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Corporate Information

Board of Directors

Syed Ali Raza Chairman & President
Dr. Waqar Masood Khan
Sikandar Hayat Jamali
Azam Faruque
Ibrar A. Mumtaz
Mian Kausar Hameed

Audit Committee

Azam Faruque
Sikandar Hayat Jamali
Ibrar A. Mumtaz

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisors

Mandviwala & Zafar
Advocates & Legal Consultants

Registered & Head Office

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

Registrar's & Share Registration Office

THK Associates (Pvt.) Ltd.
Shares Department, Ground Floor,
State Life Building # 3,
Dr. Ziauddin Ahmed Road,
Karachi, Pakistan.

Directors Report

It gives me immense pleasure to present on behalf of the Board of Directors the accounts for the nine months period ended September 30, 2007. The Profit for the nine months period ended September 30, 2007 after carry over of accumulated profit of 2006 is proposed to be appropriated as follows: -

	Rs. in million
Net Profit before taxation for the nine months period ended Sep 30, 2007	22,180.027
Taxation	
-Current year	7,019.633
-Prior years	124.734
-Deferred	282.035
	<u>7,426.402</u>
After tax profit	14,753.625
Un-appropriated profit brought forward	32,074.677
Transfer from surplus on revaluation of fixed assets - Incremental depreciation- net of deferred tax	29.255
Profit available for appropriation	<u>46,857.557</u>
Cash Dividend paid	2,836.285
Transfer to Statutory Reserve (10% of after tax profit)	1,475.363
Bonus shares issued	1,063.607
	<u>5,375.255</u>
Un-appropriated profit carried forward	<u>41,482.302</u>

Pre tax profit increased to Rs. 22,180 million from Rs. 20,163 million in the corresponding period of last year, an increase of 10.0%. Diluted earning per share jumped to Rs.18.09 from Rs. 17.18 during the same period of last year. Pre tax return on equity stood at 50.04%. Pre tax return on assets improved to 4.5% up from 4.4% of comparative period last year. Cost to income ratio of the bank remained in the top tier at 0.31

Net interest margin registered impressive growth of Rs. 2,816 million or 13.0%. Net advances increased by Rs. 20 billion and Rs. 4 billion as compared to corresponding period of last year and year end 2006. Deposits show impressive growth of Rs. 40 billion and Rs. 21 billion or 10% compared to corresponding period of last year and year end 2006.

During the year the bank launched "Premium saver Account" (PLS Saving Account) and Premium Amdani Certificate (Monthly Income Scheme Account) offering attractive rates to small depositors. The Bank's new Micro Credit product 'NBP karobar' also showed significant growth within one year of its launch and in the coming days we expect that the growth acceleration rate of 'NBP karobar' will remain very high as more and more people are becoming aware of this product which is a multi facet product for the Bank providing both streams of fund based as well as fee/commission based incomes.

During the year a number of international and national periodicals and rating agencies have applauded the performance of NBP. In June 2007 JCR-VIS Credit Rating Co. Limited upgraded stand-alone medium to long-term rating of National Bank of Pakistan to AAA from AA+, the highest in the banking sector. In July 2007 The Bankers magazine, Financial Times Group has awarded NBP with Highest return on Capital in Asia and 8th highest in the World. The Asian Banker Magazine has awarded Mr. S. Ali Raza Chairman & President NBP "The Asian banker Leadership Achievement Award" and has adjudged NBP as the strongest bank in Pakistan. The Global Finance has awarded NBP as best foreign exchange bank in Pakistan for the year 2007.

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: November 10, 2007

National Bank of Pakistan Interim Condensed Balance Sheet

As at September 30, 2007

	Note	(Un-audited) September 30, 2007 ----- (Rupees in '000) -----	(Audited) December 31, 2006
ASSETS			
Cash and balances with treasury banks		73,472,214	78,625,227
Balances with other banks		28,992,838	40,641,679
Lendings to financial institutions		18,744,669	23,012,732
Investments	4	180,280,017	139,946,761
Advances	5	320,466,379	316,110,406
Operating fixed assets		9,966,234	9,681,974
Deferred tax assets		-	-
Other assets		36,111,483	27,113,932
		668,033,834	635,132,711
LIABILITIES			
Bills payable		6,066,815	10,605,663
Borrowings		12,048,385	11,704,079
Deposits and other accounts	6	522,928,976	501,872,243
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		32,943	13,235
Deferred tax liabilities		2,058,777	2,387,073
Other liabilities		28,093,023	26,596,300
		571,228,919	553,178,593
NET ASSETS			
		96,804,915	81,954,118
REPRESENTED BY			
Share capital		8,154,319	7,090,712
Reserves		15,509,292	13,879,260
Unappropriated profit		41,482,302	32,074,677
		65,145,913	53,044,649
Surplus on revaluation of assets	7	31,659,002	28,909,469
		96,804,915	81,954,118
CONTINGENCIES AND COMMITMENTS			
	8		

The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

National Bank of Pakistan Interim Condensed Profit And Loss Account - (Unaudited)

For the Nine Months Period ended September 30, 2007

	Quarter Ended September 30, 2007	Nine months period ended September 30, 2007	Quarter Ended September 30, 2006	Nine months period ended September 30, 2006
	Note ----- (Rupees in '000) -----			
Mark-up / Return / Interest earned	12,369,804	36,406,228	11,025,805	31,787,182
Mark-up / Return / Interest expensed	<u>4,100,002</u>	<u>11,870,543</u>	<u>3,679,033</u>	<u>10,067,099</u>
Net mark-up / Interest income	8,269,802	24,535,685	7,346,772	21,720,083
(Reversal) / provision against non-performing loans and advances	<u>1,122,060</u>	<u>640,375</u>	<u>327,930</u>	<u>1,226,855</u>
Reversal for diminution in the value of investments	-	(50,035)	-	-
Bad debts written off directly	41	25,936	1,532	3,879
	<u>1,122,101</u>	<u>616,276</u>	<u>329,462</u>	<u>1,230,734</u>
Net mark-up / interest income after provisions	7,147,701	23,919,409	7,017,310	20,489,349
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	<u>1,580,000</u>	<u>4,646,113</u>	<u>1,369,838</u>	<u>4,290,065</u>
Dividend income	2,505,816	2,732,574	2,297,486	2,439,012
Income from dealing in foreign currencies	445,515	906,715	154,864	794,048
Gain on sale of securities	181,661	403,848	282,097	868,365
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(1,026)	(5,519)	20,494	(1,084)
Other income	<u>30,940</u>	<u>169,450</u>	<u>6,457</u>	<u>609,507</u>
Total non-mark-up / interest income	4,742,906	8,853,181	4,131,236	8,999,913
	<u>11,890,607</u>	<u>32,772,590</u>	<u>11,148,546</u>	<u>29,489,262</u>
NON MARK-UP/ INTEREST EXPENSES				
Administrative expenses	<u>3,701,981</u>	<u>10,413,583</u>	<u>3,182,125</u>	<u>9,326,306</u>
Other provisions / write offs	11,173	170,097	-	-
Other charges	(983)	8,883	-	-
Total non-mark-up / interest expenses	<u>3,712,171</u>	<u>10,592,563</u>	<u>3,182,125</u>	<u>9,326,306</u>
	<u>8,178,436</u>	<u>22,180,027</u>	<u>7,966,421</u>	<u>20,162,956</u>
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	8,178,436	22,180,027	7,966,421	20,162,956
Taxation - Current	<u>2,368,741</u>	<u>7,019,633</u>	<u>1,943,625</u>	<u>6,237,370</u>
- Prior year(s)	-	124,734	-	-
- Deferred	68,626	282,035	31,309	(82,308)
	<u>2,437,367</u>	<u>7,426,402</u>	<u>1,974,934</u>	<u>6,155,062</u>
PROFIT AFTER TAXATION	5,741,069	14,753,625	5,991,487	14,007,894
Unappropriated profit brought forward	41,106,737	32,074,677	27,409,460	19,372,523
Transfer from surplus on revaluation of fixed assets	9,751	29,255	10,266	30,796
Profit available for appropriation	<u>46,857,557</u>	<u>46,857,557</u>	<u>33,411,213</u>	<u>33,411,213</u>
Basic and diluted earnings per share (Rupees)	9 <u>7.04</u>	<u>18.09</u>	<u>7.35</u>	<u>17.18</u>

