
National Bank of Pakistan

Financial Statements

For the Quarter ended March 31, 2008

Directors' Report

It gives me immense pleasure to present on behalf of the Board of Directors the accounts for the three months period ended March 31, 2008. The Profit for the three months period ended March 31, 2008 after carry over of accumulated profit of 2007 is proposed to be appropriated as follows:-

	Rs. in Million
Net Profit before taxation for the quarter ended March 31, 2008	7,000.58
Taxation:	
- Current	2,494.71
- Deferred	(52.08)
	2,442.64
After tax profit	4,557.94
Un-appropriated profit brought forward	45,344.19
Transfer from surplus on revaluation of fixed assets	22.29
Profit available for appropriation	49,924.43
 <u>Appropriations</u>	
Transfer to Statutory Reserve (10% of after tax profit)	(455.79)
Issue of Bonus Shares (10%)	(815.43)
Cash dividend to be paid (Rs. 7.50 per share)	(6,115.74)
	(7,386.97)
Un-appropriated profit carried forward	42,537.46

Pre tax profit increased to Rs. 7,001 million from Rs. 6,682 million in the corresponding period of last year, an increase of 4.8%. Diluted earning per share jumped to Rs. 5.08 from Rs. 4.83 during the same period of last year. Pre tax return on equity stands at 40.8% whereas Pre tax return on assets is at 3.7%. Cost to income ratio of the bank was 0.35.

Net interest margin registered impressive growth of Rs. 932 million or 11.48% mainly due to growth in volumes. Net advances increased by Rs. 55 billion and Rs. 21 billion as

compared to corresponding period of last year and year end 2007. Deposits show impressive growth of Rs. 60 billion or 11.9% over corresponding period last year.

Non-interest revenue has shown an impressive increase of Rs. 2.3 billion or 161.6% over corresponding period due to higher commission, exchange and one off gain of Rs. 977.8 million received as compensation for delayed tax refunds.

Administrative expenses show a rise of Rs. 774 million or 23.08% compared to corresponding period mainly due to inflation and increase in salaries and allowances.

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

On behalf of Board of Directors

S. Ali Raza

Chairman & President

Date : April 29, 2008

**NATIONAL BANK OF PAKISTAN
INTERIM CONDENSED BALANCE SHEET
AS AT MARCH 31, 2008**

		(Un-audited) March 31, 2008	(Audited) December 31, 2007
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		71,750,688	94,873,249
Balances with other banks		33,325,278	37,472,832
Lendings to financial institutions		24,319,519	21,464,600
Investments	4	188,773,289	210,787,868
Advances	5	361,636,012	340,677,100
Operating fixed assets		26,234,833	25,922,979
Deferred tax assets		-	-
Other assets		32,246,100	30,994,965
		738,285,719	762,193,593
LIABILITIES			
Bills payable		6,035,390	7,061,902
Borrowings		17,272,710	10,886,063
Deposits and other accounts	6	564,475,559	591,907,435
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		29,550	33,554
Deferred tax liabilities		4,506,527	5,097,831
Other liabilities		31,528,736	30,869,154
		623,848,472	645,855,939
NET ASSETS		114,437,247	116,337,654
REPRESENTED BY			
Share capital		8,154,319	8,154,319
Reserves		17,310,825	15,772,124
Unappropriated profit		42,537,460	45,344,188
		68,002,604	69,270,631
Surplus on revaluation of assets	7	46,434,643	47,067,023
		114,437,247	116,337,654
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes 1 to 15 form an integral part of these interim condensed financial statements.

Chairman & President

Director

Director

Director

NATIONAL BANK OF PAKISTAN
INTERIM CONDENSED PROFIT AND LOSS ACCOUNT - (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008

	Quarter Ended March 31, 2008	Quarter Ended March 31, 2007
Note		
Mark-up / Return / Interest earned	13,555,183	11,562,897
Mark-up / Return / Interest expensed	4,509,013	3,448,320
Net mark-up / Interest income	<u>9,046,170</u>	<u>8,114,577</u>
(Reversal) / provision against non-performing loans and advances	1,524,516	(367,761)
Reversal for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>1,524,516</u>	<u>(367,761)</u>
Net mark-up / interest income after provisions	<u>7,521,654</u>	<u>8,482,338</u>
NON MARK-UP/ INTEREST INCOME		
Fee, commission and brokerage income	1,612,044	1,203,726
Dividend income	76,037	69,301
Income from dealing in foreign currencies	1,222,655	236,621
Gain on sale of securities	154,985	87,319
Unrealized gain / (loss) on revaluation of investments classified as held for trading	39,288	(49,736)
Other income	1,002,727	22,844
Total non-mark-up / interest income	<u>4,107,736</u>	<u>1,570,075</u>
	<u>11,629,390</u>	<u>10,052,413</u>
NON MARK-UP/ INTEREST EXPENSES		
Administrative expenses	4,128,228	3,354,194
Other provisions / write offs	7,204	9,178
Other charges	493,378	7,307
Total non-mark-up / interest expenses	<u>4,628,810</u>	<u>3,370,679</u>
	<u>7,000,580</u>	<u>6,681,734</u>
Extra ordinary items	-	-
PROFIT BEFORE TAXATION	<u>7,000,580</u>	<u>6,681,734</u>
Taxation - Current	2,494,714	2,490,000
- Prior year(s)	-	-
- Deferred	(52,077)	(137,408)
	<u>2,442,637</u>	<u>2,352,592</u>
PROFIT AFTER TAXATION	<u>4,557,943</u>	<u>4,329,142</u>
Unappropriated profit brought forward	51,147,457	32,074,677
Transfer from surplus on revaluation of fixed assets	22,294	9,752
Profit available for appropriation	<u>55,727,694</u>	<u>36,413,571</u>
Basic and diluted earnings per share (Rupees)	10	4.83
	<u>5.08</u>	<u>4.83</u>

The annexed notes 1 to 15 form an integral part of these interim condensed financial statements.

