exchange contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>85,259,748</td>
<td>69,361,297</td>
</tr>
<tr>
<td>Sale</td>
<td>48,636,239</td>
<td>55,563,737</td>
</tr>
<tr>
<td>11.6 Commitments in respect of trading with Government securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>2,000,000</td>
<td>5,200,000</td>
</tr>
<tr>
<td>Sale</td>
<td>-</td>
<td>5,200,000</td>
</tr>
<tr>
<td>11.7 Other Commitments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross Currency Interest Rate SWAP</td>
<td>6,914,650</td>
<td>8,082,780</td>
</tr>
</tbody>
</table>
11.8 Commitments for the acquisition of operating fixed assets

2,240,235

11.9 Commitments to inject capital in the following companies

- Nishat Power Limited
  - 178,750
- Nishat (Chunian) Limited
  - 211,893

11.10 Commitments for purchase of NIT Market Opportunity Fund units

200,000

11.11 Commitments for investment in NIT State Enterprise Fund

3,300,000


13. BASIC AND DILUTED EARNINGS PER SHARE

<table>
<thead>
<tr>
<th></th>
<th>Quarter Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after taxation</td>
<td>3,769,684</td>
<td>10,050,966</td>
</tr>
<tr>
<td>Weighted average</td>
<td>1,076,370</td>
<td>1,076,370</td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>3.50</td>
<td>9.34</td>
</tr>
<tr>
<td></td>
<td>earnings per share</td>
<td>4.47</td>
</tr>
</tbody>
</table>

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

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

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

| Technology       | Distribution   | Banking & 
<table>
<thead>
<tr>
<th>Finance</th>
<th>Retail &amp;</th>
<th>Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 30, 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>295,407</td>
<td>6,270,289</td>
</tr>
<tr>
<td>Total expenses</td>
<td>394</td>
<td>880,764</td>
</tr>
<tr>
<td>Net income</td>
<td>295,013</td>
<td>5,389,525</td>
</tr>
<tr>
<td>Sept 30, 2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>242,402</td>
<td>6,046,684</td>
</tr>
<tr>
<td>Total expenses</td>
<td>476</td>
<td>333,834</td>
</tr>
<tr>
<td>Net income</td>
<td>241,926</td>
<td>5,712,850</td>
</tr>
</tbody>
</table>
15. RELATED PARTY TRANSACTIONS

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

### Advances

<table>
<thead>
<tr>
<th></th>
<th>For the Nine Months Ended September 30, 2009 (Un-audited)</th>
<th>For the Year Ended December 31, 2008 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Key Management Executives Subsidiaries Associates</td>
<td>Key Management Executives Subsidiaries Associates</td>
</tr>
<tr>
<td></td>
<td>-----------------------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Advances</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>Given during the period / year</td>
<td>95,931 682,730 1,269,498</td>
<td>89,102 786,382 1,515,120</td>
</tr>
<tr>
<td>Repaid during the period / year</td>
<td>- (41,667) (70)</td>
<td>- (103,652) (245,622)</td>
</tr>
<tr>
<td>At Sept 30 / December 31</td>
<td>118,270 641,063 1,283,314</td>
<td>95,931 682,730 1,269,498</td>
</tr>
</tbody>
</table>

### Deposits

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

### Placements with:

- Joint venture: 483,166
- Associates / subsidiaries: 25,881
- Pension Fund: -

### Lendings to:

- Subsidiary: -
- (Repo) Borrowing from Subsidiary company: 450,000

### Other receivables from Subsidiaries

- 39,364

### Other payables to Subsidiaries

- 11,594
Nine Months Ended Sept 30, 2009
(Un-audited)

Income
On advances / placements with:
Subsidiaries 4,289 5,695
Associates - 12,841
On debts due by company in which a director of the bank is interested as director - -

Expenses
Remuneration to key management executives 155,549 178,676
Charge for defined benefit plan 7,089 5,110

Mark-up on deposits of:
Subsidiaries 187 206
Provident fund 753,994 563,403

Mark-up on repo borrowing of:
Subsidiaries 39,399 25,645
Commission paid to subsidiaries 563 1,587

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

16. ISLAMIC BANKING BUSINESS

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Un-audited)</td>
<td>(Audited)</td>
</tr>
<tr>
<td></td>
<td>(Rupees in '000)</td>
<td>(Rupees in '000)</td>
</tr>
</tbody>
</table>

ASSETS
Cash and balances with treasury banks 42,376 10,159
Investments 401,880 509,642
Financing and Receivables 374,732 321,650
Fixed Assets 172,147 1,050
Other assets 58,169 45,579
Total Assets 1,049,304 888,080

LIABILITIES
Bills Payable 6,405 5,993
Deposits and other accounts 397,141 47,186
Due to Head Office 348,696 508,591
Other liabilities 55,592 19,577
Total Liabilities 807,834 581,347

NET ASSETS 241,470 306,733

REPRESENTED BY
Islamic Banking Fund 300,000 300,000
Unappropriated profit 10,050 5,552
(Deficit) / Surplus on Revaluation of Assets (68,580) 1,181

241,470 306,733
### Profit and Loss Account

<table>
<thead>
<tr>
<th>Description</th>
<th>Sept 30, 2009</th>
<th>Sept 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / return on financing and placements earned</td>
<td>142,090</td>
<td>84,393</td>
</tr>
<tr>
<td>Profit / return on deposit and other dues expensed</td>
<td>62,033</td>
<td>30,949</td>
</tr>
<tr>
<td>Net spread earned</td>
<td>80,057</td>
<td>53,444</td>
</tr>
</tbody>
</table>

**OTHER INCOME**

<table>
<thead>
<tr>
<th>Description</th>
<th>Sept 30, 2009</th>
<th>Sept 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee, commission and brokerage income</td>
<td>1,367</td>
<td>931</td>
</tr>
<tr>
<td>Income from dealing in foreign currencies</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Other income</td>
<td>9,834</td>
<td>-</td>
</tr>
<tr>
<td>Total other income</td>
<td>11,201</td>
<td>936</td>
</tr>
</tbody>
</table>

**OTHER EXPENSES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Sept 30, 2009</th>
<th>Sept 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative expenses</td>
<td>81,008</td>
<td>55,013</td>
</tr>
<tr>
<td>Other charges</td>
<td>200</td>
<td>-</td>
</tr>
<tr>
<td>Total other expenses</td>
<td>81,208</td>
<td>55,013</td>
</tr>
</tbody>
</table>

