

**ABRIDGED OFFER FOR SALE OF SHARES OF**

**NATIONAL BANK OF PAKISTAN**

(Incorporated under the National Bank of Pakistan Ordinance, 1949)

**THIS IS NOT A PROSPECTUS BY THE BANK BUT AN OFFER FOR SALE BY THE GOVERNMENT OF PAKISTAN AND THE STATE BANK OF PAKISTAN (THE OFFERERS) FROM THEIR HOLDINGS IN THE BANK**

Present offer consists of 18,652,000 ordinary shares of Rs. 10 each with a green shoe option for additional 18,652,000 shares in case of over subscription upto 100% of the present offer

Consultants to the Offer:

Consortium of

Indosuez W. I. Carr Securities Pakistan (Pvt.) Ltd.

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Taseer Hadi Khalid & Co. Chartered Accountants

Subscription list will open Insha-Allah at the commencement of banking hours on November 19, 2001 and will close on November 22, 2001 at the close of banking hours.

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## 1. Approval and Listing on Stock Exchanges

Approval of the Securities & Exchange Commission of Pakistan has been obtained under Section 62 read with Section 57 and Section 61 of the Companies Ordinance, 1984.

**It must be distinctly understood that in giving this approval, the SECP does not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.**

The Offer for Sale has been cleared by the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited in accordance with requirements under their respective Listing Regulations. **While clearing this Offer for Sale, the Stock Exchanges neither guarantee the correctness of the contents of the Offer for Sale of Shares nor the viability of the Bank.**

On behalf of the Offerers, the Bank has filed with the Joint Registrar, Companies Registration Office, Karachi, as required by Section 57(3) and 57(4) of the Companies Ordinance, 1984, a copy of this Offer for Sale signed by or on behalf of the Offerers, together with consent of all Directors and Chief Executive, Auditors, Legal Advisors, Bankers to the Offer and all necessary documents

## 2. Share Capital and Related Matters

<u>No. of Shares</u>		(Rupees)
<b>500,000,000</b>	<b>AUTHORISED</b> Ordinary shares of Rs. 10/- each	<b>5,000,000,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
<b>Issued for Cash</b>		
140,388,000	Ordinary shares of Rs. 10/- each	1,403,880,000
<b>Issued as Bonus</b>		
232,650,350	Ordinary shares of Rs. 10/- each	2,326,503,500
<b>373,038,350</b>		<b>3,730,383,500</b>
The existing issued, subscribed and paid up capital of the Bank is held as follows:		
348,256,183	State Bank of Pakistan	3,482,561,830
19,745,934	Government of Pakistan	197,459,340
1,858,464	Pakistan Re-insurance Company Limited (formerly Pakistan Insurance Corporation)	18,584,640
1,636,725	State Life Insurance Corporation of Pakistan	16,367,250
667,014	National Bank of Pakistan, Trustee Wing - HO	6,670,140
290,504	President of Pakistan through Privatisation Commission, GOP	2,905,040
221,586	Ghee Corporation of Pakistan (Pvt.) Limited	2,215,860
137,607	Investment Corporation of Pakistan	1,376,070
119,132	Ravi Rayon Limited	1,191,320
103,206	National Investment Trust Limited	1,032,060
1,995	Ittehad Chemicals Limited	19,950
<b>373,038,350</b>	<b>TOTAL</b>	<b>3,730,383,500</b>
<b>18,652,000</b>	<b>Present Offer to the General Public by: Government of Pakistan</b>	<b>186,520,000</b>

**This is an "Offer for Sale" of shares of Bank by the Government of Pakistan of its 5% shareholding in the Bank. In addition to this, in case of over subscription, the State Bank of Pakistan would also offer 5% of its shareholding in the Bank.**

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### **Minimum Amount of Application**

Applications for shares must be made for 1,000 or in multiples of 1,000 shares only. Applications, which are not in multiple of 1,000 shares, shall be rejected. Applications for shares below the value of Rs. 10,150/- in case of physical transfer and Rs. 10,010/- in case of transfer under book entry system shall not be entertained.

**Fictitious and multiple applications are prohibited and such application money shall be liable to confiscation under Section 18-A of the Securities and Exchange Ordinance, 1969.**

### **Facilities available to Non-Resident Pakistanis**

Non-resident Pakistanis residing in Abu Dhabi, Dubai, Sharjah and Bahrain are also eligible to participate in this public offering. In this respect following facilities would be available to these non-resident Pakistanis:

