



Sixty Years
of Excellence

60 yrs
in 2008
ANNUAL REPORT



NBP

National Bank of Pakistan

*The Nation's
Bank*

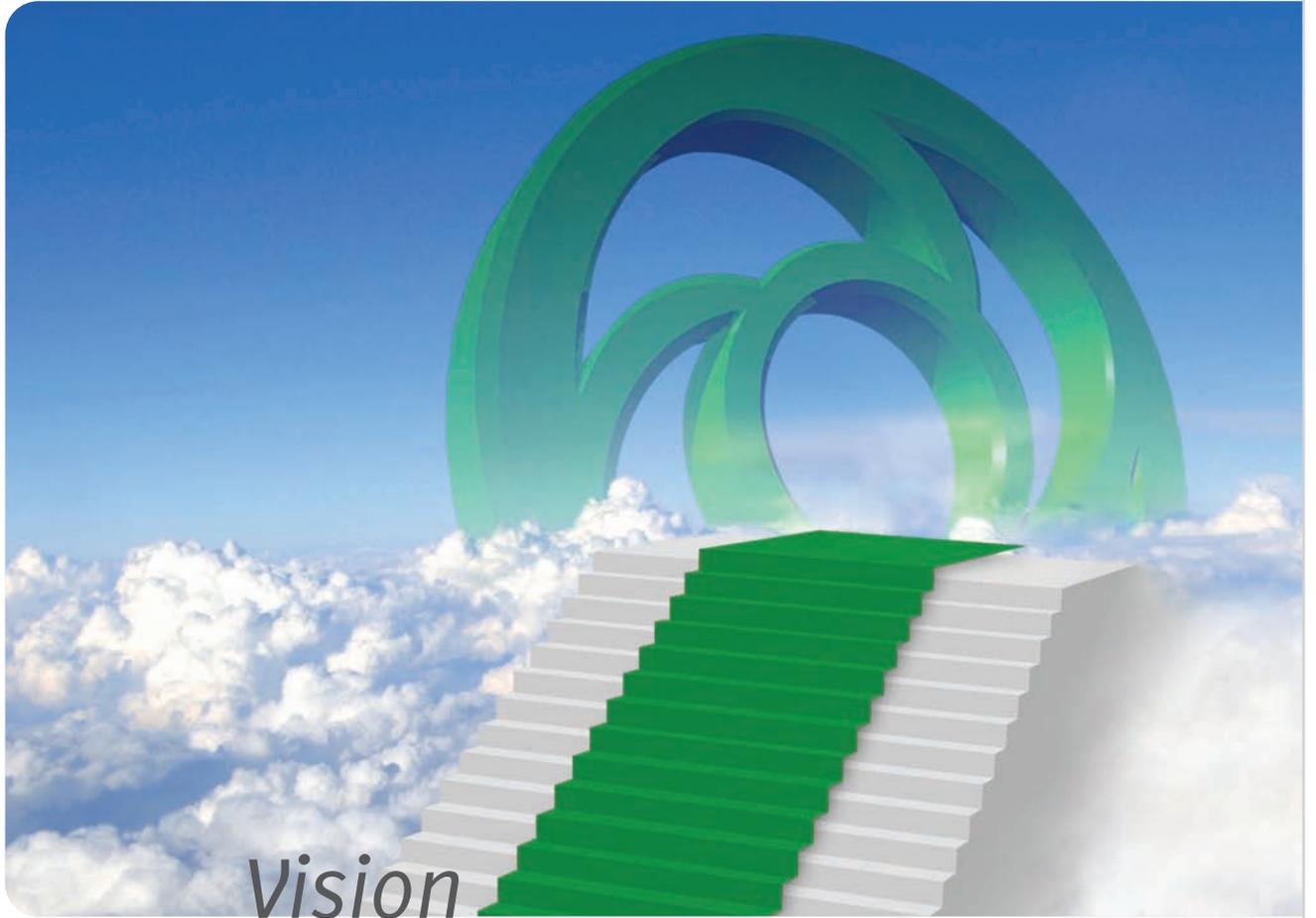


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Form of Proxy

Excellence in *Direction*



To be recognised as a leader and a brand synonymous with trust, highest standards of service quality, international best practices and social responsibility.