**PROFIT / LOSS BEFORE TAXATION**

<table>
<thead>
<tr>
<th>Description</th>
<th>Sept 30, 2009</th>
<th>Sept 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / loss before taxation</td>
<td>10,050</td>
<td>(633)</td>
</tr>
</tbody>
</table>

17. **DATE OF AUTHORIZATION FOR ISSUE**

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

18. **GENERAL**

Figures have been rounded-off to the nearest thousand rupees.
National Bank of Pakistan

Consolidated Financial Statements

For the quarter ended September 30, 2009
**National Bank of Pakistan and its Subsidiary Companies**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2009**

<table>
<thead>
<tr>
<th>Note</th>
<th>ASSETS</th>
<th>(Un-Audited)</th>
<th>(Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Sept 30 2009</td>
<td>Dec 31 2008</td>
</tr>
<tr>
<td>1</td>
<td>Cash and Balances with Treasury Banks</td>
<td>73,676,659</td>
<td>106,778,346</td>
</tr>
<tr>
<td>2</td>
<td>Balances with other Banks</td>
<td>27,177,788</td>
<td>39,490,730</td>
</tr>
<tr>
<td>3</td>
<td>Lendings to Financial Institutions</td>
<td>5,651,088</td>
<td>17,139,081</td>
</tr>
<tr>
<td>4</td>
<td>Investments</td>
<td>240,675,396</td>
<td>171,204,889</td>
</tr>
<tr>
<td>5</td>
<td>Advances</td>
<td>435,676,563</td>
<td>413,076,389</td>
</tr>
<tr>
<td>6</td>
<td>Net Operating Fixed Assets</td>
<td>5,651,088</td>
<td>17,139,081</td>
</tr>
<tr>
<td>7</td>
<td>Deferred Tax Assets</td>
<td>3,034,989</td>
<td>3,203,565</td>
</tr>
<tr>
<td>8</td>
<td>Other Assets</td>
<td>57,026,385</td>
<td>44,912,238</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>867,846,176</td>
<td>820,077,201</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>LIABILITIES</th>
<th>(Un-Audited)</th>
<th>(Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Bills Payable</td>
<td>7,397,468</td>
<td>10,219,061</td>
</tr>
<tr>
<td>10</td>
<td>Borrowings</td>
<td>50,587,500</td>
<td>40,044,291</td>
</tr>
<tr>
<td></td>
<td>Deposits and other Accounts</td>
<td>653,702,145</td>
<td>625,349,270</td>
</tr>
<tr>
<td>11</td>
<td>Sub-ordinated Loans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>Liabilities against Assets subject to Finance Lease</td>
<td>26,296</td>
<td>25,274</td>
</tr>
<tr>
<td>13</td>
<td>Deferred Tax Liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>14</td>
<td>Other Liabilities</td>
<td>38,240,964</td>
<td>39,988,100</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>749,954,373</td>
<td>715,625,996</td>
</tr>
</tbody>
</table>

**NET ASSETS**

<table>
<thead>
<tr>
<th>Note</th>
<th>(Un-Audited)</th>
<th>(Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>117,893,802</td>
<td>104,451,206</td>
</tr>
</tbody>
</table>

**REPRESENTED BY**

<table>
<thead>
<tr>
<th>Note</th>
<th>Share Capital</th>
<th>Reserves</th>
<th>Unappropriated Profit</th>
<th>Minority Interest</th>
<th>Surplus on Revaluation of Assets - net</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>10,763,701</td>
<td>22,315,064</td>
<td>55,151,409</td>
<td>114,075</td>
<td>29,549,553</td>
</tr>
<tr>
<td></td>
<td>8,969,751</td>
<td>20,476,863</td>
<td>53,567,326</td>
<td>112,699</td>
<td>21,324,568</td>
</tr>
<tr>
<td></td>
<td>88,230,174</td>
<td>83,013,940</td>
<td>83,126,639</td>
<td>88,344,249</td>
<td>88,344,249</td>
</tr>
</tbody>
</table>

**CONTINGENCIES AND COMMITMENTS**

<table>
<thead>
<tr>
<th>Note</th>
<th>11</th>
</tr>
</thead>
</table>

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

The annexed notes 1 to 18 form an integral part of these consolidated condensed interim financial statements.
National Bank of Pakistan and its Subsidiary Companies
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2009