- (a) It will be permissible for non-resident Pakistanis to transfer the shares to other non-resident Pakistanis.
- (b) Non-resident Pakistanis will be entitled for investment on a repatriable basis, provided the issue price is paid in foreign exchange either by remittance from abroad or out of foreign currency accounts maintained in Pakistan.
- (c) Disinvestment proceeds and dividend will accrue in Pakistani Rupees and its repatriation will be allowed in accordance with the exchange rate prevailing on the date of remittance. This facility will be available only if the stay of the shareholder in Pakistan does not exceed six months. In case of disinvestment, the remittance will be allowed, provided the amount is not in excess of the sale price as certified by a stockbroker and tax, if applicable, has been paid.
- (d) Transferees shall have the option either to receive dividend income in Pakistani currency or in US Dollars to be specified by them in the application form.
- (e) Zakat from non-resident Muslim shareholders acquiring shares against payment in foreign currency will be deducted if specifically so desired. Otherwise, no Zakat

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will be deducted on shares acquired against payment in foreign currency and the return on which and the value on encashment, redemption or withdrawal of which is payable in foreign currency.

### **Dividend Policy**

**Subject to Section 19 of the Banking Companies Ordinance, 1962, and Section 17 of the Banks (Nationalization) Act, 1974, the Bank in General Meeting may declare a dividend to be paid to the members.**

### **Restrictions on Rights and Privileges attached with the shares offered**

**The shares of the Bank being offered under this document shall rank pari passu in all respects and have all the rights and privileges except for the restrictions mentioned below:**

- (a) In accordance with the provisions of the Banks (Nationalization) Act, 1974 the President and the Directors of the Bank will be appointed by the Federal Government. Hence shares being offered herewith shall not have the right to elect or remove Directors of the Bank, being the right ordinarily available to the shareholders of the companies registered under the provisions of the Companies Ordinance, 1984.**

**However, under the provisions of Section 5A of the Banks (Nationalization) Act, 1974, the applicability of the provisions of the Banks (Nationalization) Act, 1974 except sub-Section 1 shall be suspended in case where the 26% of GOP's share in a bank has been disinvested. Further, where the disinvestment has been of 51% or more, then the provisions of the Banks (Nationalization) Act, 1974 shall cease to apply to the concerned bank.**

- (b) Under the provisions of Section 14 of the Banking Companies Ordinance, 1962 the voting rights of any shareholder cannot exceed 5% of the total voting rights of all the shareholders, except those of Federal or a Provincial Government.**

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### 3. Commission, Brokerage, and Other Expenses

#### Expenses of the Offer for Sale of Shares

The expenses of this Offer for Sale are estimated not to exceed Rs. 13.410 million, out of which the Listing fees of the stock exchanges and membership fees of CDC shall be borne by the Bank and balance of expenses will be borne by the Offerers.

Break-up of these expenses is as follows:

	<b><u>Rupees</u></b>
(a) Commission to the bankers to the issue @ 0.50% *	1,865,200
(b) Brokerage to the members of Stock Exchanges @ 1% *	3,730,400
(c) Listing Fees and CDC Charges	4,614,000
(d) Publication and printing of Offer for Sale & Printing of Share Certificates & Transfer Deeds and Share Application Forms	1,900,000
(e) Professional charges, viz., fee to Consultants to the Issue, Computer Balloting, etc.	800,000
(f) Other Miscellaneous Expenses	500,000
<b>TOTAL</b>	<b>13,409,600</b>

\*These expenses have been calculated on the maximum amount inclusive of green shoe option.

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## **4. History and Prospects**

### **History**

National Bank of Pakistan (the Bank) was established on November 9, 1949 under the National Bank of Pakistan Ordinance, 1949 in order to cope with the crisis conditions which were developed after trade deadlock with India and devaluation of Indian Rupee in 1949. Initially the Bank was established with the objective to extend credit to the agriculture sector. The normal procedure of establishing a banking company under the Companies Law was set aside and the Bank was established through the promulgation of an Ordinance due to the crisis situation that had developed with regard to financing of jute trade. The Bank commenced its operations from November 20, 1949 at six important jute centres in the then East Pakistan and directed its resources in financing of jute crop. The Bank's Karachi and Lahore offices were subsequently opened in December 1949.

The nature of responsibilities of the Bank is different and unique from other banks/financial institutions. The Bank acts as the agent to the State Bank of Pakistan for handling Provincial/Federal Government Receipts and Payments on their behalf.

The Bank has also played an important role in financing the country's growing trade, which has expanded through the years as diversification took place. Today the Bank finances import/export business to the tune of Rs. 52.7 billion, whereas in 1960 financing under this head was only Rs. 1.54 billion.

### **Objects and Activities**

The Bank is providing all banking services of mercantile and commercial banking permissible in the country, which include:

- Handling of treasury transactions for the Government of Pakistan as agent to the State Bank of Pakistan.
- Providing services under a Trust Deed as Trustee to the National Investment Trust (NIT) including safe custody of securities on behalf of NIT.
- Accepting of deposits of money on current, fixed, saving, term deposit and profit and loss sharing accounts.
- Borrowing money and arranging finance from other banks.
- Advancing and lending money to its clients.