Mission

NBP will aspire to the values that make NBP truly the Nation's Bank, by:

- Institutionalising a merit and performance culture
- Maximising stakeholders value
- Creating a distinctive brand identity by providing the highest standards of services
- Discharging our responsibility as a good corporate citizen of Pakistan and in countries where we operate
- Adopting the best international management practices

Excellence in **Ambition**



Core Values

- Highest standards of Integrity
- Institutionalising a teamwork and performance culture
- Excellence in service
- Advancement of skills for tomorrow's challenges
- Awareness of social and community responsibility
- Value creation for all stakeholders

Excellence in **Growth**



Goals

To enhance profitability and maximisation of NBP share through increasing leverage of existing customer base and diversified range of products.

Excellence in Management



Board of Directors

Chairman & President

Syed Ali Raza
Muhammad Ayub Khan Tarin
Sikandar Hayat Jamali
Mian Kausar Hameed
Ibrar A. Mumtaz
Tariq Kirmani
Muhammad Arshad Chaudhry
(Since resigned)

Audit Committee

Chairman

Ibrar A. Mumtaz
Tariq Kirmani
Mian Kausar Hameed
Muhammad Arshad Chaudhry
(Since resigned)

Auditors

Chartered Accountants

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

M. Yousuf Adil Saleem & Co.

Legal Advisors

Advocates & Legal Consultants

Mandviwala & Zafar

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.

Website

www.nbp.com.pk

Excellence in Achievement



Financial Highlights - 2008

(Rs. in Millions)

Authorised Capital

Paid-up Capital

Shareholders' Equity and Reserves

Deposits

Advances-Net

Investments-Net

Total Assets

Pre-Tax Profit

After-Tax Profit

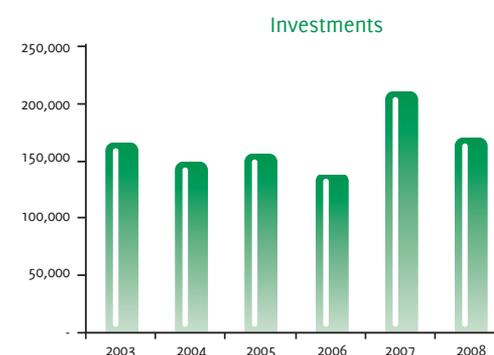
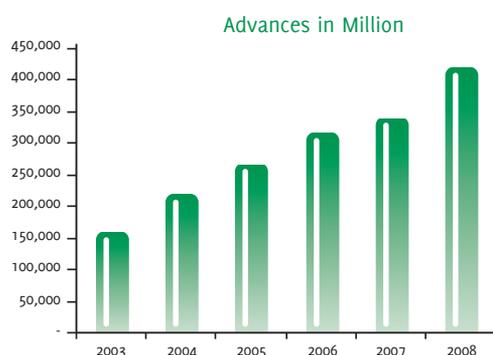
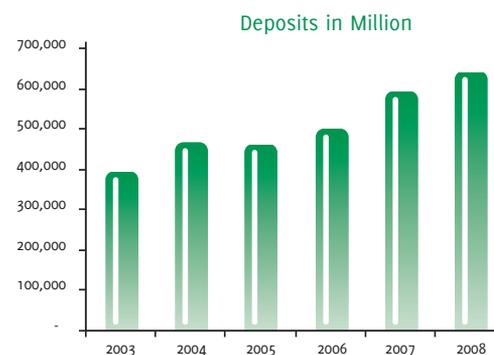
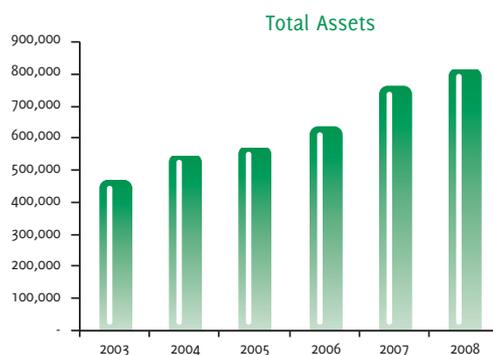
No. of Branches