Chairman & President

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NATIONAL BANK OF PAKISTAN
INTERIM CONDENSED CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008

	Three months period ended	
	March 31, 2008	March 31, 2007
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,000,580	6,681,734
Less: Dividend income	76,037	69,301
	6,924,543	6,612,433
Adjustments		
Depreciation	207,435	115,564
(Reversal) / provision against non-performing loans and advances	1,524,516	(367,761)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(39,288)	49,736
Other provision / write off	7,204	9,178
Gain on sale of fixed assets	(1,035)	(305)
Financial charges on leased assets	3,440	1,120
	1,702,272	(192,468)
	8,626,815	6,419,965
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,854,919)	1,768,106
Held-for-trading securities	(304,247)	76,963
Advances	(22,483,428)	9,610,054
Other assets	(896,305)	(2,248,960)
	(26,538,899)	9,206,163
Increase / (decrease) in operating liabilities		
Bills payable	(1,026,512)	(6,366,703)
Borrowings	6,701,235	65,494
Deposits and other accounts	(27,431,876)	2,586,470
Other liabilities (excluding current taxation)	(5,456,157)	(2,316,907)
	(27,213,310)	(6,031,646)
Income tax paid	(2,896,502)	(2,013,307)
Financial charges paid	(3,440)	(1,120)
	(2,899,942)	(2,014,427)
Net cash flow from operating activities	(48,025,336)	7,580,055
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	20,103,457	(6,109,013)
Proceeds from held-to-maturity securities	1,137,308	1,470,572
Proceeds from sale of investments in associates	-	20,144
Dividend received	76,037	69,301
Investments in operating fixed assets	(511,499)	(251,488)
Sale proceeds of operating fixed assets disposed off	1,035	305
Net cash used in investing activities	20,806,338	(4,800,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(4,004)	(2,429)
Dividend paid	-	-
Net cash used in financing activities	(4,004)	(2,429)
Effects of exchange rate changes on cash and cash equivalents	267,475	(2,904)
Net increase in cash and cash equivalents	(26,955,527)	2,774,543
Cash and cash equivalents at beginning of the period	131,456,989	118,813,121
Cash and cash equivalents at the end of the period	104,501,462	121,587,664

The annexed notes 1 to 15 form an integral part of these interim condensed financial statements.

Chairman & President

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NATIONAL BANK OF PAKISTAN
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008

	Share capital	Reserves			Unappropriated profit	Total	
		Exchange equalisation	Reserve for issue of Bonus Shares	Statutory reserve			General reserve
----- (Rupees in '000) -----							
Balance as at January 1, 2007	7,090,712	3,374,825	-	9,983,097	521,338	32,074,677	53,044,649
Exchange adjustments on revaluation of capital of foreign branches	-	(2,904)	-	-	-	-	(2,904)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	9,752	9,752
Net income recognised directly in equity	-	(2,904)	-	-	-	9,752	6,848
Profit after taxation for the three months period ended March 31, 2007	-	-	-	-	-	4,329,142	4,329,142
Total recognised income and expense for the period	-	-	-	-	-	4,329,142	4,329,142
Transfer to statutory reserve	-	-	-	432,914	-	(432,914)	-
Balance as at March 31, 2007	7,090,712	3,371,921	-	10,416,011	521,338	35,980,657	57,380,639
Balance as at April 1, 2007	7,090,712	3,371,921	-	10,416,011	521,338	35,980,657	57,380,639
Exchange adjustments on revaluation of capital of foreign branches	-	(7,609)	-	-	-	-	(7,609)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	29,255	29,255
Net income recognised directly in equity	-	(7,609)	-	-	-	29,255	21,646
Profit after taxation for the nine months period ended December 31, 2007	-	-	-	-	-	14,704,631	14,704,631
Total recognised income and expense for the period	-	(7,609)	-	-	-	14,733,886	14,726,277
Transfer to statutory reserve	-	-	-	1,470,463	-	(1,470,463)	-
Issue of bonus shares (15%)	1,063,607	-	-	-	-	(1,063,607)	-
Cash Dividend (Rs. 4 per share)	-	-	-	-	-	(2,836,285)	(2,836,285)
Balance as at December 31, 2007	8,154,319	3,364,312	-	11,886,474	521,338	45,344,188	69,270,631
Balance as at January 1, 2008	8,154,319	3,364,312	-	11,886,474	521,338	45,344,188	69,270,631
Exchange adjustments on revaluation of capital of foreign branches	-	267,475	-	-	-	-	267,475
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	22,294	22,294
Net income recognised directly in equity	-	267,475	-	-	-	22,294	289,769
Profit after taxation for the three months period ended March 31, 2008	-	-	-	-	-	4,557,943	4,557,943
Total recognised income and expense for the period	-	-	-	-	-	4,580,237	4,847,712
Transfer to statutory reserve	-	-	-	455,794	-	(455,794)	-
Issue of bonus shares (10%)	-	-	815,432	-	-	(815,432)	-
Cash Dividend (Rs. 7.5 per share)	-	-	-	-	-	(6,115,739)	(6,115,739)
Balance as at March 31, 2008	8,154,319	3,631,787	815,432	12,342,268	521,338	42,537,460	68,002,604

The annexed notes 1 to 15 form an integral part of these interim condensed financial statements.

Chairman & President

Director

Director

Director

**NATIONAL BANK OF PAKISTAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008**

1. STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

2.1 These interim condensed financial statements have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

2.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.3 The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2007.