<table>
<thead>
<tr>
<th></th>
<th>Quarter Ended</th>
<th>Nine Months Ended</th>
<th>Quarter Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sept 30</td>
<td>Sept 30</td>
<td>Sept 30</td>
<td>Sept 30</td>
</tr>
<tr>
<td>Share of Minority Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROFIT AFTER TAXATION</td>
<td>3,798,128</td>
<td>10,120,518</td>
<td>15,187,429</td>
<td>43,373,886</td>
</tr>
<tr>
<td>Unappropriated Profit Brought Forward</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit attributable to shareholders of the holding company</td>
<td>8,946,670</td>
<td>27,211,557</td>
<td>7,183,056</td>
<td>16,270,128</td>
</tr>
<tr>
<td>Transfer from Surplus on Revaluation of Fixed Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad Debts Written Off Directly</td>
<td>(69)</td>
<td>56</td>
<td>96</td>
<td>203</td>
</tr>
<tr>
<td>Net Mark-up / Interest Income</td>
<td>9,757,584</td>
<td>28,839,736</td>
<td>8,004,373</td>
<td>27,103,758</td>
</tr>
<tr>
<td>Provision against Non-Performing Loans and Advances</td>
<td>3,564,761</td>
<td>8,631,720</td>
<td>1,680,597</td>
<td>6,734,076</td>
</tr>
<tr>
<td>Provision / Reversal for Diminution in the Value of Investments</td>
<td>(367,266)</td>
<td>147,345</td>
<td>(252)</td>
<td>(19,741)</td>
</tr>
<tr>
<td>Provision against Off Balance Sheet Obligations</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Mark-up / Interest Income after Provisions</td>
<td>3,197,426</td>
<td>7,799,358</td>
<td>1,680,841</td>
<td>6,714,538</td>
</tr>
<tr>
<td>NON MARK-UP / INTEREST INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee, Commission and Brokerage Income</td>
<td>2,048,085</td>
<td>6,403,898</td>
<td>1,764,371</td>
<td>5,583,523</td>
</tr>
<tr>
<td>Dividend Income</td>
<td>1,399,238</td>
<td>1,702,366</td>
<td>2,458,246</td>
<td>2,651,647</td>
</tr>
<tr>
<td>Income from Dealing in Foreign Currencies</td>
<td>662,452</td>
<td>2,621,378</td>
<td>669,524</td>
<td>2,654,730</td>
</tr>
<tr>
<td>Gain on Sale of Securities</td>
<td>175,125</td>
<td>237,707</td>
<td>30,806</td>
<td>489,144</td>
</tr>
<tr>
<td>Unrealized Gain / (Loss) on Revaluation of Investments Classified as Held-for-Trading</td>
<td>(5,650)</td>
<td>54,421</td>
<td>80,371</td>
<td>(26,707)</td>
</tr>
<tr>
<td>Share of Profit from Joint Ventures</td>
<td>(5,652)</td>
<td>441</td>
<td>30,055</td>
<td>110,400</td>
</tr>
<tr>
<td>Share of Profit from Associates</td>
<td>1,022</td>
<td>6,035</td>
<td>5,576</td>
<td>19,754</td>
</tr>
<tr>
<td>Other Income</td>
<td>36,826</td>
<td>327,853</td>
<td>61,615</td>
<td>1,339,148</td>
</tr>
<tr>
<td>Total Non Mark-up / Interest Income</td>
<td>4,311,446</td>
<td>11,354,099</td>
<td>5,092,564</td>
<td>12,621,639</td>
</tr>
<tr>
<td>NON MARK-UP / INTEREST EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>5,496,471</td>
<td>15,578,350</td>
<td>5,055,625</td>
<td>13,201,515</td>
</tr>
<tr>
<td>Other Provisions / Write Offs</td>
<td>43,594</td>
<td>506,874</td>
<td>17,241</td>
<td>270,373</td>
</tr>
<tr>
<td>Other Charges</td>
<td>14,959</td>
<td>249,068</td>
<td>-</td>
<td>494,629</td>
</tr>
<tr>
<td>Total Non Mark-up / Interest Expenses</td>
<td>5,555,024</td>
<td>16,334,292</td>
<td>5,072,866</td>
<td>13,666,157</td>
</tr>
<tr>
<td>Extra Ordinary Items</td>
<td>30,983</td>
<td>92,950</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PROFIT BEFORE TAXATION</td>
<td>5,316,579</td>
<td>15,060,186</td>
<td>6,343,630</td>
<td>19,244,342</td>
</tr>
<tr>
<td>Taxation - Current</td>
<td>2,184,537</td>
<td>6,704,358</td>
<td>1,942,041</td>
<td>8,283,960</td>
</tr>
<tr>
<td>- Prior Year(s)</td>
<td>(1,316)</td>
<td>(1,316)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Deferred</td>
<td>(664,771)</td>
<td>(1,763,375)</td>
<td>(428,360)</td>
<td>(1,972,085)</td>
</tr>
<tr>
<td>PROFIT AFTER TAXATION</td>
<td>3,187,578</td>
<td>10,198,621</td>
<td>4,829,949</td>
<td>12,932,467</td>
</tr>
<tr>
<td>Share of Minority Interest</td>
<td>1,516,451</td>
<td>4,939,668</td>
<td>1,513,681</td>
<td>6,311,875</td>
</tr>
<tr>
<td>Profit attributable to shareholders of the holding company</td>
<td>3,797,464</td>
<td>10,119,142</td>
<td>4,829,811</td>
<td>12,929,048</td>
</tr>
<tr>
<td>Unappropriated Profit Brought Forward</td>
<td>51,698,555</td>
<td>53,567,326</td>
<td>46,658,553</td>
<td>46,232,813</td>
</tr>
<tr>
<td>Transfer from Surplus on Revaluation of Fixed Assets</td>
<td>30,983</td>
<td>92,950</td>
<td>22,909</td>
<td>68,727</td>
</tr>
<tr>
<td>Profit Available for Appropriations</td>
<td>55,527,002</td>
<td>63,779,418</td>
<td>51,511,273</td>
<td>59,230,588</td>
</tr>
</tbody>
</table>

Appropriations
- Transfer to Statutory Reserves | (376,969) | (1,005,097) | (481,444) | (1,269,587) |
- Transfer to Reserve for Issue of Bonus Shares | - | (1,793,950) | - | (815,432) |
- Final Cash Dividend for the Year Ended December 31, 2008 and December 31, 2007 declared subsequent to the year end | (69) | (5,830,338) | - | (6,115,740) |
- Unappropriated Profit Carried Forward | (376,969) | (6,629,385) | (481,444) | (8,200,759) |

Basic and Diluted earnings per share (Rupees) | 13 | 3.53 | 9.40 | 4.49 | 12.01 |

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

(ii) The annexed notes 1 to 18 form an integral part of these consolidated condensed interim financial statements.
### Attributable to the shareholders of the holding company

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Exchange Equalisation</th>
<th>Statutory</th>
<th>General</th>
<th>Unappropriated Profit</th>
<th>Sub Total</th>
<th>Minority Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at January 1, 2008</strong></td>
<td>8,154,319</td>
<td>3,879,535</td>
<td>11,977,521</td>
<td>521,338</td>
<td>46,232,813</td>
<td>70,765,526</td>
<td>109,729</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income for the Nine months period ended September 2008</strong></td>
<td>-</td>
<td>2,614,320</td>
<td>-</td>
<td>-</td>
<td>13,001,194</td>
<td>15,615,514</td>
<td>3,419</td>
</tr>
<tr>
<td>Transfer to statutory reserve</td>
<td>-</td>
<td>-</td>
<td>1,423,602</td>
<td>-</td>
<td>-</td>
<td>(1,269,587)</td>
<td>154,015</td>
</tr>
<tr>
<td>Issue of bonus shares (10%)</td>
<td>815,432</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(815,432)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash Dividend (Rs. 7.5 per share)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6,115,739)</td>
<td>2,656,334</td>
<td>2,594,624</td>
</tr>
<tr>
<td><strong>Balance as at September 30, 2008</strong></td>
<td>8,969,751</td>
<td>6,493,855</td>
<td>13,401,123</td>
<td>521,338</td>
<td>51,033,249</td>
<td>80,419,316</td>
<td>113,148</td>
</tr>
<tr>
<td><strong>Balance as at October 1, 2008</strong></td>
<td>8,969,751</td>
<td>6,493,855</td>
<td>13,401,123</td>
<td>521,338</td>
<td>51,033,249</td>
<td>80,419,316</td>
<td>113,148</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income for the Three months period ended December 2008</strong></td>
<td>-</td>
<td>(61,710)</td>
<td>-</td>
<td>-</td>
<td>2,656,334</td>
<td>2,594,624</td>
<td>(449)</td>
</tr>
<tr>
<td>Transfer to statutory reserve</td>
<td>-</td>
<td>-</td>
<td>122,257</td>
<td>-</td>
<td>-</td>
<td>(122,257)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as at December 31, 2008</strong></td>
<td>8,969,751</td>
<td>6,342,145</td>
<td>13,523,380</td>
<td>521,338</td>
<td>53,567,326</td>
<td>83,013,940</td>
<td>112,699</td>
</tr>
<tr>
<td><strong>Balance as at January 1, 2009</strong></td>
<td>8,969,751</td>
<td>6,432,145</td>
<td>13,523,380</td>
<td>521,338</td>
<td>53,567,326</td>
<td>83,013,940</td>
<td>112,699</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income for the Nine months period ended September 2008</strong></td>
<td>833,104</td>
<td>-</td>
<td>-</td>
<td>1,005,097</td>
<td>-</td>
<td>(1,005,097)</td>
<td>-</td>
</tr>
<tr>
<td>Issue of bonus shares (20%)</td>
<td>1,793,950</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,793,950)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash Dividend (Rs. 6.5 per share)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,830,338)</td>
<td>10,213,468</td>
<td>11,046,572</td>
</tr>
<tr>
<td><strong>Balance as at September 30, 2009</strong></td>
<td>10,763,701</td>
<td>7,265,249</td>
<td>14,528,477</td>
<td>521,338</td>
<td>55,151,409</td>
<td>88,230,174</td>
<td>114,075</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 18 form an integral part of these consolidated condensed interim financial statements.
National Bank of Pakistan and its Subsidiary Companies
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2009