No. of Employees

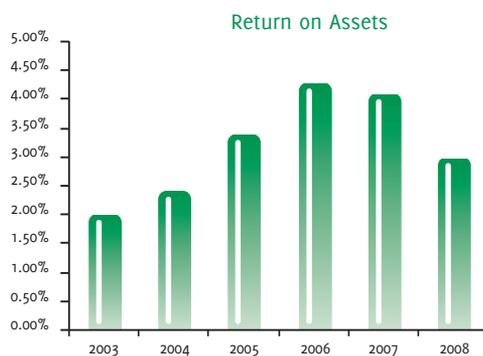
Excellence in Performance

6 Years performance at a Glance

	2003	2004	2005	2006	2007	2008
Total Assets	468,972	553,231	577,719	635,133	762,194	817,758
Deposits (Rs. In Million)	395,492	465,572	463,427	501,872	591,907	624,939
Advances (Rs. In Million)	161,266	220,794	268,839	316,110	340,677	412,987
Investments	166,196	149,350	156,986	139,947	210,788	170,822
Shareholders' Equity	18,134	24,900	37,636	53,045	69,271	81,367
Pre-Tax Profit (Rs. In Million)	9,009	11,978	19,056	26,311	28,061	23,001
After-Tax Profit (Rs. In Million)	4,198	6,195	12,709	17,022	19,034	15,459
Earning Per Share (Rs.)	5	7	14	19	21	17
Return on Assets (Pre-Tax Profit)	2%	2.40%	3.40%	4.30%	4%	3.00%
Number of Branches	1,199	1,226	1,242	1,250	1,261	1,276
Number of Employees	13,272	13,745	13,824	14,019	14,079	15,204



6 Years performance at a Glance



Excellence in *Philosophy*



From Left to Right (Top): Mr. Tariq Kirmani, Mr. Ibrar A. Mumtaz, Mian Kausar Hameed, (Bottom): Mr. Muhammad Ayub Khan Tarin, Syed Ali Raza (Chairman & President), Mr. Sikandar Hayat Jamali

Syed Ali Raza *Chairman & President*

Syed Ali Raza is the Chairman and President of National Bank of Pakistan (NBP), the largest commercial bank of the country. He had been the President/ Vice President of the American Business Council of Pakistan and Member of the Managing Committee of the Chamber of Commerce and Industry of Pakistan. Mr. Raza is a graduate of the London School of Economics and an M.Sc. in Admn. Sciences as well as a Fellow Member of The Institute of Bankers in Pakistan. He started his career in 1974 with Bank of America, finally becoming Managing Director and Regional Manager for the Middle East, North Africa and Pakistan.

He was awarded 'The Asian Banker Leadership Achievement Award 2007' by Asian Banker in its issue of June 2007. The Sitara- e- Imtiaz was conferred upon him in August 2005 by the Government of Pakistan for his outstanding contribution. 'Business Week' of 'The McGraw Hill Companies' in its July 2005 edition has adjudged Mr. S. Ali Raza as one of the twenty five Leaders of Asia at the Forefront of Change and has identified these leaders as Stars of Asia. Mr. Raza's capabilities were recognised by the Institute of Bankers in Pakistan when he was awarded a Gold Medal in 2003

Board of Directors

Sikandar Hayat Jamali

Director

Mr. Sikandar Hayat Jamali is a retired Government Official. He did his Senior Cambridge from St. Francis Grammar School Quetta, and Higher Senior Cambridge from the Aitchison College Lahore and graduated from Government College Lahore. He has done an M.A. in History (Gold Medalist) from the Punjab University and an M.A. in Public Policy and Administration from the University of Wisconsin (USA). He is also an M.A. in Area Studies (Middle East and North Africa) from the University of London. Presently he is also a Director on the Board of OGDC, Pakistan Reinsurance Company Ltd. and Zarai Taraqati Bank Ltd. He is a Member of Pakistan Institute of Development Economics (PIDE), National Public Safety Commission, Iqbal Academy and Vice-President Balochistan Citizens Forum.

Mian Kausar Hameed

Director

Mian Kausar Hameed, is an MBA from IBA, Karachi. His experience includes Manufacturing, Retailing, Marketing, Management, HR, Training and Teaching at various levels in various organizations for 38 years after his education. He has worked with reputed national and international organizations as Regional Manager, Managing Director/CEO, Management Consultant, Resident Director, Member and Chief Operating Officer. He had addressed international conferences on Sugar and Ethanol and had been speaker in workshops and seminars on CDM and Carbon Finance. He has written several papers on CDM, Ethanol, Agriculture in Pakistan, Trends in Management and HR Development.

He was member Executive Committee Pakistan Sugar Mills Associations (Sindh Zone) for 2 years from 2006 to 2008 and is Co-Convenor PEMA (Pakistan Ethanol Manufacturing Association.)