3. ACCOUNTING POLICIES

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

4. INVESTMENTS

	March 31, 2008 (Un-audited)			December 31, 2007 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
4.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	1,089,840	-	1,089,840	785,593	-	785,593
Available- for- sale securities						
Ordinary shares of listed companies	2,124,756	-	2,124,756	1,947,051	-	1,947,051
Ordinary shares of unlisted companies	478,169	-	478,169	304,119	-	304,119
	2,602,925	-	2,602,925	2,251,170	-	2,251,170
Market Treasury Bills	77,683,847	7,774,668	85,458,515	117,851,357	416,578	118,267,935
Preference shares	275,000	-	275,000	275,000	-	275,000
Pakistan Investment Bonds	6,462,028	-	6,462,028	3,734,905	-	3,734,905
Federal Investment Bonds	940,000	-	940,000	940,000	-	940,000
Gop Foreign Currency Bonds	868,818	-	868,818	850,853	-	850,853
Term Finance Certificates	15,505,309	-	15,505,309	6,096,189	-	6,096,189
Mutual funds	1,512,083	-	1,512,083	1,312,083	-	1,312,083
Investment outside Pakistan - note 4.2	463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) Units - note 4.3	5,764,258	-	5,764,258	5,764,258	-	5,764,258
Total Available- for- sale securities	112,077,563	7,774,668	119,852,231	139,539,110	416,578	139,955,688
Held-to-maturity securities						
Government Compensation Bonds	2,331,182	-	2,331,182	2,331,182	-	2,331,182
Provincial Government Securities	36,513	-	36,513	36,513	-	36,513
Pakistan Investment Bonds	11,638,473	-	11,638,473	11,679,736	-	11,679,736
GoP Foreign Currency Bonds	11,305,723	-	11,305,723	10,933,794	-	10,933,794
Foreign Government Securities	5,651,851	-	5,651,851	5,418,086	-	5,418,086
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates - note 4.4	3,606,809	-	3,606,809	4,508,548	-	4,508,548
Certificates of Investment	-	-	-	800,000	-	800,000
Total held-to-maturity securities	34,570,551	-	34,570,551	35,707,859	-	35,707,859
Investments in associates	959,668	-	959,668	959,669	-	959,669
Investments in joint ventures	1,312,335	-	1,312,335	1,312,335	-	1,312,335
Investments in subsidiaries	1,352,458	-	1,352,458	1,352,458	-	1,352,458
Investment at cost	151,362,415	7,774,668	159,137,083	179,657,024	416,578	180,073,602
Less: Provision for diminution in value of Investments	(1,173,593)	-	(1,173,593)	(1,173,593)	-	(1,173,593)
Investments (net of provisions)	150,188,822	7,774,668	157,963,490	178,483,431	416,578	178,900,009
Surplus/(Deficit) on revaluation of Held-for-trading securities	39,288	-	39,288	(31,964)	-	(31,964)
Surplus on revaluation of Available-for-sale securities	30,769,725	786	30,770,511	31,921,226	(1,403)	31,919,823
Total investments at market value	180,997,835	7,775,454	188,773,289	210,372,693	415,175	210,787,868

4.2 Investment outside Pakistan - Bank Al-Jazira

The bank holds 13,125,000 (2007: 13,125,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2007: 5.83%) holding in total equity of BAJ. 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.

4.3 NIT Units

The bank's investment in NIT consists of 361,545,322 units (2007: 361,545,322 units), which includes 333,746,836 units (2007: 333,746,836 units) covered under Letter of Comfort (LoC) and 27,798,486 (2007: 27,798,486 units) as Non-LoC units.

The LoC holding represents those units in respect of which the GoP had issued a Letter of Comfort dated June 20, 2006 stating that on bank's willingness to continue holding the units upto June 30, 2007 from the date of LoC, NIT will be facilitated to redeem the units at Rs.13.70 per unit.

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

	March 31, 2008 (Un-audited)	December 31, 2007 (Audited)
Note	----- (Rupees in '000) -----	
5. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	345,401,867	325,226,242
Outside Pakistan	32,136,524	29,737,559
	377,538,391	354,963,801
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	2,658,840	2,673,256
Payable outside Pakistan	16,707,049	16,144,430
	19,365,889	18,817,686
Margin Financing	671,491	1,308,715
Advances - gross	397,575,771	375,090,202
Less: Provision against non-performing loans		
Specific	(33,800,885)	(32,351,815)
General	(2,138,874)	(2,061,287)
	(35,939,759)	(34,413,102)
Advances - net of provision	361,636,012	340,677,100

- 5.1 Advances include Rs.41,281 million (2007: Rs.38,318 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision	Provision
				Required	Held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	1,349,493	-	1,349,493	-	-
Substandard	5,182,014	35,166	5,217,180	1,230,818	1,230,818
Doubtful	3,360,872	1,591	3,362,463	1,676,569	1,676,569
Loss	30,772,757	579,039	31,351,796	30,893,499	30,893,499
	40,665,136	615,796	41,280,932	33,800,886	33,800,886

	2008 (Un-audited)	2007 (Audited)
----- (Rupees in '000) -----		

6. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	101,762,819	128,403,278
Savings deposits	193,879,989	188,687,111
Current accounts - remunerative	69,710,808	76,708,879
Current accounts - non-remunerative	145,686,580	139,868,016
	511,040,196	533,667,284

Financial Institutions

Remunerative deposits	33,674,599	31,180,729
Non-remunerative deposits	19,760,764	27,059,422
	53,435,363	58,240,151
	564,475,559	591,907,435

7. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of fixed assets - net of tax	20,520,805	20,543,099
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Surplus on revaluation of securities - net of tax

Federal Government securities	(318,634)	(37,626)
Term Finance Certificates	14,598	34,262
Quoted shares	2,574,936	2,574,809
Gop Foreign Currency Bonds	44,786	(73,531)
NIT Units	17,013,100	15,801,458
Investment outside Pakistan - Bank Al-Jazira	11,441,725	13,620,451
	30,770,511	31,919,823
Deferred tax liability	(4,856,673)	(5,395,899)
	46,434,643	47,067,023

8. CONTINGENCIES AND COMMITMENTS

8.1 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:

	March 31, 2008 (Un-audited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
- Government	15,933,801	15,096,694
- Financial institutions	7,280,557	6,898,062
- Others	18,228,943	17,271,257
	41,443,301	39,266,013

