

**Consolidated Financial
Statements of NBP
and its
Subsidiary Companies
2007**



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Auditors' Report to the Members

We have audited the annexed consolidated financial statements of National Bank of Pakistan (the holding company) and its subsidiary companies (together, the Group) which comprise consolidated balance sheet as of December 31, 2007 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for sixty branches, which have been audited by us and twelve branches audited by auditors abroad.

These consolidated financial statements are responsibility of the Group's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2007 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

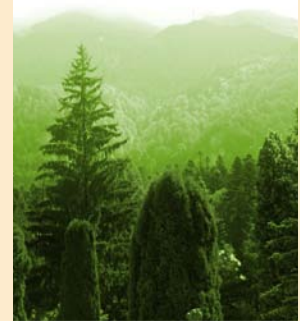
FORD RHODES SIDAT HYDER & CO.

Chartered Accountants
Karachi

M. YOUSUF ADIL SALEEM & CO.

Chartered Accountants
Karachi

Date: February 29, 2008



Consolidated Balance Sheet

As at December 31, 2007

2006	2007		Note	2007	2006
US Dollars in '000				Rupees in '000	
ASSETS					
1,271,978	1,532,428	Cash and balances with treasury banks	6	95,010,514	78,862,625
667,944	616,391	Balances with other banks	7	38,216,263	41,412,546
373,614	349,293	Lendings to financial institutions	8	21,656,192	23,164,082
2,270,001	3,414,989	Investments	9	211,729,297	140,740,067
5,104,126	5,495,610	Advances	10	340,727,819	316,455,800
157,096	419,021	Operating fixed assets	11	25,979,302	9,739,938
-	-	Deferred tax assets		-	-
444,736	504,668	Other assets	12	31,289,403	27,573,646
<u>10,289,495</u>	<u>12,332,400</u>			<u>764,608,790</u>	<u>637,948,704</u>
LIABILITIES					
171,059	113,902	Bills payable	13	7,061,901	10,605,662
204,555	183,915	Borrowings	14	11,402,729	12,682,412
8,097,044	9,545,436	Deposits and other accounts	15	591,817,052	502,016,711
-	-	Sub-ordinated loans		-	-
231	544	Liabilities against assets subject to finance lease	16	33,739	14,336
38,332	82,243	Deferred tax liabilities - net	17	5,099,060	2,376,606
438,488	504,526	Other liabilities	18	31,280,663	27,186,290
<u>8,949,709</u>	<u>10,430,566</u>			<u>646,695,144</u>	<u>554,882,017</u>
<u>1,339,786</u>	<u>1,901,834</u>			<u>117,913,646</u>	<u>83,066,687</u>
NET ASSETS					
REPRESENTED BY					
114,366	131,521	Share capital	19	8,154,319	7,090,712
232,014	264,168	Reserves		16,378,394	14,384,857
526,186	745,691	Unappropriated profit		46,232,813	32,623,507
872,566	1,141,380			70,765,526	54,099,076
1,578	1,770	Minority Interest		109,729	97,827
874,144	1,143,150			70,875,255	54,196,903
465,642	758,684	Surplus on revaluation of assets - net	20	47,038,391	28,869,784
<u>1,339,786</u>	<u>1,901,834</u>			<u>117,913,646</u>	<u>83,066,687</u>
CONTINGENCIES AND COMMITMENTS 21					

The annexed notes 1 to 45 form an integral part of these financial statements.