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- Financing of projects, including technical assistance, project appraisal through long-term / short-term loans, term finance and musharika certificates, etc.
  - Buying, selling, dealing, including entering into forward contracts of foreign exchange.
  - Financing of seasonal crops like cotton, wheat, rice, sugar cane, tobacco, etc.
  - Receiving of bonds, scrips, valuables, etc. for safe custody.
  - Carrying on agency business of any description other than managing agent, on behalf of clients including Government and local authorities.
  - Generating, undertaking, promoting, etc. of issue of shares and, bonds, etc.
  - Transacting guarantee and indemnity business.
  - Undertaking and executing trusts.
  - Joint venturing with foreign dealers, agents and companies for its representation abroad.
  - Participating in "World Bank" and "Asian Development Bank's" lines of credit.
  - Providing personalised Haj services to intending Hajis.

### **Branch Network**

Presently the Bank is divided into 10 Groups headed by SEVPs/EVPs. Its field operations are controlled by 9 Regions reporting to as many Regional Chiefs, who control 40 Zones and 15 Single Branch Zones headed by Zonal Chiefs; 12 Corporate branches and 1,395 domestic branches headed by Branch Managers.

With the geographical development of its branches, the Bank has been able to extend its services to a much larger number of Pakistanis all over the country. Today it has more than 8.5 million accounts. Bank maintains its presence in all the major financial centres of the world through its 23 overseas branches and 5 representative offices. Of these, three representative offices have recently been set up at Tashkent (Uzbekistan), Baku (Azerbaijan) and Almaty (Kazakhstan) to take advantage of the emerging opportunities in CIS countries. Bank's role globally is well assisted by its network of correspondent banks located strategically in Asia, America, Europe and Africa.

Apart from having a vast branch network, Bank is at the forefront in the acquisition and application of new technologies in every aspect of its banking facilities. It has acquired leased telephone lines for on-line banking. The Bank has 12 Regional Computer Centres to cover various on-line and batch system requirements of branches and controlling

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offices. Bank has also a presence on the Internet. It has modernised its services by installing Automated Teller Machines (ATMs) called "CASH LINK" at selected branches and presently 17 ATMs are operational in major cities.

### **Present Status of the Bank**

The new management team having extensive experience of management of large financial institutions both within and outside the country is expected to further enhance the profitability and operational efficiency of the Bank.

### **Merger / Amalgamation of National Development Finance Corporation with National Bank of Pakistan**

**The Federal Government sanctioned the Scheme of Amalgamation of National Development Finance Corporation (NDFC) with National Bank of Pakistan (NBP) under Section 47(8) of the Banking Companies Ordinance, 1962, effective from 1 November 2001. In terms of the Scheme of Amalgamation, the specific assets and liabilities of NDFC as of 31 October 2001 have been transferred to NBP and any difference between the assets and liabilities transferred shall be compensated and reimbursed by the Federal Government to NBP, on behalf of NDFC.**

### **Prospects**

The Bank's principal strategic going forward objective is to make the transition from a public service institution to a modern commercial bank. Being the country's largest financial institution, the Bank is uniquely positioned to leverage its large branch network and its 8.5 million customer base to consolidate its core businesses as well as develop new revenue generating opportunities.

The new management team is in place combining the Bank's existing personnel with professionals recruited from outside. Operating procedures are being re-defined and internal controls strengthened utilizing a revamped IT architecture. A brief on the progress on some critical areas is as follows:

### **Corporate & Investment Banking**

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A new approach to corporate banking is underway. The Bank has initiated a structured approach to corporate banking by introducing a single point of contact through Relationship Managers (RMs). For this purpose, new RMs as well as team leaders have been inducted to expedite this process. Area Managers will be appointed to manage relationships and to better service the needs of multinationals and large local corporates. An investment banking team has also been formed to offer specialized services to major relationships including advisory and debt syndications (TFCs). Furthermore, to stem the growth in non-performing loans, the existing risk / credit management practices at the Bank are being revamped.

### **Treasury / International Banking**

The deregulation of foreign exchange treasury business has ensured that a growing volume of business now flows through the inter-bank market where rates are determined by the market forces. This can prove to be an immense profitable proposition for the Bank.

Towards this objective, the Bank is shifting focusing on expanding its market share in trade finance, home remittance and foreign investment related forex-denominated flows. Here the setting up of a router based high-speed satellite link along with the extension of S.W.I.F.T. service to large domestic and international branches too will have a favourable impact.

### **Operations Group**

The Bank needs to improve the service orientation at its branches, as these constitute the "front line" of the Bank in terms of contact with its customers. A new monitoring system is being created to efficiently collect and utilize the feedback from the branches to support product development and enhance the quality of service.