8.2 Transaction-related contingent liabilities

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

- Government	16,511,462	17,235,612
- Financial institutions	5,780,772	6,034,302
- Others	7,187,363	7,502,582
	29,479,597	30,772,496

8.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	136,526,761	139,367,158
- Financial institutions	183,738	187,561
- Others	58,386,392	59,601,103
	195,096,891	199,155,822

8.4 Other contingencies

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

9,263,526	9,263,526
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8.4.2 Taxation

The income tax assessments of the bank for global operations have been finalized upto and including the Tax year 2005 (accounting year ended December 31, 2004) and for Azad Kashmir have been finalized upto Tax year 2006. The income tax returns for the Tax year 2007 (accounting year ended December 31, 2006) have been filed for global operations and Azad Kashmir and the same are deemed assessed under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise. Appeals filed by the bank and tax department for certain assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

During 2007, the Taxation Officer has further amended assessments for the Tax Year 2003 and 2004 and has disallowed allocation of expenses relating to exempt income and reversal of charge against Benevolent Fund, the tax impact of which amounts to Rs.922 million.

In the event that the above matters are decided against the bank, a further tax liability of Rs.9,643 million (December 31, 2007: Rs. 9,643 million) may arise in addition to amount for which provision has already been made in these financial statements.

No provision has been made in these financial statements for the above as the management, based on the opinion of tax lawyers and consultants, expects that it will get relief in the appeals.

8.4.3 Provident Fund

The status of this contingency as disclosed in the annual financial statements for the year ended December 31, 2007 has remained unchanged during the period.

	March 31,	December 31,
	2008	2007
	(Un-audited)	(Audited)
	----- (Rupees in '000) -----	
8.5 Commitments in respect of forward exchange contracts		
Purchase	56,451,299	49,819,478
Sale	44,899,727	38,137,569
8.6 Other Commitments		
Equity Futures Sold	-	189,289
Interest Rates SWAP	8,852,500	8,852,500
Cross Currency SWAP	9,272,508	9,317,886
8.7 Commitments for the acquisition of operating fixed assets	399,976	475,088
8.8 Commitments to inject capital in the following companies		
- Nishat Power Limited	-	300,000
- Nishat (Chunian) Limited	-	300,000

9. Other income includes compensation for delayed refunds determined under section 171 of the Income Tax Ordinance, 2001. The compensation on delayed adjustments / issuance of outstanding refund pertains to various assessment years from 1991-92 to 2001-2002 amounting to Rs 997.843 million

10. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended March 31, 2008	Quarter Ended March 31, 2007
Profit after taxation (Rupees in '000)	<u>4,557,943</u>	<u>4,329,142</u>
Weighted average number of ordinary shares (in '000)	<u>896,975</u>	<u>896,975</u>
Basic and diluted earnings per share (Rupees)	<u>5.08</u>	<u>4.83</u>

11. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- Rupees in '000 -----						
March 31, 2008 - un-audited							
	*						
Total income	1,056,113	3,155,983	4,070,869	3,942,152	297,560	631,230	13,153,907
Total expenses	344	147,701	2,372,592	2,737,596	176,693	718,401	6,153,327
Net income	<u>1,055,769</u>	<u>3,008,282</u>	<u>1,698,277</u>	<u>1,204,556</u>	<u>120,867</u>	<u>(87,171)</u>	<u>7,000,580</u>
March 31, 2007 - un-audited							
Total income	60,000	689,727	2,388,442	5,883,664	133,482	529,337	9,684,652
Total expenses	2,286	59,927	1,305,949	684,840	83,627	866,289	3,002,918
Net income	<u>57,714</u>	<u>629,800</u>	<u>1,082,493</u>	<u>5,198,824</u>	<u>49,855</u>	<u>(336,952)</u>	<u>6,681,734</u>

* This includes compensation for delayed refund determined under section 171 of the Income Tax Ordinance, 2001 amounting to Rs 977.843 million

12. RELATED PARTY TRANSACTIONS

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

Transactions between the bank and its related parties are carried out under normal commercial term except employee staff loans, return on provident fund and loan given to NBP Exchange Company Limited, that are as per the agreed term.

Transactions with related parties during the period are as under:

	For the Three Months Period Ended March 31, 2008 (Un-audited)			For the Year Ended December 31, 2007 (Audited)		
	Key Management			Key Management		
	Executives	Subsidiaries	Associates	Executives	Subsidiaries	Associates
----- (Rupees in '000) -----						
Advances						
At January 01	89,102	786,382	1,515,120	65,225	719,220	1,600,070
Given during the period / year	-	-	7,136	23,877	67,162	-
Repaid during the period / year	-	(98,802)	-	-	-	(84,950)
At March 31 / Dec 31	<u>89,102</u>	<u>687,580</u>	<u>1,522,256</u>	<u>89,102</u>	<u>786,382</u>	<u>1,515,120</u>
	For the Three Months Period Ended March 31, 2008 (Un-audited)			For the Year Ended December 31, 2007 (Audited)		
	Subsidiaries	Pension Fund	Provident Fund	Subsidiaries	Pension Fund	Provident Fund
	----- (Rupees in '000) -----					
Deposits						
At January 01	255,952	2,088,976	8,078,395	14,167	3,077,536	7,397,487
Received during the period / year	-	1,972,956	130,188	241,785	1,990,643	1,325,349
Repaid during the period / year	(134,211)	(629,915)	(148,534)	-	(2,979,203)	(644,441)
At March 31 / Dec 31	<u>121,741</u>	<u>3,432,017</u>	<u>8,060,049</u>	<u>255,952</u>	<u>2,088,976</u>	<u>8,078,395</u>
				March 31, 2008 (Un-audited)	December 31, 2007 (Audited)	
				----- (Rupees in '000) -----		
Debts due by company in which a director of the bank is interested as director				94,433	199,391	
Placements with:						
Joint venture				767,492	759,343	
Investments in associates / subsidiaries				27,331	27,331	
Obligation under finance lease						
Subsidiary company				29,550	31,694	
				Three months period ended March 31, 2008 (Un-audited)	Three months period ended March 31, 2007 (Un-audited)	
				----- (Rupees in '000) -----		
Income for the year						
On advances / placements with:						
Subsidiaries				86	189	
Joint venture				5,790	1,220	
On debts due by company in which a director of the bank is interested as director				-	278	
Expenses for the year						
Remuneration to key management executives				19,527	16,574	
Charge for defined benefit plan				1,400	1,171	
Mark-up on deposits of:						
Subsidiaries				152	75	
Mark-up on Repo borrowing of:						
Subsidiaries				10,908	-	
Provident fund				172,744	173,683	
Commission paid to subsidiaries				811	136	
Other receivables				54,402	22,376	