Syed Ali Raza
Chairman & President

Muhammad Ayub Khan Tarin
Director

Tariq Kirmani
Director

Ibrar A. Mumtaz
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2007

2006	2007		Note	2007	2006
US Dollars in '000				Rupees in '000	
714,944	820,036	Mark-up / return / interest earned	23	50,842,230	44,326,510
226,386	274,628	Mark-up / return / interest expensed	24	17,026,935	14,035,962
488,558	545,408	Net mark-up / interest income		33,815,295	30,290,548
49,608	76,179	Provision against non-performing loans and advances	10.4	4,723,084	3,075,723
(11,405)	(649)	Reversal of provision for diminution in the value of investments	9.12	(40,248)	(707,105)
85	644	Bad debts written off directly	10.6.1	39,899	5,284
38,288	76,174			4,722,735	2,373,902
450,270	469,234	Net mark-up / interest income after provisions		29,092,560	27,916,646
NON MARK-UP / INTEREST INCOME					
100,830	110,922	Fee, commission and brokerage income		6,877,152	6,251,485
46,827	52,886	Dividend income		3,278,917	2,903,290
22,164	17,225	Income from dealing in foreign currencies		1,067,958	1,374,163
19,278	37,974	Gain on sale and redemption of securities	25	2,354,390	1,195,249
(72)	(516)	Unrealized loss on revaluation of investments classified as held-for-trading	9.13	(31,964)	(4,463)
2,085	3,394	Share of profits from joint ventures - net of tax		210,445	129,296
166	500	Share of profits from associates - net of tax		30,988	10,268
10,154	2,470	Other income	26	153,110	629,545
201,432	224,855	Total non-markup / interest income		13,940,996	12,488,833
651,702	694,089			43,033,556	40,405,479
NON MARK-UP / INTEREST EXPENSES					
220,092	232,074	Administrative expenses	27	14,388,611	13,645,699
(3,279)	2,839	Other provisions / write offs / (reversals)		176,014	(17,283)
3,360	276	Other charges	28	17,141	208,327
223,173	235,189	Total non-markup / interest expenses		14,581,766	13,836,743
428,529	458,900			28,451,790	26,568,736
-	-	Extra ordinary / unusual items		-	-
428,529	458,900			28,451,790	26,568,736
140,668	134,419	PROFIT BEFORE TAXATION		8,333,955	8,721,386
8,559	6,285	Taxation – Current		389,684	530,652
1,000	5,209	– Prior years		322,986	61,981
150,227	145,913	– Deferred	29	9,046,625	9,314,019
278,302	312,987	PROFIT AFTER TAXATION		19,405,165	17,254,717
(193)	(192)	Profit attributable to minority shareholders		(11,902)	(11,950)
278,109	312,795	Profit attributable to shareholders of the holding company		19,393,263	17,242,767
317,757	526,186	Unappropriated profit brought forward		32,623,507	19,700,932
662	629	Transfer from surplus on revaluation of fixed assets on account of incremental depreciation		39,007	41,060
596,528	839,610	Profit available for appropriation		52,055,777	36,984,759
US Dollars		Rupees			
0.34	0.38	Basic earnings per share for profit for the year attributable to the share holders of the holding Company	30	23.78	21.15
0.34	0.38	Diluted earnings per share for profit for the year attributable to the share holders of the holding Company	31	23.78	21.15

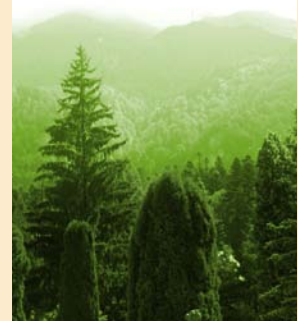
The annexed notes 1 to 45 form an integral part of these financial statements.