The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

National Bank of Pakistan Interim Condensed Cash Flow Statement - (Unaudited)

For the Nine Months Period ended September 30, 2007

	Nine months period ended	
	September 30, 2007	September 30, 2006
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,180,027	20,162,956
Less: Dividend income	<u>2,732,574</u>	<u>2,439,012</u>
	19,447,453	17,723,944
Adjustments		
Depreciation	356,070	323,361
(Reversal) / provision against non-performing loans and advances	640,375	1,226,855
Reversal for diminution in the value of investments	(50,035)	-
Bad debts written off directly	25,936	3,879
Other provision / write off	170,097	-
Gain on sale of fixed assets	(569)	(5,080)
Financial charges on leased assets	<u>2,653</u>	<u>1,362</u>
	1,144,527	1,550,377
	<u>20,591,980</u>	<u>19,274,321</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	4,268,063	(1,213,429)
Held-for-trading securities	(419,579)	(65,217)
Advances	(5,022,284)	(32,966,498)
Other assets	<u>(7,935,245)</u>	<u>(5,189,450)</u>
	(9,109,045)	(39,434,594)
Increase / (decrease) in operating liabilities		
Bills payable	(4,538,848)	5,252,223
Borrowings	314,570	(103,178)
Deposits and other accounts	21,056,733	19,805,446
Other liabilities (excluding current taxation)	<u>1,487,467</u>	<u>3,355,617</u>
	18,319,922	28,310,108
Income tax paid	(8,302,250)	(3,383,764)
Financial charges paid	<u>(2,653)</u>	<u>(1,362)</u>
	(8,304,903)	(3,385,126)
Net cash flow from operating activities	<u>21,497,954</u>	<u>4,764,709</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(38,720,937)	(6,340,457)
Proceeds from held-to-maturity securities	1,010,022	1,862,999
Proceeds from sale of investments in associates	20,195	4,173
Dividend received	2,732,574	2,439,012
Investments in operating fixed assets	(672,686)	(468,510)
Sale proceeds of operating fixed assets disposed off	<u>569</u>	<u>5,080</u>
Net cash used in investing activities	(35,630,263)	(2,497,703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(26,921)	(5,009)
Dividend paid	<u>(2,827,029)</u>	<u>(1,482,864)</u>
Net cash used in financing activities	(2,853,950)	(1,487,873)
Effects of exchange rate changes on cash and cash equivalents	154,669	(369,454)
Net (Decrease) / Increase in cash and cash equivalents	<u>(16,831,590)</u>	<u>409,679</u>
Cash and cash equivalents at beginning of the period	118,813,121	101,583,535
Cash and cash equivalents at the end of the period	<u>101,981,531</u>	<u>101,993,214</u>

The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

National Bank of Pakistan

Interim Condensed Statement of Changes in Equity (Unaudited)

For the Nine Months Period ended September 30, 2007

	Share capital	Reserves			Unappropriated profit	Total
		Exchange equalisation	Statutory reserve	General reserve		
(Rupees in '000)						
Balance as at January 1, 2006	5,908,927	3,552,056	8,280,862	521,338	19,372,523	37,635,706
Exchange adjustments on revaluation of capital of foreign branches	-	129,042	-	-	-	129,042
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax	-	-	-	-	30,796	30,796
Net income recognised directly in equity	-	129,042	-	-	30,796	159,838
Adjustment due to closure of Cairo branch	-	(498,496)	-	-	-	(498,496)
Profit after taxation for the nine months period ended September 30, 2006	-	-	-	-	14,007,894	14,007,894
Total recognised income and expense for the period	-	(498,496)	-	-	14,007,894	13,509,398
Transfer to statutory reserve	-	-	1,400,789	-	(1,400,789)	-
Issue of bonus shares (20%)	1,181,785	-	-	-	(1,181,785)	-
Cash Dividend (Rs. 2.5 per share)	-	-	-	-	(1,477,232)	(1,477,232)
Balance as at September 30, 2006	7,090,712	3,182,602	9,681,651	521,338	29,351,407	49,827,710
Balance as at October 1, 2006	7,090,712	3,182,602	9,681,651	521,338	29,351,407	49,827,710
Exchange adjustments on revaluation of capital of foreign branches	-	192,223	-	-	-	192,223
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax	-	-	-	-	10,264	10,264
Net income recognised directly in equity	-	192,223	-	-	10,264	202,487
Profit after taxation for the three months period ended December 31, 2006	-	-	-	-	3,014,452	3,014,452
Total recognised income and expense for the period	-	192,223	-	-	3,024,716	3,216,939
Transfer to statutory reserve	-	-	301,446	-	(301,446)	-
Balance as at December 31, 2006	7,090,712	3,374,825	9,983,097	521,338	32,074,677	53,044,649
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	-	154,669	-	-	-	154,669
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax	-	-	-	-	29,255	29,255
Net income recognised directly in equity	-	154,669	-	-	29,255	183,924
Profit after taxation for the nine months period ended September 30, 2007	-	-	-	-	14,753,625	14,753,625
Total recognised income and expense for the period	-	-	-	-	14,753,625	14,753,625
Transfer to statutory reserve	-	-	1,475,363	-	(1,475,363)	-
Issue of bonus shares (15%)	1,063,607	-	-	-	(1,063,607)	-
Cash Dividend (Rs. 4 per share)	-	-	-	-	(2,836,285)	(2,836,285)
Balance as at September 30, 2007	8,154,319	3,529,494	11,458,460	521,338	41,482,302	65,145,913

The annexed notes 1 to 14 form an integral part of these interim condensed financial statements.

National Bank of Pakistan

Notes to the Interim Condensed Financial Statement - (Unaudited)

For the Nine Months Period ended September 30, 2007

1. STATUS AND NATURE OF BUSINESS

- 1.1 National Bank of Pakistan (the bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,236 (2006: 1,232) branches in Pakistan and 18 (2006:18) 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.
- 1.2 During the period, the bank has increased its authorised share capital from Rs.7,500 million (750,000,000 ordinary shares of Rs.10/- each) to Rs.10,000 million (1,000,000,000 ordinary shares of Rs.10/- each) as approved by shareholders in their general meeting held on April 02, 2007.

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, 2006.

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, 2006.