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

13. ISLAMIC BANKING BUSINESS

The bank is operating 3 (December 31, 2007: 3) Islamic banking branch as at March 31, 2008. The balance sheet of such branch is as under:

	March 31, 2008 (Un-audited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	13,316	22,536
Balances with and Due from Financial Institutions	-	-
Investments	369,929	355,000
Murabaha Financing	100,495	-
Ijarah Financing	89,108	94,151
Fixed Assets	416	76
Other assets	1,624	10,626
Total Assets	574,888	482,389
LIABILITIES		
Bills payable	1,152	268
Current Accounts	34,560	26,895
Due to Head Office	229,834	338,141
Other liabilities	10,586	9,536
	<u>276,132</u>	<u>374,840</u>
NET ASSETS	<u>298,756</u>	<u>107,549</u>
REPRESENTED BY		
Islamic Banking Fund	300,000	100,000
Unappropriated profit	<u>(2,012)</u>	<u>7,549</u>
	<u>297,988</u>	<u>107,549</u>
Surplus on Revaluation of Assets	768	-
	<u>298,756</u>	<u>107,549</u>

14. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed financial statements were authorized for issue on April 29, 2008 by the Board of Directors of the Bank.

15. GENERAL

- 15.1 Corresponding information has been re-classified or re-arranged in these interim condensed financial statements, wherever necessary, to conform with changes in presentation in the current period.

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

Chairman & President

Director

Director

Director

National Bank of Pakistan

Consolidated Financial Statements

For the Quarter ended March 31, 2008

National Bank of Pakistan and its Subsidiary Companies
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2008

		March 31 , 2008 (Un-audited)	December 31, 2007 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		71,892,196	95,010,514
Balances with other banks		33,992,065	38,216,263
Lendings to financial institutions		24,420,869	21,656,192
Investments	4	189,283,765	211,729,297
Advances	5	361,869,510	340,727,819
Operating fixed assets		26,289,165	25,979,302
Deferred tax assets		-	-
Other assets		32,824,678	31,289,403
		740,572,249	764,608,790
LIABILITIES			
Bills payable		6,035,390	7,061,901
Borrowings		17,274,979	11,402,729
Deposits and other accounts	6	564,582,157	591,817,052
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		29,618	33,739
Deferred tax liabilities		4,537,682	5,099,060
Other liabilities		31,987,596	31,280,663
		624,447,423	646,695,144
NET ASSETS		116,124,826	117,913,646
REPRESENTED BY			
Share capital		8,154,319	8,154,319
Reserves		17,958,104	16,378,394
Unappropriated profit		43,496,523	46,232,813
		69,608,946	70,765,526
Minority interest		110,595	109,729
		69,719,541	70,875,255
Surplus on revaluation of assets	7	46,405,285	47,038,391
		116,124,826	117,913,646
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

Chairman & President

Director

Director

Director

National Bank of Pakistan and its Subsidiary Companies
INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008

	Three months period ended March 31, 2008	Three months period ended March 31, 2007
Note		
Mark-up / Return / Interest earned	13,595,854	11,626,993
Mark-up / Return / Interest expensed	4,512,109	3,474,136
Net mark-up / Interest income	<u>9,083,745</u>	<u>8,152,857</u>
Provision against non-performing loans and advances	1,524,516	(367,761)
Reversal for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>1,524,516</u>	<u>(367,761)</u>
Net mark-up / interest income after provisions	7,559,229	8,520,618
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	1,635,105	1,227,052
Dividend income	77,836	69,301
Income from dealing in foreign currencies	1,232,706	237,521
Gain on sale of securities	154,985	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	39,288	(49,736)
Share of profit from joint ventures	39,670	38,055
Share of profit from associates	8,319	8,840
Other income	1,003,586	33,286
Total non mark-up / interest income	<u>4,191,494</u>	<u>1,651,638</u>
	11,750,723	10,172,256
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	4,175,039	3,396,982
Other provisions / write offs	7,436	9,178
Other charges	493,378	8,953
Total non mark-up / interest expenses	<u>4,675,853</u>	<u>3,415,113</u>
	7,074,870	6,757,143
Extra ordinary items	-	-
PROFIT BEFORE TAXATION	<u>7,074,870</u>	<u>6,757,143</u>
Taxation - Current	2,497,699	2,491,550
- Prior year(s)	-	-
- Deferred	(52,077)	(137,408)
	<u>2,445,622</u>	<u>2,354,142</u>
PROFIT AFTER TAXATION	4,629,247	4,403,001
Share of minority interest	(866)	(1,548)
Profit attributable to shareholders of the holding company	<u>4,628,381</u>	<u>4,401,453</u>
Unappropriated profit brought forward	46,232,813	32,623,507
Transfer from surplus on revaluation of fixed assets	22,294	9,752
Profit available for appropriation	<u>50,883,488</u>	<u>37,034,712</u>
Basic and Diluted earnings per share (Rupees)	<u>5.16</u>	<u>4.91</u>

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

Chairman & President

Director

Director

Director

National Bank of Pakistan and its Subsidiary Companies
INTERIM CONDENSED CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008