He is also Chairman of the Board Committee on Human Resource and Member of other Committees of the NBP Board.

He is a member of various Clubs and Associations, a keen social worker and Golfer. He has traveled extensively within and outside Pakistan and visited counties in USA, Europe, Middle East and Central Asian States.

He is a "Certified Director" on the Panel of Pakistan Institute of Corporate Governance (PICG).

Ibrar A. Mumtaz

Director

Mr. Ibrar A. Mumtaz is a businessman. He was born in 1947 and comes from a prominent business family

of Lahore. He was educated at Aitchison College, Lahore, F.C. College, Lahore and the Institute of Business Administration, (I.B.A) University of Karachi. After completing his education he joined his family business in 1968, namely the Fazal Din's Group of Companies comprising of Fazal Din & Sons (Pvt) Ltd., Lahore Chemical & Pharmaceutical Works (Pvt) Ltd., Medipharm (Pvt) Ltd., Fazal Din's Pharma Plus (Pvt) Ltd. and Medequips.

In 2004-5 he served as member of the balloting and executive committees of the Punjab Club, Lahore and in 2006, he was elected as the Chairman of the Lahore Stock Exchange. He is a director on the Board of The Lahore Stock Exchange (G) Ltd., and has also served as a Director on the Boards of Pakistan Credit Rating Agency, (PACRA) and The National Commodity Exchange Ltd., Karachi. His business profile has also been published by "International Who's Who of Professionals" and "Marquis Who's Who in the World" in their 1998 publications. He has also qualified as a "Certified Director" from the Pakistan Institute of Corporate Governance.

Tariq Kirmani

Director

Soon after completing his Masters in Business Administration (MBA) Mr. Kirmani embarked upon a rewarding career, starting with a multi-national Oil Company (Caltex later Chevron Pakistan) in 1969 and worked for seven years in the United States of America, United Arab Emirates and Australia in different senior management positions in Marketing Operations and Finance. In 1991, Mr. Kirmani became the first Pakistani to be elected as a Company Director of the mentioned multi-national company.

Presently, besides National Bank of Pakistan, Mr. Kirmani is serving as a Director on the boards of Pakistan Steel Mills, Pakistan Sports Trust, the National Academy of Performing Arts and Asia Care Insurance Company.

Mohammad Ayub Khan Tarin

Director

Mr. Mohammad Ayub Khan Tarin is a government official. He is an MBA from Western Michigan University, USA. At present, he is working as Additional Finance Secretary (Budget), Ministry of Finance. He possesses 31 years experience in the fields of Financial Management, Budgeting, Accounting, Auditing including Performance Auditing & Public Administration.

Besides NBP, he is on the Board of Directors of :

- i) National Highway Authority
- ii) Pakistan Television Corporation
- iii) Pakistan Broadcasting Corporation
- iv) Institute of Cost & Management Accountants of Pakistan

Excellence in *Leadership*



Qamar Hussain

Chief Operating Officer & Head of
Credit & Risk Management

Masood Karim Shaikh

SEVP & Group Chief, Corporate &
Investment Banking Group

Shahid Anwar Khan

SEVP & Group Chief, Overseas Banking Group

Dr. Asif A. Brohi

SEVP & Group Chief, Operations Group

Amer Siddiqui

SEVP & Group Chief, Commercial &
Retail Banking Group

Muhammed Nusrat Vohra

SEVP & Group Chief, Treasury Management Group

Dr. Mirza Abrar Baig

SEVP & Group Chief, Human Resources Management
& Administration Group

Imam Bakhsh Baloch

SEVP & Group Chief, Audit & Inspection Group

Ziaullah Khan

Senior Executive Vice President

Nabi Bakhsh Soomro

SEVP & Group Chief, Islamic Banking Group

Ekhlaq Ahmed

EVP & Secretary Board of Directors

Tajammal Hussain Bokharee

EVP & Group Chief, Special
Assets Management Group

Nadeem Anwar Ilyas

EVP, PSO to the President &
Group Chief, Compliance Group (A)

Naeem Syed

EVP & Divisional Head-Project Management
Office & Core Banking Applications

Aamir Sattar

SVP & Financial Controller/
Divisional Head, Financial Control Division

Atif Hassan Khan

SVP & Group Chief (A)
Information Technology Group

Sixty Years
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ANNUAL REPORT
2008

The
Banker

**GLOBAL
FINANCE**

Bank of the Year (2008)

World's Best Foreign Exchange Bank (2008)

- NBP was awarded the "Bank of the Year" award for 2008 by The Banker magazine
- NBP was awarded the "World's Best Foreign Exchange Bank" award by Global Finance 2008



NBP

National Bank of Pakistan





Notice of 60th Annual General Meeting

For the year ended December 31, 2008

Notice is hereby given that the 60th Annual General Meeting of National Bank of Pakistan ("Bank") will be held on Tuesday, the 28th April, 2009 at 10:30 A.M (PST), at Crystal Ball Room, Marriott Hotel, Karachi.

