
National Bank of Pakistan

Standalone Financial Statements

For the Nine Months ended September 30, 2011

Directors' Report

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

	Rs. in million
Net Profit before taxation for the nine months period ended Sep 30, 2011	16,751
Taxation	
-Current year	7,052
-Prior years	-
-Deferred	(1,704)
	5,348
After tax profit	11,403
Un-appropriated profit brought forward (restated)	65,857
Transfer from surplus on revaluation of fixed assets	84
-	
Profit available for appropriation	77,344
Cash Dividend paid	(10,091)
Transfer to Statutory Reserve (10% of after tax profit)	(1,140)
Bonus sharess issued	(3,364)
Un-appropriated profit carried forward	62,749

The inflationary figures have started to decline and accordingly there is a reduction in State Bank discount rate. The said decline although will reduce banking margins in short run but will help in improving the asset quality as well as to increase the banking volumes. It is however critical that this reduction in interest rate must be coupled with improvement in energy supply, law & order situation, business confidence as well as resolution of international economic crisis in some of the largest economies of the world.

Pre tax profit for the first nine months of 2011 is Rs. 16,751 million which is slightly higher than the corresponding period last year. Earning per share stands at Rs.6.78 compare to Rs. 6.76 of corresponding period last year. Pre tax return on equity stands at 21.4% whereas pre tax return on assets is at 2.2%. Cost to income ratio is at 48%.

Bank's net interest income increased by Rs.3,597 million or 5.5% from corresponding period last year. Non interest markup income increased by Rs. 1,787 million or 15.7% compared to corresponding period last year mainly because of higher other income which includes Rs. 949 million received as compensation on delayed

tax refunds as well as higher income on dealing in foreign currencies because of better volumes. Our fee / commission income for the period is flat mainly due to downward revision of commission tariff allowed on government transactions which offset increase in volume from other venues. Administrative Expenses increased by 12.6% in line with inflation and salary increases. Provision charge against advances show an increase by Rs. 716 million or 10.4% mainly on account of further downgrading of existing NPL portfolio as well as fresh accretions. Non performing Loans increased by Rs. 32 billion and it includes element of circular debt/ financing of Public Sector Enterprises (PSEs).

Deposits at Rs. 798 billion are less compared to year end December 2010 mainly because of shedding off expensive deposits. Compared to September 2010, increase in deposit is Rs.54 billion. Advances increased by Rs. 36 billion compared to year end December 2010. The bank is continuing its program of 'Online Connectivity Services for Network Enhancement' (OCSNE), in which branches are being automated, hardware and software is being upgraded along with connectivity infrastructure and network management. More than 575 branches have been upgraded so far.

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

On behalf of Board of Directors

Qamar Hussain
President
Date: September 27, 2011

National Bank of Pakistan

Unconsolidated Condensed Interim Statement of Financial Position

As at Sept 30, 2011

		(Un-audited) Sept 30, 2011	(Audited) December 31, 2010
----- (Rupees in '000') -----			
ASSETS			
	Note		
Cash and balances with treasury banks		74,319,754	115,442,360
Balances with other banks		39,858,732	30,389,664
Lendings to financial institutions - net		22,629,966	23,025,156
Investments - net	7	251,624,886	301,323,804
Advances - net	8	513,240,133	477,506,564
Operating fixed assets		27,469,284	26,888,226
Deferred tax assets - net	9	8,360,728	6,952,666
Other assets		76,496,806	53,496,240
		1,014,000,289	1,035,024,680
LIABILITIES			
Bills payable		12,467,591	8,006,631
Borrowings from financial institutions		29,523,003	20,103,591
Deposits and other accounts	10	798,341,207	832,151,888
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		89,751	106,704
Deferred tax liabilities		-	-
Other liabilities		45,217,578	46,160,038
		885,639,130	906,528,852
NET ASSETS		128,361,159	128,495,828
REPRESENTED BY			
Share capital		16,818,285	13,454,628
Reserves		25,251,324	24,450,244
Unappropriated profit		62,749,218	65,857,438
		104,818,826	103,762,310
Surplus on revaluation of assets - net	11	23,542,333	24,733,518
		128,361,159	128,495,828
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan
Unconsolidated Condensed Interim Profit and Loss Account - (Un-Audited)
For the Nine Months Period Ended Sept 30, 2011

	Quarter Ended Sept 30, 2011	Nine Months Ended Sept 30, 2011	Quarter Ended Sept 30, 2010	Nine Months Ended Sept 30, 2010
Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest earned	22,552,731	69,487,391	22,189,284	65,890,764
Mark-up / Return / Interest expensed	12,062,429	36,311,898	11,265,444	34,228,882
Net mark-up / interest income	10,490,302	33,175,493	10,923,840	31,661,882
Provision against non-performing advances - net	808,988	5,432,420	1,710,513	4,588,942
Provision for diminution in value of investments - net	280,082	1,792,760	540,856	2,117,300
Provision against off-balance sheet obligations	-	-	-	3,965
Bad debts written off directly	127	127	419	419
	1,089,197	7,225,307	2,251,788	6,710,626
Net mark-up / interest income after provisions	9,401,105	25,950,186	8,672,052	24,951,256
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	1,875,106	7,008,116	2,261,605	7,006,003
Dividend income	317,360	911,867	141,768	643,690
Income from dealing in foreign currencies	831,266	2,257,254	407,596	1,669,588
Gain on sale and redemption of securities - net	220,493	1,875,085	229,464	1,939,800
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	48,346	11,617	(716)	(6,574)
Other income	52,014	1,111,592	47,837	135,393
Total non-mark-up / interest income	3,344,585	13,175,531	3,087,554	11,387,900
	12,745,690	39,125,717	11,759,606	36,339,156
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	7,633,371	22,003,528	6,694,631	19,518,947
Other provisions / write-offs	6,893	345,691	61,887	144,659
Other charges	13,653	25,688	23,002	45,408
Total non-mark-up / interest expenses	7,653,917	22,374,907	6,779,520	19,709,014
	5,091,773	16,750,810	4,980,086	16,630,142
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	5,091,773	16,750,810	4,980,086	16,630,142
Taxation - current	1,268,851	7,052,137	1,969,047	6,699,869
- prior year(s)	-	-	-	-
- deferred	511,630	(1,704,128)	(531,675)	(1,433,157)
	1,780,481	5,348,009	1,437,372	5,266,712
PROFIT AFTER TAXATION	3,311,292	11,402,801	3,542,714	11,363,430
Basic and diluted earnings per share (Rupees)	1.97	6.78	2.11	6.76

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan

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

For the Nine Months Period Ended Sept 30, 2011

	Quarter ended Sept 30, 2011	Nine Months ended Sept 30, 2011	Quarter ended Sept 30, 2010	Nine Months ended Sept 30, 2010
----- (Rupees in '000') -----				
Profit after taxation for the period	3,311,292	11,402,801	3,542,714	11,363,430
Other comprehensive income:				
Exchange adjustments on translation of net assets of foreign branches	(730,897)	(339,201)	386,649	177,030
Income tax relating to component of other comprehensive Income	-	-	-	-
Other comprehensive income - net of tax	(730,897)	(339,201)	386,649	177,030
Comprehensive income transferred to equity	2,580,395	11,063,600	3,929,363	11,540,460
Components of comprehensive income not reflected in equity				
Deficit / Suplus on revaluation of investments	(569,548)	(800,606)	(956,945)	(4,331,340)
Deferred tax on revaluation of investments	(103,166)	(296,066)	258,215	630,620
	(672,714)	(1,096,672)	(698,730)	(3,700,720)
Total comprehensive income	1,907,681	9,966,928	3,230,633	7,839,740

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

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National Bank of Pakistan
Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the Nine Months Period Ended Sept 30, 2011