	Three months period ended	
	March 31, 2008	March 31, 2007
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,074,870	6,757,143
Less: Dividend income	77,836	69,301
	<u>6,997,034</u>	<u>6,687,842</u>
Adjustments:		
Depreciation	211,661	118,699
Reversal / provision against non-performing advances	1,524,516	(367,761)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(39,288)	49,736
Other provisions / write offs	7,436	9,178
Gain on sale of fixed assets	(1,035)	(305)
Financial charges on leased assets	4,261	1,120
Share of profit from joint ventures	(39,670)	(38,055)
Share of profit from associates	(8,319)	(8,840)
	<u>1,659,562</u>	<u>(236,228)</u>
	8,656,596	6,451,614
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,764,677)	1,818,106
Held-for-trading securities	(304,246)	95,166
Advances	(22,666,207)	9,510,325
Other assets	(1,142,141)	(2,003,694)
	<u>(26,877,272)</u>	<u>9,419,903</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,026,511)	(6,366,701)
Borrowings	6,186,838	(14,506)
Deposits and other accounts	(27,234,895)	2,717,452
Other liabilities (excluding current taxation)	(5,394,051)	(2,505,300)
	<u>(27,468,619)</u>	<u>(6,169,055)</u>
Income tax paid	(2,898,269)	(2,030,570)
Financial charges paid	(4,261)	(1,120)
	<u>(2,902,530)</u>	<u>(2,031,690)</u>
Net cash flow from operating activities	(48,591,825)	7,670,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	20,157,499	(6,187,251)
Proceeds from held-to-maturity securities	1,605,201	1,213,142
Proceeds from sale of investments in associates	-	(24,839)
Dividend received	77,836	69,301
Investments in operating fixed assets	(541,027)	(253,984)
Sale proceeds of property and equipment disposed off	1,035	(305)
Net cash used in investing activities	21,300,543	(5,183,936)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(4,121)	(2,429)
Dividend paid	-	-
Net cash used in financing activities	(4,121)	(2,429)
Effects of exchange rate changes on cash and cash equivalents	267,475	(4,816)
Net increase in cash and cash equivalents	(27,027,928)	2,479,591
Cash and cash equivalents at beginning of the period	<u>132,337,685</u>	<u>119,821,386</u>
Cash and cash equivalents at the end of the period	<u>105,309,757</u>	<u>122,300,977</u>

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

Chairman & President

Director

Director

Director

National Bank of Pakistan and its Subsidiary Companies
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008

	Attributable to the shareholders of the holding company							Minority Interest	Total
	Share capital	Exchange equalisation	Reserve for issue of Bonus Shares	Statutory reserve	General reserve	Unappropriated profit	Sub total		
	----- (Rupees in '000) -----								
Balance as at January 1, 2007	7,090,712	3,809,070	-	10,054,449	521,338	32,623,507	54,099,076	97,827	54,196,903
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	(4,816)	-	-	-	-	(4,816)	-	(4,816)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	9,752	9,752	-	9,752
Net income recognised directly in equity	-	(4,816)	-	-	-	9,752	4,936	-	4,936
Profit after taxation for the three months period ended March 31, 2007	-	-	-	-	-	4,401,453	4,401,453	1,548	4,403,001
Total recognised income and expense for the period	-	-	-	-	-	4,401,453	4,401,453	1,548	4,403,001
Transfer to statutory reserve	-	-	-	432,914	-	(432,914)	-	-	-
Balance as at March 31, 2007	7,090,712	3,804,254	-	10,487,363	521,338	36,601,798	58,505,465	99,375	58,604,840
Balance as at April 1, 2007	7,090,712	3,804,254	-	10,487,363	521,338	36,601,798	58,505,465	99,375	58,604,840
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	75,281	-	-	-	-	75,281	-	75,281
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	29,255	29,255	-	29,255
Net income recognised directly in equity	-	75,281	-	-	-	29,255	104,536	-	104,536
Profit after taxation for the nine months period ended December 31, 2007	-	-	-	-	-	14,991,810	14,991,810	10,354	15,002,164
Total recognised income and expense for the period	-	75,281	-	-	-	15,021,065	15,096,346	10,354	15,106,700
Issue of bonus shares (15%)	1,063,607	-	-	-	-	(1,063,607)	-	-	-
Cash dividend (Rs 4 per share)	-	-	-	-	-	(2,836,285)	(2,836,285)	-	(2,836,285)
Transfer to statutory reserve	-	-	-	1,490,158	-	(1,490,158)	-	-	-
Balance as at December 31, 2007	8,154,319	3,879,535	-	11,977,521	521,338	46,232,813	70,765,526	109,729	70,875,255
Balance as at January 1, 2007	8,154,319	3,879,535	-	11,977,521	521,338	46,232,813	70,765,526	109,729	70,875,255
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	308,484	-	-	-	-	308,484	-	308,484
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	22,294	22,294	-	22,294
Net income recognised directly in equity	-	308,484	-	-	-	22,294	330,778	-	330,778
Profit after taxation for the three months period ended March 31, 2008	-	-	-	-	-	4,628,381	4,628,381	866	4,629,247
Total recognised income and expense for the period	-	-	-	-	-	4,628,381	4,628,381	866	4,629,247
Transfer to statutory reserve	-	-	-	455,794	-	(455,794)	-	-	-
Issue of bonus shares (10%)	-	-	815,432	-	-	(815,432)	-	-	-
Cash Dividend (Rs. 7.5 per share)	-	-	-	-	-	(6,115,739)	(6,115,739)	-	(6,115,739)
Balance as at March 31, 2008	8,154,319	4,188,019	815,432	12,433,315	521,338	43,496,523	69,608,946	110,595	69,719,541

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

Chairman & President

Director

Director

Director

National Bank of Pakistan and its Subsidiary Companies

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008)

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

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

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

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

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

1.2 Basis of Consolidation

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

- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- National Agriculture & Storage Company Limited and Cast-N-Link Product Limited have not been Consolidated, as these investments are fully provided and financial statements of these subsidiaries are not available.