4. INVESTMENTS

	September 30, 2007 (Un-audited)			December 31, 2006 (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	757,671	-	757,671	332,573	-	332,573
Available- for- sale securities						
Ordinary shares of listed companies	2,058,685	-	2,058,685	1,426,566	-	1,426,566
Ordinary shares of unlisted companies	368,423	-	368,423	331,641	-	331,641
	2,427,108	-	2,427,108	1,758,207	-	1,758,207
Market Treasury Bills	90,143,493	383,886	90,527,379	50,524,649	381,964	50,906,613
Preference shares	275,000	-	275,000	368,184	-	368,184
Pakistan Investment Bonds	3,220,455	-	3,220,455	2,982,973	-	2,982,973
Federal Investment Bonds	940,000	-	940,000	940,000	-	940,000
Term Finance Certificates	6,137,217	-	6,137,217	7,959,446	-	7,959,446
Mutual funds	1,137,082	-	1,137,082	1,027,881	-	1,027,881
Investment outside Pakistan - note 4.2	463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) Units - note 4.3	5,666,784	-	5,666,784	5,666,784	-	5,666,784
Total Available- for- sale securities	110,410,434	383,886	110,794,320	71,691,419	381,964	72,073,383
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	11,722,741	-	11,722,741	11,843,279	-	11,843,279
GoP Foreign Currency Bonds	11,404,874	-	11,404,874	10,445,224	-	10,445,224
Foreign Government Securities	6,157,728	-	6,157,728	5,618,324	-	5,618,324
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates - note 4.4	4,527,499	-	4,527,499	4,595,982	-	4,595,982
Certificates of Investment	818,000	-	818,000	3,172,000	-	3,172,000
Total held-to-maturity securities	36,998,537	-	36,998,537	38,042,504	-	38,042,504
Investments in associates	959,669	-	959,669	979,864	-	979,864
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	151,791,104	383,886	152,174,990	113,711,153	381,964	114,093,117
Less: Provision for diminution in value of Investments	(1,169,449)	-	(1,169,449)	(1,253,429)	-	(1,253,429)
Investments (net of provisions)	150,621,655	383,886	151,005,541	112,457,724	381,964	112,839,688
Deficit on revaluation of Held-for-trading securities	(5,519)	-	(5,519)	(4,464)	-	(4,464)
Surplus on revaluation of Available-for-sale securities	29,280,254	(259)	29,279,995	27,111,716	(179)	27,111,537
Total investments at market value	179,896,390	383,627	180,280,017	139,564,976	381,785	139,946,761

4.2 Investment outside Pakistan - Bank Al-Jazira

The bank holds 13,125,000 (2006: 6,562,500) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2006: 5.83%) holding in total equity of BAJ, including 6,562,500 ordinary shares issued as bonus shares during the period. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006.

4.3 NIT Units

During the period NIT vide its letter no. MDNIT/191/2007 dated February 23, 2007 intimated to the bank that the Government has decided to offer to all the Letter of Comfort (LoC) holders, including the bank, the following options in respect of their holding in NIT Units:

- (a) LoC holders may exercise their options of acquiring the right to manage their funds at the same terms as determined by a competitive bidding process for auction of the non-LoC management rights with no discount.
- (b) In the event the above option is not acceptable, the LoC holders may either choose:
 - i) to enter into agreement with NIT for a staggered redemption spread over a period of several years with an initial payment from proceeds of sale of 'Pakistan Industrial Credit and Investment Corporation' and 'Pakistan State Oil' shares; or
 - ii) exercise the redemption option before the expiry of current LoC date with immediate payment at a discount of 10% over and above the normal procedure. NIT would raise the requisite financing from normal banking channels.

The above matter is presently under consideration by the bank.

4.4 Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.670 million (2006: Rs.705 million) which are considered non-performing.

	September 30, 2007 (Un-audited)	December 31, 2006 (Audited)
<i>Note</i>	----- (Rupees in '000) -----	
5. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	302,396,444	304,569,560
Outside Pakistan	30,275,116	26,376,167
	332,671,560	330,945,727
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	2,217,960	2,502,819
Payable outside Pakistan	15,262,424	14,881,699
	17,480,384	17,384,518
Margin Financing	1,213,921	40,213
Advances - gross	351,365,865	348,370,458
Less: Provision against non-performing loans		
Specific	(28,714,798)	(29,528,672)
General	(2,184,688)	(2,731,380)
	(30,899,486)	(32,260,052)
Advances - net of provision	320,466,379	316,110,406

- 5.1 Advances include Rs.37,561 million (2006: Rs.36,260 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	1,932,070	-	1,932,070	-	-
Substandard	4,817,869	-	4,817,869	1,053,951	1,053,951
Doubtful	2,457,821	1,697	2,459,518	1,027,449	1,027,449
Loss	27,791,387	560,142	28,351,529	26,633,398	26,633,398
	36,999,147	561,839	37,560,986	28,714,798	28,714,798

- 5.2 In accordance with the directives of the SBP, the bank is required to maintain general provision against consumer portfolio equivalent to 1.5% in respect of secured advances and 5% in respect of unsecured advance. However, during the period, the SBP vide its letter No. BRD-04 (121-06)/2007/3707 dated April 19, 2007 has allowed the bank to maintain general provision for the Advance Salary Product at 3% instead of 5%. This has resulted in reversal of general provision against the said product amounting to Rs.560.055 million during the period. The effect on current period is to increase the net advances and profit after tax by Rs.560.055 million and Rs 364.036 million respectively and to decrease the deferred tax liability by Rs.196.019 million.
- 5.3 The State Bank of Pakistan has amended Prudential Regulation - 8 vide BSD Circular No. 7 dated October 12, 2007, effective from December 31, 2007. The amended regulations require among other things withdrawal of FSV benefit while calculating provisioning requirement against non-performing loans and advances. The incremental provision requirement as a result of withdrawal of FSV on the basis of September 30, 2007 portfolio amounted to Rs 3,565.781 million, out of which Rs 968.034 million has been provided for in these financial statements.

Had the above mentioned additional provisioning was not made in these financial statements, the profit before tax for the nine months period ended September 30, 2007 and advances (net of provision) as at September 30, 2007 would have been higher by Rs 968.034 million while profit after tax would have been higher by Rs 629.222 million and earning per share would have been higher by Rs. 0.77

September 30,	December 31,
2007	2006
(Un-audited)	(Audited)
-----	-----
(Rupees in '000)	(Rupees in '000)

6. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	109,716,591	100,017,399
Savings deposits	176,075,806	170,256,433
Current accounts - remunerative	48,673,064	54,359,662
Current accounts - non-remunerative	143,526,943	119,468,864
	477,992,404	444,102,358

Financial Institutions

Remunerative deposits	31,903,623	39,196,100
Non-remunerative deposits	13,032,949	18,573,785
	44,936,572	57,769,885
	522,928,976	501,872,243

7. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of fixed assets - net of tax	5,338,844	5,368,099
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Surplus on revaluation of securities - net of tax

Federal Government securities	(4,927)	80,436
Term Finance Certificates	(7,489)	56,000
Quoted shares	2,295,413	1,760,160
NIT Units	15,714,862	11,721,554
Investment outside Pakistan - Bank Al-Jazira	11,282,136	13,493,387
	29,279,995	27,111,537
Deferred tax liability	(2,959,837)	(3,570,167)
	31,659,002	28,909,469

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:

	September 30, 2007 (Un-audited) ----- (Rupees in '000) -----	December 31, 2006 (Audited) -----
- Government	2,060,605	345,847
- Financial institutions	8,587,156	4,885,235
- Others	24,837,439	24,807,965
	35,485,200	30,039,047

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	15,261,439	18,138,591
- Financial institutions	3,518	30,735
- Others	14,356,940	5,484,271
	29,621,897	23,653,597

8.3 Trade-related contingent liabilities

Letters of credit Issued in favour of

- Government	131,695,706	128,295,046
- Financial institutions	94,942	522,542
- Others	50,815,738	31,725,396
	182,606,386	160,542,984

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.164 million (2006: Rs.164 million) and claims relating to former Mehran Bank Limited amounting to Rs.1,014 million (2006: Rs.1,053 million)].