The advent of Internet and other technological improvements have re-defined how branches should operate. Bank cannot afford to be left behind and is in the process of introducing E-Commerce initiatives based on customer friendly technologies. Bank will also create products to utilize the benefits of E-Commerce for its customers.

### **Human Resource Function**

Little tangible progress can be achieved if the above-discussed initiatives are not accompanied by a marked improvement in Bank's training and performance appraisal policies and procedures. Here a comprehensive training program is being developed to upgrade and develop core banking skills of the Bank's existing staff. Furthermore, to boost the staff motivation level and to ensure that those displaying a marked improvement in

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performance are adequately rewarded for their efforts, a merit based culture is being promoted through revamping manpower recruitment, retention and performance appraisal systems.

### **Other Major Initiatives**

While the Bank is focusing on enhancing revenues, it pays equal emphasis on controlling its costs. The Bank is in the process of restructuring, and plans to close down non-performing branches, reduce excess staff and layers of management reporting. The purpose of this exercise is to efficiently manage the Bank's intermediation cost and improve the turnaround time for taking management decisions.

National Bank of Pakistan and United Bank Limited are in the process of consolidating their United Kingdom banking operations. The combined bank will be called the Pakistan International Bank (PIB) and the Bank's share will be 45% of new capital in the PIB.

### **Non Performing Loans**

As on 31 December 2000, the Bank's non-performing loans (NPLs) amounted to Rs. 30,323 million, which was 19.11% of total advances as against 21.48% as on 31 December 1999, showing an improvement of 2.37%. Provision against non-performing advances was Rs 18,296 million as on 31 December 2000, which is 60.34% of NPLs. This high ratio reflects prudence of the Bank's management while determining provisions. Remaining NPLs are covered by forced sales value of mortgaged property, Federal Government Guarantee or are in category other than loss.

The Special Assets Group at Head Office with full co-ordination between field functionaries and Head Office is monitoring NPLs and deals with the classified portfolio of the Bank along with Remedial Management, Legal framework, Statistical Analysis of classified accounts, Revival of Sick Industrial Units, Consortium Financing and Ex-Mehran Bank Limited affairs etc.

Strategy to achieve the objectives include:

- Active participation in management affairs of the revived units
- Review of sick units at regular intervals
- Out of court settlement
- Follow-up of rescheduled / restructured accounts
- Sustainable debts

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- Personal visits of Senior Executives from Head Office to field for recovery purpose
  - Better reward mechanism for the staff responsible for reduction in classified portfolio

**Risk Factors**

The management wishes to highlight the following major risk factors, which may affect the profitability of the Bank:

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## **Liquidity Risk**

The Bank's liquidity position is managed by Assets and Liabilities Committee (ALCO) through Treasury Management Group. The ALCO/Treasury Management Group monitors the maintenance of Balance Sheet Liquidity Ratios, depositors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingencies plan.

## **Credit risk and concentration of credit risk**

Credit risk is managed in terms of lending policy, approved by the Board of Directors and other laid down procedures outlined in the Bank Book of Instructions and related circulars. Credit limits are established for all counter - parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents has been established and managed by Credit Group (CG) at Head Office. Where possible, all loans and advances are secured by acceptable form of collateral to mitigate credit risk. The CG is also responsible for continuing review and monitoring of borrowers' accounts and effective compliance of Prudential Regulations.

The Bank maintains a sound loan portfolio diversified in nature to counter the risk of credit concentration and further limits risk through diversification of its assets by geographical and industrial sector.

## **Currency risk**

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with SBP and foreign currency assets and liabilities. The net open position and the nostro balances are managed within the statutory limits, as fixed by the SBP. Counter-parties limits are also fixed to limit risk concentration.

## **Interest / Mark-up rate risk**

The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities and off-balance sheet financial instruments that mature or re-price in a given period. The Bank manages this risk by matching / re-pricing of assets and liabilities. The Bank is not excessively exposed to interest / mark-up risk as its assets and liabilities are re-priced frequently.

## **5. Financial Highlights**

The assets and liabilities of the Bank as at December 31, 2000 were as follows:

	2000 (Rupees in '000)
<b>ASSETS</b>	
Cash and balance with SBP and other central banks	70,944,010
Balances with other banks	29,150,948
Money at call and short notice	8,180,349
Investments - net of diminution	80,368,233
Advances - net of provision	140,325,289
Operating fixed assets	6,511,486
Capital work in progress	217,560
Other assets - net of provision	35,049,405
	370,747,280
<b>LIABILITIES</b>	
Deposits and other accounts	316,493,342
Borrowings from other banks, agents etc.	10,298,970
Bills payable	2,152,050
Other liabilities	24,820,001
	353,764,363
<b>NET ASSETS</b>	16,982,917
<b>REPRESENTED BY:</b>	
Share capital	1,463,880
Reserve fund and other reserves	9,728,799
Unappropriated profit	184,848
Shareholders' equity	11,377,527
Surplus on revaluation of fixed assets	5,839,842
Surplus/(Deficit) on revaluation of securities - net	(234,452)
	16,982,917
<b>MEMORANDUM ITEMS:</b>	
Bills for collection	1,792,942
Acceptances, endorsements and other obligations (including guarantees shown under contingent liabilities)	72,443,007
Contingent liabilities and commitments [note (i)]	
Qarz-e-Hasna Fund	339,502