Share Capital	Attributable to the Shareholders of the bank					Unappropriated Profit	Total
	Reserves			Revenue General			
	Exchange Translation	Bonus Shares Issue Reserve	Statutory				
----- (Rupees in '000) -----							
Balance as at January 1, 2010	10,763,702	6,906,851	-	15,253,518	521,338	60,696,510	94,141,919
Total comprehensive income for the period							
Profit after tax for the nine months period ended Sept 30, 2010	-	-	-	-	-	11,363,430	11,363,430
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	177,030	-	-	-	-	177,030
	-	177,030	-	-	-	11,363,430	11,540,460
Transferred from Surplus on Revaluation Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	88,302	88,302
Transfer to Statutory Reserve	-	-	-	1,136,343	-	(1,136,343)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (25%)	-	-	2,690,926	-	-	(2,690,926)	-
Cash dividend (Rs. 7.5 per share)	2,690,926	-	(2,690,926)	-	-	(8,072,776)	(8,072,776)
	2,690,926	-	-	-	-	(10,763,701)	(8,072,776)
Balance as at Sept 30, 2010	13,454,628	7,083,881	-	16,389,861	521,338	60,248,198	97,697,906
Balance as at Oct 1, 2010	13,454,628	7,083,881	-	16,389,861	521,338	60,248,198	97,697,906
Comprehensive Income							
Profit after tax for the three months period ended Dec 31, 2010	-	-	-	-	-	6,199,784	6,199,784
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	221,835	-	-	-	-	221,835
	-	221,835	-	-	-	6,199,784	6,421,619
Transferred from Surplus on Revaluation Fixed Assets to unappropriated profit - net of tax	-	-	-	-	-	29,436	29,436
Transfer to Statutory Reserve	-	-	-	619,978	-	(619,978)	-
Balance as at December 31, 2010	13,454,628	6,919,067	-	17,009,839	521,338	65,857,438	103,762,310
Balance as at January 1, 2011	13,454,628	6,919,067	-	17,009,839	521,338	65,857,438	103,762,310
Comprehensive Income							
Profit after tax for the nine months period ended Sept 30, 2011	-	-	-	-	-	11,402,801	11,402,801
Other comprehensive income - net of tax							
Effect of translation on net assets of foreign branches	-	(339,201)	-	-	-	-	(339,201)
	-	(339,201)	-	-	-	11,402,801	11,063,600
Transferred from Surplus on Revaluation Fixed Assets	-	-	-	-	-	83,887	83,887
Transfer to Statutory Reserve	-	-	-	1,140,280	-	(1,140,280)	-
Transactions with Owners, recorded directly in equity							
Issue of Bonus Shares (25%)	-	-	3,363,657	-	-	(3,363,657)	-
Cash dividend (Rs. 7.5 per share)	3,363,657	-	(3,363,657)	-	-	(10,090,971)	(10,090,971)
	3,363,657	-	-	-	-	(13,454,628)	(10,090,971)
Balance as at Sept 30, 2011	16,818,285	6,579,866	-	18,150,120	521,338	62,749,218	104,818,826

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

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Director

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National Bank of Pakistan
Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)
For the Nine Months Period Ended Sept 30, 2011

Nine Months
Ended
Sept 30,
2011

Nine Months
Ended
Sept 30,
2010

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

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	16,750,810	16,630,142
Less: Dividend income	911,867	643,690
	15,838,943	15,986,452

Adjustments

Depreciation	848,948	678,484
Provision against non-performing loans and advances	5,432,420	4,588,942
Provision for diminution in value of investments	1,792,760	2,117,300
Provision against off-balance sheet obligations	-	3,965
Other provision / Write-off	345,691	145,078
Gain on sale of fixed assets	(14,459)	(20,679)
Financial charges on leased assets	14,515	7,766
	8,419,875	7,520,856
	24,258,818	23,507,308

(Increase) / Decrease in operating assets

Lendings to financial institutions	355,190	(13,153,712)
Held-for-trading securities	(18,324,008)	(6,709,310)
Advances	(41,165,989)	22,657,095
Other assets	(19,297,124)	(2,043,409)
	(78,431,931)	750,664

Increase / (Decrease) in operating liabilities

Bills payable	4,460,960	(3,417,384)
Borrowings	10,380,332	(25,702,930)
Deposits & other accounts	(33,810,681)	16,630,714
Other liabilities (excluding current taxation)	(960,525)	(3,714,105)
	(19,929,914)	(16,203,705)

Income tax paid	(11,708,105)	(6,173,248)
Financial charges paid	(14,515)	(7,766)
	(11,722,620)	(6,181,014)

Net cash (used in) / from operating activities

(85,825,647) 1,873,253

CASH FLOWS FROM INVESTING ACTIVITIES

Proceed from / net investments in available-for-sale securities	65,727,467	(47,873,520)
Proceeds from held-to-maturity securities	1,019,349	7,833,544
Investments in associates and subsidiaries	(1,303,738)	(328,853)
Dividend received	911,867	643,690
Investments in operating fixed assets	(1,324,782)	(1,590,811)
Sale proceeds of operating fixed assets disposed off	14,459	20,679
Net cash from / (used in) investing activities	65,044,622	(41,295,271)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of lease obligations	(36,560)	(26,822)
Dividend paid	(10,072,906)	(8,057,304)
Net cash used in financing activities	(10,109,466)	(8,084,126)
Effects of exchange rate changes on cash and cash equivalents	(339,201)	177,030
Net decrease in cash and cash equivalents	(31,229,692)	(47,329,114)
Cash and cash equivalents at beginning of the period	145,294,950	144,169,195
Cash and cash equivalents at the end of the period	114,065,258	96,840,081

The annexed notes 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the Nine Months Period Ended Sept 30, 2011

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,266 (2010: 1,266) branches in Pakistan and 23 (2010: 23) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

2. STATEMENT OF COMPLIANCE

2.1 These unconsolidated condensed interim financial statements of the bank for the half year ended June 30, 2011 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

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

2.3 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2010.

2.4 On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs.

The Scheme needs to be accounted for by the covered entities, including the bank, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the staff costs of the bank for the period would have been higher by Rs. 868 million (Sep 30, 2010: 868 million), profit before taxation would have been lower by Rs. 868 million (Sep 30, 2010: 868 million), un-appropriated profit would have been lower by Rs. 2,466 million (Sep 30, 2010: 1,308 million) and reserves would have been higher by Rs. 2,466 million (Sep 30, 2010: 1,308 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.52 per share (Sep 30, 2010: Rs 0.52).

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

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the Nine Months Period Ended Sept 30, 2011

3. BASIS OF MEASUREMENT

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

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

4. ACCOUNTING POLICIES

The accounting policies adopted for preparation of these unconsolidated condensed interim financial statements are same as those followed in the preparation of the annual financial statements of the bank for the year ended December 31, 2010. other than as disclosed in note 4.1 below.

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

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 24 Related Party Transactions (Amendment)	January 1, 2011
IAS 32 Financial Instruments: Presentation (Amendment)	January 1, 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011

Adoption of the above standards, amendments and interpretations did not have any material effect on the unconsolidated condensed interim financial statements.

4.2 Improvements to IFRSs

In addition to the above, amendments to various accounting standards have also been issued by the International Accounting Standard Board (IASB). Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The adoption of these improvements to IFRSs did not have any material impact on the bank's unconsolidated condensed interim financial statements in the period of initial application.

5 ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2010.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies applied during the half year are consistent with those disclosed in the annual financial statements of the bank for the year ended December 31, 2010.

National Bank of Pakistan

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)