10,443,893	11,544,592
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8.4.2 Taxation

The income tax assessments of the bank 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 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 the period, the TO 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 above matters are decided against the bank, a further tax liability of Rs.9,643 million (December 31, 2006: Rs. 8,721 million) may arise in addition to amount for which provision has already been made in these interim condensed financial statements.

No provision has been made in these interim condensed 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 financial statements for the year ended December 31, 2006 has remained unchanged during the period.

	September 30, 2007 (Un-audited) ----- (Rupees in '000) -----	December 31, 2006 (Audited) -----
8.5 Commitments in respect of forward lending		
Forward call lending	-	1,000,000
8.6 Commitments in respect of forward exchange contracts		
Purchase	42,352,211	33,055,235
Sale	22,248,594	15,352,480
8.7 Commitments in respect of forward trading of government securities		
Purchase	-	10,000,000
Sale	-	22,500
8.8 Commitments in respect of forward trading of equity shares		
Purchase	69,397	-
Sale	227,877	339,017
8.9 Commitments for the acquisition of operating fixed assets	449,840	590,073

9. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended September 30, 2007	Nine months period ended September 30, 2007	Quarter Ended September 30, 2006	Nine months period ended September 30, 2006
Profit after taxation (Rupees in '000)	<u>5,741,069</u>	<u>14,753,625</u>	<u>5,991,487</u>	<u>14,007,894</u>
Weighted average number of ordinary shares (in '000)	<u>815,432</u>	<u>815,432</u>	<u>815,432</u>	<u>815,432</u>
Basic and diluted earnings per share (Rupees)	<u>7.04</u>	<u>18.09</u>	<u>7.35</u>	<u>17.18</u>

The earnings per share for the quarter and nine months period ended September 30, 2006 have been adjusted for the effect of bonus issue during the period.

10. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	----- Rupees in '000 -----						
September 30, 2007 - un-audited							
Total income	233,211	11,960,271	6,918,953	11,427,102	910,619	1,938,710	33,388,866
Total expenses	1,025	304,039	4,253,182	4,413,092	439,431	1,798,070	11,208,839
Net income	<u>232,186</u>	<u>11,656,232</u>	<u>2,665,771</u>	<u>7,014,010</u>	<u>471,188</u>	<u>140,640</u>	<u>22,180,027</u>
September 30, 2006 - un-audited							
Total income	94,225	12,530,718	7,382,337	8,124,161	774,536	1,814,019	30,719,996
Total expenses	835	270,586	5,193,425	3,029,724	415,629	1,646,841	10,557,040
Net income	<u>93,390</u>	<u>12,260,132</u>	<u>2,188,912</u>	<u>5,094,437</u>	<u>358,907</u>	<u>167,178</u>	<u>20,162,956</u>

11. RELATED PARTY TRANSACTIONS

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

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

Transactions with related parties during the period are as under:

	For the Nine Months Period Ended September 30, 2007 (Un-audited)			For the Year Ended December 31, 2006 (Audited)		
	Key Management Executives	Subsidiaries	Associates	Key Management Executives	Subsidiaries	Associates
Advances	(Rupees in '000)					
At January 01	65,225	719,220	1,600,070	52,117	603,747	1,970,002
Given during the period / year	13,451	-	-	13,108	115,473	-
Repaid during the period / year	-	(15,123)	(92,312)	-	-	(369,932)
At September 30 / Dec 31	<u>78,676</u>	<u>704,097</u>	<u>1,507,758</u>	<u>65,225</u>	<u>719,220</u>	<u>1,600,070</u>
	For the Nine Months Period Ended September 30, 2007 (Un-audited)			For the Year Ended December 31, 2006 (Audited)		
	Subsidiaries	Pension Fund	Provident Fund	Subsidiaries	Pension Fund	Provident Fund
	(Rupees in '000)					
Deposits						
At January 01	14,167	3,077,536	7,397,487	317,593	2,598,358	6,665,252
Received during the period / year	176,437	1,449,598	761,230	-	1,701,545	1,212,644
Repaid during the period / year	-	(2,340,743)	(499,657)	(303,426)	(1,222,367)	(480,409)
At September 30 / Dec 31	<u>190,604</u>	<u>2,186,391</u>	<u>7,659,060</u>	<u>14,167</u>	<u>3,077,536</u>	<u>7,397,487</u>
				September 30, 2007 (Un-audited)		December 31, 2006 (Audited)
				----(Rupees in '000)----		
Debts due by company in which a director of the bank is interested as director				13,366		222,759
Placements with:						
Joint venture				698,012		349,550
Investments in associates / subsidiaries				27,331		27,331
Obligation under finance lease						
Subsidiary company				30,269		9,260
Other receivables				20,999		-
Other payables				2,804		-
				Nine months period ended September 30, 2007 (Un-audited)		Nine months period ended September 30, 2006 (Un-audited)
				----(Rupees in '000)----		
Income for the year						
On advances / placements with:						
Subsidiaries				8,712		3,613
Associates				26,248		49,060
On debts due by company in which a director of the bank is interested as director				3,736		-
Expenses for the year						
Remuneration to key management executives				49,722		41,868
Charge for defined benefit plan				2,658		1,918
Mark-up on deposits of:						
Subsidiaries				509		414
Provident fund				690,932		606,398
Commission paid to subsidiaries				1,576		4,487

11.1 Although the Federal Government and the SBP held about 75.48% shares of the bank (2006: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

12. ISLAMIC BANKING BUSINESS

The bank is operating 1 (December 31, 2006: 1) Islamic banking branch as at September 30, 2007. The balance sheet of such branch is as under:

	September 30, 2007 (Un-audited)	December 31, 2006 (Audited)
	----- (Rupees in '000) -----	-----
ASSETS		
Cash and balances with treasury banks	23,643	4,724
Balances with and Due from Financial Institutions	-	99,000
Investments in Sukuk Bonds	205,000	-
Fixed Assets	60	-
Other assets	3,565	-
Total Assets	232,268	103,724
LIABILITIES		
Bills payable	182	800
Current Accounts	33,814	2,911
Other liabilities	94,886	11
	<u>128,882</u>	<u>3,722</u>
NET ASSETS	<u>103,386</u>	<u>100,002</u>
REPRESENTED BY		
Islamic Banking Fund	100,000	100,000
Unappropriated profit	3,386	2
	<u>103,386</u>	<u>100,002</u>