**2000**  
**(Rupees in '000)**

**NOTES**

**(i) CONTINGENT LIABILITIES AND COMMITMENTS**

**Contingencies**

Money for which the Bank is contingently liable:

a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings	-
b) Contingent liability in respect of guarantees given favouring:	
i) Government	1,052,994
ii) Banking companies and other financial institutions	13,736,493
iii) Others	14,226,177
c) Liability on bills of exchange rediscounted	-
	29,015,664

Claims against the Bank not acknowledged as debt [including the State Bank of Pakistan liabilities on Bangladesh borrowing and interest thereon amounting to Rs 141.605 million (1999: Rs 100.465 million) and claims relating to former Mehran Bank Limited amounting to Rs 2,705.99 million(1999: Rs 1,586.173 million)]	8,814,335
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Contingent liability in respect of taxation [NOTE (ii)]

**Commitments**

Commitments in respect of forward exchange contracts

Sale	4,404,639
Purchase	21,301,149

Commitments in respect of operating leases	41,434
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Capital expenditure contracted but not provided for	103,875
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Commitments in respect of repurchase transactions	-
Commitments in respect of resale transactions	7,759,152

(ii) **Taxation**

The matters of taxing interest credited to suspense account and disallowance of interest on inter branch balances of Azad Kashmir branches in respect of prior years are pending with the appellate authorities and in the Court of Law. Last year, the Income Tax Appellate Tribunal (ITAT) has set aside the orders of assessing officer for disallowance of income from WAPDA Bonds for the assessment years 1991-92 to 1996-97 which the Bank had claimed as exempt from tax under Second Schedule of the Income Tax Ordinance, 1979. The ITAT directed the assessing officer to decide the issue afresh after seeking clarification from the Central Board of Revenue. As regard the disallowance for the assessment years 1997-98 and 1998-99 appeals have been filed and are pending with appellate authorities. Net tax effect of the above matters comes to Rs. 4,098 million.

During the year, the assessing officer disallowed the cost of employees special separation package, the tax effect of which comes to Rs. 7,300 million. The Bank has filed an appeal, which is pending before CIT appeals.

No provision has been made in these accounts for the above as management, based on the opinion of tax lawyers and consultants, considers that provision is not necessary because the Bank is subjected to tax exceeding its normal tax liability. Management is confident that the Bank will get appropriate relief in the appeals.

The profit and loss accounts of the Bank for each of the five years ended December 31, 1996 to December 31, 2000 are set out below:

	2000	1999 Restated	1998	1997 Restated	1996
----- (Rupees in thousand) -----					
Mark-up/Interest and discount and/or return earned	29,677,937	31,277,047	31,699,371	30,842,151	24,994,756
Less: Cost/Return on deposits, borrowings etc.	(20,898,938)	(20,905,676)	(22,915,325)	(23,202,116)	(18,677,715)
	8,778,999	10,371,371	8,784,046	7,640,035	6,317,041
Fees, commission and brokerage	2,247,633	2,244,203	1,367,663	1,291,974	1,309,840
Profit/(Loss) from dealing securities	24,258	23,351	(478)	20,369	17,819
Profit from investment securities	-	-	-	2,915	55,798
Dividend income	486,979	255,829	290,923	511,858	160,841
Other operating income	1,253,882	1,462,851	1,072,408	1,455,809	1,541,944
	4,012,752	3,986,234	2,730,516	3,282,925	3,086,242
Operating Expenses:					
Administrative expenses	8,008,620	7,941,136	6,160,139	6,453,578	6,823,057
Diminution in value of investments	316,596	915,707	155,151	79,471	105,701
Provisions against non-performing advances	1,332,377	1,516,787	515,552	2,946,210	3,779,263
Other provisions	(491,734)	823,236	12,500	-	36,725
	840,643	2,340,023	528,052	2,946,210	3,815,988
Bad debts written-off directly	5,384	73,565	32,261	26,910	33,000
	9,171,243	11,270,431	6,875,603	9,506,169	10,777,746
	3,620,508	3,087,174	4,638,959	1,416,791	(1,374,463)
Other income	41,754	27,899	74,931	58,847	114,690
	3,662,262	3,115,073	4,713,890	1,475,638	(1,259,773)
Amortisation of deferred cost	2,629,862	2,595,211	2,578,508	479,955	-
Profit/(Loss) before taxation	1,032,400	519,862	2,135,382	995,683	(1,259,773)
Taxation	571,173	488,546	1,605,729	934,000	(464,500)
Profit/(Loss) after taxation	461,227	31,316	529,653	61,683	(795,273)
Profit/(Loss) brought forward	(230,256)	(261,572)	(738,260)	(793,775)	1,498
	230,971	(230,256)	(208,607)	(732,092)	(793,775)
Appropriations					
Transfer to statutory reserve	(46,123)	-	(52,965)	(6,168)	-
Dividend	-	-	-	-	-
Profit/(Loss) carried forward	184,848	(230,256)	(261,572)	(738,260)	(793,775)