Syed Ali Raza
Chairman & President

Muhammad Ayub Khan Tarin
Director

Tariq Kirmani
Director

Ibrar A. Mumtaz
Director



Consolidated Cash Flow Statement

For the year ended December 31, 2007

2006	2007		Note	2007	2006
US Dollars in '000				Rupees in '000	
428,528	458,900	CASH FLOWS FROM OPERATING ACTIVITIES		28,451,790	26,568,736
(46,827)	(52,886)	Profit before taxation		(3,278,917)	(2,903,290)
381,701	406,014	Less: Dividend income		25,172,873	23,665,446
8,012	9,104	Adjustments:			
66	77	Depreciation	11.2	564,470	496,763
49,608	76,179	Amortization	11.3	4,776	4,074
(11,405)	(649)	Provision against non-performing loans and advances	10.4	4,723,084	3,075,723
(145)	(48)	Reversal of provision for diminution in the value of investments	9.12	(40,248)	(707,105)
32	149	(Gain) on sale of fixed assets	11.6	(2,975)	(9,010)
85	644	Financial charges on leased assets		9,214	1,994
(2,085)	(3,394)	Bad debts written off directly	10.6.1	39,899	5,284
(166)	(500)	Share of profits from joint ventures		(210,445)	(129,296)
(279)	2,839	Share of profits from associates		(30,988)	(10,268)
43,723	84,401	Other provisions / write offs / (reversals)		176,014	(17,283)
425,424	490,415			5,232,801	2,710,876
				30,405,674	26,376,322
(106,799)	24,321	(Increase) / decrease in operating assets		1,507,890	(6,621,536)
(2,609)	(6,135)	Lendings to financial institutions		(380,393)	(161,757)
(819,352)	(468,306)	Held-for-trading securities		(29,035,002)	(50,799,821)
(55,734)	(44,955)	Advances		(2,787,228)	(3,455,515)
(984,494)	(495,075)	Other assets (excluding advance tax)		(30,694,733)	(61,038,629)
142,976	(57,157)	Increase / (decrease) in operating liabilities		(3,543,761)	8,864,507
56,763	(27,661)	Bills payable		(1,714,990)	3,519,282
626,135	1,448,393	Borrowings		89,800,341	38,820,364
44,814	66,389	Deposits and other accounts		4,116,087	2,778,482
870,688	1,429,964	Other liabilities (excluding current taxation)		88,657,677	53,982,635
(135,262)	(157,684)	Income tax paid		(9,776,401)	(8,386,228)
(32)	(149)	Financial charges paid		(9,214)	(1,994)
(135,294)	(157,833)			(9,785,615)	(8,388,222)
176,324	1,267,471	Net cash from operating activities		78,583,003	10,932,106
122,815	(1,095,188)	CASH FLOWS FROM INVESTING ACTIVITIES		(67,901,649)	7,614,555
(25,237)	38,336	Net investments in / proceeds from available-for-sale securities		2,376,810	(1,564,722)
46,827	52,886	Net proceeds from / investments in held-to-maturity securities		3,278,917	2,903,290
(11,813)	(16,751)	Dividend income received		(1,038,547)	(732,436)
(605)	326	Investment in operating fixed assets		20,196	(37,500)
358	214	Investment in associates and joint ventures		13,261	22,170
132,345	(1,020,177)	Sale proceeds of property and equipment disposed off	11.6	(63,251,012)	8,205,357
		Net cash (used in) / from investing activities			
(159)	(237)	CASH FLOWS FROM FINANCING ACTIVITIES		(14,667)	(9,854)
(23,784)	(45,676)	Payments of lease obligations		(2,831,895)	(1,474,605)
(23,943)	(45,913)	Dividend paid		(2,846,562)	(1,484,459)
(2,421)	498	Net cash used in financing activities		30,870	(150,098)
282,305	201,879	Effects of exchange rate changes on cash and cash equivalents		12,516,299	17,502,906
1,650,298	1,932,603	Increase in cash and cash equivalents		119,821,386	102,318,480
1,932,603	2,134,482	Cash and cash equivalents at beginning of the year	32	132,337,685	119,821,386
		Cash and cash equivalents at end of the year	32		

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Director

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Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2007

	Attributable to the shareholders of the holding company						Total
	Share capital	Reserves			Unappropriated profit	Minority Interest	
		Capital		Revenue			
		Exchange equalisation	Statutory	General			
----- (Rupees in '000) -----							
Balance as at January 1, 2006	5,908,927	3,754,297	8,352,214	521,338	19,700,932	85,877	38,323,585
Exchange adjustments on translation of net assets of foreign branches, subsidiaries, associates and joint ventures	-	553,269	-	-	-	-	553,269
Adjustment due to closure of Cairo branch	-	(498,496)	-	-	-	-	(498,496)
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax	-	-	-	-	41,060	-	41,060
Net income recognised directly in equity	-	54,773	-	-	41,060	-	95,833
Profit after taxation for the year ended December 31, 2006	-	-	-	-	17,242,767	11,950	17,254,717
Total recognised income and expense for the year	-	54,773	-	-	17,283,827	11,950	17,350,550
Issue of bonus shares 20%	1,181,785	-	-	-	(1,181,785)	-	-
Cash dividend (Rs.2.5 per share)	-	-	-	-	(1,477,232)	-	(1,477,232)
Transfer to statutory reserve	-	-	1,702,235	-	(1,702,235)	-	-
Balance as at December 31, 2006	7,090,712	3,809,070	10,054,449	521,338	32,623,507	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	97,827	54,196,903
Exchange adjustments on translation of net assets of foreign branches, subsidiaries, associates and joint ventures	-	70,465	-	-	-	-	70,465
Transfer from surplus on revaluation of fixed assets- incremental depreciation - net of tax	-	-	-	-	39,007	-	39,007
Net income recognised directly in equity	-	70,465	-	-	39,007	-	109,472
Profit after taxation for the year ended December 31, 2007	-	-	-	-	19,393,263	11,902	19,405,165
Total recognised income and expense for the year	-	70,465	-	-	19,432,270	11,902	19,514,637
Issue of bonus shares 15%	1,063,607	-	-	-	(1,063,607)	-	-
Cash dividend (Rs.4 per share)	-	-	-	-	(2,836,285)	-	(2,836,285)
Transfer to statutory reserve	-	-	1,923,072	-	(1,923,072)	-	-
Balance as at December 31, 2007	8,154,319	3,879,535	11,977,521	521,338	46,232,813	109,729	70,875,255

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