For the Nine Months Period Ended Sept 30, 2011

7. INVESTMENTS

	(Un-Audited) Sept 30, 2011			(Audited) December 31, 2010		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	----- (Rupees in '000') -----			----- (Rupees in '000') -----		
7.1 Investments by type:						
Held-for-trading securities						
Market Treasury Bills	24,501,258	-	24,501,258	5,278,693	-	5,278,693
Pakistan Investment Bonds	205,501	-	205,501	732,253	-	732,253
Ordinary Shares of Listed companies	141,872	-	141,872	533,677	-	533,677
Sukuk Bonds	20,000	-	20,000	-	-	-
Total held-for-trading securities	24,868,631	-	24,868,631	6,544,623	-	6,544,623
Available- for- sale securities						
Ordinary Shares - Listed companies	25,729,326	-	25,729,326	18,850,212	-	18,850,212
- Un-Listed companies	1,165,163	-	1,165,163	1,053,198	-	1,053,198
Market Treasury Bills	71,535,736	15,177,410	86,713,146	155,716,032	9,051,796	164,767,828
Preference Shares	285,260	-	285,260	272,260	-	272,260
Pakistan Investment Bonds	22,102,944	-	22,102,944	15,992,937	302,801	16,295,738
Gop Foreign Currency Bonds	3,251,665	-	3,251,665	3,193,093	-	3,193,093
Foreign Government Securities	-	-	-	214,663	-	214,663
Foreign Currency Debt Securities	4,046,342	-	4,046,342	3,254,119	-	3,254,119
Term Finance Certificates / Mushairka, and Sukuk Bonds	61,197,488	-	61,197,488	61,741,707	-	61,741,707
Mutual Funds	1,675,614	-	1,675,614	898,793	-	898,793
Investment outside Pakistan - note 7.2	463,295	-	463,295	463,295	-	463,295
NI(U)T LoC Units - note 7.3	-	-	-	1,397,619	-	1,397,619
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,147,500	-	1,147,500	1,147,500	-	1,147,500
Total available- for- sale securities	193,200,333	15,177,410	208,377,743	264,795,428	9,354,597	274,150,025
Held-to-maturity securities						
Pakistan Investment Bonds	8,627,822	-	8,627,822	8,738,582	-	8,738,582
GoP Foreign Currency Bonds	518,519	-	518,519	-	-	-
Foreign Government Securities	907,726	-	907,726	1,407,077	-	1,407,077
Foreign Currency Debt Securities	116,936	-	116,936	114,842	-	114,842
Debentures, Bonds, Participation Term Certificates & Term Finance Certificates	1,955,277	-	1,955,277	2,885,128	-	2,885,128
Total held-to-maturity securities	12,126,280	-	12,126,280	13,145,629	-	13,145,629
Investments in Associates	1,543,146	-	1,543,146	1,373,254	-	1,373,254
Investments in Joint Ventures	1,244,835	-	1,244,835	1,244,835	-	1,244,835
Investments in Subsidiaries	3,452,967	-	3,452,967	2,274,306	-	2,274,306
Investment at cost	236,436,192	15,177,410	251,613,602	289,378,075	9,354,597	298,732,672
Less: Provision for diminution in value of investments	(8,504,220)	-	(8,504,220)	(6,720,091)	-	(6,720,091)
Investments (net of Provisions)	227,931,972	15,177,410	243,109,382	282,657,984	9,354,597	292,012,581
Surplus on revaluation of held-for-trading securities	11,617	-	11,617	6,730	-	6,730
Surplus / (Deficit) on revaluation of available-for-sale securities	8,503,038	849	8,503,887	9,339,128	(34,635)	9,304,493
Total investments at carrying value	236,446,627	15,178,259	251,624,886	292,003,842	9,319,962	301,323,804

National Bank of Pakistan

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)

For the Nine Months Period Ended Sept 30, 2011

7.2 Investment outside Pakistan - Bank Al-Jazira

The Bank holds 17,500,000 (2010: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2010: 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. Rating of Bank Al-Jazira is BBB+ by Capital Intelligence.

7.3 National Investment (Unit) Trust - [NI(U)T]

In the meeting of NI(U)T - LOC Holders, which was held on November 11, 2010, the LOC Holders consented to the transfer of frozen shares (PSO and SNGPL) to the bank on closing share price of October 13, 2010. A letter was also sent to the Privatization Commission (PC) to communicate about the settlement and obtain concurrence for transfer of the strategic assets to the bank. PC responded on February 17, 2011 requiring that new agreement would be signed between the bank, NITL and PC and the frozen shares after the transfer to the bank will remain frozen in the books of the bank on the same conditions as these are held by NITL. In this respect a new agreement termed as "Consent Agreement" has been finalised on June 29, 2011 consequently the bank has recorded the redemption / disposal of remaining 71,346,909 LoC units and in consideration of those units the bank has recorded its share of Strategic Investments at the closing rate of October 13, 2010. The bank's share of Strategic Investments comprise of the shares of PSO (13,055 million shares) and SNGPL (16,282 million shares). Accordingly there is a capital gain of Rs. 686 million on redemption / disposal of balance LoC units. The share of other LoC Holders has been recorded as payable to NI(U)T - LOC Holders Fund. These shares valued at Rs. 4,163 million and can not be sold without the concurrence of PC.

	Note	(Un-audited) Sept 30, 2011	(Audited) December 31, 2010
----- (Rupees in '000') -----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		499,986,192	457,970,677
Outside Pakistan		49,211,450	48,732,703
		549,197,642	506,703,380
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		14,453,587	19,410,104
Payable outside Pakistan		16,021,188	12,495,712
		30,474,775	31,905,816
Advances - gross		579,672,417	538,609,196
Less: Provision against non-performing loans			
-specific	8.1	(62,474,137)	(57,337,200)
-general		(3,958,147)	(3,765,432)
		(66,432,284)	(61,102,632)
Advances - net of provision		513,240,133	477,506,564

8.1 Advances include Rs.118,226 million (2010: Rs.86,642 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Sept 30, 2011			Provision Required	Provision Held
	Domestic	Overseas	Total		
----- (Rupees in '000') -----					
Other Assets Especially					
Mentioned	1,095,100	-	1,095,100	-	-
Substandard	27,462,271	204,382	27,666,653	2,160,508	2,160,508
Doubtful	10,781,317	488,581	11,269,898	3,744,240	3,744,240
Loss	75,567,544	2,626,766	78,194,310	56,569,389	56,569,389
	114,906,232	3,319,729	118,225,961	62,474,137	62,474,137

National Bank of Pakistan

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)

For the Nine Months Period Ended Sept 30, 2011

	(Un-audited) Sept 30, 2011	(Audited) December 31, 2010
Note	----- (Rupees in '000') -----	
11. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on revaluation of fixed assets - net of tax	17,085,238	17,179,751
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government securities	259,982	(1,196,744)
Term Finance Certificates	45,631	(215,911)
Quoted shares and mutual funds	1,068,843	2,698,818
Gop Foreign Currency Bonds	410,847	720,733
Foreign Government Securities	(86,120)	(11,264)
NI(U)T LoC Units	-	511,892
NI(U)T Non-LoC Units	21,500	101,420
NIT Market Opportunity Fund	390,478	565,873
Investment outside Pakistan - Bank Al-Jazira	6,392,726	6,129,676
	8,503,887	9,304,493
Deferred tax liability	9 (2,046,792)	(1,750,726)
	23,542,333	24,733,518
12. CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes		
This includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	12,886,356	14,513,887
- Financial institutions	10,697,409	7,239,823
- Others	7,649,200	11,223,626
	31,232,965	32,977,336
12.2 Transaction-related contingent liabilities		
This includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:		
- Government	17,643,855	19,863,734
- Financial institutions	643,781	106,771
- Others	15,677,673	15,536,805
	33,965,309	35,507,310
12.3 Trade-related contingent liabilities		
Letters of credit issued in favour of:		
- Government	120,434,434	129,270,162
- Financial institutions	4,344,477	107,289
- Others	42,416,076	31,775,817
	167,194,987	161,153,268
12.4 Other contingencies		
12.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.178 million (2010: Rs.178 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2010: Rs.965 million)].	8,467,240	8,243,510

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the Nine Months Period Ended Sept 30, 2011

12.4.2 Taxation

The income tax returns of the bank for global operations and for Azad Jammu Kashmir have been filed under section 120 and amended by the Taxation Officers under section 122(5A) of the Income Tax Ordinance, 2001 upto the tax year 2010 (accounting year ended December 31, 2009).

During the period, taxation authorities in connection with monitoring of withholding taxes have passed orders under section 161/205 of the Income Tax Ordinance, 2001 for the tax years 2009, 2010 and 2011 raising demand of Rs. 2.3 billion for the reason of non-production of sufficient challans, which were being collected from the branches. The management of the bank is in process of gathering the remaining challans from the branches and confident that upon production of challans, the remaining demand would also be deleted. An appeal is also filed before the Commissioner Appeals on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

The other matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 5,713 million (2010: Rs. 3,413 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

12.4.3 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2010.

	(Un-audited) Sept 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000') -----	
12.5 Commitments in respect of forward exchange contracts		
Purchase	122,914,937	98,499,566
Sale	62,294,899	60,773,315
12.6 Commitments in respect of forward trading of government securities		
Purchase	2,000,000	-
Sale	400,000	50,000
12.7 Other Commitments		
Cross Currency SWAP	6,135,896	6,135,896
Professional services to be received	124,228	166,126
12.8 Commitments for the acquisition of operating fixed assets	2,433,297	2,375,461
13. Other income includes Rs 946.794 million (Dec 31, 2010 Rs 1,846 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001		

14. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-Audited) Quarter ended Sept 30, 2011	(Un-Audited) Nine Months ended Sept 30, 2011	(Un-Audited) Quarter ended Sept 30, 2010	(Un-Audited) Nine Months ended Sept 30, 2010
Profit after taxation (Rupees in '000)	<u>3,311,292</u>	<u>11,402,801</u>	<u>3,542,714</u>	<u>11,363,430</u>
Weighted average number of ordinary shares (in '000)	<u>1,681,829</u>	<u>1,681,829</u>	<u>1,681,829</u>	<u>1,681,829</u>
Basic and diluted earnings per share (Rupees)	<u>1.97</u>	<u>6.78</u>	<u>2.11</u>	<u>6.76</u>