The following business will be transacted in the meeting:

Ordinary Business:

1. To confirm minutes of the 59th Annual General Meeting held on Monday, the 31st March, 2008, at 9:00 A.M. at Marriott Hotel, Karachi.
2. To receive and adopt the Audited Accounts of the Bank for the year ended 31st December, 2008, together with the Directors' & Auditors' Reports thereon.
3. To appoint auditors for the year ending 31st December, 2009 and fix their remuneration.
4. To consider and approve Cash Dividend @ 65% and Bonus Shares @ 20% (thereby increasing the Paid-up Capital of the Bank from Rs. 8,969,751,880/- to Rs.10,763,702,260/-) as recommended by the Board of Directors for the year ended 31st December, 2008 (subject to Government of Pakistan/ Regulatory approvals).

Special Business:

5. To ratify the revision / enhancement of the Directors' Fee/Expenses Package.
6. To approve increase in the Bank's Authorized Capital from Rs. 10 Billion (divided into 1,000 Million Ordinary Shares of Rs. 10/- each) to Rs. 25 Billion (divided into 2,500 Million Ordinary Shares of Rs. 10/- each), as approved by GoP, vide Finance Division's Notification No. F.1(4) Bkg-III/2002-217/2 dated March 9, 2009, by passing the following special resolution:

"RESOLVED THAT in terms of Section 4(4) of The National Bank of Pakistan Ordinance, 1949, the increase in the Bank's Authorized Capital from Rs.10 Billion (divided into 1,000 Million Ordinary Shares of Rs. 10/- each) to Rs.25 Billion (divided into 2,500 Million Ordinary Shares of Rs. 10/- each) as approved by GoP, vide Finance Division's Notification No. F.1(4) Bkg-III/2002-217/2 dated March 9, 2009, be and is hereby approved."par

7. To approve donation of Rs.190,891.45 to one or more charitable trust(s) / Welfare Association(s) or any other institution / organization engaged in the welfare of human being, by passing the following ordinary resolution

"RESOLVED THAT the donation of Rs.190,891.45, being the net sale proceeds of 2,694 fractional Bonus Shares - 2007 to one or more charitable trust(s) / Welfare Association(s) or any other institution / organization engaged in the welfare of human being, name(s) of which will be approved by the President (NBP), be and is hereby approved."

(Statement under Section 160 of The Companies Ordinance, 1984 in respect of Special Business is enclosed with the notice sent to Bank's shareholders.)

8. To transact any other business with the permission of the Chairman.

By Order of the Board

Karachi.
Dated: April 06, 2009

(S. Ali Raza)
President

Notice of 60th Annual General Meeting

For the year ended December 31, 2008



Note:

- i) The Share Transfer Books of the Bank shall remain closed from April 18, 2009 to April 28, 2009 (both days inclusive). Transfers received at Messrs THK Associates (Pvt) Ltd., Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, the Bank's Registrar and Share Transfer Agent, at the close of the business on April 17, 2009 will be treated in time for purpose of the entitlement of Cash Dividend / Bonus Shares.
- ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his / her behalf. The Government of Pakistan and State Bank of Pakistan and any Corporation(s), being member of the Bank, may nominate any person as its representative to attend the Annual General Meeting under authority of a Power of Attorney or a Board of Directors' Resolution. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank's Registrar / Transfer Agent, Messrs THK Associates (Pvt) Ltd., Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, not less than 48 hours before the time of holding the Annual General Meeting.
- iii) The CDC Account Holders and Sub-account Holders, whose Registration details are available in the Share Book Detail Report shall be required to produce their respective Original Computerized National Identity Cards (CNICs) or original Passports at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring / know their respective participant I.D. Number and the CDC Account Number. In case of proxy, he/she must enclose an attested copy of his / her CNIC or Passport. Representative(s) of corporate member(s) should bring usual documents required for such purpose.
- iv) Members are requested to immediately notify any change in their addresses to the Bank's Registrar / Transfer Agent, Messrs THK Associates (Pvt.) Limited.