13. DATE OF AUTHORIZATION FOR ISSUE

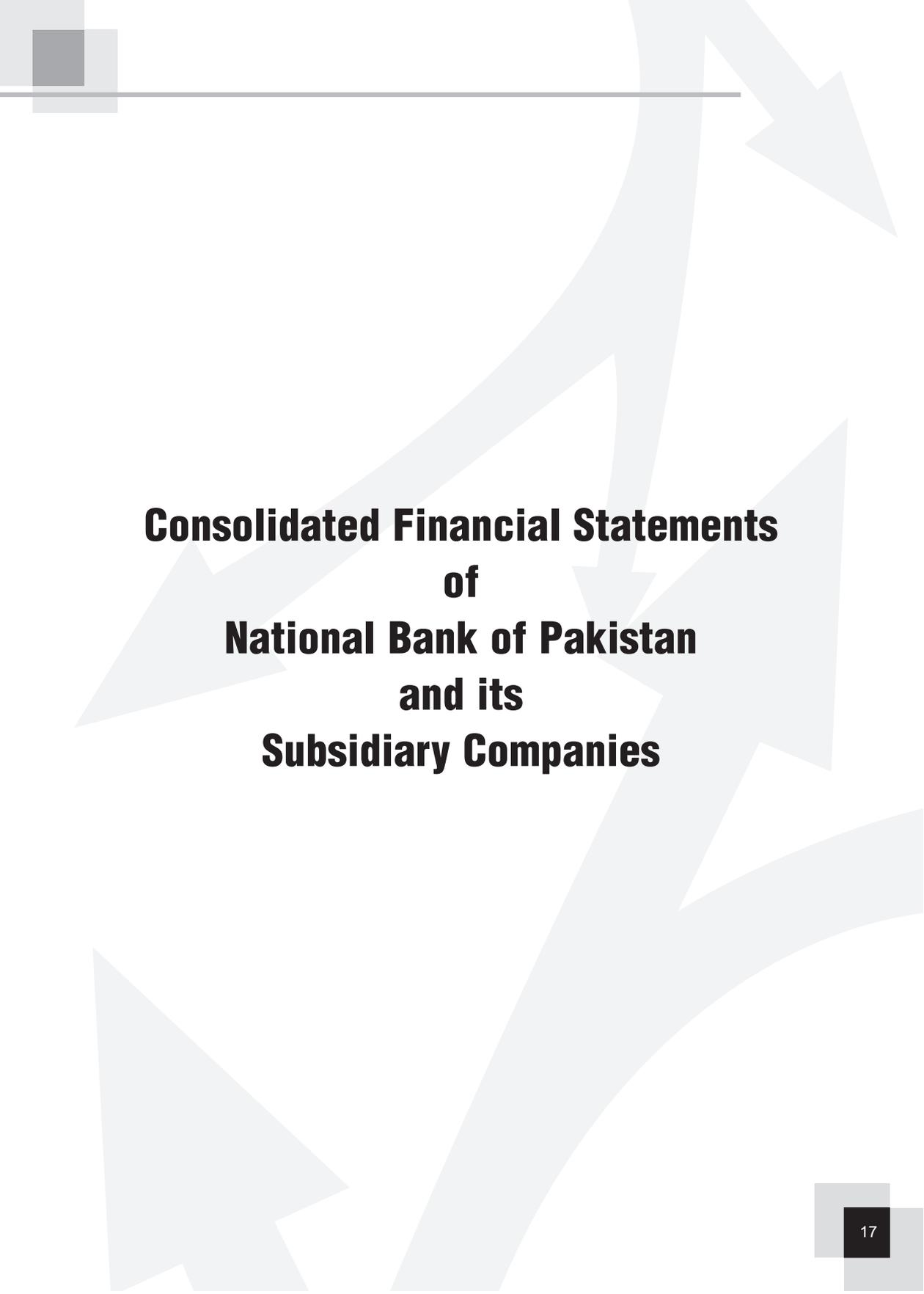
The interim condensed financial statements were authorized for issue on November 10, 2007 by the Board of Directors of the Bank.

14. GENERAL

14.1 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.

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





**Consolidated Financial Statements
of
National Bank of Pakistan
and its
Subsidiary Companies**



National Bank of Pakistan and its Subsidiary Companies Interim Condensed Consolidated Balance Sheet

As at September 30, 2007

	Note	(Un-audited) September 30, 2007 ----- (Rupees in '000) -----	(Audited) December 31, 2006 -----
ASSETS			
Cash and balances with treasury banks		73,546,882	78,862,625
Balances with other banks		29,668,648	41,412,546
Lendings to financial institutions		18,746,019	23,164,082
Investments	4	181,231,867	140,740,067
Advances	5	320,846,156	316,455,800
Operating fixed assets		10,022,048	9,739,938
Deferred tax assets		-	-
Other assets		36,717,801	27,573,646
		670,779,421	637,948,704
LIABILITIES			
Bills payable		6,066,815	10,605,662
Borrowings		12,649,385	12,682,412
Deposits and other accounts	6	522,973,593	502,016,711
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		33,218	14,336
Deferred tax liabilities		2,060,105	2,376,606
Other liabilities		28,704,296	27,186,290
		572,487,411	554,882,017
NET ASSETS		98,292,010	83,066,687
REPRESENTED BY			
Share capital		8,154,319	7,090,712
Reserves		16,152,321	14,384,857
Unappropriated profit		42,255,805	32,623,507
		66,562,445	54,099,076
Minority interest		105,288	97,827
		66,667,733	54,196,903
Surplus on revaluation of assets	7	31,624,277	28,869,784
		98,292,010	83,066,687
CONTINGENCIES AND COMMITMENTS			
	8		

The annexed notes 1 to 14 form an integral part of these interim condensed Consolidated financial statements.

National Bank of Pakistan and its Subsidiary Companies Interim Condensed Consolidated Profit And Loss Account - (Unaudited)

For the Nine Months Period ended September 30, 2007

	Quarter Ended September 30, 2007	Nine months period ended September 30, 2007	Quarter Ended September 30, 2006	Nine months period ended September 30, 2006
	Note ----- (Rupees in '000) -----			
Mark-up / Return / Interest earned	12,439,701	36,599,691	11,036,325	31,955,314
Mark-up / Return / Interest expensed	4,119,259	11,930,721	3,652,862	10,135,376
Net mark-up / Interest income	8,320,442	24,668,970	7,383,463	21,819,938
Provision against non-performing loans and advances	1,122,060	640,375	327,930	1,226,855
Reversal for diminution in the value of investments	-	(50,035)	-	-
Bad debts written off directly	41	25,936	1,532	3,879
	1,122,101	616,276	329,462	1,230,734
Net mark-up / interest income after provisions	7,198,341	24,052,694	7,054,001	20,589,204
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	1,604,801	4,722,336	1,387,141	4,376,139
Dividend income	2,505,816	2,732,574	2,297,486	2,439,012
Income from dealing in foreign currencies	458,659	929,261	163,782	826,148
Gain on sale of securities	188,945	411,132	297,231	883,499
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(1,026)	(5,519)	20,494	(1,084)
Share of profit from joint ventures	43,215	104,792	33,306	89,125
Share of profit from associates	11,326	34,527	3,469	19,107
Other income	27,775	171,092	(5,640)	610,676
Total non mark-up / interest income	4,839,511	9,100,195	4,197,269	9,242,622
	12,037,851	33,152,888	11,251,270	29,831,826
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	3,748,424	10,548,371	3,225,015	9,479,373
Other provisions / write offs	11,173	170,097	-	-
Other charges	4,017	13,883	-	-
Total non mark-up / interest expenses	3,763,614	10,732,351	3,225,015	9,479,373
	8,274,237	22,420,537	8,026,255	20,352,453
Extra ordinary items	-	-	-	-
PROFIT BEFORE TAXATION	8,274,237	22,420,537	8,026,255	20,352,453
Taxation - Current	2,371,569	7,027,890	1,945,867	6,249,528
- Prior year(s)	-	124,734	-	-
- Deferred	68,626	282,154	31,309	(82,308)
	2,440,195	7,434,778	1,977,176	6,167,220
PROFIT AFTER TAXATION	5,834,042	14,985,759	6,049,079	14,185,233
Share of minority interest	2,011	7,461	643	10,082
Profit attributable to shareholders of the holding company	5,832,031	14,978,298	6,048,436	14,175,151
Unappropriated profit brought forward	41,789,278	32,623,507	27,848,177	19,700,932
Transfer from surplus on revaluation of fixed assets	9,751	29,255	10,265	30,796
Profit available for appropriation	47,631,060	47,631,060	33,906,878	33,906,879
Basic and Diluted earnings per share (Rupees)	9	7.15	7.42	17.38