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

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
----- Rupees in '000 -----							
Sept 30, 2011 - Unaudited							
Total income	395,516	2,811,566	4,361,917	34,235,261	1,407,450	3,139,315	46,351,025
Inter segment revenue	-	(545,775)	8,418,473	(7,872,698)	-	-	-
Total expenses	2,074	53,384	11,713,048	14,571,903	985,808	2,273,998	29,600,215
Net income	393,442	2,212,407	1,067,342	11,790,660	421,642	865,317	16,750,810
Segment assets - (Gross of NPLs Provisions)	-	4,792,023	177,115,571	818,222,515	-	13,870,180	1,014,000,289
Segment non performing loans	-	-	7,817,682	110,408,279	-	-	118,225,961
Segment specific provision required	-	-	6,471,427	59,960,857	-	-	66,432,284
Segment liabilities	-	-	228,107,436	644,834,581	-	12,697,113	885,639,130
Segment return on assets (ROA) (%)	0.00%	25.08%	3.00%	10.03%	0.00%	9.50%	
Segment cost of fund (%)	0.00%	0.00%	2.70%	3.27%	0.00%	0.00%	
Sept 30, 2010 - Unaudited							
Total income	267,214	1,862,226	5,856,898	30,951,625	994,441	3,117,378	43,049,782
Inter segment revenue	-	(572,110)	7,499,266	(6,927,156)	-	-	-
Total expenses	518	33,869	10,244,686	13,115,098	885,757	2,139,711	26,419,639
Net income	266,696	1,256,247	3,111,478	10,909,371	108,684	977,667	16,630,143
Segment assets - (Gross of NPLs Provisions)		9,088,240	148,690,177	760,932,300	-	10,148,778	928,859,495
Segment non performing loans			7,856,685	67,618,693			75,475,378
Segment specific provision required			5,157,341	54,971,371			60,128,712
Segment liabilities			198,332,719	605,334,462	-	6,532,065	810,199,246
Segment return on assets (ROA) (%)	0.00%	12.85%	9.42%	10.27%	0.00%	10.66%	
Segment cost of fund (%)	0.00%	0.00%	2.09%	3.45%	0.00%	0.00%	

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the Nine Months Period Ended Sept 30, 2011

16. RELATED PARTY TRANSACTIONS

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

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

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

	2011 - Un audited			2010 - Audited				
	At January 01, 2011	Given during the period	Repaid during the period	At Septembr 30 2011	At January 01, 2010	Given during the year	Repaid during the year	At December 31, 2011
----- (Rupees in '000) -----								
Advances								
Key Management Executives	126,519	10,700	(52,277)	84,942	97,439	46,553	(17,473)	126,519
Subsidiaries	466,787	-	(42,885)	423,902	575,404	-	(108,617)	466,787
Associates	1,294,419	(38,044)	-	1,256,375	1,287,942	6,477	-	1,294,419
Debts due by Company in which director is interested as director	17,479,250	3,892,961	(2,705,208)	18,667,003	12,423,114	9,969,859	(4,913,723)	17,479,250
	<u>19,366,975</u>	<u>3,865,618</u>	<u>(2,800,370)</u>	<u>20,432,223</u>	<u>14,383,899</u>	<u>10,022,889</u>	<u>(5,039,813)</u>	<u>19,366,975</u>

	2011 - Un audited			2010 - Audited				
	At January 01, 2011	Received during the period	Repaid during the period	At Septembr 30 2011	At January 01, 2010	Received during the year	Repaid during the year	At December 31, 2011
----- (Rupees in '000) -----								
Deposits								
Subsidiaries	292,977	(129,551)	-	163,426	259,618	33,359	-	292,977
Key Management Executives	58,136	183,249	(228,492)	12,893	15,500	214,538	(171,902)	58,136
Pension Fund (Current)	5,037	13,296,549	(13,296,894)	4,692	405,351	9,798,211	(10,198,525)	5,037
Pension Fund (Fixed Deposit)	8,400,000	-	(1,800,000)	6,600,000	7,300,000	2,600,000	(1,500,000)	8,400,000
Provident Fund	8,909,272	1,115,367	(533,103)	9,491,536	7,448,100	3,093,222	(1,632,050)	8,909,272
	<u>17,665,422</u>	<u>14,465,614</u>	<u>(15,858,489)</u>	<u>16,272,547</u>	<u>15,428,569</u>	<u>15,739,330</u>	<u>(13,502,477)</u>	<u>17,665,422</u>

	Un-audited Sept 30, 2011	Audited December 31, 2010
---(Rupees in '000') ---		
Placements with:		
Subsidiary	5,615	2,573
Joint venture	783,836	578,111
Associates	<u>23,332</u>	<u>23,332</u>
Rev Repo lending to:		
Associates	185,073	-
Borrowing from:		
Subsidiary	-	401,760
Joint venture	26,910	311,349
Associates	-	<u>380,362</u>

National Bank of Pakistan
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)
For the Nine Months Period Ended Sept 30, 2011

Other receivables from subsidiaries	46,235	-
Other payables to subsidiaries	2,187	929
Off Balance Sheet Items		
forward exchange contracts with Joint Venture		
-Bought	260,079	-
-Sold	263,684	-
	Un-audited	Un-audited
	Sept 30,	Sept 30,
	2011	2010
	---(Rupees in '000') ---	
Income for the period		
On advances / placements with:		
Subsidiaries	45	270
Joint venture	1,377	350
Key management executives	2,638	4,343
Debts due by company in which a director of the bank is interested as director	751,525	653,617
Mark-up on Lending (Rev Repo):		
Associate	2,121	-
Expenses for the period		
Remuneration to key management executives	284,699	245,543
Charge for defined benefit plan	71,175	17,661
Mark-up on Deposits of:		
Subsidiaries	7,205	7,314
Provident fund	1,349,358	1,316,910
Pension fund	704,429	600,278
Key management executives	2,616	1,123
Commission paid to subsidiaries	3,080	4,690
Mark-up on Borrowing (Repo / Call):		
Subsidiaries	-	33,054
Joint venture	1,629	348
Associate	3,184	-

16.1 Although the Federal Government and the SBP held about 75.60 % shares of the bank (2010: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

National Bank of Pakistan

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)

For the Nine Months Period Ended Sept 30, 2011

17. ISLAMIC BANKING BUSINESS

The bank is operating 8 (December 31, 2010: 8) Islamic banking branch as at Sep 30, 2011. Statement of financial position and profit and loss account is as under:

	(Un-audited) Sept 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000') -----	
STATEMENT OF FINANCIAL POSITION		
Assets		
Cash and balances with treasury banks	105,913	157,726
Balances with and due from financial institutions	-	200,000
Investments	1,611,544	1,038,673
Financing / Receivables under:		
- Murabaha	778,910	278,398
- Diminishing Musharika	747,917	212,500
- Ijarah assets	409,314	417,920
- Other Islamic modes	-	94,513
Provision against non-performing financings	(389,952)	(278,233)
Operating fixed assets	301	11,763
Due from Head Office	-	44,650
Other assets	81,393	47,993
	3,345,340	2,225,903
Liabilities		
Bills Payable	3,640	5,421
Deposits and other accounts	1,165,313	2,193,413
Due to Head Office	1,882,289	-
Other liabilities	106,595	36,186
	3,157,837	2,235,020
Net Assets	187,503	(9,117)
Represented By		
Islamic Banking Fund	300,000	300,000
Unappropriated loss	(112,497)	(309,117)
	187,503	(9,117)

National Bank of Pakistan

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)

For the Nine Months Period Ended Sept 30, 2011

	(Un-audited) Sept 30, 2011	(Un-audited) Sept 30, 2010
	----- (Rupees in '000) -----	
<u>PROFIT AND LOSS ACCOUNT</u>		
Profit / Return earned on financings, investments and placements	388,483	118,343
Profit / Return expensed on deposit	(217,793)	(33,289)
Net spread earned	170,690	85,054
Depreciation on assets given on ijarah	(101,823)	(48,508)
	68,867	36,546
Provision against advances and investments	(111,719)	-
(Loss) / Profit after provision	(42,852)	36,546
Other income		
Fee, commission and brokerage income	2,678	2,509
Income from dealing in foreign currencies	114	355
Other income	279	24
Total other income	3,071	2,888
	(39,781)	39,434
Other expenses		
Administrative expenses	(72,716)	(59,112)
Loss before taxation	(112,497)	(19,678)

18. DATE OF AUTHORIZATION FOR ISSUE

The Unconsolidated Interim Condensed Financial Statements were authorized for issue on October 27, 2011 by the Board of Directors of the bank.