2. STATEMENT OF COMPLIANCE

- 2.1 These interim condensed consolidated financial statements have been prepared in accordance with approved accounting standards (please also see 2.2 and 2.3 below) as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.
- 2.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 2.3 The disclosures made in these interim condensed consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the holding company for the year ended December 31, 2007.

3. ACCOUNTING POLICIES

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

4. INVESTMENTS

	March 31 2008 (Un-audited)			December 31, 2007 (Audited)		
	Held by bank ----- (Rupees in '000) -----	Given as collateral	Total	Held by bank ----- (Rupees in '000) -----	Given as collateral	Total
4.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	1,089,840	-	1,089,840	785,594	-	785,594
Available- for- sale securities						
Ordinary shares of listed companies	2,124,756	-	2,124,756	1,947,051	-	1,947,051
Ordinary shares of unlisted companies	478,169	-	478,169	304,119	-	304,119
	2,602,925	-	2,602,925	2,251,170	-	2,251,170
Market Treasury Bills	77,683,847	7,774,668	85,458,515	117,851,357	416,578	118,267,935
Preference shares	305,000	-	305,000	305,000	-	305,000
Pakistan Investment Bonds	6,665,934	-	6,665,934	3,950,207	-	3,950,207
Federal Investment Bonds	940,000	-	940,000	940,000	-	940,000
GoP Foreign Currency Bonds	868,818	-	868,818	850,853	-	850,853
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	15,856,650	-	15,856,650	6,456,472	-	6,456,472
Mutual funds	1,625,886	-	1,625,886	1,425,886	-	1,425,886
Foreign Government Securities	-	-	-	33,704	-	33,704
Investment outside Pakistan - note 4.2	463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) Units - note 4.3	5,764,258	-	5,764,258	5,764,258	-	5,764,258
Total Available- for- sale securities	112,776,613	7,774,668	120,551,281	140,292,202	416,578	140,708,780
Held-to-maturity securities						
Government Compensation Bonds	2,331,182	-	2,331,182	2,331,182	-	2,331,182
Provincial Government Securities	36,513	-	36,513	36,513	-	36,513
Pakistan Investment Bonds	11,638,473	-	11,638,473	11,773,316	-	11,773,316
Market Treasury Bills	-	-	-	413,745	-	413,745
GoP Foreign Currency Bonds	11,305,723	-	11,305,723	10,933,794	-	10,933,794
Foreign Government Securities	5,691,283	-	5,691,283	5,418,086	-	5,418,086
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates - note 4.4	3,606,809	-	3,606,809	4,508,548	-	4,508,548
Certificates of Investment	-	-	-	800,000	-	800,000
Total Held-to-maturity securities	34,609,983	-	34,609,983	36,215,184	-	36,215,184
Investments in associates	1,151,899	-	1,151,899	1,143,581	-	1,143,581
Investments in joint ventures	2,270,668	-	2,270,668	2,200,668	-	2,200,668
Investments in subsidiaries	3,245	-	3,245	3,245	-	3,245
Investment at cost	151,902,249	7,774,668	159,676,917	180,640,474	416,578	181,057,052
Less: Provision for diminution in value of Investments	(1,173,593)	-	(1,173,593)	(1,173,593)	-	(1,173,593)
Investments (net of provisions)	150,728,656	7,774,668	158,503,324	179,466,881	416,578	179,883,459
Deficit on revaluation of Held-for-trading securities	39,288	-	39,288	(31,964)	-	(31,964)
Surplus on revaluation of Available-for-sale securities	30,740,367	786	30,741,153	31,879,205	(1,403)	31,877,802
Total investments at market value	181,508,311	7,775,454	189,283,765	211,314,122	415,175	211,729,297

4.2 Investment outside Pakistan - Bank Al-Jazira

The holding company holds 13,125,000 (2007: 13,125,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2007: 5.83%) holding in total equity of BAJ. 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.

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

	Note	March 31, 2008 (Un-audited) ----- (Rupees in '000) -----	December 31, 2007 (Audited)
5. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		344,825,641	324,749,094
Outside Pakistan		32,238,600	29,737,559
		377,064,240	354,486,653
Net investment in finance lease			
In Pakistan		461,128	527,867
Outside Pakistan		-	-
		461,128	527,867
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		2,743,498	2,673,256
Payable outside Pakistan		16,707,049	16,144,430
		19,450,547	18,817,686
Margin Financing		833,354	1,308,715
Advances - gross		397,809,269	375,140,921
Less: Provision against non-performing loans			
Specific	5.1	(33,800,885)	(32,351,815)
General		(2,138,874)	(2,061,287)
		(35,939,759)	(34,413,102)
Advances - net of provision		361,869,510	340,727,819

- 5.1 Advances include Rs 41,281 million (2007: Rs.38,318 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision	Provision
				Required	Held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	1,349,493	-	1,349,493	-	-
Substandard	5,182,014	35,166	5,217,180	1,230,818	1,230,818
Doubtful	3,360,872	1,591	3,362,463	1,676,569	1,676,569
Loss	30,772,757	579,039	31,351,796	30,893,499	30,893,499
	40,665,136	615,796	41,280,932	33,800,886	33,800,886

6. DEPOSITS AND OTHER ACCOUNTS	March 31,	December 31,
	2008	2007
	(Un-audited)	(Audited)
----- (Rupees in '000) -----		
Customers		
Fixed deposits	101,761,070	128,417,463
Savings deposits	193,871,909	188,655,146
Current accounts - remunerative	69,710,808	76,708,609
Current accounts - non-remunerative	145,803,008	139,795,683
	511,146,794	533,576,901
Financial Institutions		
Remunerative deposits	33,674,599	31,180,729
Non-remunerative deposits	19,760,764	27,059,422
	53,435,363	58,240,151
	564,582,157	591,817,052
7. SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of fixed assets - net of tax	20,520,805	20,543,099
Surplus on revaluation of securities - net of tax		
Federal Government securities	(339,700)	(70,186)
Term Finance Certificates	15,117	33,612
Quoted shares	2,566,125	2,565,998
Overseas GoP Bonds	44,786	(73,531)
NIT Units	17,013,100	15,801,458
Investment outside Pakistan - Bank Al-Jazira	11,441,725	13,620,451
	30,741,153	31,877,802
Deferred tax liability	(4,856,673)	(5,382,510)
	46,405,285	47,038,391