The annexed notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

National Bank of Pakistan and its Subsidiary Companies Interim Condensed Consolidated Cash Flow Statement - (Unaudited)

For the Nine Months Period ended September 30, 2007

Nine months period ended
September 30, 2007 September 30, 2006
----- (Rupees in '000) -----

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	22,420,537	20,352,453
Less: Dividend income	2,732,574	2,439,012
	<u>19,687,963</u>	<u>17,913,441</u>

Adjustments:

Depreciation	363,638	332,867
Reversal / provision against non-performing advances	640,375	1,226,855
Reversal for diminution in the value of investments	(50,035)	-
Bad debts written off directly	25,936	3,879
Other provisions / write offs	170,097	-
Gain on sale of fixed assets	(790)	(5,940)
Financial charges on leased assets	2,681	1,506
Share of profit from joint ventures	(104,792)	(89,125)
Share of profit from associates	(34,527)	(19,107)
	<u>1,012,583</u>	<u>1,450,935</u>
	<u>20,700,546</u>	<u>19,364,376</u>

(Increase) / decrease in operating assets

Lendings to financial institutions	4,418,063	(1,115,175)
Held-for-trading securities	(346,951)	(157,747)
Advances	(5,056,667)	(33,364,835)
Other assets	(8,145,208)	(4,603,903)
	<u>(9,130,763)</u>	<u>(39,241,660)</u>

Increase / (decrease) in operating liabilities

Bills payable	(4,538,847)	5,252,223
Borrowings	(62,763)	408,240
Deposits and other accounts	20,956,882	20,003,282
Other liabilities (excluding current taxation)	1,508,750	2,815,311
	<u>17,864,021</u>	<u>28,479,056</u>
Income tax paid	(8,247,148)	(3,477,708)
Financial charges paid	(2,681)	(1,506)
	<u>(8,249,829)</u>	<u>(3,479,214)</u>

Net cash flow from operating activities

21,183,976 5,122,558

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(38,785,546)	(6,247,852)
Proceeds from held-to-maturity securities	1,130,556	1,496,733
Proceeds from sale of investments in associates	20,195	395
Dividend received	2,732,574	2,439,012
Investments in operating fixed assets	(702,728)	(485,642)
Sale proceeds of property and equipment disposed off	790	5,940
Net cash used in investing activities	<u>(35,604,158)</u>	<u>(2,791,414)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of lease obligations	(27,747)	(7,750)
Dividend paid	(2,827,029)	(1,482,864)
Net cash used in financing activities	<u>(2,854,776)</u>	<u>(1,490,614)</u>

Effects of exchange rate changes on cash and cash equivalents	185,582	(369,454)
Net (Decrease) / Increase in cash and cash equivalents	<u>(17,089,376)</u>	<u>471,076</u>
Cash and cash equivalents at beginning of the period	<u>119,821,386</u>	<u>102,317,945</u>
Cash and cash equivalents at the end of the period	<u>102,732,010</u>	<u>102,789,021</u>

The annexed notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

National Bank of Pakistan and its Subsidiary Companies Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the Nine Months Period ended September 30, 2007

	Attributable to the shareholders of the holding company							Total
	Share capital	Exchange equalisation	Reserves Statutory reserve	General reserve	Unappropriated profit	Sub total	Minority Interest	
	(Rupees in '000)							
Balance as at January 1, 2006	5,908,927	3,754,297	8,352,214	521,338	19,700,932	38,237,708	85,877	38,323,585
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	280,275	-	-	-	280,275	-	280,275
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax	-	-	-	-	30,796	30,796	-	30,796
Net income recognised directly in equity	-	280,275	-	-	30,796	311,071	-	311,071
Adjustment due to closure of Cairo branch	-	(498,496)	-	-	-	(498,496)	-	(498,496)
Profit after taxation for the nine months period ended September 30, 2006	-	-	-	-	14,175,151	14,175,151	10,082	14,185,233
Total recognised income and expense for the period	-	(498,496)	-	-	14,175,151	13,676,655	10,082	13,686,737
Transfer to statutory reserve	-	-	1,400,789	-	(1,400,789)	-	-	-
Issue of bonus shares (20%)	1,181,785	-	-	-	(1,181,785)	-	-	-
Cash Dividend (Rs. 2.5 per share)	-	-	-	-	(1,477,232)	(1,477,232)	-	(1,477,232)
Balance as at September 30, 2006	7,090,712	3,536,076	9,753,003	521,338	29,847,073	50,748,202	95,959	50,844,161
Balance as at October 1, 2006	7,090,712	3,536,076	9,753,003	521,338	29,847,073	50,748,202	95,959	50,844,161
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	272,994	-	-	-	272,994	-	272,994
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax	-	-	-	-	10,264	10,264	-	10,264
Net income recognised directly in equity	-	272,994	-	-	10,264	283,258	-	283,258
Profit after taxation for the three months period ended December 31, 2006	-	-	-	-	3,067,616	3,067,616	1,868	3,069,484
Total recognised income and expense for the period	-	-	-	-	3,067,616	3,067,616	1,868	3,069,484
Transfer to statutory reserve	-	-	301,446	-	(301,446)	-	-	-
Balance as at December 31, 2006	7,090,712	3,809,070	10,054,449	521,338	32,623,507	54,099,076	97,827	54,196,903
Balance as at January 1, 2007	7,090,712	3,809,070	10,054,449	521,338	32,623,507	54,099,076	97,827	54,196,903
Exchange adjustments on revaluation of net assets of foreign branches, subsidiaries and joint ventures	-	292,101	-	-	-	292,101	-	292,101
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax	-	-	-	-	29,255	29,255	-	29,255
Net income recognised directly in equity	-	292,101	-	-	29,255	321,356	-	321,356
Profit after taxation for the nine months period ended September 30, 2007	-	-	-	-	14,978,298	14,978,298	7,461	14,985,759
Total recognised income and expense for the period	-	-	-	-	14,978,298	14,978,298	7,461	14,985,759
Transfer to statutory reserve	-	-	1,475,363	-	(1,475,363)	-	-	-
Issue of bonus shares (15%)	1,063,607	-	-	-	(1,063,607)	-	-	-
Cash Dividend (Rs. 4 per share)	-	-	-	-	(2,836,285)	(2,836,285)	-	(2,836,285)
Balance as at September 30, 2007	8,154,319	4,101,171	11,529,812	521,338	42,255,805	66,562,445	105,288	66,667,733

The annexed notes 1 to 14 form an integral part of these interim condensed consolidated financial statements

National Bank of Pakistan and its Subsidiary Companies

Notes to the Interim Condensed Consolidated Financial Statement - (Unaudited)

For the Nine Months Period ended September 30, 2007

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company

- National Bank of Pakistan

Subsidiary Companies

- NBP Capital Limited
- CJSB 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 1,236 (2006: 1,232) branches in Pakistan and 18 (2006: 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, CJSB 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
- 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.

1.3 During the period, the holding company has increased its authorised share capital from Rs.7,500 million (750,000,000 ordinary shares of Rs.10/- each) to Rs.10,000 million (1,000,000,000 ordinary shares of Rs.10/- each) as approved by shareholders of the holding company in their general meeting held on April 02, 2007.