19. GENERAL

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

Chairman

President

Director

Director

National Bank of Pakistan

Consolidated Financial Statements

For the Nine Months ended September 30, 2011

National Bank of Pakistan
Consolidated Condensed Interim Statement of Financial Position
As at Sept 30, 2011

		(Un-Audited) Sept 30 2011	(Audited) December 31 2010
	Note	----- (Rupees in '000') -----	
ASSETS			
Cash and Balances with Treasury Banks		75,088,293	115,657,025
Balances with other Banks		40,346,564	30,743,368
Lendings to Financial Institutions		23,475,703	23,051,171
Investments - Net	7	250,985,810	301,078,498
Advances - Net	8	514,707,170	478,886,755
Operating Fixed Assets - Net		28,115,393	27,625,300
Deferred Tax Assets	9	8,398,354	6,954,228
Other Assets		76,982,436	54,022,122
		1,018,099,723	1,038,018,467
LIABILITIES			
Bills Payable		12,467,591	8,006,631
Borrowings		29,523,003	19,657,207
Deposits and other Accounts	10	798,620,406	832,134,054
Sub-ordinated Loans		-	-
Liabilities against Assets subject to Finance Lease		108,112	123,413
Deferred Tax Liabilities		-	-
Other Liabilities		45,915,121	46,798,330
		886,634,233	906,719,635
NET ASSETS		131,465,490	131,298,832
REPRESENTED BY			
Share Capital		16,818,284	13,454,629
Reserves		26,100,050	25,129,425
Unappropriated Profit		64,115,253	67,103,611
		107,033,587	105,687,665
Minority Interest		492,644	498,076
		107,526,231	106,185,741
Surplus on Revaluation of Assets - net	11	23,939,259	25,113,091
		131,465,490	131,298,832
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Profit & Loss Account - (Un-Audited)
For the Nine Months period ended Sept 30, 2011

	Quarter Ended Sept 30 2011	Nine Months Ended Sept 30 2011	Quarter Ended Sept 30 2010	Nine Months Ended Sept 30 2010
Note	----- (Rupees in '000') -----			
Mark-up / Return / Interest Earned	22,648,727	69,760,472	22,179,833	65,785,216
Mark-up / Return / Interest Expensed	12,062,647	36,312,674	11,183,616	33,911,764
Net Mark-up / Interest Income	<u>10,586,080</u>	<u>33,447,798</u>	<u>10,996,217</u>	<u>31,873,452</u>
Provision against Non-Performing Loans & Advances	799,759	5,423,191	1,710,513	4,588,942
Provision for Diminution in the Value of Investments	280,082	1,792,760	540,856	2,117,300
Provision against Off Balance Sheet Obligations	-	-	-	3,965
Bad Debts Written Off Directly	127	127	56	419
	<u>1,079,968</u>	<u>7,216,078</u>	<u>2,251,425</u>	<u>6,710,626</u>
Net Mark-up / Interest Income after Provisions	<u>9,506,112</u>	<u>26,231,720</u>	<u>8,744,792</u>	<u>25,162,826</u>
NON MARK-UP / INTEREST INCOME				
Fee, Commission & Brokerage Income	1,962,101	7,271,633	2,273,402	7,055,079
Dividend income	317,360	911,867	141,768	643,690
Income from Dealing In Foreign Currencies	807,112	2,259,419	434,018	1,720,905
Gain / (Loss) on Sale of Securities	265,862	1,920,454	229,464	1,939,800
Unrealized Gain / (Loss) on Revaluation of Investments Classified as Held-for-Trading	48,346	11,617	(716)	(6,574)
Share of Profit / (Loss) from Joint Ventures	12,698	1,750	(58,865)	(84,706)
Share of Profit from Associates	(9,513)	1,057	1,126	9,245
Other income	53,372	1,129,436	52,768	142,192
Total non mark-up / interest income	<u>3,457,338</u>	<u>13,507,232</u>	<u>3,072,965</u>	<u>11,419,631</u>
	<u>12,963,450</u>	<u>39,738,952</u>	<u>11,817,757</u>	<u>36,582,457</u>
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	7,790,132	22,498,197	6,756,163	19,711,060
Other provisions / write offs	19,320	361,990	66,190	144,436
Other charges	13,653	25,688	23,002	45,408
Total non mark-up / interest expenses	<u>7,823,105</u>	<u>22,885,875</u>	<u>6,845,355</u>	<u>19,900,904</u>
	<u>5,140,345</u>	<u>16,853,077</u>	<u>4,972,402</u>	<u>16,681,553</u>
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	<u>5,140,345</u>	<u>16,853,077</u>	<u>4,972,402</u>	<u>16,681,553</u>
Taxation - Current	1,279,795	7,076,052	1,969,780	6,702,198
- Prior year(s)	-	-	-	-
- Deferred	476,223	(1,740,205)	(531,923)	(1,433,560)
	<u>1,756,018</u>	<u>5,335,847</u>	<u>1,437,857</u>	<u>5,268,638</u>
PROFIT AFTER TAXATION	<u>3,384,327</u>	<u>11,517,230</u>	<u>3,534,545</u>	<u>11,412,915</u>
Attributable to :				
Share Holders of the Bank	3,371,404	11,522,662	3,536,557	11,414,077
Minority Interest	12,923	(5,432)	(2,012)	(1,162)
	<u>3,384,327</u>	<u>11,517,230</u>	<u>3,534,545</u>	<u>11,412,915</u>
Basic and Diluted Earnings per Share (Rupees)	14	<u>2.01</u>	<u>6.85</u>	<u>2.10</u>
		<u>6.79</u>		

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan

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

For the Nine Months period ended Sept 30, 2011

	Quarter Ended Sept 30 2011	Nine Months Ended Sept 30 2011	Quarter Ended Sept 30 2010	Nine Months Ended Sept 30 2010
	---- (Rupees in '000) ----			
Profit after taxation for the period	3,384,327	11,517,230	3,534,545	11,412,915
Other comprehensive income:				
Exchange adjustments on translation of net assets of foreign branches Subsidiary, and Joint Venture	(785,740)	(169,655)	496,725	343,962
Income tax relating to component of other comprehensive income	-	-	-	-
	(785,740)	(169,655)	496,725	343,962
Comprehensive income transferred to equity	2,598,587	11,347,575	4,031,270	11,756,877
Comprehensive Income attributable to :				
Share Holders of the Bank	2,585,664	11,353,007	4,033,282	11,758,039
Non-Controlling Interest	12,923	(5,432)	(2,012)	(1,162)
	2,598,587	11,347,575	4,031,270	11,756,877
Components of Comprehensive Income not reflected in Equity				
Deficit on revaluation of investments	(563,790)	(806,198)	(1,014,407)	(4,325,110)
Deferred tax on revaluation of investments	103,166	(296,066)	258,215	630,620
	(460,624)	(1,102,264)	(756,192)	(3,694,490)
Total Comprehensive Income	2,137,963	10,245,311	3,275,078	8,062,387

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Statement of Changes in Equity - (Un-Audited)
For the Nine Months period ended Sept 30, 2011