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

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

Chairman & President

Director

Director

Director
National Bank of Pakistan and its Subsidiary Companies

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2009

<table>
<thead>
<tr>
<th>Nine Months Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 30</td>
<td>Sept 30</td>
</tr>
<tr>
<td>2009</td>
<td>2008</td>
</tr>
</tbody>
</table>

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

CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>15,060,186</td>
<td>19,244,342</td>
</tr>
<tr>
<td>Less: Dividend income</td>
<td>1,702,366</td>
<td>2,651,647</td>
</tr>
<tr>
<td></td>
<td>13,357,820</td>
<td>16,592,695</td>
</tr>
</tbody>
</table>

Adjustments:

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>556,450</td>
<td>453,438</td>
</tr>
<tr>
<td>Provision against non-performing advances</td>
<td>8,631,720</td>
<td>6,734,076</td>
</tr>
<tr>
<td>Provision / (reversal) for diminution in the value of investments</td>
<td>147,345</td>
<td>19,741</td>
</tr>
<tr>
<td>Provision against off balance sheet obligations</td>
<td>20,237</td>
<td></td>
</tr>
<tr>
<td>Bad Debts Written off directly</td>
<td>56</td>
<td>203</td>
</tr>
<tr>
<td>Other provisions / write offs</td>
<td>506,874</td>
<td>270,373</td>
</tr>
<tr>
<td>Gain on sale of fixed assets</td>
<td>(2,428)</td>
<td>(3,283)</td>
</tr>
<tr>
<td>Financial charges on leased assets</td>
<td>8,145</td>
<td>5,979</td>
</tr>
<tr>
<td>Share of profit from joint ventures</td>
<td>(441)</td>
<td>(110,400)</td>
</tr>
<tr>
<td>Share of profit from associates</td>
<td>(6,035)</td>
<td>(19,754)</td>
</tr>
<tr>
<td></td>
<td>9,861,924</td>
<td>7,310,891</td>
</tr>
</tbody>
</table>

(Icrease) / decrease in operating assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lendings to financial institutions</td>
<td>11,487,993</td>
<td>10,319,503</td>
</tr>
<tr>
<td>Held-for-trading securities</td>
<td>(3,678,222)</td>
<td>(12,683,021)</td>
</tr>
<tr>
<td>Advances</td>
<td>(31,231,950)</td>
<td>(54,728,501)</td>
</tr>
<tr>
<td>Other assets (excluding advance taxation - net)</td>
<td>(13,247,938)</td>
<td>(6,951,302)</td>
</tr>
<tr>
<td></td>
<td>(36,970,117)</td>
<td>(64,043,321)</td>
</tr>
</tbody>
</table>

Increase / (decrease) in operating liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills payable</td>
<td>(2,821,593)</td>
<td>2,434,221</td>
</tr>
<tr>
<td>Borrowings</td>
<td>10,441,026</td>
<td>15,808,209</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>28,352,876</td>
<td>30,114,585</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(1,767,373)</td>
<td>(2,403,480)</td>
</tr>
<tr>
<td></td>
<td>34,204,935</td>
<td>(14,275,635)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(5,996,758)</td>
<td>(10,284,093)</td>
</tr>
<tr>
<td>Financial charges paid</td>
<td>(6,004,943)</td>
<td>(10,290,072)</td>
</tr>
<tr>
<td></td>
<td>(6,011,691)</td>
<td>(10,574,165)</td>
</tr>
</tbody>
</table>

Net cash flow from operating activities

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14,749,619</td>
<td>64,705,442</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Net investments) / proceeds from available-for-sale securities</td>
<td>67,489,447</td>
<td>54,557,647</td>
</tr>
<tr>
<td>Proceeds from held-to-maturity securities</td>
<td>11,519,176</td>
<td>(3,147,122)</td>
</tr>
<tr>
<td>Dividend income received</td>
<td>1,702,366</td>
<td>2,651,647</td>
</tr>
<tr>
<td>Investments in operating fixed assets</td>
<td>(1,344,038)</td>
<td>(1,375,085)</td>
</tr>
<tr>
<td>Sale proceeds of property and equipment disposed off</td>
<td>2,428</td>
<td>3,283</td>
</tr>
<tr>
<td>Net cash (used) in investing activities</td>
<td>(55,609,516)</td>
<td>52,690,370</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments of lease obligations</td>
<td>(11,672)</td>
<td>(8,604)</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(5,830,338)</td>
<td>(6,115,740)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(5,942,010)</td>
<td>(6,124,344)</td>
</tr>
</tbody>
</table>

Effects of exchange rate changes on cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,185,094</td>
<td>2,357,339</td>
</tr>
</tbody>
</table>

Net increase in cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(45,516,812)</td>
<td>(15,782,077)</td>
</tr>
</tbody>
</table>

Cash and cash equivalents at beginning of the period

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>146,097,099</td>
<td>132,337,685</td>
</tr>
</tbody>
</table>

Cash and cash equivalents at the end of the period

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100,580,287</td>
<td>116,555,608</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 18 form an integral part of these consolidated condensed interim financial statements.
1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company
- National Bank of Pakistan

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

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

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

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

1.2 Basis of Consolidation

- The interim condensed consolidated financial statements include the interim condensed financial statements of the holding company and its subsidiary companies - "the Group".

- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the interim condensed consolidated financial statements.

- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.

- Material intra-group balances and transactions have been eliminated.

- National Agriculture & Storage Company Limited and Cast-N-Link Product Limited have not been Consolidated, as these investments are fully provided and financial statements of these subsidiaries are not available.
2. STATEMENT OF COMPLIANCE

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

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

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

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

3. ACCOUNTING POLICIES

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

**Held-to-maturity securities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Held by bank</th>
<th>Held by collateral</th>
<th>Given as bank collateral</th>
<th>Given as collateral</th>
<th>Total Held-to-Maturity Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares of listed companies</td>
<td>143,205</td>
<td>-</td>
<td>143,205</td>
<td>-</td>
<td>7,496</td>
</tr>
<tr>
<td>Market Treasury Bills</td>
<td>3,494,657</td>
<td>-</td>
<td>3,494,657</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ijara Sukuk Bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Pakistan Investment Bonds</td>
<td>1,047,856</td>
<td>-</td>
<td>1,047,856</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Held-to-Maturity Securities</strong></td>
<td>21,821,710</td>
<td>-</td>
<td>21,821,710</td>
<td>-</td>
<td>1,007,496</td>
</tr>
</tbody>
</table>

**Available-for-sale securities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Held by bank</th>
<th>Held by collateral</th>
<th>Given as bank collateral</th>
<th>Given as collateral</th>
<th>Total Available-for-Sale Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares of listed companies</td>
<td>2,476,273</td>
<td>-</td>
<td>2,476,273</td>
<td>-</td>
<td>3,673,105</td>
</tr>
<tr>
<td>Ordinary shares of unlisted companies</td>
<td>1,326,319</td>
<td>-</td>
<td>1,326,319</td>
<td>-</td>
<td>716,610</td>
</tr>
<tr>
<td><strong>Total Available-for-Sale Securities</strong></td>
<td>3,802,592</td>
<td>-</td>
<td>3,802,592</td>
<td>-</td>
<td>4,389,715</td>
</tr>
</tbody>
</table>

**Held-for-trading securities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Held by bank</th>
<th>Held by collateral</th>
<th>Given as bank collateral</th>
<th>Given as collateral</th>
<th>Total Held-for-Trading Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares of listed companies</td>
<td>40,221,067</td>
<td>-</td>
<td>40,221,067</td>
<td>-</td>
<td>17,876,117</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>1,084,992</td>
<td>-</td>
<td>1,084,992</td>
<td>-</td>
<td>1,082,700</td>
</tr>
<tr>
<td>Pakistan Investment Bonds</td>
<td>207,180</td>
<td>-</td>
<td>207,180</td>
<td>-</td>
<td>1,657,303</td>
</tr>
<tr>
<td>Investment outside Pakistan 6.1.1</td>
<td>463,295</td>
<td>-</td>
<td>463,295</td>
<td>-</td>
<td>463,295</td>
</tr>
<tr>
<td><strong>Total Held-for-Trading Securities</strong></td>
<td>64,520,864</td>
<td>-</td>
<td>64,520,864</td>
<td>-</td>
<td>88,513,865</td>
</tr>
</tbody>
</table>

**Total investments at market value**

<table>
<thead>
<tr>
<th>Description</th>
<th>Held by bank</th>
<th>Held by collateral</th>
<th>Given as bank collateral</th>
<th>Given as collateral</th>
<th>Total investments at market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Compensation Bonds</td>
<td>1,189,327</td>
<td>-</td>
<td>1,189,327</td>
<td>-</td>
<td>2,331,182</td>
</tr>
<tr>
<td>Pakistan Investment Bonds</td>
<td>8,914,642</td>
<td>-</td>
<td>8,914,642</td>
<td>-</td>
<td>9,515,583</td>
</tr>
<tr>
<td>Federal Investment Bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Market Treasury Bills</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ijara Sukuk Bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government Compensation Bonds</td>
<td>1,549,966</td>
<td>-</td>
<td>1,549,966</td>
<td>-</td>
<td>3,959,562</td>
</tr>
<tr>
<td>GoP Foreign Currency Bonds</td>
<td>7,943,385</td>
<td>-</td>
<td>7,943,385</td>
<td>-</td>
<td>15,623,010</td>
</tr>
<tr>
<td>Debentures, Bonds, Participation Term</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Certificates and Term Finance Certificates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>and Sukuk Bonds</td>
<td>2,224,390</td>
<td>-</td>
<td>2,224,390</td>
<td>-</td>
<td>1,911,484</td>
</tr>
<tr>
<td><strong>Total Held-to-Maturity Securities</strong></td>
<td>21,821,710</td>
<td>-</td>
<td>21,821,710</td>
<td>-</td>
<td>33,340,886</td>
</tr>
</tbody>
</table>

**Investments in associates**

<table>
<thead>
<tr>
<th>Description</th>
<th>Held by bank</th>
<th>Held by collateral</th>
<th>Given as bank collateral</th>
<th>Given as collateral</th>
<th>Total investments at market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in joint ventures</td>
<td>2,099,861</td>
<td>-</td>
<td>2,099,861</td>
<td>-</td>
<td>2,451,411</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>3,245</td>
<td>-</td>
<td>3,245</td>
<td>-</td>
<td>3,245</td>
</tr>
<tr>
<td><strong>Investment at cost</strong></td>
<td>195,486,659</td>
<td>-</td>
<td>195,486,659</td>
<td>-</td>
<td>227,509,047</td>
</tr>
</tbody>
</table>

Less: Provision for diminution in value of Investments

<table>
<thead>
<tr>
<th>Description</th>
<th>Held by bank</th>
<th>Held by collateral</th>
<th>Given as bank collateral</th>
<th>Given as collateral</th>
<th>Total investments at market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments (net of provisions)</td>
<td>193,803,409</td>
<td>-</td>
<td>193,803,409</td>
<td>-</td>
<td>225,825,797</td>
</tr>
<tr>
<td><strong>Surplus on Revaluation of</strong></td>
<td>54,421</td>
<td>-</td>
<td>54,421</td>
<td>-</td>
<td>1,707</td>
</tr>
<tr>
<td><strong>Surplus/(Deficit) on revaluation of</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Available-for-sale securities</strong></td>
<td>14,884,096</td>
<td>(86,917)</td>
<td>14,795,179</td>
<td>-</td>
<td>4,587,441</td>
</tr>
</tbody>
</table>