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, 2006.

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, 2006.

4. INVESTMENTS

	September 30, 2007 (Un-audited)			December 31, 2006 (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	757,671	-	757,671	405,201	-	405,201
Available- for- sale securities						
Ordinary shares of listed companies	2,058,685	-	2,058,685	1,426,566	-	1,426,566
Ordinary shares of unlisted companies	368,423	-	368,423	331,641	-	331,641
	2,427,108	-	2,427,108	1,758,207	-	1,758,207
Market Treasury Bills	90,143,493	383,886	90,527,379	50,524,649	381,964	50,906,613
Preference shares	305,000	-	305,000	398,184	-	398,184
Pakistan Investment Bonds	3,425,097	-	3,425,097	3,154,718	-	3,154,718
Federal Investment Bonds	940,000	-	940,000	940,000	-	940,000
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	6,500,503	-	6,500,503	8,373,727	-	8,373,727
Mutual funds	1,250,885	-	1,250,885	1,145,369	-	1,145,369
Foreign Government Securities	86,626	-	86,626	-	-	-
Investment outside Pakistan - note 4.2	463,295	-	463,295	463,295	-	463,295
National Investment Trust (NIT) Units - note 4.3	5,666,784	-	5,666,784	5,667,018	-	5,667,018
Total Available- for- sale securities	111,208,791	383,886	111,592,677	72,425,167	381,964	72,807,131
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	11,817,507	-	11,817,507	11,974,039	-	11,974,039
Federal Investment Bonds	405,610	-	405,610	-	-	-
Market Treasury Bills	-	-	-	381,473	-	381,473
GoP Foreign Currency Bonds	11,404,874	-	11,404,874	10,445,224	-	10,445,224
Foreign Government Securities	6,157,728	-	6,157,728	5,693,075	-	5,693,075
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates - note 4.4	4,527,499	-	4,527,499	4,595,963	-	4,595,963
Certificates of Investment	818,000	-	818,000	3,172,000	-	3,172,000
Total Held-to-maturity securities	37,498,913	-	37,498,913	38,629,469	-	38,629,469
Investments in associates	1,147,122	-	1,147,122	1,132,790	-	1,132,790
Investments in joint ventures	2,161,939	-	2,161,939	1,950,628	-	1,950,628
Investments in subsidiaries	3,245	-	3,245	3,245	-	3,245
Investment at cost	152,777,680	383,886	153,161,566	114,546,500	381,964	114,928,464
Less: Provision for diminution in value of Investments	(1,169,449)	-	(1,169,449)	(1,255,785)	-	(1,255,785)
Investments (net of provisions)	151,608,231	383,886	151,992,117	113,290,715	381,964	113,672,679
Deficit on revaluation of Held-for-trading securities	(5,519)	-	(5,519)	(4,463)	-	(4,463)
Surplus on revaluation of Available-for-sale securities	29,245,528	(259)	29,245,269	27,072,030	(179)	27,071,851
Total investments at market value	180,848,240	383,627	181,231,867	140,358,282	381,785	140,740,067

4.2 Investment outside Pakistan - Bank Al-Jazira

The holding company holds 13,125,000 (2006: 6,562,500) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2006: 5.83%) holding in total equity of BAJ, including 6,562,500 ordinary shares issued as bonus shares during the period. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006.

4.3 NIT Units

During the period NIT vide its letter no. MDNIT/191/2007 dated February 23, 2007 intimated to the holding company that the Government has decided to offer to all the Letter of Comfort (LoC) holders, including the holding company, the following options in respect of their holding in NIT Units:

- (a) LoC holders may exercise their options of acquiring the right to manage their funds at the same terms as determined by a competitive bidding process for auction of the non-LoC management rights with no discount.
- (b) In the event the above option is not acceptable, the LoC holders may either choose:
 - i) to enter into agreement with NIT for a staggered redemption spread over a period of several years with an initial payment from proceeds of sale of 'Pakistan Industrial Credit and Investment Corporation' and 'Pakistan State Oil' shares; or
 - ii) exercise the redemption option before the expiry of current LoC date with immediate payment at a discount of 10% over and above the normal procedure. NIT would raise the requisite financing from normal banking channels.

The above matter is presently under consideration by the holding company.

4.4 Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.670 million (2006: Rs.705 million) which are considered non-performing.

	September 30, 2007 (Un-audited) ----- (Rupees in '000) -----	December 31, 2006 (Audited)
5. ADVANCES	<i>Note</i>	
Loans, cash credits, running finances, etc.		
In Pakistan	301,930,005	304,164,016
Outside Pakistan	30,359,822	26,421,169
	332,289,827	330,585,185
Net investment in finance lease		
In Pakistan	568,409	558,883
Outside Pakistan	-	-
	568,409	558,883
Bills discounted and purchased (excluding Government treasury bills)		
Payable in Pakistan	2,217,960	2,502,819
Payable outside Pakistan	15,262,424	14,881,699
	17,480,384	17,384,518
Margin Financing	1,407,022	187,266
Advances - gross	351,745,642	348,715,852
Less: Provision against non-performing loans		
Specific	(28,714,798)	(29,528,672)
General	(2,184,688)	(2,731,380)
	(30,899,486)	(32,260,052)
Advances - net of provision	320,846,156	316,455,800

- 5.1 Advances include Rs.37,561 million (2006: Rs.36,260 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	1,932,070	-	1,932,070	-	-
Substandard	4,817,869	-	4,817,869	1,053,951	1,053,951
Doubtful	2,457,821	1,697	2,459,518	1,027,449	1,027,449
Loss	27,791,387	560,142	28,351,529	26,633,398	26,633,398
	<u>36,999,147</u>	<u>561,839</u>	<u>37,560,986</u>	<u>28,714,798</u>	<u>28,714,798</u>

- 5.2 In accordance with the directives of the SBP, the bank is required to maintain general provision against consumer portfolio equivalent to 1.5% in respect of secured advances and 5% in respect of unsecured advance. However, during the period, the SBP vide its letter No. BRD-04 (121-06)/2007/3707 dated April 19, 2007 has allowed the bank to maintain general provision for the Advance Salary Product at 3% instead of 5%. This has resulted in reversal of general provision against the said product amounting to Rs.560.055 million during the period. The effect on current period is to increase the net advances and profit after tax by Rs.560.055 million and Rs 364.036 million respectively and to decrease the deferred tax liability by Rs.196.019 million.
- 5.3 The State Bank of Pakistan has amended Prudential Regulation - 8 vide BSD Circular No. 7 dated October 12, 2007, effective from December 31, 2007. The amended regulations require among other things withdrawal of FSV benefit while calculating provisioning requirement against non-performing loans and advances. The incremental provision requirement as a result of withdrawal of FSV on the basis of September 30, 2007 portfolio amounted to Rs. 3,565.781 million, out of which Rs. 968.034 million has been provided for in these financial statements.