Excellence in Value



Statement Under Section 160 of The Companies Ordinance, 1984

For the year ended December 31, 2008

This statement sets out the material facts concerning the Special Business, given in agenda item No. 5, 6 & 7 of the Notice, to be transacted at the 60th Annual General Meeting of National Bank of Pakistan.

Item No. 5:

TO RATIFY THE REVISION / ENHANCEMENT OF THE DIRECTORS' FEE / EXPENSES PACKAGE

The HRM Committee of the Board, in terms of its ToRs approved by the Board, had reviewed the structure of Directors' fee package in its 01/09 (37th) meeting held on 14.01.2009. The Committee observed that the Directors' compensation was inadequate in relation to the quantum of time the Directors put in various meetings. The Committee strongly recommended to enhance the compensation of the Directors and directed the Secretary (Board) to review the existing fee / expenses package being paid to the Directors for attending Board / Committee meetings and place recommendations based on market practices for revision of the package on behalf of HRM Committee.

It was observed that upon a survey conducted by the Consultants Messrs M. Yousuf Adil Saleem & Company, Chartered Accountants, the Non – Executive Directors' remuneration package was last revised / enhanced w.e.f. February 01, 2008 which was approved by the shareholders in the 59th AGM held on 31st March, 2008. The HRM Committee of the Board was, however, of the view that the recommendations of the consultants were not implemented in their true spirit and the Non – Executive Directors needed to be fairly compensated.

Accordingly, upon review of the survey conducted by Pakistan Institute of Corporate Governance (PICG) it is evident that some smaller banks are paying higher fees to its directors as compared to the Bank which is the largest bank in Pakistan. Reportedly some banks are working on further upward revision of their Directors' fee package. It was also pointed out that many banks and companies were holding their Board meetings at overseas locations while the Board meetings of the Bank could only be held in Pakistan..

The Board of the Bank is comprised of competent, high profile members having diversified experience who are devoting their significant time on oversight of the Bank's functions and formulation of its Policies / Strategies and shoulder enormous responsibilities as envisaged in the Code of Corporate Governance and the Prudential Regulations of the State Bank of Pakistan ("SBP"). Internationally non-executive directors especially in the banking sector are commanding significant fee packages. In order to attract and retain competent senior professionals on the Board, the Bank will have to compensate them adequately keeping in mind their greater time commitment and legal exposure. The commitment of the Bank's Directors and their level of responsibility / engagement and volume of work can be gauged from the number of the Board and Committee meetings held and attended by them during the year 2008 (15 Board meetings and altogether 86 Committees meetings).

The upward revision in the Non-executive Directors' fee is necessary to fairly compensate them for sparing their valuable time and assuming responsibilities under various statutes, Code of Corporate Governance and Prudential Regulations.

In terms of Section 11 (3) (a) of The Banks' (Nationalization) Act, 1974 and SBP's, BPRD Circular No.03 dated 23-04-2007, the Shareholders are requested to ratify the Non – Executive Directors' revised Fee / Expenses package w.e.f. 1-1-2009 duly approved by the Board in its 178th meeting held on January 31, 2009. The Directors are interested to the extent of their remuneration.

In this respect, the following ordinary resolution is proposed to be passed:

“RESOLVED THAT, the following Package of non-executive Directors' Fee & other expenses, for attending meeting (s) of the Board / Committee(s) of the Board, be and is hereby approved **w.e.f January 01, 2009:**

- | | | |
|----|--|--|
| a) | Travel

(In case meeting is held at stations other than that of director's residence) | One return club class air fare.
(As per existing package) |
| b) | Accommodation/Daily Allowance | Actual hotel bill or daily allowance
@ Rs.10,000/- per diem, in lieu of hotel accommodation and other expenses, for a maximum period of 3 days in either case.
Actual meal expenses paid in cash by the Director will be reimbursed. |
| c) | Mileage Allowance

(In case of journey by Road) | @ Rs.25/- (Rupees Twenty Five only) per kilometer. |
| d) | Meeting Fee Per meeting for each

non-executive Director for attending Board / Committee of the Board meeting | Rs. 50,000/-. |

Statement Under Section 160 of The Companies Ordinance, 1984

For the year ended December 31, 2008



Excellence in Value

Item No. 6:

TO APPROVE INCREASE IN THE BANK'S AUTHORIZED CAPITAL FROM RS.10 BILLION TO RS. 25 BILLION. AS APPROVED BY GOP, VIDE FINANCE DIVISION'S NOTIFICATION NO.F.1 (4) BK G-III/2002-217/2 DATED MARCH 9, 2009.