**Total investments at market value**

<table>
<thead>
<tr>
<th>Description</th>
<th>Held by bank</th>
<th>Held by collateral</th>
<th>Given as bank collateral</th>
<th>Given as collateral</th>
<th>Total investments at market value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total investments at market value</strong></td>
<td>208,741,925</td>
<td>31,933,471</td>
<td>240,675,396</td>
<td>-</td>
<td>147,182,383</td>
</tr>
</tbody>
</table>
6.2 Investment outside Pakistan - Bank Al-Jazira

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

### Sept 30 2009 (Un-audited) Dec 31 2008 (Audited)

#### 7. ADVANCES -net

Loans, cash credits, running finances, etc.

<table>
<thead>
<tr>
<th></th>
<th>In Pakistan</th>
<th>Outside Pakistan</th>
<th>Total</th>
<th>Provision Required</th>
<th>Provision Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2009</td>
<td>414,751,743</td>
<td>47,684,772</td>
<td>462,436,515</td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, 2008</td>
<td>389,450,214</td>
<td>45,292,545</td>
<td>434,742,758</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net investment in finance lease

<table>
<thead>
<tr>
<th></th>
<th>In Pakistan</th>
<th>Outside Pakistan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2009</td>
<td>332,611</td>
<td></td>
<td>332,611</td>
</tr>
<tr>
<td>December 31, 2008</td>
<td>467,392</td>
<td></td>
<td>467,392</td>
</tr>
</tbody>
</table>

Bills discounted and purchased (excluding Government treasury bills)

<table>
<thead>
<tr>
<th></th>
<th>Payable in Pakistan</th>
<th>Payable outside Pakistan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2009</td>
<td>3,125,415</td>
<td>22,992,962</td>
<td>26,118,377</td>
</tr>
<tr>
<td>December 31, 2008</td>
<td>2,973,812</td>
<td>19,518,940</td>
<td>22,492,752</td>
</tr>
</tbody>
</table>

Margin Financing / Continuous Funding System

<table>
<thead>
<tr>
<th></th>
<th>Margin Financing / Continuous Funding System</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2009</td>
<td>60,963</td>
<td>488,948,465</td>
</tr>
<tr>
<td>December 31, 2008</td>
<td>255,453</td>
<td>457,958,355</td>
</tr>
</tbody>
</table>

Advances - gross

Less: Provision against non-performing loans

<table>
<thead>
<tr>
<th></th>
<th>Specific 7.1</th>
<th>General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2009</td>
<td>(51,149,670)</td>
<td>(2,122,232)</td>
<td>(53,271,902)</td>
</tr>
<tr>
<td>December 31, 2008</td>
<td>(42,770,749)</td>
<td>(2,111,217)</td>
<td>(44,881,966)</td>
</tr>
</tbody>
</table>

Advances - net of provision

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2009</td>
<td>435,676,563</td>
</tr>
<tr>
<td>December 31, 2008</td>
<td>413,076,389</td>
</tr>
</tbody>
</table>

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

#### September 30, 2009 (Un-audited)

<table>
<thead>
<tr>
<th>Category of Classification</th>
<th>Domestic</th>
<th>Overseas</th>
<th>Total</th>
<th>Provision Required</th>
<th>Provision Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Assets Especially Mentioned</td>
<td>2,141,104</td>
<td></td>
<td>2,141,104</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substandard</td>
<td>6,222,477</td>
<td>609,355</td>
<td>6,831,832</td>
<td>1,512,568</td>
<td>1,512,568</td>
</tr>
<tr>
<td>Doubtful</td>
<td>7,116,524</td>
<td>444,497</td>
<td>7,561,021</td>
<td>3,614,213</td>
<td>3,614,213</td>
</tr>
<tr>
<td>Loss</td>
<td>50,773,242</td>
<td>671,083</td>
<td>51,644,325</td>
<td>46,022,889</td>
<td>46,022,889</td>
</tr>
<tr>
<td>66,253,347</td>
<td>1,924,935</td>
<td>68,178,282</td>
<td>51,149,670</td>
<td></td>
<td>51,149,670</td>
</tr>
</tbody>
</table>

#### December 31, 2008 (Audited)

<table>
<thead>
<tr>
<th>Category of Classification</th>
<th>Domestic</th>
<th>Overseas</th>
<th>Total</th>
<th>Provision Required</th>
<th>Provision Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Assets Especially Mentioned</td>
<td>667,170</td>
<td></td>
<td>667,170</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substandard</td>
<td>6,149,457</td>
<td>59,853</td>
<td>6,209,310</td>
<td>4,826,228</td>
<td>4,826,228</td>
</tr>
<tr>
<td>Doubtful</td>
<td>9,760,535</td>
<td>28,682</td>
<td>9,789,217</td>
<td>4,826,228</td>
<td>4,826,228</td>
</tr>
<tr>
<td>Loss</td>
<td>39,103,789</td>
<td>733,097</td>
<td>39,836,886</td>
<td>36,384,491</td>
<td>36,384,491</td>
</tr>
<tr>
<td>55,680,951</td>
<td>821,632</td>
<td>56,502,583</td>
<td>42,770,749</td>
<td>42,770,749</td>
<td></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Note</th>
<th>Sept 30 2009 (Un-audited)</th>
<th>Dec 31 2008 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>------</td>
<td>--------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td></td>
<td>-------- (Rupees in '000') --------</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>--------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td></td>
<td>Deferred tax assets arising in respect of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provision for diminution in the value of investments</td>
<td>357,446</td>
</tr>
<tr>
<td></td>
<td>Provision against advances and off-balance sheet obligations</td>
<td>8.1</td>
</tr>
<tr>
<td></td>
<td>Other provision</td>
<td>376,111</td>
</tr>
<tr>
<td></td>
<td>Charge against defined benefits plans</td>
<td>666,181</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>13,277</td>
</tr>
<tr>
<td></td>
<td><strong>Deferral tax (liabilities) arising in respect of</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Excess of accounting book value of leased assets over lease liabilities</td>
<td>(6,225)</td>
</tr>
<tr>
<td></td>
<td>Difference between accounting book value of fixed assets and tax base</td>
<td>(222,846)</td>
</tr>
<tr>
<td></td>
<td>Revaluation of securities</td>
<td>8.2</td>
</tr>
<tr>
<td></td>
<td>Revaluation of fixed assets</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td><strong>Net deferred tax liabilities</strong></td>
<td><strong>(4,333,698)</strong></td>
</tr>
</tbody>
</table>