**Unaudited Financial Statements for the six months period ended June 30, 2001**

**Balance Sheet  
As at June 30, 2001**

**(Rupees in '000)**

**ASSETS**

Cash and balance with SBP on current account	23,426,965
Balances with other banks/NBFIs including SBP	74,186,948
Money at call and short notice	7,679,137
Investments - net of provision	73,400,739
Advances - net of provision	161,268,206
Operating fixed assets	6,571,834
Capital work in progress (Building Construction)	186,753
Other assets	28,913,910
	<b>375,634,492</b>

**LIABILITIES**

Deposits and other accounts	329,526,032
Borrowings from other banks, NBFIs agents etc.	7,497,213
Bills payable	1,800,981
Other liabilities	18,859,595
	<b>357,683,821</b>

**NET ASSETS**

**17,950,671**

**REPRESENTED BY:**

Paid-up capital	1,463,880
Reserve fund and other reserves	10,274,753
Unappropriated profit	503,613
Shareholders' equity	12,242,246
Surplus on revaluation of fixed assets	5,839,842
Surplus/(Deficit) on revaluation of securities - net	131,417
	<b>17,950,671</b>

**MEMORANDUM ITEMS:**

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Bills for collection	1,552,668
Acceptances, endorsements and other obligations	68,703,048
Contingent liabilities and commitments	33,393,073
Qarz-e-Hasna Fund	349,409

**Profit & Loss Account**

**For the six months period ended 30 June 2001**

	<b>(Rupees in '000)</b>
Mark-up/Interest and discount and/or return earned	15,472,244
Less: Cost/Return on deposits, borrowings etc.	(9,872,215)
	<u>5,594,029</u>
<b>Operating Income:</b>	
Fees and commission	1,314,673
Dividend income	210,300
Other operating income	333,270
	<u>1,858,243</u>
	<u>7,452,272</u>
<b>Operating Expenses:</b>	
Administrative expenses	4,639,831
Provisions against non-performing advances	600,000
Diminution in value of investments	250,000
Bad debts written-off directly	1,863
	<u>5,491,694</u>
	<u>1,960,578</u>
	<u>25,191</u>
Other income	1,985,769
	<u>1,317,004</u>
Amortisation of deferred cost	668,765
Profit/(Loss) before taxation	<u>668,765</u>
<b>Taxation</b>	
Current charge	(1,050,000)
Deferred reversal	700,000
	<u>(350,000)</u>
Profit/(Loss) after taxation	318,765
	<u>184,848</u>

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Profit/(Loss) brought forward	
<b>Appropriations</b>	
Proposed dividend	-
Other appropriation	-
	503,613
Profit carried forward	503,613

### **Break-Up Value**

Based on the audited financial statements for the year ended December 31, 2000 the break-up value of an ordinary share of Rs.10 each of National Bank of Pakistan after taking the effect of subsequent bonus issue, which has not been accounted for in the audited financial statements for the year ended December 31, 2000, has been as follows:

Break-up value per share (excluding surplus on revaluation of fixed assets)	<b>Rupees</b>	29.87
Break-up value per share (including surplus on revaluation of fixed asset)	<b>Rupees</b>	45.52

### **Financial year**

The financial year of the Bank commences from the 1<sup>st</sup> day of January and ends on the 31<sup>st</sup> day of December every year.

## 6. Management and Related Matters

### Board of Directors

S. Ali Raza	Chief Executive/ President
Dr. Waqar Masood Khan	Director
Kamran Y. Mirza	Director
Rizwan A. Kehar	Director
A. Razzak Tabba	Director
Sheikh Humayun Sayeed	Director
Qazi Faez Isa	Director
S.M. Rafique	Secretary