	Attributable to the shareholders of the bank					Unappropriated profit	Sub Total	Non Controlling Interest	Total
	Reserves			Revenue General					
	Exchange Translation	Capital Bonus Shares Issue Reserve	Statutory						
	(Rupees in '000)								
Balance as at January 1, 2010	10,763,702	7,529,156	-	15,344,565	521,338	61,696,594	95,855,355	110,930	95,966,285
Total Comprehensive Income for the period									
Profit after tax for the nine months period ended Sept 30, 2010	-	-	-	-	-	11,414,077	11,414,077	(1,162)	11,412,915
Other comprehensive income - net of tax									
Effect of translation on net assets of foreign branches	-	343,962	-	-	-	-	343,962	-	343,962
	-	343,962	-	-	-	11,414,077	11,758,039	(1,162)	11,756,877
Transferred from Surplus on Revaluation Fixed Assets	-	-	-	-	-	58,868	58,868	-	58,868
Transfer to Statutory Reserve	-	-	-	1,136,343	-	(1,136,343)	-	-	-
Transactions with Owners, recorded directly in equity									
Issue of Bonus Shares (25%)	2,690,926	-	-	-	-	(2,690,926)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(8,072,777)	(8,072,777)	-	(8,072,777)
	2,690,926	-	-	-	-	(10,763,702)	(8,072,777)	-	(8,072,777)
Balance as at Sept 30, 2010	13,454,628	7,873,118	-	16,480,908	521,338	61,269,494	99,599,486	109,768	99,709,254
Balance as at Oct 1, 2010	13,454,628	7,873,118	-	16,480,908	521,338	61,269,494	99,599,486	109,768	99,709,254
Acquisition of NAFA	-	-	-	-	-	-	-	458,045	-
Comprehensive income									
Profit after tax for the three months period ended December 31, 2010	-	-	-	-	-	6,395,225	6,395,225	(69,737)	6,325,488
Other comprehensive income - net of tax									
Effect of translation on net assets of foreign branches	-	(365,917)	-	-	-	-	(365,917)	-	(365,917)
	-	(365,917)	-	-	-	6,395,225	6,029,308	(69,737)	5,959,571
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	58,870	58,870	-	58,870
Transfer to Statutory Reserve	-	-	-	619,978	-	(619,978)	-	-	-
Balance as at December 31, 2010	13,454,628	7,507,201	-	17,100,886	521,338	67,103,611	105,687,664	498,076	106,185,741
Balance as at January 1, 2011	13,454,628	7,507,201	-	17,100,886	521,338	67,103,611	105,687,664	498,076	106,185,740
Comprehensive income									
Profit after tax for the nine months period ended Sept 30, 2011	-	-	-	-	-	11,522,662	11,522,662	(5,432)	11,517,230
Other comprehensive income - net of tax									
Effect of translation on net assets of foreign branches	-	(169,655)	-	-	-	-	(169,655)	-	(169,655)
	-	(169,655)	-	-	-	11,522,662	11,353,007	(5,432)	11,347,575
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	83,887	83,887	-	83,887
Transfer to Statutory Reserve	-	-	-	1,140,280	-	(1,140,280)	-	-	-
Transactions with Owners, recorded directly in equity									
Issue of Bonus Shares (25%)	3,363,657	-	-	-	-	(3,363,657)	-	-	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	-	(10,090,971)	(10,090,971)	-	(10,090,971)
	3,363,657	-	-	-	-	(13,454,628)	(10,090,971)	-	(10,090,971)
Balance as at Sept 30, 2011	16,818,284	7,337,546	-	18,241,166	521,338	64,115,253	107,033,587	492,644	107,526,231

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan
Consolidated Condensed Interim Cash Flow Statement - (Un-Audited)
For the Nine Months period ended Sept 30, 2011

	Nine Months Ended Sept 30 2011	Nine Months Ended Sept 30 2010
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,853,077	16,681,553
Less: Dividend income	911,867	643,690
	<u>15,941,210</u>	<u>16,037,863</u>
Adjustments:		
Depreciation	875,636	689,127
Provision against non-performing advances	5,423,191	4,588,942
Provision for diminution in the value of investments	1,792,760	2,117,300
Provision against off balance sheet obligations	-	3,965
Bad Debts Written off directly	127	419
Other provisions / write offs	361,990	144,436
Gain on sale of fixed assets	(13,289)	(22,020)
Financial charges on leased assets	16,523	7,766
Share of (profit) / loss from joint ventures	(1,750)	84,706
Share of (profit) from associates	(1,057)	(9,245)
	<u>8,454,131</u>	<u>7,605,396</u>
	<u>24,395,342</u>	<u>23,643,259</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(464,532)	(13,212,362)
Held-for-trading securities	(18,827,730)	(7,146,508)
Advances	(41,243,606)	21,483,437
Other assets (excluding advance taxation - net)	(18,626,611)	(2,614,253)
	<u>(79,162,479)</u>	<u>(1,489,686)</u>
Increase / (decrease) in operating liabilities		
Bills payable	4,460,960	(3,417,384)
Borrowings	10,289,642	(25,252,930)
Deposits and other accounts	(33,513,648)	17,776,916
Other liabilities	(901,274)	(3,933,992)
	<u>(19,664,320)</u>	<u>(14,827,390)</u>
Income tax paid	(11,731,745)	(6,173,926)
Financial charges paid	(16,523)	(7,766)
	<u>(11,748,268)</u>	<u>(6,181,692)</u>
Net cash flow from operating activities	<u>(86,179,726)</u>	<u>1,144,491</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / (net investments) in available-for-sale securities	65,713,054	(47,606,822)
Proceeds from held-to-maturity securities	1,023,708	7,762,322
Dividend income received	911,867	643,690
Investments in Associate / Joint Venture	(405,860)	(328,853)
Investments in operating fixed assets	(1,340,551)	(1,612,877)
Sale proceeds of property and equipment disposed off	13,289	22,020
Net cash flow from / (used) in investing activities	<u>65,915,506</u>	<u>(41,120,520)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(34,910)	(26,822)
Dividend paid	(10,072,906)	(8,057,303)
Net cash used in financing activities	<u>(10,107,816)</u>	<u>(8,084,125)</u>
Effects of exchange rate changes on cash and cash equivalents	(169,655)	207,136
Net increase in cash and cash equivalents	<u>(30,541,691)</u>	<u>(47,853,018)</u>
Cash and cash equivalents at beginning of the period	145,863,319	145,390,674
Cash and cash equivalents at the end of the period	<u>115,321,628</u>	<u>97,537,656</u>

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Chairman

President

Director

Director

National Bank of Pakistan
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
For the Nine Months period ended Sep 30, 2011

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

- CJSC Subsidiary Bank of NBP in Kazakhstan
- NBP Capital Limited
- NBP Exchange Company Limited
- NBP Modaraba Management Company Limited
- Taurus Securities Limited
- NBP Fullerton Asset Management Limited (formerly National Fullerton Asset Management 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 1,267 (2010: 1,266) branches in Pakistan and 23 (2010: 23) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the holding company also provides services as trustee to National Investment Trust (NIT), Long Term Credit Fund (LTCF), & Endowment Fund for Student Loan Scheme

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

1.2 Basis of Consolidation

- The interim condensed consolidated financial statements include the interim condensed financial statements of the holding company and its subsidiary companies - "the Group".
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the interim condensed consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.
- The management of the bank had applied to the Securities & Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 237 of the Companies Ordinance, 1984 in respect of consolidating its subsidiary Cast-N-Link Products Limited (CNL). The SECP vide its letter EMD/233/627/2002-1720 dated July 7, 2010 under section 237(8) of the Companies Ordinance, 1984 based on the fact that investment of the bank in CNL is not material, and the investment has been fully provided for, granted the exemption from consolidation of CNL in its financial statements for the year ended December 31, 2010.

2. STATEMENT OF COMPLIANCE

- 2.1** These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 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 State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.
- 2.3** The disclosures made in these 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 consolidated condensed interim financial statements should be read in conjunction with the annual consolidated financial statements of the Bank for the year ended December 31, 2010.
- 2.4** On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs.

The Scheme needs to be accounted for by the covered entities, including the bank, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the staff costs of the bank for the period would have been higher by Rs. 868 million (Sep 30, 2010: 868 million), profit before taxation would have been lower by Rs. 868 million (Sep 30, 2010: 868 million), unappropriated profit would have been lower by Rs. 2,466 million (Sep 30, 2010: 1,308 million) and reserves would have been higher by Rs. 2,466 million (Sep 30, 2010: 1,308 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.52 per share (Sep 30, 2010: Rs 0.52).

3. BASIS OF MEASUREMENT

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

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

4. 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, 2010, other than as disclosed in note 4.1 below.

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

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 24 Related Party Transactions (Amendment)	January 1, 2011
IAS 32 Financial Instruments: Presentation (Amendment)	January 1, 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011

Adoption of the above standards, amendments and interpretations did not have any material effect on the unconsolidated condensed interim financial statements.

4.2 Improvements to IFRSs

In addition to the above, amendments to various accounting standards have also been issued by the International Accounting Standard Board (IASB). Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The adoption of these improvements to IFRSs did not have any material impact on the bank's unconsolidated condensed interim financial statements in the period of initial application.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates/judgments and associated assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the bank for the year ended December 31, 2010.

6. 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, 2010.