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

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

9. DEPOSITS AND OTHER ACCOUNTS

<table>
<thead>
<tr>
<th></th>
<th>Sept 30 2009 (Un-audited)</th>
<th>Dec 31 2008 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-------- (Rupees in '000') --------</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>--------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Customers</td>
<td>Fixed deposits</td>
<td>175,513,800</td>
</tr>
<tr>
<td></td>
<td>Savings deposits</td>
<td>194,812,822</td>
</tr>
<tr>
<td></td>
<td>Current accounts - remunerative</td>
<td>63,677,295</td>
</tr>
<tr>
<td></td>
<td>Current accounts - non-remunerative</td>
<td>152,994,460</td>
</tr>
<tr>
<td></td>
<td><strong>Financial Institutions</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remunerative deposits</td>
<td>587,398,376</td>
</tr>
<tr>
<td></td>
<td>Non-remunerative deposits</td>
<td>46,877,446</td>
</tr>
<tr>
<td></td>
<td><strong>Financial Institutions</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remunerative deposits</td>
<td>18,826,323</td>
</tr>
<tr>
<td></td>
<td>Non-remunerative deposits</td>
<td>65,703,769</td>
</tr>
<tr>
<td></td>
<td><strong>Financial Institutions</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remunerative deposits</td>
<td>653,702,145</td>
</tr>
</tbody>
</table>
10. SURPLUS ON REVALUATION OF ASSETS

Surplus on Revaluation of Fixed Assets - net of Tax

- Sept 30
  - 2009: 17,584,479
  - Dec 31
  - 2008: 17,677,429

Surplus on Revaluation of Securities - net of Tax

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Sept 30 2009</th>
<th>Dec 31 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government securities</td>
<td>(128,286)</td>
<td>(872,274)</td>
</tr>
<tr>
<td>Term Finance Certificates</td>
<td>(147,256)</td>
<td>(84,886)</td>
</tr>
<tr>
<td>Quoted shares and Mutual Funds</td>
<td>1,499,618</td>
<td>(491,588)</td>
</tr>
<tr>
<td>GoP Foreign Currency Bonds</td>
<td>846,184</td>
<td>(679,108)</td>
</tr>
<tr>
<td>NIT Units</td>
<td>5,063,613</td>
<td>2,386,570</td>
</tr>
<tr>
<td>NIT Market Opportunity Fund</td>
<td>355,071</td>
<td>(796,196)</td>
</tr>
<tr>
<td>Investment outside Pakistan</td>
<td>7,306,235</td>
<td>5,090,388</td>
</tr>
<tr>
<td></td>
<td>14,795,179</td>
<td>4,552,906</td>
</tr>
<tr>
<td>Deferred tax Liability Recognized</td>
<td>(2,620,011)</td>
<td>(895,673)</td>
</tr>
<tr>
<td>Share of Revaluation Loss on Securities of Associates</td>
<td>(10,094)</td>
<td>(10,094)</td>
</tr>
<tr>
<td></td>
<td>29,549,553</td>
<td>21,324,568</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Sept 30 2009 Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in ‘Impairment Loss’ in Profit and Loss Account</td>
</tr>
<tr>
<td>Decrease in tax charge for the nine months</td>
</tr>
<tr>
<td>Decrease in profit for the nine months - after tax</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in earnings per share -after tax (basic and diluted)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net surplus on revaluation of available for sale securities</td>
</tr>
</tbody>
</table>

| Decrease in unappropriated profit | 132,527 |
11. CONTINGENCIES AND COMMITMENTS

11.1 Direct credit substitutes

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30 2009 (Un-audited)</th>
<th>Dec 31 2009 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Government</td>
<td>18,100,889</td>
<td>15,444,979</td>
</tr>
<tr>
<td>- Financial institutions</td>
<td>6,883,524</td>
<td>5,873,517</td>
</tr>
<tr>
<td>- Others</td>
<td>13,785,190</td>
<td>11,762,514</td>
</tr>
</tbody>
</table>
|               | **38,769,603**            | **33,081,010**        

11.2 Transaction-related contingent liabilities

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30 2009</th>
<th>Dec 31 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Government</td>
<td>22,005,432</td>
<td>18,660,550</td>
</tr>
<tr>
<td>- Financial institutions</td>
<td>5,967</td>
<td>5,060</td>
</tr>
<tr>
<td>- Others</td>
<td>9,321,182</td>
<td>7,904,339</td>
</tr>
<tr>
<td></td>
<td><strong>31,332,581</strong></td>
<td><strong>26,569,949</strong></td>
</tr>
</tbody>
</table>

11.3 Trade-related contingent liabilities

Letters of credit

<table>
<thead>
<tr>
<th></th>
<th>Sept 30 2009</th>
<th>Dec 31 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Government</td>
<td>142,317,363</td>
<td>133,467,937</td>
</tr>
<tr>
<td>- Financial institutions</td>
<td>1,074,117</td>
<td>1,007,327</td>
</tr>
<tr>
<td>- Others</td>
<td>38,699,017</td>
<td>36,292,676</td>
</tr>
<tr>
<td></td>
<td><strong>182,090,497</strong></td>
<td><strong>170,767,940</strong></td>
</tr>
</tbody>
</table>

11.4 Other contingencies

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30 2009</th>
<th>Dec 31 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,788,982</td>
<td>11,442,569</td>
</tr>
</tbody>
</table>

11.4.2 Taxation

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

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

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

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

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30 2009 (Un-audited)</th>
<th>Dec 31 2008 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>11.5 Commitments in respect of forward exchange contracts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>85,259,748</td>
<td>69,361,297</td>
</tr>
<tr>
<td>Sale</td>
<td>48,636,239</td>
<td>55,563,737</td>
</tr>
<tr>
<td><strong>11.6 Commitments in respect of trading with Govt. securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>2,000,000</td>
<td>5,200,000</td>
</tr>
<tr>
<td>Sale</td>
<td>-</td>
<td>5,200,000</td>
</tr>
<tr>
<td><strong>11.7 Other Commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross Currency SWAP</td>
<td>6,914,650</td>
<td>8,082,780</td>
</tr>
</tbody>
</table>
11.8 Commitments for the acquisition of operating fixed assets  
2,240,235  
490,396