SBP, vide Banking Surveillance Department (BSD) Circular No. 19 dated 05-09-2008 has directed that in order to further strengthen the solvency of individual banks / DFIs, the minimum paid up capital requirement for all locally incorporated banks has been raised to Rs. 23 Billion (net of losses), which requirement is to be achieved by 31-12-2013 in a phased manner.

In order to comply with the instructions contained in the aforesaid SBP circular, the current Authorized Capital of the Bank being PKR 10 Billion is insufficient to increase the Paid up Capital to the required level of Rs.23 Billion. Further, the Bank has been continuously declaring bonus shares (in addition to cash dividend) ranging between 10-20% for the past several years after IPO to strengthen its capital base. Resultantly, the Paid up Capital of the Bank has now increased to Rs.8.969 Billion. As this figure is very close to the Bank's Authorized Capital of Rs.10 Billion, the available cushion is only Rs.1.031 Billion (or 10.3%) as against the declared Bonus Shares of 20%.

In view of the above and in order to enable the Bank to have sufficient cushion to increase its paid up capital upto Rs. 23 Billion during the next five years as required vide SBP, BSD circular No. 19 dated 05-09-2008, the Board of the Bank in its 178th meeting held on 31-1-2009 recommended to the Federal Government, to approve the increase in the Bank's Authorized Capital from Rs. 10 Billion (divided into 1,000 Million Ordinary Shares of Rs. 10/- each) to Rs. 25 Billion (divided into 2,500 Million Ordinary Shares of Rs. 10/- each).

The GoP in terms of Section 4 (1) of The National Bank of Pakistan Ordinance, 1949, has approved the increase of the Authorised Capital of the Bank up to Rs.25 Billion through the Finance Division's Notification No. F.1(4) Bkg-III/2002-217/2 dated March 9, 2009.

Item No. 7:

DONATION OF NET SALE PROCEEDS AMOUNTING TO RS. 190,891.45 OF 2694 FRACTIONAL BONUS SHARES-2007 TO ONE OR MORE CHARITABLE TRUST(S)/ WELFARE ASSOCIATION(S) OR ANY OTHER INSTITUTION ENGAGED IN THE WELFARE OF HUMAN BEING.

On the basis of operating results for the year ended December 31, 2007, the Bank's Board in its 165th meeting held on 29-2-2008, recommended payment of 75% cash dividend and 10% Bonus Shares to the Bank's shareholders, which was also approved by the Bank's shareholders in their 59th AGM held on March 31, 2008.

Accordingly, Dividend Warrants and Bonus Shares were issued to the shareholders as per their entitlement. In this connection, 2694 Bonus Shares, being fractional shares, could not be distributed to the shareholders. For disposal of these fractional 2694 Bonus Shares, a consolidated Share Certificate No. 077206 covering 2694 fractional bonus shares-2007, bearing distinctive Nos. 896972495 to 896975188 in the name of the "Secretary (Board) NBP", was issued with the Board's approval dated 29-02-2008, which was sold, through a Corporate Member of KSE, Messrs Sherman Securities (Pvt.) Ltd., against net sale proceeds of Rs.190,891.45.

On account of high cost of computer printing, distribution / postage and handling charges of the fractional coupons, the NBP Board in its 165th meeting held on 29-2-2008 recommended that with the approval of the shareholders, the net sale proceeds of the fractional Bonus Shares-2007, be donated to one or more charitable trust(s) / Welfare Association(s) or any other institution / organization engaged in the welfare of human being.

In this connection, approval of shareholders is being solicited for donating the net sale proceeds amounting to Rs. 190,891.45 of 2694 fractional Bonus Shares - 2007, to one or more charitable trust(s) / Welfare Association(s) or any other institution / organization engaged in the welfare of human being, name(s) of which will be approved by the President of the Bank.

There is no interest, directly or indirectly, of any of the nominee directors of the Bank except as a Director of the Bank and the interest of the elected Directors is to the extent of his holding, in the above mentioned items of Special Business.