7. INVESTMENTS

	September 30, 2011 (Un-audited)			December 31, 2010 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
7.1 Investments by type:						
Held-for-trading securities						
Ordinary shares of listed companies	422,388	-	422,388	533,677	-	533,677
Market Treasury Bills	24,649,028	-	24,649,028	5,278,693	-	5,278,693
Ijara Sukuk Bonds	20,000	-	20,000	-	-	-
Pakistan Investment Bonds	280,937	-	280,937	732,253	-	732,253
Total Held-for-Trading Securities	25,372,353	-	25,372,353	6,544,623	-	6,544,623
Available- for- sale securities						
Ordinary shares of listed companies	25,844,052	-	25,844,052	18,853,296	-	18,853,296
Ordinary shares of unlisted companies	1,165,163	-	1,165,163	1,053,198	-	1,053,198
	27,009,215	-	27,009,215	19,906,494	-	19,906,494
Market Treasury Bills	71,535,736	15,177,410	86,713,146	155,716,032	9,051,796	164,767,828
Preference shares	307,760	-	307,760	294,760	-	294,760
Pakistan Investment Bonds	22,309,648	-	22,309,648	16,201,897	302,801	16,504,698
GoP Foreign Currency Bonds	3,251,665	-	3,251,665	3,193,093	-	3,193,093
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	61,232,978	-	61,232,978	61,799,389	-	61,799,389
Mutual funds	1,675,614	-	1,675,614	971,574	-	971,574
Foreign Government Securities	-	-	-	214,663	-	214,663
Foreign Government Debt Securities	4,046,342	-	4,046,342	3,254,119	-	3,254,119
Investment outside Pakistan (note 7.2)	463,295	-	463,295	463,295	-	463,295
NI(U)T LoC Units - note (7.3)	-	-	-	1,397,619	-	1,397,619
NI(U)T Non-LoC Units	600,000	-	600,000	600,000	-	600,000
NIT Market Opportunity Fund	1,147,500	-	1,147,500	1,147,500	-	1,147,500
Total Available- for- sale securities	193,579,753	15,177,410	208,757,163	265,160,435	9,354,597	274,515,032
Held-to-maturity securities						
Pakistan Investment Bonds	8,627,822	-	8,627,822	8,817,941	-	8,817,941
GoP Foreign Currency Bonds	518,519	-	518,519	-	-	-
Foreign Government Securities	907,726	-	907,726	1,407,077	-	1,407,077
Foreign Government Debt Securities	116,936	-	116,936	114,842	-	114,842
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	2,030,277	-	2,030,277	2,885,128	-	2,885,128
Total Held-to-maturity securities	12,201,280	-	12,201,280	13,224,988	-	13,224,988
Investments in associates	1,863,223	-	1,863,223	1,645,129	-	1,645,129
Investments in joint venture	2,806,746	-	2,806,746	2,574,164	-	2,574,164
Investments in subsidiary company	1,245	-	1,245	1,245	-	1,245
Investment at cost	235,824,599	15,177,410	251,002,009	289,150,584	9,354,597	298,505,181
Less: Provision for diminution in value of Investments	(8,504,220)	-	(8,504,220)	(6,716,015)	-	(6,716,015)
Investments (net of provisions)	227,320,379	15,177,410	242,497,789	282,434,569	9,354,597	291,789,166
Surplus on revaluation of Held-for-trading securities	11,617	-	11,617	6,730	-	6,730
Surplus on revaluation of Available-for-sale securities	8,475,555	849	8,476,404	9,317,237	(34,635)	9,282,602
Total investments at carrying value	235,807,551	15,178,259	250,985,810	291,758,536	9,319,962	301,078,498

	Sept 30 2011 (Un-audited) ----- (Rupees in '000') -----	December 31 2010 (Audited)
9. DEFERRED TAX ASSETS - net	Note	
Deferred tax assets arising in respect of		
Provision for diminution in the value of investments	2,214,137	1,586,671
Provision against advances and off-balance sheet obligations	6,936,817	6,189,551
Other provision	452,802	334,051
Charge against defined benefits plans	1,465,975	1,156,724
Unrealized loss on derivatives	819,585	942,204
Provision against off balance sheet obligation	116,622	116,622
Others	37,626	-
	<u>12,043,564</u>	<u>10,325,823</u>
Deferred tax (liabilities) arising in respect of		
Excess of accounting book value of leased assets over lease liabilities	(20,049)	(16,149)
Difference between accounting book value of fixed assets and tax base	(409,984)	(391,165)
Revaluation of securities	(2,046,792)	(1,750,726)
Revaluation of fixed assets	(1,168,385)	(1,213,555)
	<u>(3,645,210)</u>	<u>(3,371,595)</u>
Net deferred tax liabilities	<u>8,398,354</u>	<u>6,954,228</u>
10. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	200,862,939	218,701,230
Savings deposits	233,207,087	266,342,975
Current accounts - remunerative	76,445,987	68,525,875
Current accounts - non-remunerative	189,080,890	194,393,878
	<u>699,596,902</u>	<u>747,963,958</u>
Financial Institutions		
Remunerative deposits	61,742,120	30,939,064
Non-remunerative deposits	37,281,384	53,231,032
	<u>99,023,504</u>	<u>84,170,096</u>
	<u>798,620,406</u>	<u>832,134,054</u>
11. SURPLUS ON REVALUATION OF ASSETS - net		
Surplus on Revaluation of Fixed Assets - net of Tax	17,510,747	17,605,260
Surplus / (deficit) on revaluation of Available-for-sale securities - net of tax		
Federal Government securities	235,888	(1,232,965)
Term Finance Certificates	43,848	(215,922)
Quoted shares and Mutual Funds	1,067,237	2,713,159
GoP Foreign Currency Bonds	410,847	720,733
Foreign Government Securities	(86,120)	(11,264)
NI(U)T LoC Units	-	511,892
NI(U)T Non-LoC Units	21,500	101,420
NIT Market Opportunity Fund	390,478	565,873
Investment outside Pakistan	6,392,726	6,129,676
	<u>8,476,404</u>	<u>9,282,602</u>
Deferred tax Liability Recognized	(2,046,792)	(1,750,726)
Share of revaluation loss on securities of associates	(1,100)	(24,045)
	<u>23,939,259</u>	<u>25,113,091</u>
12. CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes		
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		
- Government	12,886,356	14,513,887
- Financial institutions	10,697,409	7,239,823
- Others	7,649,200	11,223,626
	<u>31,232,965</u>	<u>32,977,336</u>

12.2 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:

	Sept 30 2011 (Un-audited)	December 31 2010 (Audited)
	----- (Rupees in '000) -----	
- Government	17,643,855	19,863,734
- Financial institutions	643,781	106,771
- Others	15,677,673	15,536,805
	33,965,309	35,507,310

12.3 Trade-related contingent liabilities

Letters of credit
Issued in favour of

- Government
- Financial institutions
- Others

	120,434,434	129,270,162
	4,344,477	107,289
	42,416,076	31,775,817
	167,194,987	161,153,268

12.4 Other contingencies

- 12.4.1** Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.178 million (2010: Rs.178 million) and claims relating to former Mehran Bank Limited amounting to Rs.965 million (2010: Rs.965 million)].

8,467,240	8,243,510
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12.4.2 Taxation

The income tax returns of the bank for global operations and for Azad Jammu Kashmir have been filed under section 120 and amended by the Taxation Officer under section 122(5A) of the Income Tax Ordinance, 2001 upto the tax year 2010 (accounting year ended December 31, 2009).

During the period, taxation authorities in connection with monitoring of withholding taxes have passed orders under section 161/205 of the Income Tax Ordinance, 2001 for the tax years 2009, 2010 and 2011 raising demand of Rs. 2.3 billion for the reason of non-production of sufficient challans, which were being collected from the branches. The management of the Bank is in process of gathering the remaining challans from the branches and confident that upon production of challans, the remaining demand would also be deleted. An appeal is also filed before the Commissioner Appeals on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

The other matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 5,713 million (2010: Rs. 3,413 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

12.4.3 Barter Trade Agreements / Golden Handshake

The current status of these contingencies is same as disclosed in the annual consolidated financial statements of the bank for the year ended December 31, 2010.