Had the above mentioned additional provisioning was not made in these financial statements, the profit before tax for the nine months period ended September 30, 2007 and advances (net of provision) as at September 30, 2007 would have been higher by Rs. 968.034 million while profit after tax would have been higher by Rs.629.222 million and earning per share would have been higher by Rs. 0.77

September 30,	December 31,
2007	2006
(Un-audited)	(Audited)
-----	-----
(Rupees in '000)	(Rupees in '000)

6. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	109,810,020	100,054,476
Savings deposits	176,075,806	170,234,938
Current accounts - remunerative	48,673,064	54,352,618
Current accounts - non-remunerative	143,478,131	119,604,794
Transactions with related parties during the period are as under:	478,037,021	444,246,826

Financial Institutions

Remunerative deposits	31,903,623	39,196,100
Non-remunerative deposits	13,032,949	18,573,785
	<u>44,936,572</u>	<u>57,769,885</u>
	<u>522,973,593</u>	<u>502,016,711</u>

7. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of fixed assets - net of tax	5,338,844	5,368,099
Surplus on revaluation of securities - net of tax		
Federal Government securities	(30,143)	47,663
Term Finance Certificates	(3,422)	60,310
Quoted shares	2,281,836	1,748,937
NIT Units	15,714,862	11,721,554
Investment outside Pakistan - Bank Al-Jazira	11,282,136	13,493,387
	<u>29,245,269</u>	<u>27,071,851</u>
Deferred tax liability	(2,959,836)	(3,570,166)
	<u>31,624,277</u>	<u>28,869,784</u>

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:

	September 30, 2007 (Un-audited) ----- (Rupees in '000) -----	December 31, 2006 (Audited) -----
- Government	2,060,605	345,847
- Financial institutions	8,587,156	4,885,235
- Others	24,837,439	24,807,965
	35,485,200	30,039,047

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	15,261,439	18,138,591
- Financial institutions	3,518	30,735
- Others	14,356,940	5,484,271
	29,621,897	23,653,597

8.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	131,695,706	128,295,046
- Financial institutions	94,942	522,542
- Others	50,815,738	31,725,396
	182,606,386	160,542,984

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.164 million (2006: Rs.164 million) and claims relating to former Mehran holding Company Limited amounting to Rs.1,014 million (2006: Rs.1,053 million). **10,443,893** 11,544,592

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 the period, 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, 2006: Rs 8,721 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 (2006: 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, 2006 has remained unchanged during the period.

	September 30, 2007 (Un-audited) ----- (Rupees in '000) -----	December 31, 2006 (Audited) -----
8.5 Commitments in respect of forward lending		
Forward call lending	-	1,000,000
8.6 Commitments in respect of forward exchange contracts		
Purchase	42,352,211	33,055,235
Sale	22,248,594	15,352,480
8.7 Commitments in respect of trading of government securities		
Purchase	-	10,000,000
Sale	-	22,500
8.8 Commitments in respect of forward trading of equity shares		
Purchase	69,397	-
Sale	227,877	339,017
8.9 Commitments for the acquisition of operating fixed assets	449,840	590,073

9. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter Ended September 30, 2007	Nine months period ended September 30, 2007	Quarter Ended September 30, 2006	Nine months period ended September 30, 2006
Profit attributable to the shareholders of the holding company (Rupees in '000)	<u>5,832,031</u>	<u>14,978,298</u>	<u>6,048,436</u>	<u>14,175,151</u>
Weighted average number of ordinary shares (Number '000)	<u>815,432</u>	<u>815,432</u>	<u>815,432</u>	<u>815,432</u>
Basic and diluted earnings per share (Rupees)	<u>7.15</u>	<u>18.37</u>	<u>7.42</u>	<u>17.38</u>

The earnings per share for the quarter and nine months period ended September 30, 2006 have been adjusted for the effect of bonus issue during the period.

10. 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	Retail Brokerage	Total
	----- Rupees in '000 -----							
September 30, 2007 (Un-audited)								
Total income	233,211	12,230,564	6,918,953	11,460,320	910,619	1,938,710	76,787	33,769,164
Total expenses	1,025	364,170	4,253,182	4,442,237	439,431	1,798,070	50,511	11,348,627
Net income	<u>232,186</u>	<u>11,866,393</u>	<u>2,665,771</u>	<u>7,018,083</u>	<u>471,188</u>	<u>140,640</u>	<u>26,276</u>	<u>22,420,537</u>
September 30, 2006 (Un-audited)								
Total income	94,225	12,762,144	7,382,337	8,152,821	774,536	1,814,019	82,478	31,062,560
Total expenses	835	349,287	5,193,425	3,052,785	415,629	1,646,841	51,305	10,710,107
Net income	<u>93,390</u>	<u>12,412,857</u>	<u>2,188,912</u>	<u>5,100,036</u>	<u>358,907</u>	<u>167,178</u>	<u>31,173</u>	<u>20,352,453</u>

11. RELATED PARTY TRANSACTIONS

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

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

Transactions with related parties during the period are as under:

	For the Nine Months Period Ended September 30, 2007 (Un-audited)		For the Year Ended December 31, 2006 (Audited)	
	Key Management Executives	Associates	Key Management Executives	Associates
	(Rupees in '000)			
Advances				
At January 01	65,225	1,600,070	52,117	1,970,002
Given during the period / year	13,451	-	13,108	-
Repaid during the period / year	-	(92,312)	-	(369,932)
At Sep 30 / Dec 31	<u>78,676</u>	<u>1,507,758</u>	<u>65,225</u>	<u>1,600,070</u>
	For the Nine Months Period Ended September 30, 2007 (Un-audited)		For the Year Ended December 31, 2006 (Audited)	
	Pension Fund	Provident Fund	Pension Fund	Provident Fund
	(Rupees in '000)			
Deposits				
At January 01	3,077,536	7,397,487	2,598,358	6,665,252
Received during the period / year	1,449,598	761,230	1,701,545	1,212,644
Repaid during the period / year	(2,340,743)	(499,657)	(1,222,367)	(480,409)
At Sep 30 / Dec 31	<u>2,186,391</u>	<u>7,659,060</u>	<u>3,077,536</u>	<u>7,397,487</u>
			September 30, 2007 (Un-audited)	December 31, 2006 (Audited)
			----(Rupees in '000)----	
Debts due by company in which a director of the holding company is interested as director			13,366	222,759
Placements with:				
Joint venture			698,012	349,550
Investments in associates			27,331	27,331
			Nine months period ended September 30, 2007 (Un-audited)	Nine months period ended September 30, 2006 (Un-audited)
			----(Rupees in '000)----	
Income for the year				
On advances / placements with: Associates			26,248	49,060
On debts due by company in which a director of the holding company is interested as director			3,736	-
Expenses for the year				
Remuneration to key management executives			49,722	41,868
Charge for defined benefit plan			2,658	1,918
Mark-up on deposits of: Provident fund			690,932	606,398

11.1 Although the Federal Government and the SBP held about 75.48% shares of the holding company (2006: 75.48%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

12. ISLAMIC BANKING BUSINESS

The holding company is operating 1 (December 31, 2006: 1) Islamic banking branch as at Sep 30, 2007. The balance sheet of such branch is as under:

	September 30, 2007 (Un-audited) ----- (Rupees in '000) -----	December 31, 2006 (Audited) -----
ASSETS		
Cash and balances with treasury banks	23,643	4,724
Balances with and Due from Financial Institutions	-	99,000
Investments in Sukuk Bonds	205,000	-
Fixed Assets	60	-
Other assets	3,565	-
Total Assets	232,268	103,724
LIABILITIES		
Bills payable	182	800
Current Accounts	33,814	2,911
Other liabilities	94,886	11
Total Liabilities	128,882	3,722
NET ASSETS	103,386	100,002
REPRESENTED BY		
Islamic Banking Fund	100,000	100,000
Unappropriated profit	3,386	2
	103,386	100,002

13. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed consolidated financial statements were authorized for issue on November 10, 2007 by the Board of Directors of the holding company.

14. GENERAL

14.1 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.

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