11.9 Commitments to inject capital in the following companies  
- Nishat Power Limited  
  178,750  
- Nishat Chunian Limited  
  211,893

11.10 Commitments for purchase of NIT Market Opportunity Fund units  
200,000  
200,000

11.11 Commitments for investment in NIT State Enterprise Fund  
3,300,000  
7,000,000


13. BASIC AND DILUTED EARNINGS PER SHARE  
Profit attributable to the shareholders of the holding company (Rupees in '000)  
3,798,128  
10,120,518  
4,829,949  
12,932,467

Weighted average number of ordinary shares (Number '000)  
1,076,370  
1,076,370  
1,076,370  
1,076,370

Basic and diluted earnings per share (Rupees)  
3.53  
9.40  
4.49  
12.01

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

14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES - (Un-Audited)  
The segment analysis with respect to business activity is as follows:-

<table>
<thead>
<tr>
<th>Corporate Finance</th>
<th>Trading &amp; Sales</th>
<th>Retail Banking</th>
<th>Commercial Banking</th>
<th>Payment &amp; Settlement</th>
<th>Agency Services</th>
<th>Assets Management</th>
<th>Retail Brokerage</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 30, 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>295,407</td>
<td>6,474,942</td>
<td>11,181,362</td>
<td>17,788,060</td>
<td>1,442,843</td>
<td>2,945,963</td>
<td>7,558</td>
<td>40,193,836</td>
</tr>
<tr>
<td>Total expenses</td>
<td>394</td>
<td>1,034,114</td>
<td>7,888,597</td>
<td>13,372,443</td>
<td>936,400</td>
<td>1,845,253</td>
<td>47,687</td>
<td>25,133,651</td>
</tr>
<tr>
<td>Net income</td>
<td>295,013</td>
<td>5,440,828</td>
<td>3,292,765</td>
<td>4,415,617</td>
<td>500,443</td>
<td>1,100,710</td>
<td>10,015</td>
<td>15,060,186</td>
</tr>
</tbody>
</table>

| Sept 30, 2008     |                 |                |                     |                     |                |                  |                 |       |
| Total income      | 242,402         | 6,347,574      | 10,911,612          | 18,753,715          | 1,245,474      | 2,342,279        | 71,486          | 39,925,397 |
| Total expenses    | 476             | 410,448        | 7,318,734           | 10,456,483          | 865,498        | 1,566,365        | 56,313          | 20,681,055 |
| Net income        | 241,926         | 5,937,126      | 3,592,878           | 8,297,232           | 379,976        | 775,914          | 15,173          | 19,244,342 |

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

For the Nine Months ended For the Nine Months ended  
(Un-Audited) (Audited)  

<table>
<thead>
<tr>
<th>Advances</th>
<th>Key Management Executives</th>
<th>Associates</th>
<th>Management Executives</th>
<th>Associates</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 01</td>
<td>95,931</td>
<td>1,269,498</td>
<td>89,102</td>
<td>1,515,120</td>
<td></td>
</tr>
<tr>
<td>Given during the period / year</td>
<td>22,339</td>
<td>1,269,498</td>
<td>6,829</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Repaid during the period / year</td>
<td>(70)</td>
<td>-</td>
<td>(245,622)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At September 30 / December 31</td>
<td>118,270</td>
<td>1,283,314</td>
<td>95,931</td>
<td>1,269,498</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deposits</th>
<th>Key Management Executives</th>
<th>Associates</th>
<th>Management Executives</th>
<th>Associates</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 01</td>
<td>3,940,161</td>
<td>8,507,300</td>
<td>2,086,976</td>
<td>8,078,395</td>
<td></td>
</tr>
<tr>
<td>Received during the period / year</td>
<td>6,908,768</td>
<td>891,455</td>
<td>12,055,094</td>
<td>1,351,602</td>
<td></td>
</tr>
<tr>
<td>Repaid during the period / year</td>
<td>(8,969,222)</td>
<td>(1,690,025)</td>
<td>(10,203,909)</td>
<td>(922,697)</td>
<td></td>
</tr>
<tr>
<td>At September 30 / December 31</td>
<td>1,880,727</td>
<td>7,708,790</td>
<td>3,940,161</td>
<td>8,507,300</td>
<td></td>
</tr>
</tbody>
</table>
### Placements with:

<table>
<thead>
<tr>
<th></th>
<th>Sept 30 2009 (Un-audited)</th>
<th>Dec 31 2008 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint venture</td>
<td>483,166</td>
<td>420,535</td>
</tr>
<tr>
<td>Associates</td>
<td>25,881</td>
<td>25,881</td>
</tr>
<tr>
<td>Pension Fund</td>
<td>-</td>
<td>2,900,000</td>
</tr>
</tbody>
</table>

### Income on Advances / Placement with:

- **Associates**
  - Income: 12,841
  - Expenses: 11,569

### Debts due by company in which a director of the holding company is interested as director

- Income: 0
- Expenses: 11,569

### Expenses for the period

- **Remuneration to key management executives**
  - Income: 155,549
  - Expenses: 178,676
- **Charge for defined benefit plan**
  - Income: 7,089
  - Expenses: 5,110
- **Mark-up on deposits of Provident fund**
  - Income: 753,994
  - Expenses: 563,403

### ISLAMIC BANKING BUSINESS

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

#### Balance Sheet

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

<table>
<thead>
<tr>
<th></th>
<th>Sept 30 2009</th>
<th>Sept 30 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / return on financing and placements earned</td>
<td>142,090</td>
<td>84,393</td>
</tr>
<tr>
<td>Profit / return on deposit and other dues expensed</td>
<td>62,033</td>
<td>30,949</td>
</tr>
<tr>
<td>Net spread earned</td>
<td>80,057</td>
<td>53,444</td>
</tr>
<tr>
<td><strong>OTHER INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee, commission and brokerage income</td>
<td>1,367</td>
<td>931</td>
</tr>
<tr>
<td>Income from dealing in foreign currencies</td>
<td>9,834</td>
<td>5</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other income</td>
<td>11,201</td>
<td>936</td>
</tr>
<tr>
<td><strong>OTHER EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>81,008</td>
<td>55,013</td>
</tr>
<tr>
<td>Other charges</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>Total other expenses</td>
<td>81,208</td>
<td>55,013</td>
</tr>
<tr>
<td></td>
<td>10,050</td>
<td>(633)</td>
</tr>
</tbody>
</table>

17. DATE OF AUTHORIZATION FOR ISSUE

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

18. GENERAL

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