### Information in Respect of Other Companies in which Directors are holding Directorship

#### Dividends Declared

Name of Company	Dividends (%)				
	2000	1999	1998	1997	1996
Bank Al-Jazira, Jeddah	Nil	Nil	Nil	Nil	Nil
Investment Corporation of Pakistan	Nil	Nil	Nil	Nil	Nil
Pakistan International Airlines Corporation	Nil	Nil	Nil	Nil	Nil
Khushhali Bank Limited.	Nil	*N/A	*N/A	*N/A	*N/A
National Institute of Banking & Finance (Guarantee) Limited	Nil	Nil	Nil	Nil	Nil
The Institute of Bankers in Pakistan	Nil	Nil	Nil	Nil	Nil
Shell Pakistan Limited	165.00	125.00	85.00	85.00	27.50
National Investment Trust Limited	40.00	30.00	10.00	10.00	Nil
National Discounting Services Limited	6.00	6.00	10.00B 6.00	6.00	Nil

Name of Company	Dividends (%)				
	2000	1999	1998	1997	1996
National Bank Modaraba Management Company Limited	50.00	Nil	Nil	Nil	Nil
National Insurance Company Limited	Nil	Nil	Nil	Nil	Nil
Abbott Laboratories (Pakistan) Limited	40.00	17.50	27.50	25.00	20.00
			10.00B	10.00B	10.00B
Knoll Pharmaceuticals Limited	50.00	200.00	100.00	75.00	100.00
		200.00B			
Gadoon Textile Mills Limited	83.00	30.00	21.10	40.00	50.00
Lucky Cement Limited	Nil	Nil	Nil	Nil	Nil
Lucky Power Tech Limited	Nil	Nil	Nil	Nil	Nil
Fazal Textile Mills Limited	185.00	35.00	31.30	10.00	10.00
				10.00B	
Lucky Energy Limited	100.00	50.00	50.00	10.00	Nil
Security Electric Power Co. Limited	Nil	Nil	Nil	Nil	Nil
Yunus Textile (Pvt.) Limited	Nil	Nil	Nil	Nil	Nil
Fashion Textile Mills (Pvt.) Limited	Nil	Nil	Nil	Nil	Nil
Raja Insurance Company Limited	Nil	7.50	Nil	Nil	Nil

\*Incorporated in 2000.

#### Overdue Loans

There are no overdue loans on any of the above mentioned companies. There are no overdue loans on the Bank or its Directors.

#### Chief Executive / President

The Government of Pakistan, through Finance Division notification No F.1 (8) Bkg. III/2000-884 dated 13 June 2000, has appointed S. Ali Raza with the approval of the State Bank of Pakistan as the Chief Executive / President for a period of three years. He is drawing a basic salary of Rs. 160,000/- per month and other benefits, perquisites and allowances as per his terms of employment. No compensation is payable to him for the loss of his office.

Mr. Raza is a graduate of the London School of Economics and M.Sc. in Adm. Sciences as well as a Fellow Member of The Institute of Bankers in Pakistan. He started his career in 1973-74 as International Management Trainee with the Bank of America (BOA), San Francisco. At BOA he worked at various positions in abroad as well as Pakistan and finally became the Regional / Country Manager Pakistan in 1999.

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He was/has been on various committees set up by the Government including Prime Minister's Coordination Committee for Review of Problem Industrial Units in Pakistan and Prime Minister's Committee for Exchange Payment Reforms – 1990

As General Manager International Bank of Yemen during 1984-87, Mr. Raza succeeded in converting this problematic loss making entity with significant shareholders conflict into one of the country's premier and most profitable institutions.

During 1996-98, as Regional Manager Middle East & Africa, concurrently with Pakistan responsibilities, he substantially enhanced the bank's profile, business, opportunities and revenues in Saudi Arabia, Gulf and Egypt, the key regional markets. The revised strategy focused on niche product areas e.g. project / structured finance, corporate advisory, cash and asset management.

As Country Manager Pakistan operations, he successfully positioned BOA as the premier foreign bank in Corporate/Investment Banking in the domestic market. The success of strategy he evolved reflected in very strong operating performance consistently amongst the best in the market. Major accomplishments include implementing a credit management process, which has created a top quality loan portfolio, strategic initiatives, which have expanded the revenue base.

Mr. Raza has contributed immensely towards the development of Corporate Debt market in Pakistan from the platform of BOA.

### **Number of Directors**

**Pursuant to Section 11 of The Banks' (Nationalization) Act, 1974, the number of Directors of the Bank shall not be less than 5 and not more than 7, excluding the President. The Federal Government may, if it deems necessary, appoint a Chairman of the Board in respect of the Bank. At present the Board consists of 6 Directors and a President who is the Chief Executive of the Bank and presides over the meetings of the Board.**

### **Voting Rights**

**Upon a show of hands every member present in person shall have one vote and upon a poll every member present in person or by proxy shall have one vote for every ten shares held by him, subject to a maximum of ten votes. The Federal Government as a shareholder may appoint any person to be present at any General Meeting and to vote on its behalf.**

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**Provided that subject to any exemption granted by the Federal Government under Section 93 of the Banking Companies Ordinance 1962, the voting rights of any one shareholder shall not exceed 5% of the total voting rights of all shareholders of the Bank.**