	Sept 30 2011 (Un-audited)	December 31 2010 (Audited)
	----- (Rupees in '000) -----	

12.5 Commitments in respect of forward exchange contracts

Purchase	122,914,937	98,499,566
Sale	62,294,899	60,773,315

12.6 Commitments in respect of trading with Govt. securities

Purchase (Reverse Repo)	2,000,000	-
Sale	400,000	50,000

12.7 Other Commitments

Cross Currency SWAP	6,135,896	6,135,896
Professional services to be received	124,228	166,216

12.8 Commitments for the acquisition of operating fixed assets

2,433,297	2,375,461
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- 13.** Other income includes Rs 946.794 million (Dec 31, 2010 Rs 1,846 million) for compensation of delayed refunds determined under section 171 of the Income Tax Ordinance, 2001

		Quarter Ended Sept 30 2011	Nine Months Ended Sept 30 2011	Quarter Ended Sept 30 2010	Nine Months Ended Sept 30 2010
14. BASIC AND DILUTED EARNINGS PER SHARE					
Profit after taxation	(Rupees in '000)	3,384,327	11,517,230	3,534,545	11,412,915
Weighted average number of ordinary shares	(Number '000)	1,681,829	1,681,829	1,681,829	1,681,829
Basic and diluted earnings per share	(Rupees)	2.01	6.85	2.10	6.79

15. 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									
Sept 30, 2011-Unaudited									
Total income	395,516	39,661,435	4,361,917	34,235,261	1,407,450	3,139,315	16,675	50,136	83,267,705
Inter segment revenue	-	(545,775)	8,418,473	(7,872,698)	-	-	-	-	-
Total expenses	2,074	36,809,907	11,713,048	14,571,903	985,808	2,273,998	12,096	45,793	66,414,627
Net income	393,442	2,305,752	1,067,342	11,790,660	421,642	865,317	4,579	4,343	16,853,077
Segment Assets - (Gross of NPLs Provisions)	-	8,227,163	177,115,571	818,222,515	-	13,870,180	196,397	467,897	1,018,099,723
Segment Non-Performing Loans	-	-	7,817,682	110,408,279	-	-	-	-	118,225,961
Segment Specific Provision Required	-	-	6,471,427	59,960,857	-	-	-	-	66,432,284
Segment Liabilities	-	752,597	228,107,436	644,834,581	-	12,697,113	48,524	193,982	886,634,233
Segment Return on Assets (ROA) (%)	0.00%	25.08%	3.00%	10.03%	0.00%	9.50%	12.87%	0.25%	0.51%
Segment Cost of Fund (%)	0.00%	0.00%	2.70%	3.27%	0.00%	0.00%	0.00%	0.18%	0.42%

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
Sept 30, 2010-Unaudited									
Total income	267,214	35,954,127	5,856,898	30,951,625	994,441	3,117,378	11,077	52,087	77,204,847
Inter segment revenue	-	(572,110)	7,499,266	(6,927,156)	-	-	-	-	-
Total expenses	518	34,080,283	10,244,686	13,115,098	885,757	2,139,711	9,868	47,373	60,523,294
Net income	266,696	1,301,734	3,111,478	10,909,371	108,684	977,667	1,209	4,714	16,681,553
Segment Assets - (Gross of NPLs Provisions)	-	11,668,069	148,690,177	760,932,300	-	10,148,778	184,217	477,151	932,100,692
Segment Non-Performing Loans	-	-	7,856,685	67,618,693	-	-	-	-	75,475,378
Segment Specific Provision Required	-	-	3,604,790	56,523,922	-	-	-	-	60,128,712
Segment Liabilities	-	906,878	198,332,719	605,334,462	-	6,532,065	45,554	208,216	811,359,894
Segment Return on Assets (ROA) (%)	0.00%	12.85%	9.42%	10.27%	0.00%	10.66%	20.54%	0.19%	0.79%
Segment Cost of Fund (%)	0.00%	0.00%	2.09%	3.45%	0.00%	0.00%	0.00%	0.17%	0.64%

16. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, joint ventures, employee benefit plans, and its key management personnel (including their associates). The details of investments in associated undertakings are stated in note 7 to these financial statements. Transactions between the Holding Company and its related parties are carried out under normal commercial term except employee staff loans and return on provident fund that are as per the agreed term. Transactions with related parties during the period are as under:

	2011 - Unaudited				2010 - Audited			
	At January 1	Given during the period	Repaid during the period	At Sept 30	At January 1	Given during the year	Repaid during the year	At December 31
(Rupees in '000)								
Advances								
Key Management Executives	126,519	10,700	(52,277)	84,942	97,439	46,553	(17,473)	126,519
Associates	1,294,419	(38,044)	-	1,256,375	1,287,942	6,477	-	1,294,419
Debts due by Company in which Director is interested as Director	17,479,250	3,892,961	(2,705,208)	18,667,003	12,423,114	9,969,859	(4,913,723)	17,479,250
	18,900,188	3,855,618	(2,757,485)	20,008,321	13,808,495	10,022,889	(4,931,196)	18,900,188
(Rupees in '000)								
Deposits								
Key Management Executives	58,136	183,249	(228,492)	12,893	15,500	214,538	(171,902)	58,136
Pension Fund (Current)	5,037	13,296,549	(13,296,894)	4,693	405,351	9,798,211	(10,198,525)	5,037
Pension Fund (Fixed Deposit)	8,400,000	-	(1,800,000)	6,600,000	7,300,000	2,600,000	(1,500,000)	8,400,000
Provident Fund	8,909,272	1,115,367	(533,103)	9,491,536	7448100	3093222	(1,632,050)	8909272
	17,372,445	14,595,166	(15,858,489)	16,109,121	15,168,951	15,705,971	(13,502,477)	17,372,445

	Sept 30 2011 (Un-audited)	December 31 2010 (Audited)
	----- (Rupees in '000) -----	
Placements with:		
Joint venture	783,836	264,591
Associates	23,332	23,332
Reverse Repo Lending to :		
Associates	185,073	-
Repo Borrowing from		
Joint venture	26,910	311,349
Associates	-	380,362
Off Balance Sheet Items		
Forward exchange contracts with Joint Venture		
Purchased	260,079	-
Sold	263,684	-
	Nine Months Ended Sept 30 2011 (Un-audited)	Nine Months Ended Sept 30 2010 (Un-audited)
	----- (Rupees in '000) -----	
Income for the period		
On advances / placements with:		
Joint Ventures	1,377	-
Key management executives	2,638	4,343
Debts Due by company in which a director of the bank is interested as director	751,525	653,617
Mark-up on Lending (Rev Repo):		
Associate	2,121	-
Expenses for the period		
Remuneration to key management executives	284,699	245,543
Charge for defined benefit plan	71,175	17,661
Mark-up on Deposits of:		
Provident fund	1,349,358	1,316,910
Pension fund	704,429	600,278
Key management executives	2,616	1,123
Mark-up on Borrowing (Repo / Call) :		
Joint Venture	1,629	-
Associate	3,184	-

16. Although the Federal Government and the SBP held about 75.60 % (2010: 75.60%) of the holding company, the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

17. ISLAMIC BANKING BUSINESS

The Bank is operating 8 (December 31, 2010: 8) Islamic banking branches as at Sep 30, 2011. The Statement of Financial Position and Profit and Loss account of such branches is as under:

	Sept 30 2011 (Un-audited) ----- (Rupees in '000) -----	December 31 2010 (Audited)	
Statement of Financial Position			
ASSETS			
Cash and balances with treasury banks	105,913	157,726	
Balances with and due from financial institutions	-	200,000	
Investments	1,611,544	1,038,673	
Financing / Receivables under:			
- Murabaha	778,910	278,398	
- Diminishing Musharika	747,917	212,500	
- Ijarah assets	409,314	417,920	
- Other Islamic modes	-	94,513	
Provision against non performing financings	(389,952)	(278,233)	
Operating fixed assets	301	11,763	
Due from Head Office	-	44,650	
Other assets	81,393	47,993	
Total Assets	3,345,340	2,225,903	
LIABILITIES			
Bills payable	3,640	5,421	
Deposits and other accounts	1,165,313	2,193,413	
Due to Head Office	1,882,289	-	
Other liabilities	106,595	36,186	
	3,157,837	2,235,020	
NET ASSETS	187,503	(9,117)	
REPRESENTED BY			
Islamic Banking Fund	300,000	300,000	
Unappropriated (loss)	(112,497)	(309,117)	
	187,503	(9,117)	
Profit and Loss Account			
Profit / return on financing and placements earned	388,483	118,343	
Profit / return on deposit and other dues expensed	(217,793)	(33,289)	
Net spread earned	170,690	85,054	
Depreciation on assets given on ijarah	(101,823)	(48,508)	
	68,867	36,546	
Provision against advances and investments	(111,719)	-	
(Loss) / Profit after provision	(42,852)	36,546	
OTHER INCOME			
Fee, commission and brokerage income	2,678	2,509	
Income from dealing in foreign currencies	114	355	
Other income	279	24	
Total other income	3,071	2,888	
	(39,781)	39,434	
OTHER EXPENSES			
Administrative expenses	(72,716)	(59,112)	
Loss for the year	(112,497)	(19,678)	
18. DATE OF AUTHORIZATION FOR ISSUE			
The consolidated condensed interim financial statements were authorized for issue on October 27, 2011 by the Board of Directors of the Holding Company.			
19. GENERAL			
19: Figures have been rounded-off to the nearest thousand rupees.			
_____ Chairman	_____ President	_____ Director	_____ Director