8. CONTINGENCIES AND COMMITMENTS

8.1 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:

	March 31, 2008 (Un-audited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
- Government	15,933,801	15,096,694
- Financial institutions	7,280,557	6,898,062
- Others	18,228,943	17,271,257
	41,443,301	39,266,013

8.2 Transaction-related contingent liabilities

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

- Government	16,511,462	17,235,612
- Financial institutions	5,780,772	6,041,812
- Others	7,187,363	7,502,582
	29,479,597	30,780,006

8.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government	136,526,761	139,367,158
- Financial institutions	183,738	187,561
- Others	58,386,392	59,601,103
	195,096,891	199,155,822

8.4 Other contingencies

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

9,263,526	9,263,526
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8.4.2 Taxation

The income tax assessments of the holding company for global operations as well as Azad Kashmir have been finalized upto and including the Tax year 2005 (accounting year ended December 31, 2004). The income tax returns for the Tax year 2007 (accounting year ended December 31, 2006) have been filed for global operations and Azad Kashmir and the same are deemed to be assessment order under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise. Appeals filed by the holding company and tax department for certain assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

During 2007, the Tax Officer has further amended assessments for the Tax Year 2003 and 2004 and has disallowed allocation of expenses relating to exempt income and reversal of charge against Benevolent Fund, the tax impact of which amounting to Rs 922 million.

In the event that the appeals are decided against the holding company, a further tax liability of Rs.9,643 million (December 31, 2007 Rs 9,643 million) may arise in addition to amount for which provision has already been made in these interim condensed consolidated financial statements.

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

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

8.4.3 Provident Fund

The status of this contingency as disclosed in the annual consolidated financial statements for the year ended December 31, 2007 has remained unchanged during the period.

	March 31 2008 (Un-audited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
8.5 Commitments in respect of forward exchange contracts		
Purchase	56,451,299	49,819,478
Sale	44,899,727	38,137,569
8.6 Commitments for the acquisition of operating fixed assets	399,976	475,088
8.7 Other commitments		
- Equity futures sold	-	289,299
- Interest rates swaps	8,852,500	8,852,500
- Cross currency swaps	9,272,508	9,317,886
8.8 Commitments to inject capital in the following companies under share-holder agreement		
- Nishat Power Limited	-	300,000
- Nishat (Chunian) Limited	-	300,000

9. Other income includes compensation for delayed refunds determined under section 171 of the Income Tax Ordinance, 2001. The compensation on delayed adjustments / issuance of outstanding refund pertains to various assessment years from 1991-92 to 2001-2002 amounting to Rs 997.843 million

10. BASIC AND DILUTED EARNINGS PER SHARE

		Quarter Ended March 31 2008	Quarter Ended March 31 2007
Profit attributable to the shareholders of the holding company	(Rupees in '000)	<u>4,628,381</u>	<u>4,401,453</u>
Weighted average number of ordinary shares	(Number '000)	<u>896,975</u>	<u>896,975</u>
Basic and diluted earnings per share	(Rupees)	<u>5.16</u>	<u>4.91</u>

11 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total	
	----- Rupees in '000 -----									
March 31, 2008										
Total income	*	1,056,113	3,246,095	4,070,869	3,942,152	297,560	631,230	3,928	27,292	13,275,239
Total expenses	344	170,284	2,372,592	2,737,596	176,693	718,401	2,230	22,230	6,200,369	
Net income	<u>1,055,769</u>	<u>3,075,812</u>	<u>1,698,277</u>	<u>1,204,556</u>	<u>120,867</u>	<u>(87,171)</u>	<u>1,698</u>	<u>5,062</u>	<u>7,074,870</u>	
March 31, 2007										
Total income	60,000	781,918	2,388,442	5,883,664	133,482	529,337	5,357	22,295	9,804,495	
Total expenses	2,286	85,839	1,305,949	684,840	83,627	866,289	1,490	17,032	3,047,352	
Net income	<u>57,714</u>	<u>696,079</u>	<u>1,082,493</u>	<u>5,198,824</u>	<u>49,855</u>	<u>(336,952)</u>	<u>3,867</u>	<u>5,263</u>	<u>6,757,143</u>	

* This includes compensation for delayed refund determined under section 171 of the Income Tax Ordinance, 2001 amounting to Rs 977.843 million

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

13. ISLAMIC BANKING BUSINESS

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

	March 31, 2008 (Unaudited)	December 31, 2007 (Audited)
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	13,316	22,536
Balances with and Due from Financial Institutions	-	-
Investments	369,929	355,000
Financing and Receivables		
- Ijarah	89,108	94,151
-Murabaha	100,495	-
Fixed Assets	416	76
Other assets	1,624	10,626
Total Assets	574,888	482,389
LIABILITIES		
Bills payable	1,152	268
- Current Accounts	34,560	26,895
Due to Head Office	229,834	338,141
Other liabilities	10,586	9,536
Total Liabilities	276,132	374,840
NET ASSETS	298,756	107,549
REPRESENTED BY		
Islamic Banking Fund	300,000	100,000
Unappropriated / Unremitted profit	(2,012)	7,549
	297,988	107,549
Surplus on Revaluation of Assets	768	-
	298,756	107,549

14. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed consolidated financial statements were authorized for issue on April 29, 2008 by the Board of Directors of the holding company.

15. GENERAL

- 15.1 Corresponding information has been re-classified or re-arranged in these interim condensed consolidated financial statements, wherever necessary, to conform with changes in presentation in the current period.

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

Chairman & President

Director

Director

Director