**The shares being offered herewith shall rank pari passu in all respects, except that these do not have the right to elect or remove Directors of the Bank, being the right ordinarily available to the shareholders of the companies registered under the provisions of the Companies Ordinance, 1984.**

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## 7. Miscellaneous

<b>Registered Office &amp; Head Office</b>	National Bank Building I. I. Chundrigar Road Karachi.
<b>Bankers to the Offer</b>	<b>Local</b> Allied Bank of Pakistan Ltd. Bank Al Habib Ltd. First Women Bank Ltd. PICIC Commercial Bank Ltd. Habib Bank A.G. Zurich Habib Bank Ltd. Muslim Commercial Bank Ltd. National Bank of Pakistan Prime Commercial Bank Ltd. Union Bank Ltd. United Bank Ltd. <b>Overseas</b> United Bank Ltd. Bahrain United Bank Ltd. UAE
<b>Auditors</b>	M. Yousuf Adil Saleem & Co. Chartered Accountants
<b>Legal Advisor</b>	Taseer Hadi Khalid & Co. Chartered Accountants Mandviwalla & Zafar Advocates And Legal Consultants Mandviwala Chambers, Old Queens Road, Karachi.
<b>Consultants to the Offer (Lead Manager)</b>	Indosuez W.I. Carr Securities Pakistan (Pvt.) Ltd., Mohammadi House, I.I. Chundrigar Road, Karachi.  Taseer Hadi Khalid & Co., Chartered Accountants, First Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi.
<b>Computer Balloters &amp; Share Registrars</b>	THK Associates (Private) Limited Ground Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi

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### **Material Contracts**

- (a) Agency Agreement dated 23 May 2001 between State Bank of Pakistan(SBP) and National Bank of Pakistan
- (b) Agreement dated 21 March 1996 for Direct Deposit of Sales Tax between Central Board of Revenue Government of Pakistan and National Bank of Pakistan (NBP)
- (c) Subsidiary Loan Agreement with the Government of Pakistan (GOP) dated 21 March 1989 whereby GOP agreed to relend part of the proceeds of the Loan (US\$ 50 million) obtained from Asian Development Bank to NBP.
- (d) Subsidiary Loan Agreement with the Government of Pakistan (GOP) dated 4 May 1992 whereby GOP agreed to relend part of the proceeds of the Loan (US\$ 8 million) obtained from OPEC Fund for International Development to NBP.
- (e) Memorandum of Understanding between National Bank of Pakistan and United Bank Limited dated 14 February 2000 as to the consolidation of their U.K branches operations and business in a new joint venture bank to be incorporated in the U.K.

### **Inspection of Documents and Contracts**

Copies of the National Bank of Pakistan Ordinance 1949, Bye-Laws, Audited Financial Statements, Auditors' Certificates, and copies of the agreements referred to in this Offer for Sale together with Scheme of Amalgamation of NDFC with NBP may be inspected during usual business hours on any working day at the Registered Office of the Bank from the date of publication of the Offer for Sale till the closing of subscription list.

### **Legal Proceedings**

The Bank is not a party to any pending significant legal proceedings other than routine litigation incidental to the banking business.

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## **Dividend**

The rate of dividend per ordinary share declared by the Bank and the number of shares on which the dividend were declared are as follows:

<b>Year ended December 31</b>	<b>Number of Ordinary Shares</b>	<b>Denomination of Each Share</b>	<b>Dividend Percent</b>
1991	146,388,000	10	3.50
1992	146,388,000	10	5.00
1993	146,388,000	10	5.00
1994	146,388,000	10	Nil
1995	146,388,000	10	5.00
1996	146,388,000	10	Nil
1997	146,388,000	10	Nil
1998	146,388,000	10	Nil
1999	146,388,000	10	Nil
2000	146,388,000	10	Nil

## **Subsidiary Companies**

The Bank has following subsidiaries:

- National Discounting Services Ltd.
- National Bank Modaraba Management Co. Ltd.
- National Agriculture Ltd.

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## 8. Application and Transfer Instructions

Application of shares must be made for 1,000 or in multiples of 1,000 shares only. Applications, which are not in multiple of 1,000 shares, shall be rejected. Application of shares below the value of Rs. 10,150/- in case of physical transfer and Rs. 10,010/- in case of transfer under book entry system shall not be entertained.

**Note:** Subscribers are advised to follow the instructions regarding Application and Transfer on the application forms available at all the branches of bankers to the Offer for Sale.

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## Signatories to the Offer for Sale

1. Sd/-  
**Asif Bajwa**  
Joint Secretary (Budget)  
Finance Division  
Government of Pakistan

2. Sd/-  
**Barbruce Ishaq**  
Senior Joint Director  
Accounts Department  
State Bank of Pakistan

Date: 02 November 2001

Place: Karachi